

Decision released from confidential session			
Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
n/a	n/a	Nelson City Council Community Services and Infrastructure	17 March 2011
Report Title and number			
R1050878 Proposed Purchase of Strategically Located Land			
Documents released			
Decision, Report, Attachment 1, Attachment 2, Attachment 3			
Decision			
<p>Resolved</p> <p><i>THAT the Chief Executive be delegated the authority to acquire the following land holdings:</i></p> <p><i>(i) Allotment 27 DP 132 in Certificate of Title NL33/277</i></p> <p><i>(ii) Allotment 26 DP 132 in Certificate of Title NL29/122</i></p> <p><i>(iii) Lots 1 and 2 DP 1831 in Certificate of Title NL3B/618;</i></p> <p><i>subject to:</i></p> <ul style="list-style-type: none"> <i>the purchase price not exceeding [REDACTED] plus GST (if any).</i> 			
Reese/Rainey _____			Carried

PROPOSED PURCHASE OF STRATEGICALLY LOCATED LAND

1. Purpose of Report

- 1.1. The opportunity has arisen to purchase a strategically located parcel of land within the CBD.
- 1.2. This parcel of land has previously been identified as being of strategic importance to the Council.
- 1.3. The land owners have now agreed to sell to the Council, and this report recommends purchase of the subject property.

2. Exclusion of the Public

- 2.1. This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:
 - *protect the privacy of natural persons; and*
 - *protect information that is subject to an obligation of confidence; and*
 - *carry out commercial activities; and*
 - *carry out negotiations.*

3. Recommendation

THAT the Chief Executive be delegated the authority to acquire the following land holdings:

- (i) ***Allotment 27 DP 132 in Certificate of Title NL33/277***
- (ii) ***Allotment 26 DP 132 in Certificate of Title NL29/122***
- (iii) ***Lots 1 and 2 DP 1831 in Certificate of Title NL3B/618;***

subject to:

- ***the purchase price not exceeding [REDACTED] plus GST (if any).***

4. Background

- 4.1. Attachment 1 shows the location of the subject property, being all that land between Wakatu Square and Rutherford St.

PUBLIC EXCLUDED

- 4.2. [REDACTED] They have now agreed to sell at what staff believe is a realistic price.
- 4.3. Some of the potential uses could be:
- 4.3.1 Large format retail, that could facilitate the growth of the CBD to the west, as recommended in the Heart of Nelson central city strategy (refer Attachment 2 for relevant excerpts from the strategy).
- 4.3.2 In conjunction with the large format retail, provision for a parking building some time in the future.
- 4.3.3 A possible site for the Performing Arts Centre, if a site other than Rutherford Park was to be considered.
- 4.3.4 A long term hold in the meantime, maintaining future options for management of CBD issues yet to arise.

5. Discussion

The Agreement

- 5.1. The asking price is [REDACTED] This compares to a recent valuation of [REDACTED]
- 5.2. Council has until 29 April 2011 to be satisfied with the conditions. The settlement date is 15 July 2011, but could be varied by Council if it wished to acquire the property earlier.
- 5.3. The main conditions in the Agreement are the Council:
- 5.3.1. Giving formal approval by resolution to purchase.
- 5.3.2. Being satisfied with the purchase price following its due diligence investigation.
- 5.3.3. Being satisfied with the terms of the leases.
- 5.3.4. Being satisfied with its report on the condition of the buildings.
- 5.4. Council is not obliged to state any reason if it chooses not to proceed with the agreement.
- 5.5. The Agreement is subject to a confidentiality clause until settlement or until the Agreement is at an end.

Leases

- 5.6. Nelson Hunting & Fishing. The lessee has rights of renewal until 30 June 2015. Annual rent is \$74,000 plus GST and outgoings.
- 5.7. Hunter Furniture. The lease terminates at 30 April 2012. Annual rent is \$135,000 plus GST and outgoings.
- 5.8. Car parking between the above 2 leases. 22 parks leased monthly. Annual income about \$16,000 plus GST. The landlord pays the outgoings.
- 5.9. Total income about \$225,000 plus GST.

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Buildings

- 5.10. Attachment 3 is the report completed by Council's building management officer, Stewart Lawson. The report identifies a number of potential issues, which are more relevant if Council chose to be a long term owner of the buildings, and/or wished to change the current use of them. If the buildings were to be demolished within 10 years, there are no major issues.

Financial

- 5.11. Interest costs on the purchase price of [REDACTED] at an estimated 7% (which is more than Council is paying at present) equate to [REDACTED]. Taking into account the rental income, the rating input is expected to be minimal.

Risks

- 5.12. This depends on how soon Council makes a decision as to how the land is used. The greatest risks are the leases not being renewed and/or extended. There is a potential risk for lease rentals to fall, as the rentals currently being paid are probably just above market rental. However, the car parking is under rented, so has the potential for an increase. Increasing interest rates would increase the debt servicing.
- 5.13. This also depends on whether or not Council chose to be a long term owner of the buildings, and/or wished to change their current use. In both these scenarios, there is the potential for costly upgrading to satisfy the earthquake risk regulations.

