

Release of Information from Public Excluded – Strategic Land Purchases

1. Purpose of Report

- 1.1 To seek approval for the Chief Executive to release from public excluded the information in relation to strategic land purchases.

2. Recommendation

THAT the report Release of Information from Public Excluded – Strategic Land Purchases (1633513) be received;

AND THAT the approval be given for the Chief Executive to release from public excluded as appropriate, the information in relation to the strategic land purchases of the Anchor building and land and both portions of land 252 Haven Road and 254-256 Wakefield Quay.

3. Exclusion of the Public

- 3.1 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 carry out commercial activities and carry out negotiations.

4. Background

- 4.1 At the Council – Infrastructure meeting of 8 August 2013, Council resolved to delegate authority to the Chief Executive to purchase the Anchor building and land.
- 4.2 At that same meeting Council resolved to delegate authority to the Chief Executive to purchase both portions of land 252 Haven Road and 254-256 Wakefield Quay.
- 4.3 These resolutions were passed at the part of the meeting with the public excluded in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987.

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5. Discussion

- 5.1 The purchase of the Anchor building and land has now been completed. Documentation for the purchase of land at 252 Haven Road and 254-256 Wakefield Quay had been completed and the purchase is now unconditional, but yet to be settled. Therefore there is no longer reason for this information to be withheld from the public.
- 5.2 A request for this information under the Local Government Official Information and Meetings Act 1987 has also been received.
- 5.3 For these reasons, this information should appropriately be released from public excluded by the Chief Executive.

6. Conclusion

- 6.1 That approval for the Chief Executive to release from public excluded the information in relation to strategic land purchases be granted.

Clare Hadley
Chief Executive

Attachments

None.

No supporting information follows.

Released from
Public Excluded

Release of Information from Public Excluded – Strategic Land Purchases

Strategic Land Purchase – Anchor Building and Land

1. Purpose of the Report

- 1.1. To consider the purchase of the Anchor building and land.

2. Recommendation

THAT the report Strategic Land Purchase - Anchor Building and Land (1532131) and its attachment (1559576) be received.

AND THAT with respect to the Anchor Building properties that Council not progress with the purchase of either portions of land (258 and 262 Wakefield Quay) or buildings until a firm strategy is in place for the Port area;

OR

THAT with respect to the Anchor Building properties that Council delegate the Chief Executive authority to purchase both portions of land (258 and 262 Wakefield Quay) and buildings subject to due diligence for a negotiated price not exceeding \$1,000,000 (excluding GST);

OR

THAT with respect to the Anchor Building properties, that Council delegate the Chief Executive authority to purchase both portions of land (258 and 262 Wakefield Quay) and building for a price of \$1,000,000 (excluding GST), dispensing with all due diligence.

3. Exclusion of the Public

- 3.1. 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 carry out commercial activities and carry out negotiations.

4. Background

- 4.1. Council approved \$2.4 Million in the 2013/14 Annual Plan for the purchase of Strategic Land (\$1,775,000) and Strategic Buildings (\$625,000).
- 4.2. No mention was made to purchase any specific land or buildings. Refer to Attachment 1 for location plan of the Anchor Building site.

5. Anchor Building Site (258 and 262 Wakefield Quay)

Facts Relating to the Land and Building

- 5.1. The land and buildings are owned by Aberdeen Angus Originals Ltd. Discussions with the owners are advanced.
- 5.2. Initial earthquake assessment – Neither the owner nor Council as potential purchaser have undertaken any assessments. This would be part of any future due diligence. The building is a circa 1920 two storey building.
- 5.3. Detailed earthquake assessment – As above.
- 5.4. Section 124 status and timeframes – May follow from above.
- 5.5. Zoning – Suburban Commercial within a coastal environment overlay.
- 5.6. Most recent Capital value – Total \$611,000 comprising two land parcels:
 - 258 Wakefield Quay - \$351,000 (\$350,000 land and \$1,000 improvements).
 - 262 Wakefield Quay - \$260,000 (\$170,000 land and \$90,000 improvements).
- 5.7. Independent Valuation for land and buildings:
 - 258 Wakefield Quay - \$750,000.
 - 262 Wakefield Quay - \$360,000.

