



Statement of Proposal

Potential Sale of Land for Commercial

Development Wakatu Square –

Nelson City

29 March 2019

**This document constitutes a
Statement of Proposal under Section
87(1)(b) of the Local Government Act 2002.**

1. Introduction

- 1.1 This is a statement of proposal by Council to sell land in Wakatu Square to allow a commercial development to occur. The purpose of this proposal is to inform the public and seek feedback. Any decision to implement the proposal will, however, be subject to Council finalising the details of any sale and purchase agreement with the proposed investor Cephass Property (Nelson) Limited (Cephass).
- 1.2 Over the years Council has purchased land in stages to create the Wakatu Square car park. It has also acquired land and buildings at the western/Rutherford Street end of Wakatu Square to expand the carpark and for other strategic purposes. Subsequently, Council has considered a number of proposals to redevelop the land, none of which progressed further.
- 1.3 Council has now received an approach from Cephass, an investor interested in purchasing a section of the eastern end of Wakatu Square and Wakatu Lane for the development of an integrated shopping precinct.
- 1.4 Having carefully considered the integrated shopping precinct proposal, Council believes it offers an important and timely opportunity to develop the Square in an integrated way, bringing much needed life and activity to the City.

2. Background

- 2.1 In common with retail centres around New Zealand and internationally, Nelson's CBD has been facing challenges in recent times. There are many reasons for this but essentially the nature of retail is changing and impacting our city centres. The convenience of online shopping shipped to your door, the growth of big box format stores on cheaper land outside the CBD, the appeal of malls, the cost of earthquake strengthening of city buildings – all these things are impacting on Nelson's City Centre.
- 2.2 Council wants to support Nelson to continue as the commercial hub of the Top of the South and see it prosper as a bustling, dynamic centre that attracts visitors and locals alike. To do that will require significant investment and effort from Council but also from private investors who believe in the strong proposition that Nelson's CBD offers.
- 2.3 This statement of proposal outlines an opportunity to comprehensively develop part of the Wakatu Square area to provide a significant area of new retail focused around an anchor tenant.
- 2.4 Council is also aware of the potential to redevelop the western end of Wakatu Square into a mixed use building that would provide an opportunity to enhance the integrated development of Wakatu Square and contribute to Council's city development objectives. At this time, there are no specific plans for this end of the site, however this potential needs to be taken into account when considering the redevelopment of Wakatu Square.

3. Proposal

- 3.1 Council is consulting on a proposal to sell part of the land it owns in Wakatu Square to Cephas, an investor, in order to develop an integrated shopping precinct. Attachment 1 – Bridge Street – Night View illustrates an initial concept of the Bridge Street façade to give an indication of the anticipated quality of the proposed development (noting that the design may change at detailed design stage).
- 3.2 In August 2018, Nelson City Council was presented with a proposal from Cephas to develop an integrated shopping precinct on land it owns and a portion of the eastern Trafalgar Street end of Wakatu Square and part of Wakatu Lane, which Council owns.
- 3.3 As such, the development proposal requires Council to consider selling a parcel of land within Wakatu Square that is an area of approximately 2,425m², being part of Lot 3 Deposited Plan 17892, as currently contained in Certificate of Title NL12A/408 and part of Wakatu Lane, contained in SO 15356. This parcel only shares boundaries with Council and Cephas owned land.
- 3.4 The aggregation of Council owned land (red in Figure 1. below) and the adjoining Cephas land (blue) into a larger parcel is a key consideration for Council as it allows a more intensive and integrated development of part of Wakatu Square than would be achievable if the Council land was offered to the open market. There is also proposed to be an area that may be used for outdoor entertainment, which would be secured by a Licence to Occupy (green).