6. Conclusion

- 6.1. Properties such as this do not become available very often. The opportunity has now arisen for Council to acquire this property. The premium being paid is considered by staff to be very modest.
- 6.2. The property is strategically located, and it will be largely self funding in the short term.
- 6.3. The leases are not long term, thus the property could be put to an alternative use in 4 years time if required, without having to terminate any leases.
- 6.4. Staff strongly recommend the purchase be completed.

Contact officer: Ian Morrison, Team Leader Property Office.

Keith Marshall
Chief Executive

Attachments

- Attachment 1: Location plan of subject land – [1054876](#)
Attachment 2: Heart of Nelson Strategy, pages 59 and 131 - [1054879](#)
Attachment 3: Building report - [1053085](#)

Supporting information follows.

Supporting Information
1) Fit with Community Outcomes and Council Priorities Proceeding with this purchase would support the community outcomes of good leadership (by being proactive in taking opportunities to develop the CBD) and a strong economy (because of the potential the site presents for projects to enhance local economic development).
2) Fit with Strategic Documents Purchase of this land would contribute towards the CBD development objectives within the Heart of Nelson Strategy.
3) Sustainability This purchase is not inconsistent with the Sustainability Strategy or checklist but it is the nature of any eventual new project for the site that would need assessing.
4) Consistency with other Council policies The proposal to purchase does not raise any consequential inconsistencies with any other Council policies.
5) LTCCP/Annual Plan reference and financial impact Purchase of this property is not listed in the LTCCP or Annual Plan.
6) Decision-making significance This is not a significant decision in terms of the Council's Significance Policy
7) Consultation No consultation is appropriate.
8) Inclusion of Māori in the decision making process Not applicable.
9) Delegation register reference No delegation, is a decision of Council.

Attachment 1



□ Report 1050878
-subject property


Nelson City Council
te kaurihera o wakatū

Date: Tue, 22 Feb 2011
Author: Ian Morrison

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Wakatu Square

D.26 – POSSIBLE WAKATU SQ DEVELOPMENT . . .

. . . cater for large format retail in the central city . . .



The provision of a large format retail store in the Wakatu Sq would allow the city to expand to the west in a manner that will best serve future growth needs. It also encourages the location of a large format retail activity, to act as an 'anchor store' that would otherwise locate outside the City Centre. The example above includes a discrete 'sleeved' parking building on the upper levels to replace and expand parking lost from Wakatu Square, and smaller shops facing the street and the plaza area (see Initiative B.1b) created between the new building and the existing building that fronts onto Trafalgar Street.

D.26 Develop a signature large format retail building in Wakatu Sq after commissioning a design study for 'demonstration projects on key sites', to inform and attract developers to the type of developments sought

What is the issue?

Providing the opportunity for large key anchor retailers to remain/establish in the City Centre.

Explanation: In time, the development economics and growth demands within the central city will place increased pressure on the redevelopment of the Council owned parking squares. These offer 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. It is considered that Wakatu Square offers the greatest opportunity for this, in conjunction with a parking building to replace and add to the existing parking capacity. Montgomery Square in its current form is important as the site of the Nelson Market, as discussed below. Buxton Square is subject to less pressure given the town is expanding predominantly to the west. Growth to the west supports the development of a large-format development in Wakatu Square and successfully links the new economy business transition areas in the St Vincent/Vanguard area with the City Centre and Trafalgar Street. A development in Wakatu Square would first require the commissioning a design study to interest developers to partake in a joint venture with Council.

Options:

- Do nothing
- Council and a development partner complete a large format retail demonstration project in Wakatu Sq
- Council to make use of contracts to protect the investment with developers tendering for the development.
- Council puts up the redevelopment land in Wakatu Sq as a free 'carrot' to developers in return for certain guaranteed outcomes as a part of the development process.

Preference:

Demonstration project development model between Council and a private developer. This will first require the commissioning a design study for 'demonstration projects on key sites' to interest developers to partake in a joint venture with Council, or through the preparation of an 'opportunity prospectus' to market and promote the use of key sites and the development of demonstration projects.

Implementation:

Funded through Inner City Enhancement Account.

1053085

Building report

81 Achilles Ave - Hunting & Fishing

An inspection was completed of this building in February 2011 to consider its condition, taking into account its general physical condition, legal status as well as future repair, maintenance & earthquake strengthening liabilities.

Description

This building was constructed as a motor workshop in the 1950's with poured in-situ concrete floor, columns, beams and a solid south end wall. Large timber trusses sitting on the columns form the roof structure. The roof cladding is newer long run colour steel.

Condition

This building appears in an average condition given its age & history. The current tenant has recently repainted the exterior and a 2004 alteration was completed to create a new entrance to better accommodate the current tenant. The interior has been well fitted out where this fit out is likely to belong to the current tenant.

It is irregular in its construction due to different construction techniques and alterations completed over its life. Some building aspects are concealed so it difficult to comment on its exact condition.

Consent status

The building has appropriate approvals for its current use, the most relevant are:

Resource Management Act - Resource consent RM975010, Retailing in a C3 zone. The consent allowed the change from an automotive activity to retail activity.