Note that these valuations **do not** take into account potential earthquake issues and would be discounted to reflect this, which the most recent capital value does.
- 5.8. Heritage status under Historic Places Trust – Category II.
- 5.9. Heritage status under Nelson Resource Management Plan – The building has a Class B heritage rating.
- 5.10. Archaeological issues – Yes pre-1990. Requires archaeological permit.
- 5.11. Iwi interest – Not identified, as land part of Treaty Settlement package.

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- 5.12. Tenants and building owner:
- Name – Aberdeen Angus Originals;
 - Views of tenant – Keen to sell;
- 5.13. Lease terms – Empty. Not Applicable.
- 5.14. Current status – To be ascertained.
- 5.15. Rental – Not applicable.
- 5.16. National Environmental Standards (contamination issues) – Classified as dangerous goods site and may need investigating further.
- 5.17. New Zealand Transport Authority interest as an affected party – Other than the land in question fronting SH6 under NZTA control, none.
- 5.18. Other third party interest – None known, but there would possibly be commercial interest if placed on the market.
- 5.19. Cost to strengthen to 67% New Building Standard as per Council's approved Earthquake Prone, Dangerous and Insanitary Buildings Policy will be determined as part of any potential future due diligence.
- 5.20. Additional difficulties include that the property is a hydraulically filled site and subject to the Air Quality Plan. The implications of this will be explored under future due diligence.
- 5.21. Due diligence on the following items is likely to cost around \$70,000:
- Undertaking a condition assessment of the buildings including earthquake prone building assessment;
 - Heritage status;
 - Existing conditions and Title search and legal covenants on the land;
 - Potential contamination issues.
- 5.22. Income could be realised if the building is bought and leased out until such time as Council has a firm view of the area. This will, of course, depend on the earthquake prone status.
- 5.23. Whilst Council has no plans for this area at the moment the potential costs for future options are detailed below:
- Demolition costs if Council chooses this option - \$500,000 (excludes consent costs and any objections);
 - Land contamination issues – Potentially \$100,000.
 - Strengthening costs – not yet determined, but as these are old heritage buildings, these could be substantial.

6. Cost Summary

6.1. Summary of costs is as below:

| Costs | Anchor building |
|--|------------------------|
| Due diligence | \$ 70,000 |
| Purchase (two parcels of land and buildings) | \$611,000 |
| Administration to effect purchase | \$ 20,000 |
| Total | \$701,000 |

- 6.2. The owner, following discussions with officers, is asking \$1.3 Million but is open to a price close to the rateable value.
- 6.3. The budget of \$2.4 Million set aside for the purchase of strategic land and building is adequate to purchase these two properties.
- 6.4. The consideration of potential costs need to be considered in the mix of these purchases before embarking on any purchase, but if Council wishes to purchase these properties purely for strategic reasons, then all of the items raised in the body of the report may not be important and could be addressed sometime in the future when a firm direction is known.
- 6.5. Any works to implement future initiatives (such as conversion to parking or green space), as these are unknown, have not been considered or costed.

7. Conclusion

- 7.1. The vendor is keen to sell the land and buildings. He is however asking for more than valuation (\$1.3 Million compared to \$611,000). It is anticipated that the final negotiated value would be somewhere between these two and \$1 Million is seen as appropriate.
- 7.2. Due diligence could cost in the order of \$70,000.
- 7.3. If the Council is interested in the purchase from a purely strategic perspective, then future potential costs or due diligence as detailed in the body of this report may not be a concern. Potential long term costs depending on future plans could be significant.
- 7.4. Potential income may or may not be realised if no tenant could be located, especially if the building is deemed to be earthquake prone.

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- 7.5. Should Council be inclined to purchase these two pieces of land and buildings, then officers recommend that the Chief Executive be delegated authority to negotiate a price with the vendor not exceeding \$1 Million.

