

Decision released from confidential session

Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
		Council	8 December 2021

Report Title and number

Land Purchase - Central City - R26493

Documents released

Land Purchase - Central City - Report R26490 and the decision

Decision

Resolved

That the Council

1. Receives the report (R26493) and its attachments (A2801641); and
2. Approves the purchase of 19 Halifax Street (Part Lot 11 DP 30) for strategic purposes; and
3. Delegates the Chief Executive authority to purchase 19 Halifax Street (Part Lot 11 DP 30) subject to due diligence for \$900,000 (plus GST if any); and
4. Approves unbudgeted capital expenditure of up to and including \$900,000 in 2021/22 in the Rental Properties activity to purchase 19 Halifax Street (Part Lot 11 DP 30) and
5. Approves that due diligence be carried out on the building to determine whether the building is fit for purpose (as a lessor); and
6. Agrees that report R26490 and the decision be made publicly available once a sale and purchase agreement becomes unconditional.

Carried

CONFIDENTIAL

Item 24: Land Purchase - Central City

Council



8 December 2021

REPORT R26490

Land Purchase - Central City

1. Purpose of Report

- 1.1 To consider and approve the purchase of a strategic piece of land potentially required for the Maitai River Precinct at 19 Halifax Street.

Recommendation

That the Council

1. ***Receives*** the report ***Land Purchase - Central City (R26490)*** and its attachments ***(A2801641)***; and
2. ***Approves*** the purchase of ***19 Halifax Street (Part Lot 11 DP 30)*** for strategic purposes; and
3. ***Delegates*** the Chief Executive authority to purchase ***19 Halifax Street (Part Lot 11 DP 30)*** subject to due diligence for ***\$900,000 (plus GST if any)***; and
4. ***Approves*** unbudgeted capital expenditure of up to and including ***\$900,000 in 2021/22 in the Rental Properties activity to purchase 19 Halifax Street (Part Lot 11 DP 30)*** and
5. ***Approves*** that due diligence be carried out on the building to determine whether the building is fit for purpose for leasing in the short term; and
6. ***Agrees*** that report ***R26490*** and the decision be made publicly available once a sale and purchase agreement becomes unconditional.

CONFIDENTIAL

Item 24: Land Purchase - Central City

3. Exclusion of the Public

3.1 This report has been placed in the confidential 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:

- Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
- Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities
- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

4. Background

4.1 An opportunity has arisen to purchase a strategic piece of land potentially required for the Maitai River Precinct at 19 Halifax Street (Part Lot 11 DP 30, outlined in red on Attachment 1). The total area of the property is 306m².

4.2 Council holds a Deed of First Right of Refusal (FRR) on the subject property signed in 2008 when it was purchased to secure an alternative property for Apex Rental Cars Limited (Apex). The transaction was to facilitate the purchase by Council of 63 Achilles Avenue in Wakatū Square car park from Apex.

4.3 It was resolved in the Public Excluded portion of the Council meeting held on 29 May 2008 (Doc No. 665068) as follows:

THAT the Chief Executive be authorised to complete the purchase of Part Lot 11 DP 30 in CT NL6C/70, located at 19 Halifax Street, for \$690,000 plus GST;

AND THAT the Chief Executive be authorised to sell Part Lot 11 DP 30 in CT NL6C/70, located at 19 Halifax Street, for \$690,000 plus GST to Apex Rental Cars Limited;

AND THAT the Chief Executive be authorised to complete the purchase from Apex Rental Cars Limited of Part Lot 29 DP 132 in CT NL82/102, located at 63 Achilles Avenue, for \$640,000 plus GST;

AND THAT the two agreements with Apex Rental Cars Limited are contemporaneous and are subject to Council acquiring the property at 19 Halifax Street;

CONFIDENTIAL

Item 24: Land Purchase - Central City

AND THAT Apex Rental Cars Limited be asked to give the Council first right of refusal if they sell the land located at 19 Halifax Street.

- 4.4 19 Halifax Street was purchased for \$690,000 on 27 June 2008 and was on sold to Apex at the same price on 11 July 2008.
- 4.5 The vendors, in accordance with the FRR have offered (on 3 December 2021) to sell this property to Council at what officers believe is a realistic price of \$900,000 (plus GST if any). Council has 30 days to notify the vendors' solicitor if it wants to accept that offer.
- 4.6 It is likely that there is another offer on the table due to the tight time frame between the vendor confirming the details of the FRR and the notice being given to Council that the FRR was being enacted.

5. Discussion

- 5.1 The asking price in the RFF is \$900,000 (plus GST if any) and there is no opportunity to negotiate this price.
- 5.2 Council has 30 days (until 4 January 2022) to present an offer for the purchase of the property, but realistically this will need to be actioned prior to Christmas and requires a decision by Council at this meeting. The vendors have proposed a settlement date in February 2022.
- 5.3 The current Rating Valuation (RV) is \$660,000.
- 5.4 Without the benefit of a market valuation to support a decision to purchase at the asking price, a recent valuation for the Kainga Ora project at Achilles Street included two similar properties located nearby (in Halifax and Church Street). Those two properties had recently sold for around 40% above their RV. An untested calculation for value of 19 Halifax of 40% over the RV would be \$924,000. A valuation report will be sought as part of due diligence.
- 5.5 There is a current lease between the current owner and Apex Car Rentals for the ground floor and carparking, with an annual rent of \$26,615 (plus GST) plus outgoings (rates, utilities, service contracts, cleaning and maintenance and carparking yard maintenance). The lease is due for a CPI increase (occurs annually on the anniversary of the commencement date), with rent review in October 2023. The final expiry date of the lease is 30 September 2028. The tenant would be willing to provide vacant possession if required.
- 5.6 The first-floor premises are currently vacant and an estimated rent for those premises is around \$15,000 (plus GST) per annum. Not with standing this, the purpose of purchasing is not for leasing in the long term.
- 5.7 Interest costs on a purchase price of \$900,000 at an estimated 4% (which is more than Council is paying at present) equate to \$36,000 per annum. This would be unbudgeted expenditure.

