

Report PE04.197
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Committee Policy, Finance and Strategy
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Masterton Accommodation Issues

1. Purpose

- To outline the current accommodation problems faced by the Wairarapa Division and to recommend a course of action to address these problems.
- To seek approval to commence negotiations for the purchase of a property at 24-26 Chapel Street, Masterton.

2. Public Excluded

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 are:

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist, i.e. to enable the Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

3. Background

The Council's Wairarapa Division moved to the existing Council owned premises at 34 Chapel Street, Masterton in January 1991. At that time the office buildings were upgraded to Council's then current requirements and additional structures were constructed to house a wash-bay, poison store and armoury.

Over the period since 1991 the Council's level of activities has increased significantly and staff numbers have grown, although from a low base. In 1995, additional premises were rented at 2 Albert Street to accommodate Biosecurity staff (the "Biosecurity Building"). Other than this, growth has been catered for on a piecemeal basis by shuffling staff, furniture and walls to make additional staff fit into existing spaces. Over time this has lead to a cramped and generally unsatisfactory working environment. By way of

comparison the average space per employee is approximately 10 square metres compared with the norm of between 14-16 square metres.

In September 2003 O'Brien Property Consultancy Limited were asked to undertake a review of the Regional Council's accommodation in Masterton. The objective of the review was to identify and quantify Council's accommodation problems and to put forward a range of options to resolve these problems.

The premises reviewed were Council's main office/depot at 34 Chapel Street and the nearby Biosecurity office at Albert Street. **Attachment 1** contains a site layout plan of these premises. The site shaded grey on this plan is not currently owned or occupied by the Council, but is shown for later reference in this report.

4. The Current Accommodation Problems

Three main problems have been identified, namely:

- The Council's Masterton office is cramped and poorly organised. There is an immediate need to accommodate additional staff and there is no capacity within the existing structures for future expansion.
- The quality of the rental premises currently occupied by the Biosecurity Department is poor and such premises are physically separate from other Council Departments.
- There is a shortage of carpark and yard space.

Overall, it is estimated that the Council has a minimum requirement for another 210 square metres of reasonable quality office accommodation (including new accommodation for the Biosecurity Department) and 600 square metres of additional yard space.

Problem 1 - Main Offices

The Main and Annex Office buildings suffer from a poor layout that has evolved somewhat haphazardly over the years in response to one-off needs to accommodate additional staff. Furniture and workstations vary in type and dimensions making layout changes difficult. Departments are currently split between floors and there is a high ratio of common area to occupied office space. Meeting room facilities are inadequate and poorly located.

Temperature control in the building has always been a major problem and this has become more so as the building occupancy numbers have increased. The provision of air conditioning to the main office building is currently under review. In addition, there is a lack of records storage space and there are also issues with space for hydrology and water quality needs. It is also relevant to note that the offices will require re-carpeting and redecoration in the near future.

Problem 2 - Biosecurity Accommodation

The Biosecurity Department is located in a very old building which has not been substantially upgraded for several decades. The office area is heavily subdivided by full height walls, many of which appear to be structural. The space is inflexible and offers a sub-standard quality of accommodation. There are also significant heating and cooling issues with this building.

While the physical distance is not great, the separation of this building from the rest of Council's premises by a road is also a negative factor, as it requires the duplication of support services and equipment. There is also the view that communication with the rest of the Division is detrimentally affected. Council's lease of this building expires in February 2005.

Problem 3 - Insufficient Carpark/Yard Space

The yard areas have become increasingly congested as field vehicle numbers have increased over the years. The problems are particularly acute when field vehicles arrive and return at the beginning and end of each day. Secure overnight parking is required for a number of vehicles and sometimes there is inadequate space for this to occur.

5. Other considerations – Bovine Tb Business Unit

The Council has established a Bovine Tb business unit. This business unit will effectively operate as a stand-alone entity and it is required to compete for future pest management contracts. It is expected that this business unit will continue to win its fair share of work, but its longevity is not guaranteed. The option of relocating the unit elsewhere was therefore considered. However, this would add additional support costs for the unit and the isolation from the rest of the organisation would work against the culture that we have established within the unit.

Given the high level of confidence within Council that the Bovine Tb business unit will perform over the medium term, it has been assumed, for the purposes of this report, that its occupancy at Council's Chapel Street site will continue in the medium to long term. It should be noted also that this unit does not occupy space in either the main office or the Biosecurity building, and their requirements have not changed greatly in recent years.