Alec Louverdis
Executive Manager Network Services

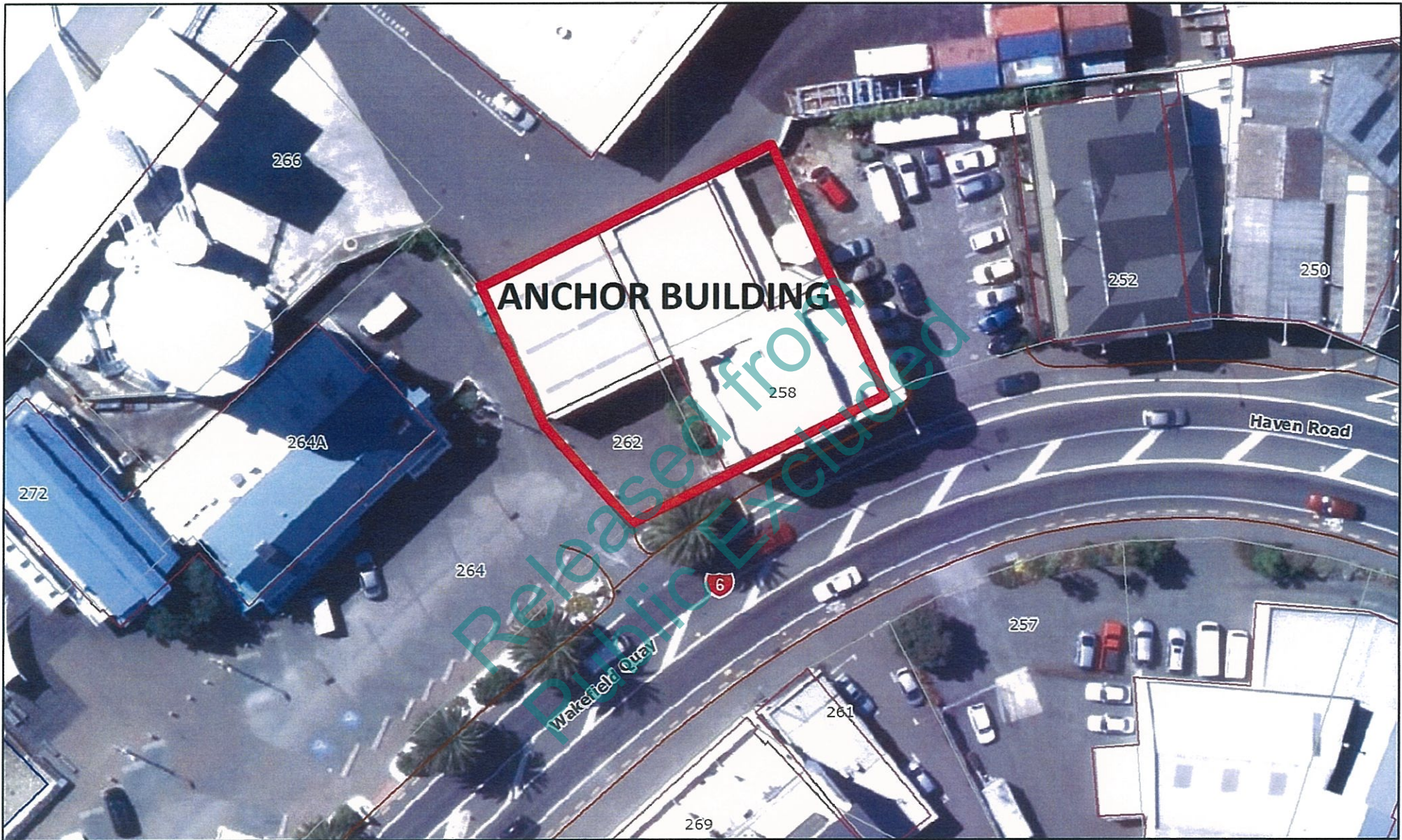
Attachments

Attachment 1: Location Plan [1559576](#)

Supporting information follows.