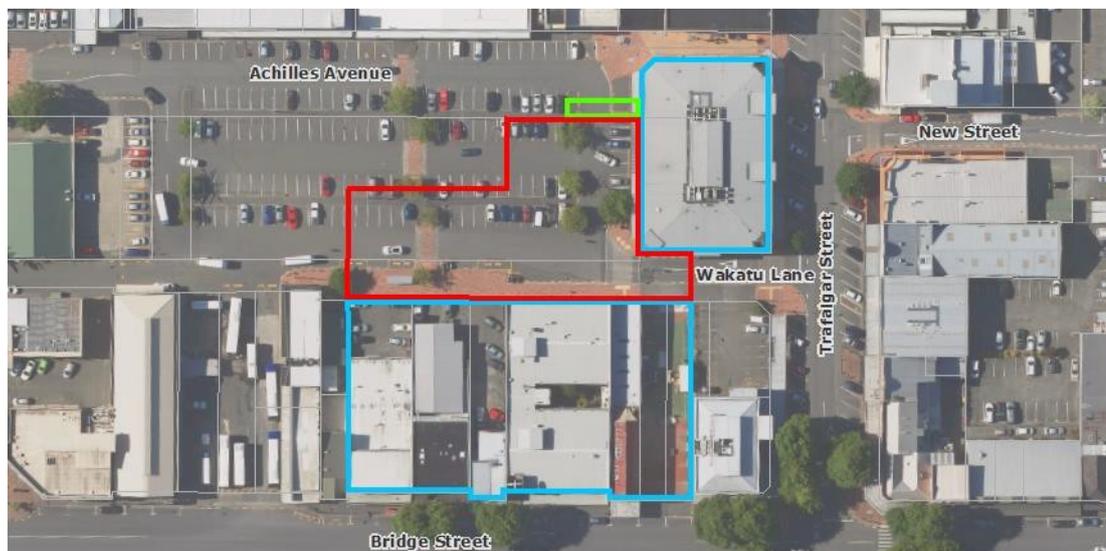


Figure 1.

 Parcel 1
 Cephas Property (Nelson) Limited

 Licence to Occupy
 Parcel Bdy

0 10 20
m



March
2019

- 3.5 This development is proposed to provide retail, food and office accommodation supported by an anchor tenant as well as other new local and nationally branded food and beverage operations. The development will be completed in stages, see Attachment 2 – Precinct Key Plan. Cephas will be responsible for obtaining all necessary building and resource consents to enable the proposal to proceed and to undertake all construction works required within the development.
- 3.6 If, following consultation, Council decides to sell the land to Cephas, a further consultation process will be carried out in relation to the proposed road stopping of Wakatu Lane that will be necessary for the development, with the subdivision of the parcel and settlement to be subsequently completed.
- 3.7 A conditional contract for sale and purchase will be agreed that will require confirmation of key details. If Cephas for any reason fails to secure a key department store or an equivalent operator, as the key anchor tenant, or proposes an unacceptable alternative development, or Council is unable to provide a title for the proposed site, the sale would not proceed and the land would remain in Council ownership.
- 3.8 After the parcel is created, the transfer of ownership would occur once Cephas provides evidence that:
- a. An anchor tenant is committed to a lease within the site.
 - b. The design of the development aligns with high quality urban design.
 - c. The necessary regulatory consents to complete its development have been granted.

Car Parking

- 3.9 The development of Cephas' integrated shopping precinct will result in a relocation of parking spaces in the Wakatu Square car park that can be achieved by redesigning the overall parking layout and demolishing the Council owned building at 81 Achilles Avenue. The car park planning for Wakatu Square is still being considered, however, as a minimum, there will be no reduction in the number of public car parks in Wakatu Square as a result of the development.
- 3.10 The cost to re-level and realign the carpark to allow this development to occur is estimated to cost \$610,000 to \$760,000 plus GST, depending on the height of the finished level of the carpark. However, a significant portion of this is to address the existing flooding issue within the carpark, as noted later, and offers an improved service to the wider community. A further cost to demolish 81 Achilles Avenue is estimated at \$145,000 to \$220,000 plus GST, depending on the extent of floor slab removal to create the new car park levels.

