

# CIVIC ADMINISTRATION SITE OPTIMISATION

## *Statement of Proposal*



**NAPIER**

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## Statement of Proposal

This Statement of Proposal has been prepared in accordance with section 83 of the Local Government Act 2002. To support the proposal Council has developed a business case which is to be read in conjunction with Statement of Proposal. For the purposes of section 83AA of this Act, this Statement of Proposal in conjunction with the information provided on Council's website, is considered the summary of information.

Napier City Council has opted to utilise the Special Consultative Procedure under the Local Government Act 2002 as it is a clear decision-making process that is familiar to both the public and Council.

The proposal being considered is:

- 1. Napier City Council will have the option to divest, either by long-term lease or sale, the site on which the Civic Administration Building is currently located (Site A) to a private developer for commercial development.**

## Background

In 2017, Napier City Council (Council) engaged a structural engineering firm to undertake a seismic assessment of its two buildings (the Civic Administration Building and the Library Building) located in Hastings Street, Napier. Both buildings were found to be earthquake-prone, with the Civic Administration Building being assessed at 10% of the new building standard (NBS) and the Library Building being assessed at 15% NBS. In addition, the buildings in their current configuration no longer meet the needs of Council staff, nor do they deliver the excellent customer experience that is demanded in today's modern world.

This presented a unique opportunity to consider the efficient use of this site, and the prospect that a redeveloped site and building(s) could deliver a better working environment for staff and an improved customer experience. Also, leveraging part of the site for a commercial development, Council could revitalise the southern edge of the city. The savings to be made by strengthening and refurbishing only one building are also significant.

### **Physical location of this proposal**

This proposal relates to the site currently occupied by the Civic Administration Building as shown in Figure 1 below. The possible earthquake strengthening and redevelopment of the remaining part of the site is not the subject of this Statement, and will be investigated through a separate process. Likewise, decisions relating to the future of the Napier Public Library will be subject to an extensive community engagement process separate to this Statement.



Figure 1 – Site Layout

Council is now presenting the Napier community with a proposal. The decision to be made is the first step in a series of decisions on the future of the Hastings Street site.

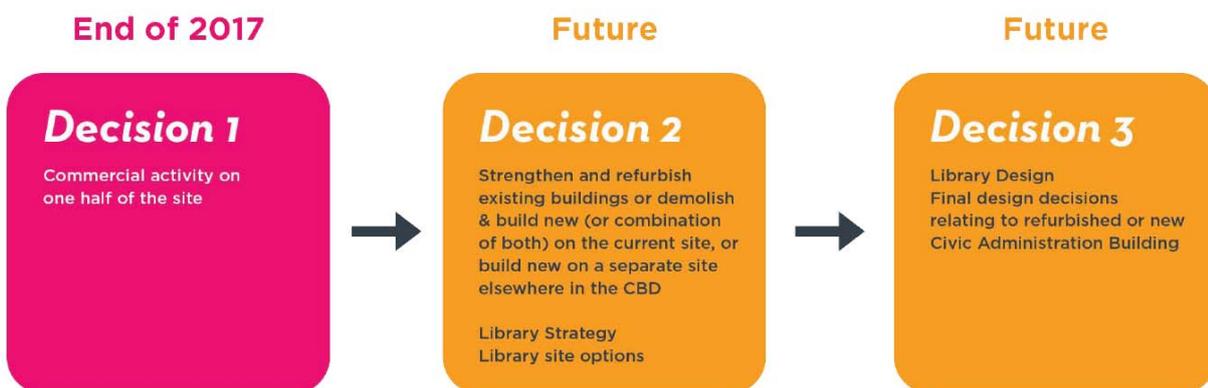


Figure 2 – Decision Stages

## Reason for proposal

Napier City Council had planned and budgeted for some refurbishment of the Civic Administration Building within the existing Long Term Plan. Because both Council buildings were found to be earthquake-prone, Council must decide what the best option for Napier is with the redevelopment of this site.

## Issues

In addition to the seismic assessment, a number of other issues were raised due to the current condition, design and configuration of the existing Council buildings:

1. **Poor building configuration and access to governance:** The main entrance to the building is inappropriate to deliver Council functions effectively. It lacks flow, accessibility and prominence making our customers confused and not sure where they should go the first time they visit Council buildings. Wheel chair access is also inadequate and provided at the rear of the building. The Council Chambers has a dysfunctional layout, with no air conditioning, and poor acoustics, and its location on the second floor makes access difficult for some.
2. **Perception of low quality customer service** - The building does not align with the Council Values of Customer and Community Service requirements seeking excellence in customer service. Insufficient meeting rooms for counter queries and customers are problematic and members of the public currently have to navigate through various floors to access council services including Council Committee rooms and functions.
3. **Physical condition of the building:** The building design is dated and the aesthetic contribution of the building towards a vibrant CBD is poor and could be improved. The entranceway to the building is undesirable and not conducive to good customer service.

Refurbishing the Civic Building required significant work to be undertaken including window replacements, air conditioning, interior redecorating, customer service centre development, carpet replacement, full electrical replacement, walls removed, exterior upgrades, earth works for customer interface for disabilities and many more requirements.

As initial cost estimates were high, officers took this opportunity to look at other options rather than a straight upgrade to ensure that the decision on the use and upgrade of the building would deliver the most cost effective and efficient outcome.

## Opportunities

A number of other factors have led Council to consider options for the site beyond the original decision to seismically strengthen and refurbish the Council buildings. In particular, the consolidation of Council's operations into a strengthened and refurbished library building allows better and more efficient use of that building space, more integrated working environment, and improved workflow and working environment.