Released from
Public Excluded

| Supporting Information | |
|---|---|
| 1. Fit with Purpose of Local Government | <p>A local authority should own assets only if the use of that asset is the most efficient and effective way of delivering a particular service. Any property ownership or lease/rental of that property is about what service that ownership will facilitate.</p> <p>Council would need to turn their mind as to what they propose for these pieces of land and/or buildings in the future. Ownership of the land and buildings may not fit in with the purpose of the Local Government Act as it does not provide good quality local infrastructure, does not provide a public service and does not meet regulatory requirements defined under Section 10.</p> <p>Until Council has a strategy for the Port area, these purchases on their own may not fit in with the purpose of the Local Government Act and could be seen as not providing good quality local infrastructure for a public service.</p> |
| 2. Fit with Community Outcomes and Council Priorities | <p>These purchases potentially realise the "land to sea linkages", which address all four outcomes.</p> |
| 3. Fit with Strategic Documents | <p>As above.</p> |
| 4. Sustainability | <p>The project potentially meets improved economic outcomes.</p> |
| 5. Consistency with other Council policies | <p>The acquisition of these properties and/or buildings will potentially create an issue with respect to heritage and earthquake prone policy of Council.</p> |
| 6. Long Term Plan/Annual Plan reference and financial impact | <p>Provision has been made in the Long Term Plan 2012-22 for Strategic land purchases.</p> |
| 7. Decision-making significance | <p>This is not a significant decision in terms of the Council's Significance Policy.</p> |
| 8. Consultation | <p>The potential purchase was addressed in the Long Term Plan 2012-22.</p> |
| 9. Inclusion of Māori in the decision making process | <p>Māori have not been included in the decision making process relating to the potential property purchase.</p> |
| 10. Delegation register reference | <p>This is a Council decision.</p> |

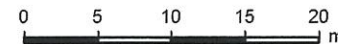


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Scale 1:500



Date: 12/06/2013

Strategic Land Purchase

252 Haven Road and 254-256 Wakefield Quay

1. Purpose of the Report

- 1.1 To consider the purchase of the Custom House land (252 Haven Road and 254-256 Wakefield Quay).

2. Recommendation

THAT the report Strategic Land Purchase - Custom House (1544405) and its attachment (1559958) be received.

AND THAT with respect to the Custom House properties that Council not progress with the purchase of either portions of land (252 Haven Road and 254-256 Wakefield Quay) until a firm strategy is in place for the Port area;

OR

THAT with respect to the Custom House properties that Council delegate the Chief Executive authority to purchase both portions of land (252 Haven Road and 254-256 Wakefield Quay), subject to due diligence for a negotiated price of around \$460,000 (excluding GST);

OR

THAT with respect to the Custom House properties, that Council delegate the Chief Executive authority to purchase both portions of land (252 Haven Road and 254-256 Wakefield Quay) for a price of around \$460,000 (excluding GST), dispensing with all due diligence;

AND THAT Council provide guidance on whether they wish the Chief Executive to explore securing the Custom House building situated on 252 Haven Road.

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3. Exclusion of the Public

- 3.1 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 carry out commercial activities and carry out negotiations.

4. Background

- 4.1 Council approved \$2.4 Million in the 2013/14 Annual Plan for the purchase of Strategic Land (\$1,775,000) and Strategic Buildings (\$625,000).
- 4.2 No mention was made to purchase any specific land or buildings. Refer to Attachment 1 for location plan of Custom House.