Bus Operations

- 3.11 The sale of land for the proposal will impact on the current NBUS operations including both the routes and bus stops of 3 local routes that use Wakatu Lane. The bus stops and routes can be relocated within a redesigned car park and/or in adjacent roads once the timing and extent of the redevelopment of Wakatu Square is understood in more detail.

Road stopping

- 3.12 The disposal of land as proposed would require part of Wakatu Lane to be stopped, which is a process where a legal road is changed to freehold land, under section 342 and Schedule 10 of the Local Government Act 1974 (LGA). Council is not consulting on this part of the proposal at this time. If the decision to sell the land is made, then Council will follow the road stopping process set out in the LGA, which will include further public notification of the proposed road stopping.



Figure 2.

-  Road to be Stopped
-  Parcel Bdy

0 10 20
m
N
March
2019

- 3.13 The risk of not being able to stop the road, either in a timely way or at all, has been highlighted to Cephas as an obstacle to the proposed development. Cephas has made it clear that without the road stopping, the development as proposed will not proceed.

Utilities and Services

- 3.14 A review of Council utilities in the existing carpark area and Wakatu Lane suggests that only stormwater reticulation and overland flood flows control would be affected by the construction of a building on the land proposed to be acquired.

- 3.15 This proposal provides Council with the opportunity to re-designate some or all of the existing services as private or common private drains if they will no longer serve a public purpose. The water supply pipe and wastewater drain will need some further investigation. Assuming that Ceph as the potential investor will own all properties connected to these services and some works are carried out to delineate the point where the public drain and water supply terminate, the process should be relatively straightforward. The water and wastewater pipes in the land to be sold will be transferred to Ceph as part of the sale and purchase agreement.
- 3.16 The stormwater reticulation drain is not as straightforward as the property on the corner of Trafalgar and Bridge Street occupied by Westpac Bank is under separate ownership and its carpark area discharges stormwater to the Wakatu Lane reticulation. The solution for this issue will also be addressed in the sale and purchase agreement with Ceph as. Initial estimates suggest the solution could be achieved within an estimated range of \$60,000 to \$100,000 plus GST.
- 3.17 Another issue to be addressed would appear to be overland flood flows from high intensity rain events that overwhelm the stormwater pipe capacity in Trafalgar Street and adjoining properties. Currently these flows follow the lowest contours from Trafalgar Street along Wakatu Lane and into Wakatu Square across the raised walkway. As the carpark for the Westpac Bank is also below the level of Trafalgar Street the re-directing of overland flood flows from this area will need to be carefully considered once indicative designs have been produced for the Ceph as development.
- 3.18 Initial investigations indicate that overland flooding could be mitigated by the redevelopment of the car parking area, with strategic placement of sumps and profiling to optimise drainage, at an initial estimate of between \$350,000 to \$400,000 plus GST. Further modelling of this issue will be completed to identify flow volumes, depths, alternative secondary flow paths and the solutions and liability for the cost to remedy any potential flooding risk will be confirmed through the sale and purchase agreement.
- 3.19 The impact of the proposal on private utilities attached to existing buildings will also need to be investigated as part of any site investigation works by Ceph as and then addressed as part of design considerations.

Hazards

- 3.20 Wakatu Square is subject to inundation from very high tides and flood events affecting the Matai River. The flood modelling also shows this carpark and adjacent areas in the central city are subject to flooding during large storm events. Recent flood modelling has shown this issue will become progressively worse under climate change scenarios that lead to increased sea levels.
- 3.21 Additionally, parts of Wakatu Square, Wakatu Lane, Achilles Avenue and adjacent buildings are identified on the Hazardous Activities and Industries List, as a consequence of the previous use of the sites.

- 3.22 The impact of these hazards will need to be investigated by any purchaser and will be regulated by the Building Code and Resource Management Act. Further any mitigation of these hazards will be addressed as part of the sale and purchase agreement.

