

MEMO

DATE: 5 August 2025

TO: Ruth Isaac, Deputy Director-General Policy and Regulatory Services

CC: Siobhan Quayle, Director Regulatory Systems Performance

FROM: Kirsty Cameron, Commercial Manager
Kayla Mahon, Senior Commercial and Revenue Advisor

SUBJECT: Recommendation to instate an annual bond for 49 Lower Selwyn Hut leases

Background

1. The Department of Conservation (DOC) is currently processing 49 applications for transitional 10-year leases for the Lower Selwyn Huts.
2. Upon expiry of these leases, all huts, many of which contain hazardous materials such as asbestos, must be removed from the land and the sites remediated. This approach aligns with the Conservation General Policy, which mandates the gradual removal of private accommodation from public conservation land.
3. Given the nature of the huts and the socioeconomic status of many owners, some owners may abandon their huts at the end of the lease term or earlier, which would leave DOC responsible for removal and site remediation.
4. This risk has already materialised in two recent cases, where the previous concessionaires are not applying for a replacement lease and have left the country. DOC has incurred costs s 9(2)(b)(i) to remove these two huts, which were significantly greater than the estimated costs due to the presence of asbestos in the structures. DOC expects to remove two additional huts from the site under similar circumstances within the next year.
5. To mitigate this risk, we recommend establishing a bond for each of the 49 transitional leases.
6. The bond would be established in accordance with section 17X(e)(i) of the Conservation Act and would serve to cover costs incurred by the Minister associated with the removal and remediation of the sites should the lessee fail to meet their obligations.
7. Recognising that many hut owners may face financial hardship, we further recommend structuring the bond to allow annual payments over the 10-year lease term, rather than requiring an upfront lump sum payment. This approach balances risk management with fairness and accessibility for concession holders.
8. Applicants would pay the bond into DOC's multiple deposit scheme. DOC would apply the funds only to costs related to that license and refund any unspent amount to the applicant when the hut is removed.



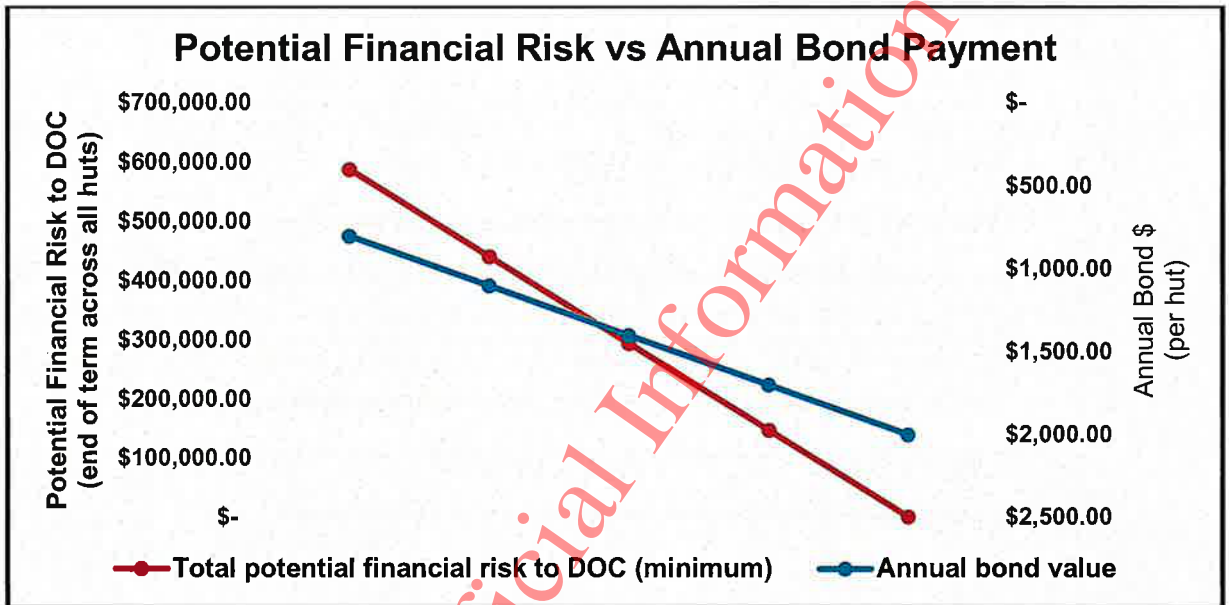
Lower Selwyn Huts Context

1. The Lower Selwyn Huts settlement consists of privately owned huts near the shores of Lake Ellesmere/Te Waihora, originally built over a century ago as fishing baches. Many owners maintain deep, multi-generational ties to the area.
2. Despite current concession terms prohibiting permanent residency, some community members, particularly vulnerable individuals, have used the huts as their primary homes.
3. The settlement is increasingly exposed to climate change-related risks, particularly frequent flooding, which is expected to worsen.
4. Because the huts are old, many contain hazardous materials such as asbestos, which complicates both their ongoing management and eventual removal.
5. Other authorities are phasing out leases or licences to occupy similar hut communities around Te Waihora including:
 - a. Greenpark Huts, located on Ngāi Tahu-owned land
 - b. Upper Selwyn Huts, located on Crown land managed by the Selwyn District Council
6. DOC anticipates significant remediation costs at the end of the transitional lease period. While standard concession agreements require applicants to remove structures and remediate sites, many applicants face socioeconomic challenges that limit their ability to meet this requirement.
7. s 9(2)(b)(i)