5. Custom House Building Site (252 Haven Road and 254-256 Wakefield Quay)

Facts Relating to the Site

- 5.1 The land on which the Custom House building is sited (252 Haven Road) is owned by Port Nelson.
- 5.2 The land (carpark) to the west (254-256 Wakefield Quay) is also owned by Port Nelson.
- 5.3 The building itself (Custom House) is owned by McPherson Trustee Ltd (represented by Mr Marcus Ryan).
- 5.4 Following an initial approach by Council to Port Nelson, the Port Nelson Board indicated that they are open to selling the land and are seeking an independent valuation of the land.
- 5.5 There are two parts to the purchase of land, each having a separate title - the land itself on which the building sits and the carpark to the west. The purchase of both pieces of land are considered in this report.
- 5.6 Furthermore, the land on which the car park is located is part of a bigger parcel of land owned by the Port and will need to be subdivided.
- 5.7 A perpetual lease is in place between Port Nelson and the lessee (McPherson Trustee Ltd) relating to the building on their land.
- 5.8 Mr Marcus Ryan has indicated that the Trust is open to selling the building and business to Council (as a going concern) and that they have placed the building and business on the market. The Trustee's asking price is \$1.2 Million plus any commission, but they have offered this to Council for a flat \$1.2 Million (i.e. no commission payable).

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- 5.9 Initial earthquake assessment – Neither the owner nor Council as potential purchaser have undertaken any assessments. This would be part of any future due diligence. The building is a circa 1900 two storey building.
- 5.10 Detailed earthquake – As above.
- 5.11 Section 124 status and timeframes – May follow from above.
- 5.12 Zoning – Industrial within a coastal environment overlay.
- 5.13 Most recent Council capital value:

| Property | Land | Improvements | Comments |
|------------------------|--|--------------|--------------------|
| 254-256 Wakefield Quay | No land value as part of larger Port Nelson parcel of land | \$0 | Vacant no building |
| 252 Haven Road | \$270,000 | \$430,000 | |

- 5.14 Council independent valuations:

| Property | Land | Building | Comments |
|------------------------|-----------|-----------|---|
| 254-256 Wakefield Quay | \$180,000 | \$0 | Vacant land (no building). |
| 252 Haven Road | \$275,000 | \$560,000 | Vendor wants \$1.2 Million for building and business. |
| Total | \$455,000 | \$560,000 | |

- 5.15 Heritage status under Historic Places Trust – Yes, Category II.
- 5.16 Heritage status under Nelson Resource Management Plan – Yes, Class A heritage building.
- 5.17 Archaeological issues – Yes, pre-1990. Requires archaeological permit.
- 5.18 Iwi interest – Not identified, as land part of Treaty Settlement package.
- 5.19 Tenants and building owner:
- Name – McPherson Trustee Ltd.
 - Views of tenant – The owner has offered the building and business as one going entity to Council for \$1.2 Million (no commission).
 - Actions of tenant – The owner has indicated that the Trust wishes to sell the building and business.

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- Use - The building is used as a private residence and backpacker accommodation.
- 5.20 Lease terms – 10 years from 1 January 2005, with one 10-year right-of-renewal. The building owner would no doubt include these in any sale.
- 5.21 Current status – Occupied and Trading.
- 5.22 Rental – \$16,350/year plus additional \$8,580 for use of the car parks payable to the Port.
- 5.23 National Environmental Standards (contamination issues) – Yes, potentially due to oil storage area and proximity to Port. Will be part of future due diligence. The estimated cost to undertake a specialist investigation is estimated to be around \$35,000.
- 5.24 New Zealand Transport Authority interest as an affected party – Other than the land in question fronting SH6 under NZTA control, none.
- 5.25 Other third party interest – If the building and business is placed on the market, there no doubt will be interest in the business.
- 5.26 Cost to strengthen to 67% New Building Standard as per Council's approved Earthquake Prone, Dangerous and Insanitary Buildings Policy will be determined as part of any pending due diligence.
- 5.27 Cost to demolish - \$400,000. This excludes consents and potential hearings. Any demolition or removal is not a permitted activity.
- 5.28 Other - The property comes with a Right-of-Way for storage of light fuels and is on uncertified fill.
- 5.29 Due diligence on the following items is likely to cost around \$70,000:
- Undertaking a condition assessment of all the buildings including earthquake prone building assessment;
 - Heritage status;
 - Existing conditions and Title search and legal covenants on the land;
 - Potential contamination issues.
- 5.30 Whilst Council has no plans for this area at the moment, the potential costs for future options are detailed below:
- Demolition costs if Council chooses this option - \$400,000 (excludes consent costs and any objections);
 - Land contamination issues – Potentially \$100,000;

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- Strengthening costs – not yet determined, but as this is an old heritage buildings, costs could be substantial;
- Income of \$25,000 from existing lease will continue to be realised, provided the Backpackers continues to operate.