Regulatory processes

- 3.23 The above information on road stopping, utilities and services and hazards is provided as background on the proposal, and any decisions around consenting and other regulatory requirements will be made by Council in accordance with relevant statutory processes.

Urban Design Requirements

- 3.24 Nelson City Centre is admired for its strong character with a distinct look and feel that includes our open-air street environment and many heritage buildings. Council will work with Cephass to ensure that any development that occurs on land Council sells is of a high quality urban design.
- 3.25 Council will seek advice from the Urban Design Panel before making any decision on the sale of the land.

Cephass Statement

- 3.26 As part of its submission, Cephass has provided the following commentary on how the development will benefit the Nelson economy:
- 3.27 *One of the barriers to Nelson City being redeveloped has been the diverse ownership structures of small lots. Cephass has already acquired a large block of adjoining properties on Bridge Street and the purchase of the Council land will provide a sufficiently large land holding for a viable proposal.*
- 3.28 *Cephass has been operating in the Nelson CBD for more than 30 years and our observations are that Nelson is now suffering a higher level of vacancy than has ever previously been observed and there is general discontent from many remaining stores as to their trading levels. At the same time, from our industry knowledge, retail sales recorded out of Nelson by Nelson residents continue to rise. Cephass' proposal attempts to reverse those trends by creating a shopping environment that will attract retailers and shoppers with a customer experience and offer not currently available in Nelson City. We will seek to attract retail brands into the precinct not currently in Nelson as part of any leasing campaign.*
- 3.29 *The Cephass proposal will create a significant number of jobs during the construction phase and once open for trade. Once trading successfully, more shoppers will be drawn into the City and more shoppers will draw more retailers to set up. Cephass considers that the creation of its Precinct on the northern end of the retail strip of Trafalgar Street will strengthen the whole of the strip to the Church Steps by acting as a book end and encourage further investment in the CBD zone for the overall benefit of the whole. This proposal could provide the energy and impetus to regenerate Nelson City.*

Sale Price

- 3.30 As yet the sale price for this parcel of land has not been determined as all factors affecting value have not been agreed between parties. However, both Cephas and Council have sought independent valuations and are continuing discussions to agree a fair and reasonable price based on good faith negotiation. Based on valuation advice Council expects the sale to be in the range of \$600/m² and \$800/m².

Financial Impact

- 3.31 If it were decided to sell part of Wakatu Square, the financial impact to Council is expected to be minimal, with the net sales proceeds (being the sale price less costs for carpark resurfacing and realignment, stormwater issues, road stopping, subdivision and legal costs) expected to be used to pay off debt.
- 3.32 There is anticipated to be no or limited loss of income from parking revenues and no level of service impacts on bus services or other public amenities currently being provided.

4. Reasons for the Proposal

- 4.1 The proposal from Cephas enables Council to achieve the goal of retaining a key large format retail activity, and adding to the retail options in the central city, while still maintaining public car parking and other public amenity. Council considers this to be an important opportunity to support the Nelson economy with a significant area of new retail and enhance the City's position as the key commercial hub in the Top of the South.
- 4.2 The land that is the current Wakatu Square was purchased in stages by Council from 1990 through to 2008 and Council has publicly signalled at various times that the parking square could include a substantial built development, possibly of a retail nature and/or a parking building. Public statements to this effect were included in the Inner City Strategy 1995, the Long Term Council Community Plan 2006, through calling for Expressions of Interest for a development proposal in 2007, and through the Heart of Nelson Strategy 2009.
- 4.3 The Heart of Nelson Strategy stated there was a *"significant opportunity to retain or attract key retailers in the City Centre, which could otherwise be forced to relocate due to a lack of available expansion space"*. The Strategy identified Wakatu Square as the preferred site for such a store. This was in support of the Heart of Nelson Vision that *"The central city will be a vibrant, attractive place in which people can live, work and play, and in which businesses can operate...The central city will remain – and thrive – as the commercial and cultural heart of the wider region"*.
- 4.4 There have been numerous proposals for the potential use and development of the site for street front development, multiple use buildings and parking. This includes a number of Council resolutions to seek expressions of interest for the development of the site, as well as development proposals that have been considered but have not gone ahead.