Value of bond

8. To be successful, the implementation of a bond must strike a balance between the financial capacity of the applicant and DOC's need to mitigate long-term remediation risk.
9. Initial projections estimated hut removal costs at \$10,000 to \$20,000 per site. However, recent removals indicate that most sites will require at least \$20,000 to remediate.
10. A bond target of \$20,000 per site could be achieved through annual payments of \$2,000 over a 10-year term. While administratively straightforward, this represents a significant increase from historical concession fees, and the affordability and financial impact on the applicant must be considered given the circumstances at place.
11. We need to ensure that the value of the bond does not discourage applicants from taking up a transitional lease. At the same time, DOC must safeguard against future liabilities associated with site remediation. A balanced approach is essential to maintain both fiscal responsibility and applicant engagement.
12. At a minimum, DOC should require that any bond arrangement cover at least 40% of the anticipated remediation cost. The following table and graph outline five potential bond structures and the corresponding financial risk to DOC.

% of costs covered by bond	Total bond paid over the term	Potential financial risk to DOC per hut	Annual bond value per hut	Total potential financial risk to DOC
40%	\$8,000	s 9(2)(b)(ii)	\$800	s 9(2)(b)(ii)
55%	\$11,000		\$1,100	
70%	\$14,000		\$1,400	
85%	\$17,000		\$1,700	
100%	\$20,000		\$2,000	



13. Analysis indicates a clear inverse relationship between the financial risk borne by DOC and the affordability of the bond for applicants. As the proportion of remediation costs covered by the bond increases, the financial burden on applicants also rises.
14. The intersection point between DOC's risk reduction and applicant affordability occurs when the bond covers approximately 70% of the minimum estimated removal costs. This threshold represents a potential equilibrium where both parties' interests are reasonably balanced.
15. Based on the analysis above, it is recommended that DOC adopt a restoration bond of 70% of the minimum estimated removal costs, equivalent to \$14,000 per site, payable through annual instalments s 9(2)(i) over the 10-year concession term.
16. It is further recommended that the bond amount be reviewed every three years, in alignment with the scheduled concession fee reviews. This will ensure the bond remains responsive to changes in estimated remediation costs. At a minimum, annual payments should be adjusted to reflect inflationary increases, maintaining the real value of the bond over time.

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Concession activity fee and bond affordability

17. Subject to approval, and in addition to the one-off processing fee, each applicant will be required to pay the following annual fees and charges:
- Activity Fee to the Crown
 - Management Fee to DOC
 - Restoration Contribution(bond) to DOC
 - Local Rates to the Selwyn District Council
18. If the restoration bond is approved, a conditional reduction in the activity fee is recommended. This reduction is within the scope of 17X(f) of the Conservation Act 1987 and reflects the transitional nature of the concession while aiming to support affordability for applicants. Full details of this recommendation are provided in the accompanying memo [insert link/reference].
19. Overall, the total annual fees payable by each applicant are expected to increase by \$1,586, of which s 9(2)(i) will be allocated to DOC's multiple deposit scheme account for future site remediation. Any surplus funds remaining in this account after the remediation of the site will be returned to the applicant. The full schedule of fees previously charged, and proposed are outlined in the table below.

Type of Fee	Previous Charge	Proposed Charge
Management Fee	\$402.50	\$402.50
Activity Fee	\$1,014.00	s 9(2)(j)
Restoration Contribution	N/A	
Monitoring Fee	<i>Standard departmental charge-out rates for staff time and mileage</i>	<i>Standard departmental charge-out rates for staff time and mileage</i>
Rates	\$1,512.75 (2024/2025)	\$1,512.75 (2024/2025)

20. This brings the total weekly cost for each hut s 9(2)(j) a month. This, in our opinion, is not an unaffordable cost given the nature of these huts.

Recommendations

- Establish a bond for each of the 49 Lower Selwyn Hut applications to ensure financial provision for site remediation
- Set the bond amount at \$14,000 per site, paid in annual instalments s 9(2)(j) over the 10-year concession term.
- Review the bond amount every three years, in alignment with scheduled concession fee reviews, to ensure it remains appropriate and reflective of actual remediation costs.

Decision

Pursuant to the Conservation Act 1987, the recommendations outlined above are:

Endorsed Yes

S Quayle

Signed by Siobhan Quayle, Director Regulatory Systems Performance
Date:


Pursuant to the Conservation Act 1987, the recommendations outlined above are:

Approved | Declined

R Isaac

Signed by Ruth Isaac, Deputy Director-General Policy and Regulatory Services
Date:

Pursuant to the delegations dated 9 September 2015



Approval subject to response on fee approach.

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