Building Act - Building consent 041342 issued in 2004. Alter shop front - Code Compliance Certificate issued.

There is no requirement for a Building Warrant of Fitness.

Estimated R&M Budget

It is estimated the normal building owner repairs & maintenance budget will be less than \$5000 P/A.

Strength – earthquake risk.

Because of its construction date and construction technique this building fits into a high risk category for seismic strength. Consisting of a concrete exterior wall construction with little internal bracing it is very likely that the building would be categorised as earthquake prone if an engineer was employed to complete an initial evaluation. In this event the building owner would be required to strengthen or demolish this building in the next 20-30 years. If a change of use or significant building alteration is required, the strengthening may be required at this time.

From other estimates received by this Council on similar structures the strengthening cost is likely to be less than \$100,000

Soil conditions

The land is likely to be former shoreline or estuary where the soils may be weaker and less able to support new structures. Excavating or piling may be required for any new construction adding extra cost. The Fletcher Vautier & Moore building & Briscoe's buildings were built on driven piles & the Nood/Lighting Direct building site was excavated to approximately 3 metres to overcome the weak soils in the area.

This could create an extra cost on new building work of 5-15%.

A soils investigation could be completed to confirm.

Summary

This building is in an average condition and should experience only a light need for repairs & maintenance over the next 10 years.

The building is in the high risk category for seismic risk and it is likely that the building will be considered earthquake prone. In this event the owner will be required to either demolish or strengthen the building over the next 20-30 years. If a change of use or significant building alteration is required, this strengthening may be required at this time.

The cost to strengthen if this option is considered is likely to be less than \$100,000

If the building is demolished it is likely the soil conditions will require extra foundation work for any new structure.

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Building Report

101 Achilles Ave - Hunter furniture

An inspection was completed of this building in February 2011 to consider its condition, taking into account its general physical condition, legal status as well as future repair, maintenance & earthquake strengthening liabilities.

Description

This building is an amalgamation of two buildings, one constructed in the 1950's as a motor workshop and the architecturally designed Rutherford Street end building in the 1960's for new car retailing. Both have concrete floors, with concrete column & beam exterior walls. Large trusses form the roof structure. Recent alterations opened up the motor workshop building with steel beams installed to allow some of the intermediate support walls or posts to be removed.

Condition

This building is in an average to poor condition given its age & history. Various building defects were noted and other defects have been repaired to a lower standard. The customer areas of the interior appear tidy.

It is irregular in its construction due to different construction techniques and alterations completed over its life. Some building elements are concealed to smarten its appearance and this makes it difficult to truly assess its condition.

Some of the roof cladding is asbestos. This is not hazardous as it is but will provide an extra difficulty if the building is demolished.

Stains on ceiling tiles are evidence of past & current roof leaks. There is a larger area of stucco on the east side that shows signs* of possible leakage into the frame. This is not manifesting itself on the inside but may in the near future. Further destructive testing could be completed to determine if it is and if a repair should be considered.

Consent Status

The building has appropriate approvals for its current use being:

Resource Management Act - Resource consent RM975047, Renovations in a C3 zone. The consent allowed building works and landscaping for the current tenancy.

Building Act - Building consent 970027 issued 2007. Renovations to enlarge the car workshop and car retail space to the current configuration to suit the current tenant. Code Compliance Certificate issued.

There is no requirement for a Building Warrant of Fitness.

Estimated R&M Budget

It is estimated the normal building owner repairs & maintenance budget should be set initially at \$10,000 P/A to allow for exterior repairs and possible repainting. This should be adjusted if the current lease arrangement alters or the life of the building becomes finite.

Strength – earthquake risk.

Because of its construction date and construction technique this building fits into a high risk category for seismic strength. Consisting of mainly column & beam construction with little internal bracing, particularly in the architecturally designed west end, it is very likely that the building would be categorised as earthquake prone. In this event the building owner would be required to strengthen or demolish this building in the next 20-30 years. If a change of use or significant building alteration is required, the strengthening may be required at this time.

Based on other estimates received by this Council the strengthening cost is likely to exceed \$100,000

Soil conditions

The land is likely to be former shoreline or estuary where the soils may be weaker and less able to support new structures. Excavating or piling may be required for any new construction adding extra cost. The Fletcher Vautier & Moore building & Briscoe's buildings were built on driven piles & the Nood/Lighting Direct building site was excavated to approximately 3 metres to overcome the weak soils in the area.

This could create an extra cost on new building work of 5-15%.

A soils investigation could be completed to confirm.

Summary

This building is in an average-poor condition and may experience a reasonable need for repairs & maintenance over the next 10 years.

The building is in a high risk category for seismic risk and it is likely that the building will be considered earthquake prone if an engineer was employed to complete an initial evaluation. In this event the owner will be required to either demolish or strengthen the building over the next 20-30 years. If a change of use or significant building alteration is required, this strengthening may be required at this time.

The cost to strengthen if this option is considered is likely to exceed \$100,000.

If the building is demolished it is likely the soil conditions will require extra foundation work for any new structure.

* cracking & efflorescence

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