4.5 There have also been a number of Council strategies and formal planning documents that have signalled the development potential of the site and the need to provide the opportunity for large key anchor retailers to remain/establish in the City Centre.

5. Options

5.1 In evaluating the sale of land within Wakatu Square, Council has considered that there are three reasonably practicable options. They are:

Option 1: Sell to Cephas Sell the land required in the current proposal from Cephas.

Option 2: Expressions of interest Call for expressions of interest to purchase the land to complete an alternative development.

Option 3: Status Quo Retain the land in Council ownership.

5.2 Each of the options are assessed as follows:

Option 1: Sell the land required in the current proposal from Cephas.	
Advantages	<p>Keep a key anchor retail activity within the City Centre, including its flow on benefits for other fashion, retail and food development.</p> <p>Gives certainty to Council of what is developed on the site and potentially allows it to extract the highest value from that redevelopment through an adjoining owner purchase.</p> <p>Potential for additional nationally recognised retail activity to be attracted to the City Centre.</p> <p>Sales proceeds could be used to address current flooding issues within Wakatu Square.</p>
Disadvantages	<p>Other investors/developers are not given the opportunity to competitively bid for the land.</p> <p>Disruption to current car park users.</p> <p>Dissatisfaction from adjoining property owners around Wakatu Square.</p>

Option 2: Call for expressions of interest to purchase the land to complete an alternative development.	
Advantages	<p>Opportunity for a new development proposal to be considered and potential for a higher purchase price</p>

	to be obtained through a competitive sale and evaluation process.
Disadvantages	<p>No certainty that acceptable proposals will be forthcoming. Greater uncertainty over costs, timing and an acceptable proposal being received.</p> <p>Unlikely that another party could develop the land in the same way as the Cephas proposal.</p> <p>Potential loss of Cephas proposal.</p>

Option 3: Retain the land in Council ownership.	
Benefits and Costs	<p>Council retains ownership of all of its current landholding in Wakatu Square. This preserves the availability of this land for a range of potential future activities.</p> <p>No disruption to current use of Wakatu Square.</p>
Disadvantages	<p>Council will forego receipt of the purchase monies.</p> <p>Council is perceived to be unsupportive of city redevelopment.</p> <p>Loss of additional retail and other activity that could have been attracted to the City Centre.</p> <p>Council has to raise funds to correct existing flooding issues in Wakatu Square.</p>

6. Submissions

- 6.1 A submission form is included at the end of this document. Anyone may make a submission about any aspect of Council's proposal and the alternatives and issues that have been considered. Council, in making its final decision, will take account of all matters raised in submissions and may, as a result, decide to pursue one of the alternatives above instead of its proposal.
- 6.2 All submissions, including the name and contact details of the submitter, will be made available to the public and media on Council's website, unless you specifically request that your contact details be kept private and explain why it is necessary to protect your privacy. Council will not accept any anonymous submissions.
- 6.3 Submissions can be made:
- ✓ Online at nelson.govt.nz
 - ✓ By post to: Potential Sale of Land for Commercial Development
Wakatu Square – Nelson City, PO Box 645, Nelson 7010
 - ✓ By dropping off to Civic House, 110 Trafalgar Street, Nelson
- 6.4 Submissions must be received no later than 5.00pm, **2 May 2019**.

6.5 Any person who wishes to speak to the Council in support of their submission will be given the opportunity to address the Council at hearings on **15 May 2019**. If you wish to speak at the hearings, please indicate this on the submission form.