CONFIDENTIAL

Item 24: Land Purchase - Central City

- 5.8 Due diligence on the property will be undertaken prior to acceptance of the RFF offer. The due diligence will include a valuation and building condition assessment (including asbestos and seismic considerations). It is recommended due to limitation of timing that should Council wish to secure the property, that the Chief Executive is delegated the authority to make the final decision based on the due diligence.
- 5.9 Due to the ownership status of the surrounding land, and in the spirit of partnership, officers contacted Wakatū Incorporation to ascertain whether they were a party to any possible sale of the land.
- 5.10 Officers have confirmed with Wakatū Incorporation that they are not party to any discussion on the sale of this property. Wakatū Incorporation have confirmed that their preference is that this land be held by either Council or Wakatū Incorporation, and the right of refusal gives Council the benefit of securing the land for Council or Wakatū Incorporation's future benefit.
- 5.11 The purchase of this property would not be critical to the success of the Central Library development project but could be of strategic importance for the Maitai River Precinct.
- 5.12 The sale of 19 Halifax Street to another party could preclude future acquisition or make it more difficult and expensive later should this land be required for the Maitai River Precinct. The purchase by Council could put it in a stronger position with Wakatū Incorporation in the Central Library land negotiations.
- 5.13 Should Council decide to purchase the land this property will be held as a strategic asset. In the future should Council no longer require it, then an offer could be made to Wakatū Incorporation for disposal of the property. PWA requirements to the current vendor would be addressed as much as legally possible, in the Sale and Purchase Agreement.

6. Options

- 6.1 Two options are prepared for the Council. Either purchase or not purchase the land. Officers support Option 1.

Option 1: Purchase 19 Halifax Street (Preferred Option)

Advantages

- Secures a strategically located property
- Provides opportunities in the Maitai River Precinct redevelopment
- Property could be on sold for commercial purposes should it not be required for precinct redevelopment, or to Wakatū Inc who have a preference for Council / Whakatū ownership
- Property can be secured now for a reasonable price prior to it being listed on the open market

CONFIDENTIAL

Item 24: Land Purchase - Central City

	<ul style="list-style-type: none">• Potentially leverages negotiating position for the precinct redevelopment
Risks and Disadvantages	<ul style="list-style-type: none">• The purchase of this property is unbudgeted capital expenditure
Option 2: Do not purchase 19 Halifax Street	
Advantages	<ul style="list-style-type: none">• Unbudgeted expenditure not required
Risks and Disadvantages	<ul style="list-style-type: none">• The sale of 19 Halifax Street to another party could preclude future acquisition or make it more difficult and expensive to purchase in the future

7. Conclusion

- 7.1 An opportunity has arisen to purchase a strategic property for the Maitai River Precinct development.
- 7.2 Officers recommend the purchase be completed by the Chief Executive with delegated authority for the price of \$900,000 (plus GST if any) subject to due diligence.

8. Next Steps

- 8.1 The next step in the process is to advise the vendor's solicitor whether Council wishes to accept the FRR and to seek an agreement for Sale and Purchase. Due diligence will be undertaken to provide information for a final decision by the Chief Executive on whether to accept the FRR.

Author: Rebecca Van Orden, Manager Property Services

Attachments

Attachment 1: A2801641 Attachments for Report R26490 Public Excluded Land Purchase - City Centre Dec2021

CONFIDENTIAL

Item 24: Land Purchase - Central City

Important considerations for decision making

1. Fit with Purpose of Local Government

Complies with the purpose of the Local Government Act 2002 because the decision to ensure that our city centre meets everyone's needs, now and in the future.

2. Consistency with Community Outcomes and Council Policy

The recommendation is consistent with the following Community Outcomes under Council's Long Term Plan 2021-31:

- Ensuring that our infrastructure is efficient, cost effective and meets current and further needs.
- Our urban and rural environments are people friendly, well planned and sustainably managed.

3. Risk

If the property was not purchased by Council, and development was undertaken on the property, it would not preclude the taking of the land in the future under mechanisms of the Public Works Act 1981. That would however be more expensive in the future.

4. Financial impact

Interest costs on a purchase price of \$900,000 at an estimated 4% (which is more than Council is paying at present) equate to \$36,000 per annum. This is unbudgeted expenditure.

5. Degree of significance and level of engagement

This matter is of low significance because although it is strategic in terms of location on the Maitai River Precinct, it would not be considered a "strategic asset" under the definition of the Significance and Engagement Policy. There will be impact of Council's debt levels as an unbudgeted expenditure, but the degree of impact is not significant. Operating costs could be covered in the short term by lease income, and the decision is reservable and unlikely to negatively impact future generations. There was foresight by a previous Council the the Right of First Refusal which provides the option to procure the property if an opportunity was to arise.

6. Climate Impact

Climate impact has been considered as part of Library redevelopment plans at the Maitai Riverside Precinct. Current and future climate change impacts have been factored into the modelling used for the Library Redevelopment decisions. The recommendations include a trigger point for

CONFIDENTIAL

Item 24: Land Purchase - Central City

future adaptation of floor levels to respond to sea level rise if required. Any development of this site would follow the same considerations.

7. Inclusion of Māori in the decision-making process

No engagement with Māori has been undertaken in preparing this report.

8. Delegations

Council has the following delegation to consider in making its decision:

5.1.1 Council retains all responsibilities, powers, functions and duties in relation to governance matters for the following items:

- Riverside Precinct

Released 27/10/2022