6. Cost Summary

6.1 Summary of costs is as below:

| Costs | Anchor building |
|-----------------------------------|------------------------|
| Due diligence | \$ 70,000 |
| Purchase (two parcels of land) | \$455,000 |
| Administration to effect purchase | \$ 20,000 |
| Sub-division cost estimate | \$ 30,000 |
| Total | \$575,000 |

6.2 Port Nelson's valuation of the land is \$460,000 and this is what they are asking. This is marginally above Council's valuation.

6.3 The consideration of potential costs need to be considered in the mix of these purchases before embarking on any purchase, but if Council wishes to purchase these properties purely for strategic reasons, then all of the items raised in the body of this report may not be important and could be addressed sometime in the future when a firm direction is known.

6.4 Any works to implement future initiatives (such as conversion to parking or green space), as these are unknown, have not been considered or costed.

6.5 This report is to be read in conjunction with report 1532131 dealing with the proposed purchase of the Anchor properties. The budget set aside for strategic land purchases of \$2.4 Million is adequate to cover the Anchor purchase as well as these two pieces of land (excluding the building).

7. Conclusion

7.1 Port Nelson is open to sell the two pieces of land to Council.

7.2 Council's valuation of the land is \$455,000.

7.3 Port Nelson's valuation of the land is \$460,000 and this is what they are asking.

7.4 Due diligence could cost in the order of \$70,000.

7.5 If Council is interested in the purchase from a purely strategic perspective, then future potential costs as detailed in the body of this

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report may not be a concern. Potential long term costs depending on future plans could be significant.

- 7.6 The cost of purchasing the building has been valued at \$560,000, but the owner wants \$1.2 Million for the building and business as one entity. The report does not consider purchasing the building or the business, but seeks guidance from Council on this issue. However, the asking price of \$1.2 Million for the building and business is deemed unreasonable and officers do not recommend that the building or business be purchased.
- 7.7 The existing lease provided the tenant continues to operate would realise income of \$25,000/year.
- 7.8 The budget of \$2.4 million set aside for Strategic land Purchases is adequate to cover the purchase of 252 Haven Road and 254-256 Wakefield Quay.

Alec Louverdis

Executive Manager Network Services

Attachments

Attachment 1: Location Plan [1559958](#)

Supporting information follows.