ATTACHMENTS

Attachment 1: Bridge Street – Night View [A2160138]

Attachment 2: Precinct Key Plan [A2160139]

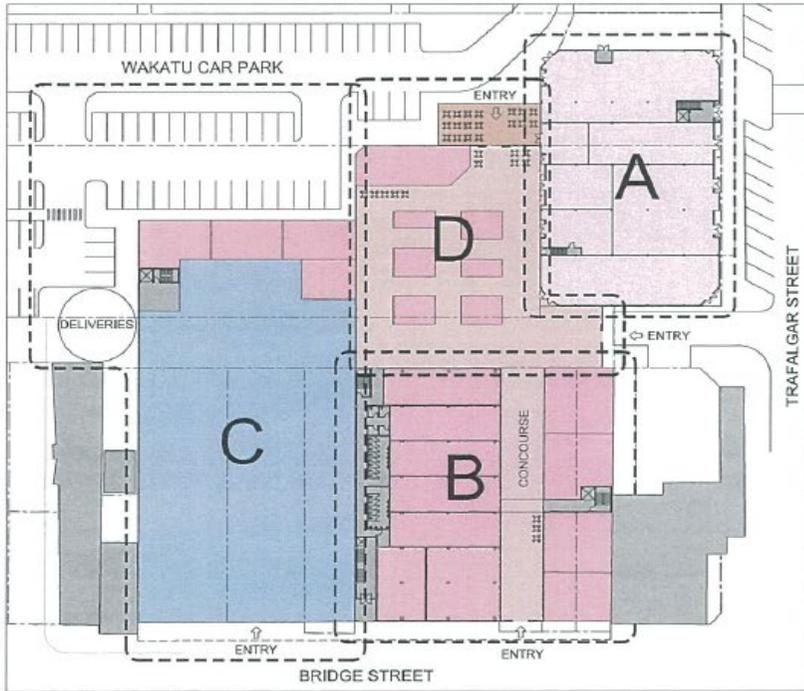
Indicative concepts only and final designs may differ



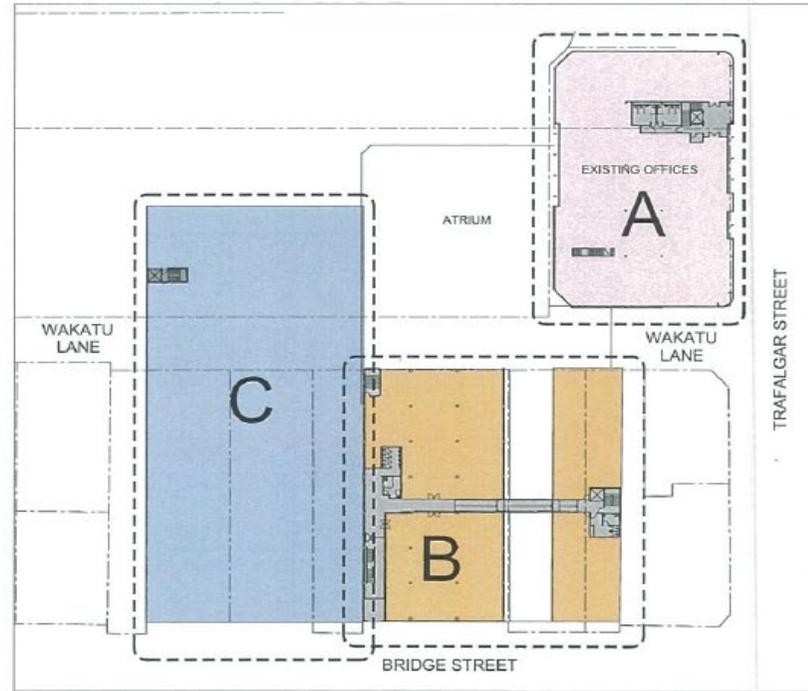
Bridge Street / Night view

Indicative concepts only and final designs may differ

Attachment 2



GROUND LEVEL - RETAIL/HOSPITALITY



MEZZANINE LEVEL - RETAIL / OFFICES

PRECINCT KEY PLAN
SCALE 1:750 @ A3