6. Partial Accommodation Solutions

During the course of this accommodation review, a full range of accommodation options were considered. This included options which provided solutions to some, but not all of the problems. Outlined below are two partial accommodation solutions that are worthy of consideration:

6.1 Option 1: Refurbish the main office building and relocate the Biosecurity department

Estimated Cost \$650,000

External Rental Cost \$20,000 per annum

This option would involve major alterations to the main office buildings to improve efficiency of use, the interior of the buildings would be redecorated and new carpet laid throughout. The main office building would be air conditioned and some new furniture acquired to support the new office layouts. The present accommodation requirements in the main building would be satisfied as well as providing capacity to cater for a small increase in staff numbers. The overall quality of accommodation would be improved, particularly temperature control.

The Biosecurity accommodation would be addressed by relocating these staff to better quality rental accommodation in the building located on the opposite side of Chapel Street. These premises require a new fitout and the installation of air conditioning.

This is a relatively low cost option but goes only some of the way to resolve the problems identified in section 4 of this report. Under this scenario Biosecurity's accommodation would be improved but they would still be in rented accommodation, and even more physically separated from the rest of the Division. Carpark/yard space issues would not be resolved and generally any future growth would be only partially catered for.

6.2 Option 2: Refurbish main office building & construct extra office space on-site above ground level

Estimated Cost \$1,425,000 to \$1,600,000

External Rental Cost \$ Nil

This option is similar to option 1, refer section 6.1 above, but instead of renting alternative accommodation for the Biosecurity department, it allows for the construction of additional office space (250 square metres) on Council's existing site. Due to the shortage of yard space it would be necessary to construct the additional office space above ground level; either by extending the first floor of the main office building over a carpark area or by adding another storey on top of the main office building.

This is a higher cost option which would fully satisfy Council's office requirements but does nothing to address carparking/yard issues. Construction costs would be substantially greater than building at ground level and the provision of a passenger lift would be necessary to meet disabled person's requirements. The work would be extremely disruptive and it is more than likely that staff in the main office building would need to be relocated to alternative premises during construction.

If the Council is prepared to consider this level of expenditure to resolving accommodation issues in Masterton, then a superior option is available at a relatively modest incremental cost. This option (option 5) is outlined below (refer section 7.3).

7. Total Accommodation Solutions

The ability of the Council to fully address its current accommodation issues is limited by the land area of the existing site at 34 Chapel Street. Essentially, Council's existing site is too small to accommodate all of its needs. The requirement for more land could be addressed in three ways as follows:

7.1 Option 3: Purchase or rent pre-existing vacant accommodation in Masterton that meets Council's requirements

Estimated Cost	\$ 750,000
External Rental Cost	\$ 200,000 per annum

Due to the Division's size and the diverse nature of its activities, it has a non-typical accommodation requirement. Therefore, its choice of alternative accommodation is extremely limited. Local real estate agents advise that there are no existing properties in Masterton available for sale or lease that would suit Council's requirements. A leasing option which could potentially satisfy Council's requirement is the WINZ building located at Lincoln Road, Masterton. This building has sufficient vacant space to accommodate Council's office requirements but would require the owner to develop industrial buildings and yards to Council's requirements on an adjacent site.

The estimated net cost (net of disposal proceeds) to move to and fitout the new premises is \$750,000 and the annual rental cost thereafter is estimated at \$200,000.

Because of the functional importance and specialised nature of Council's business, ownership of this core property asset is strongly recommended over leasing. Ownership provides a far greater level of flexibility and control. Even if leasing were considered to be an acceptable solution it should be noted that shared occupancy of buildings with Government tenants such as WINZ are invariably problematic. The Council has experienced such problems first hand with the New Zealand Immigration Service tenancy in the Regional Council Centre.

In addition, the Council would have the added complication of either selling or leasing its existing Chapel Street property.

7.2 Option 4: Purchase development site and construct new accommodation for Council

Estimated Cost	\$7,000,000
External Rental Cost	\$ Nil

Assuming an appropriate site were available the Council could purchase bare land and develop, from scratch, accommodation to its specification. A preliminary estimate of the net cost is \$7 million (net of disposal proceeds). This scenario has not been explored in any depth as there are alternative accommodation solutions available at a fraction of this cost.

7.3 Option 5: Purchase land adjoining Council's existing property and utilise increased site area to develop additional office accommodation and yard/carparking

Estimated Cost \$1,650,000

External Rental Cost \$ Nil

The purchase of additional land adjoining Council's site would enable construction of the required additional office space for Biosecurity on-site and at ground level. The construction cost and disruption would be far less than building above ground and the requirement to provide a passenger lift would most likely be avoided. Assuming sufficient land area was available the required additional carparking/yard space could also be developed.