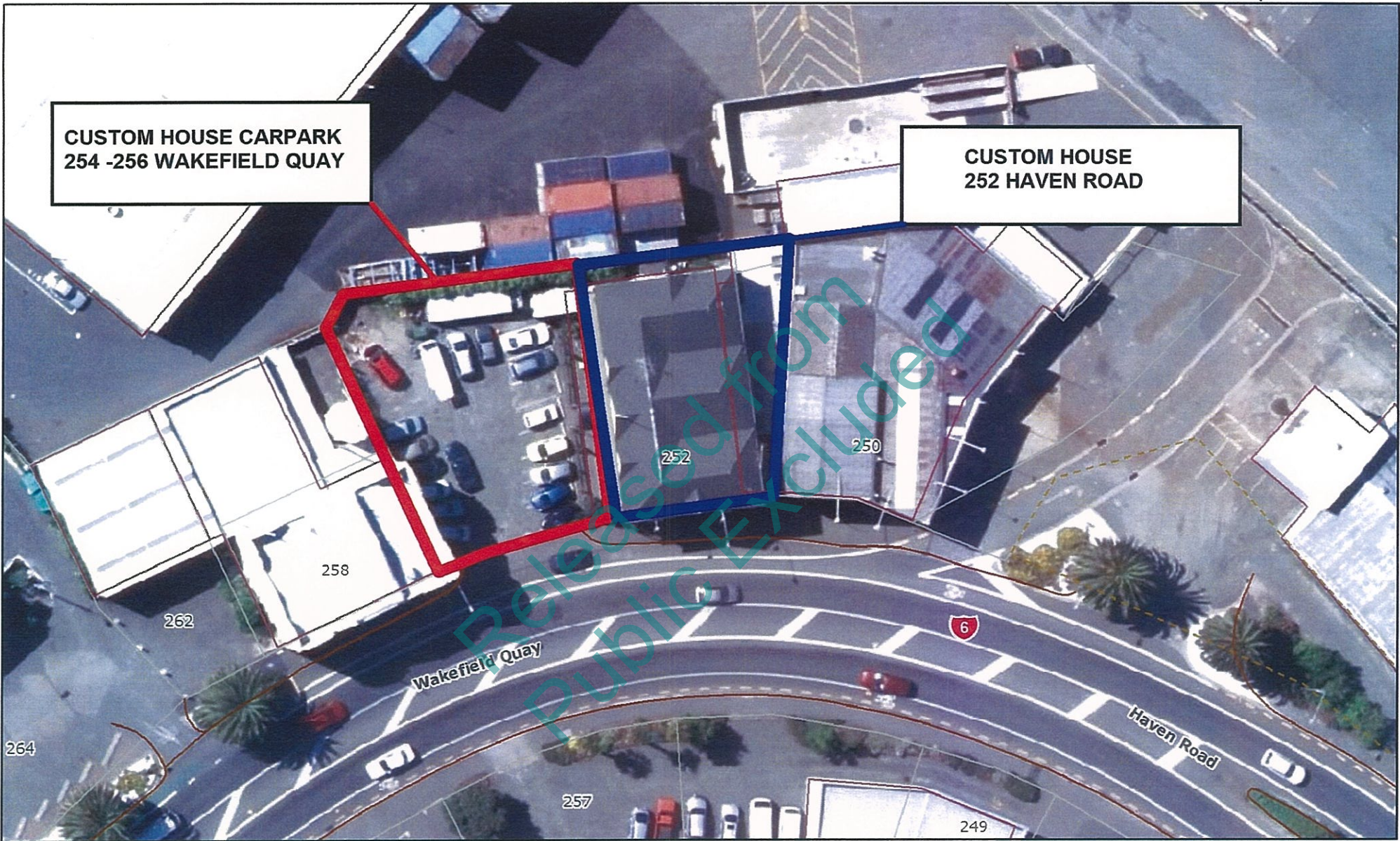
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Strategic Land Purchase – 252 Haven Road and 254-256 Wakefield Quay

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| Supporting Information | |
|---|---|
| 1. Fit with Purpose of Local Government | <p>A local authority should own assets only if the use of that asset is the most efficient and effective way of delivering a particular service. Any property ownership or lease/rental of that property is about what service that ownership will facilitate.</p> <p>Council would need to turn their mind as to what they propose for these pieces of land and/or buildings in the future. Ownership of the land and buildings may not fit in with the purpose of the Local Government Act as it does not provide good quality local infrastructure, does not provide a public service and does not meet regulatory requirements defined under Section 10.</p> <p>Until Council has a strategy for the Port area, these purchases on their own may not fit in with the purpose of the Local Government Act and could be seen as not providing good quality local infrastructure for a public service.</p> |
| 2. Fit with Community Outcomes and Council Priorities | <p>These purchases potentially realise the "land to sea linkages", which address all four outcomes.</p> |
| 3. Fit with Strategic Documents | <p>As above.</p> |
| 4. Sustainability | <p>The project potentially meets improved economic outcomes.</p> |
| 5. Consistency with other Council policies | <p>The acquisition of these properties and/or buildings will potentially create an issue with respect to heritage and earthquake prone policy of Council.</p> |
| 6. Long Term Plan/Annual Plan reference and financial impact | <p>Provision has been made in the Long Term Plan 2012-22 for strategic land purchases.</p> |
| 7. Decision-making significance | <p>This is not a significant decision in terms of the Council's Significance Policy.</p> |
| 8. Consultation | <p>The potential purchase was addressed in the Long Term Plan 2012-22.</p> |
| 9. Inclusion of Māori in the decision making process | <p>Māori have not been included in the decision making process relating to the potential property purchase.</p> |
| 10. Delegation register reference | <p>Not applicable.</p> |