The office accommodation in the main office buildings would probably still need to be reconfigured and refurbished as previously outlined in order to rationalise existing space usage and improve the general working environment. However, this needs to be further explored.

Physically the only adjoining site that could meet Council's requirements is the site to the north at 24-26 Chapel Street (shaded grey on the plan contained in **Attachment 1**).

8. 24-26 Chapel Street

24 - 26 Chapel Street is a freehold site privately owned by a local family trust. The site has an area of 976 square metres which roughly equates to the extra land area that Council would require (810 square metres). The site is generally level and is appropriately zoned for commercial and light industrial use. As well as frontage to Chapel Street the site has access to Wrigley Street and the Masterton District Council public carpark to the rear.

Two single storeyed structures totalling some 440 square metres are located on this site. The balance of the site comprises a partially fenced yard/carpark area. The buildings were constructed in the early 1960's and have been interconnected to form a single tenancy. Externally both buildings are in a fair condition. The roofs of both buildings leak and are probably in need of replacement. Internally the quality of the accommodation and its layout is very poor. A preliminary assessment of the buildings indicates that it would not be cost effective to upgrade the existing structures for occupation by Council.

The building is currently leased to a Government health organisation (Choice Health) for \$26,000 per annum. The lease expires in August 2005; however, it

is understood the tenant is unhappy with the accommodation and looking for alternative premises.

The owners of 24-26 Chapel Street have indicated they would be interested in selling this property to Council. Their asking price is \$315,000.

9. The Proposal

If Council is committed to resolving all of the Wairarapa Division's accommodation issues, then the adoption of Option 5 outlined in section 7.3 above is recommended.

The purchase of 24-26 Chapel Street should enable the Wairarapa Division's accommodation problems to be fully and cost effectively resolved. It will also enhance the amenity of the total site and give Council options to expand or contract in the future.

Assuming this approach is supported by the Committee the following broad implementation process is suggested:

- a) Purchase 24-26 Chapel Street at current market value.
- b) Demolish existing improvements on 24-26 Chapel Street and develop land as carpark/yard.
- c) Refurbish/rationalise main office buildings.
- d) Construct extension to main building at ground level for Biosecurity department.

Attachment 2 provides an indicative plan of how the combined sites might be integrated and developed. The plan shows a 250 square metre office addition adjacent to the main office buildings and a new carpark/yard area formed on the new land. While this plan is very preliminary, developing the site in this way would provide Council with the flexibility to easily dispose of 24-26 Chapel Street should it become surplus to requirements sometime in the future.

10. Financial Implications

The total estimated cost for Option 5, as outlined in section 7.3 of this report, is estimated at \$1,650,000 and is based on the following breakdown:

	\$	Notes
24-26 Chapel Street – Purchase cost	\$315,000	
24-26 Chapel Street – Demolish buildings and site works	\$100,000	
Build New 250 sm Office - Base structure	\$450,000	
Internal Fitout of new structure including air conditioning & furniture	\$160,000	
Re-configure/refurbish existing office buildings (includes air conditioning)	\$400,000	(2)
Fees and contingency @ 15%	\$225,000	
TOTAL COST (Excluding GST)	\$1,650,000	(1)

Notes:

1. At this stage figures are preliminary estimates only.
2. It is not certain at this stage the extent of reconfiguration required. This is expected to be a worst case estimate.

It is anticipated that this project would be debt funded which would add approximately \$172,000 p.a. to Council's ongoing funding requirements. This equates to approximately 0.15% increase in regional rates in 2004/05 (0.30% in later years as we normally assume the first year of a new project only incurs six months of debt servicing costs). Currently there is no budget for this work.

11. Communications

Not applicable at this time.

12. Recommendations

That the Committee recommend to Council that it:

- (1) *Receive the report and note its contents.*
- (2) *Approve in principle the purchase of land adjoining Council's existing Masterton site situated at 24-26 Chapel Street, with a view to rationalising Council's accommodation requirements on one site (as outlined in section 7.3 of this report).*

- (3) *Approve the commencement of negotiations with the owner of 24-26 Chapel Street, on the basis that officers will seek final approval of the transaction once conditional agreement has been reached.*
- (4) *Request officers to incorporate the financial impact of this proposal within the final 2004/05 Annual Plan to be considered by the Committee in June 2004.*

Report prepared by:

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Attachment 1: Existing Site Plan

Attachment 2: Proposed Site Plan

Public excluded