Strategic Land Purchase – 252 Haven Road and 254-256 Wakefield Quay



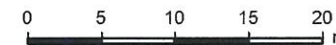
**CUSTOM HOUSE CARPARK
254 -256 WAKEFIELD QUAY**

**CUSTOM HOUSE
252 HAVEN ROAD**

CUSTOM HOUSE BUILDING AND CARPARK



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Scale 1:500



Date: 23/07/2013

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EXCERPT from the Minutes of part of a meeting of the Nelson City Council - Infrastructure

Held with the public excluded in the Council Chamber, Civic House, Trafalgar Street, Nelson

On Thursday 8 August 2013, commencing at 9.49am

5. Strategic Land Purchase – Anchor Building and Land

Document number 1532131, agenda pages 66-72 refer.

Executive Manager Network Services, Alec Louverdis, presented the report, and explained the three options presented in the officer recommendation. He explained that undertaking due diligence would cost approximately \$70,000.

In response to a question, Mr Louverdis explained that the rateable valuation of the property had been significantly reduced, indicating that the Anchor building was unlikely to meet earthquake standards. He added that the potential purchase price nominated in the officer report took into account the rateable value, and was lower than the vendor's expectations.

Councillors discussed the strategic worth of the land and building, and whether to undertake due diligence prior to purchasing it.

Councillor Boswijk, seconded by Councillor Fulton, moved the recommendation in the staff report, selecting the third option to dispense with due diligence, adding the words 'up to' into the second clause of the motion. It was noted that Council had had ongoing discussions regarding the purchase of the Anchor and Customhouse properties throughout the Council term.

Resolved

THAT the report Strategic Land Purchase - Anchor Building and Land (1532131) and its attachment (1559576) be received;

AND THAT with respect to the Anchor Building properties, that Council delegate the Chief Executive authority to purchase both portions of land (258 and 262 Wakefield Quay) and building for a price of up to \$1,000,000 (excluding GST), dispensing with all due diligence.

Boswijk/Fulton

Carried

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A division was called:

| Councillor | |
|------------------------|-------------|
| Councillor Barker | No |
| Councillor Boswijk | Aye |
| Councillor Collingwood | Aye |
| Councillor Copeland | Not Present |
| Councillor Davy | No |
| Councillor Fulton | Aye |
| Councillor Matheson | Apology |
| Councillor Rackley | Aye |
| Councillor Rainey | Aye |
| Councillor Reese | Apology |
| Councillor Shaw | Aye |
| Councillor Ward | Aye |
| His Worship the Mayor | Aye |

6. **Strategic Land Purchase – 252 Haven Road and 254-256 Wakefield Quay**

Document number 1544405, agenda pages 73-80 refer.

Mr Louverdis presented the report. He noted that in this case, the officer recommendation contemplated the purchase of the land only, rather than the land and building.

In response to a question, Mr Louverdis explained that the Customhouse building was owned by a separate party who had a perpetual lease with the Port, but that the lease would transfer to Council with the land purchase. He said that Council would continue to be the lessee of the building.

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Resolved

THAT the report Strategic Land Purchase - Custom House (1544405) and its attachment (1559958) be received.

AND THAT with respect to the Custom House properties, that Council delegate the Chief Executive authority to purchase both portions of land (252 Haven Road and 254-256 Wakefield Quay) for a price of around \$460,000 (excluding GST), dispensing with all due diligence;

AND THAT Council provide guidance on whether they wish the Chief Executive to explore securing the Custom House building situated on 252 Haven Road.

Rainey/Fulton

Carried

Councillor Barker requested that his vote against the motion be recorded.

Released from
Public Excluded