There is also an opportunity to leverage Council assets for projects such a commercial development or similar, that would enable the council outcome of '*A strong prosperous and thriving economy*'. This has the potential to revitalise the economy, revitalise the CBD and cement Napier city as a tourist town.

## Is the proposal feasible?

The accompanying Business Case explores the feasibility of the proposal and assesses alternative options to the one put forward.

In order to determine whether the proposal is feasible, the following questions were answered:

1. What options are being considered?
2. Is it feasible or desirable to retain both buildings and both sites?
3. Can Council's administration functions be accommodated on part of the site?
4. Would a commercial activity on the remainder of the site be feasible?
5. What benefits to the city of Napier (and potentially beyond) can be expected from the proposal to divest or lease part of the site to commercial interests?

## What are the options?

The options assessed are:

- **Option 1** – Do nothing
- **Option 2** – Consolidate Council administrative functions within a strengthened and refurbished existing building with new building extensions on half of the Hastings Street site and divest either: **a)** Site A; or **b)** Site B for commercial development
- **Option 3** – Strengthen and refurbish both the Civic Administration Building and the Library Building, and remain within both buildings
- **Option 4** – Demolish both Council buildings and build new in the same location
- **Option 5** – Dispose both Site A and Site B and either rebuild or lease elsewhere.

The advantages, disadvantages and costs associated with each option are provided in the Table on the following page.

Option	Advantages	Disadvantages	Estimated Demolition Cost (Ex. GST)
<b>Option 1: Do nothing</b>	<ul style="list-style-type: none"> <li>• Short term savings due to no investment being made to upgrade building.</li> <li>• No staff disruption or loss of work time</li> </ul>	<ul style="list-style-type: none"> <li>• Will not meet legal requirements</li> <li>• Staff and customers at risk in earthquake-prone building</li> <li>• No improvement on organisational function</li> <li>• Substantial investment needed in the long term</li> <li>• Staff satisfaction in relation to workplace continues to erode</li> </ul>	<ul style="list-style-type: none"> <li>• No immediate cost</li> </ul>
<b>Option 2: Consolidate Council's administrative functions within a strengthened and refurbished existing building with new building extensions on half of the Hastings Street site and divest either a) Site A; or b) Site B for commercial development</b>	<ul style="list-style-type: none"> <li>• Improve Council function</li> <li>• Low cost option in relation to benefits</li> <li>• Minimal work disruption</li> <li>• Improves safety</li> <li>• Refurbished and extended buildings that better serve the needs of the community</li> <li>• New development and activity on half of Hastings Street site</li> <li>• Divestment proceeds could be used to off-set some of the costs of redevelopment</li> </ul>	<ul style="list-style-type: none"> <li>• Work disruption due to refurbishing work</li> <li>• Some building work required for Library, Council Chambers and Customer service area (building extensions)</li> <li>• Council could permanently lose an asset</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Option 2(a)</b> Demolition costs (CAB) - \$959,000 (excl. plot levelling)</li> <li>• <b>Option 2(b)</b> (Library Building) - \$1,144,400 (retain basement structure, and for Library Annex) - \$110,000 (excl. making good)</li> </ul>
<b>Option 3: Refurbish both the Civic Administration Building and the Library</b>	<ul style="list-style-type: none"> <li>• Organisational function improves</li> <li>• More space for Council offices, meeting space, etc</li> </ul>	<ul style="list-style-type: none"> <li>• Not the most efficient use of Council assets given Council's</li> </ul>	

<b>Building and stay in current location</b>		<p>administrative functions can be accommodated on half the site</p> <ul style="list-style-type: none"> <li>• Higher cost than option 2 due to refurbishing two buildings</li> </ul>	
<b>Option 4: Demolish both Council buildings and build new in the same location</b>	<ul style="list-style-type: none"> <li>• Organisational function improves and building design is fit for purpose</li> <li>• Improvements to the streetscape (amenity will be possible).</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially higher costs in relation to other options</li> <li>• Inefficient use of space given that Council's administrative functions can be accommodated within half the site.</li> </ul>	<ul style="list-style-type: none"> <li>• Demolition costs for Civic Administration Building - \$959,000 (excl. plot levelling)</li> <li>• Demolition costs for Library Building - \$1,144,400 (retain basement structure)</li> <li>• Demolition for Library Building Annex - \$110,000 (excl. making good)</li> </ul>
<b>Option 5: Dispose both sites and either rebuild or lease elsewhere</b>	<ul style="list-style-type: none"> <li>• Custom made building can be designed to be perfectly fit for purpose.</li> <li>• A new Council building elsewhere in the city could reinvigorate a struggling part of the CBD</li> <li>• A large site on the fringes of the City will be made available for commercial development</li> </ul>	<ul style="list-style-type: none"> <li>• May be difficult to get public support as an acceptable option</li> <li>• High cost by having to purchase land elsewhere</li> <li>• Ongoing cost to Council/community if new site is leased</li> <li>• Unlikely to find a suitable space within the city centre which will impact on city centre vibrancy and accessibility from the public</li> </ul>	<ul style="list-style-type: none"> <li>• Demolition costs for Civic Administration Building - \$959,000 (excl. plot levelling)</li> <li>• Demolition costs for Library Building - \$1,144,400 (retain basement structure)</li> <li>• Demolition for Library Building Annex - \$110,000 (excl. making good)</li> </ul>

## Option Refinement

Option 1 was discounted as Council would not be meeting its legal obligations, nor would it provide for the safety of staff or customers.

Option 3 has also been discounted as it is unaffordable to the community and is not the most efficient use of resources (both financial and physical), and will not contribute to improved customer service or service delivery.

Option 4 is also unaffordable and does not leverage the efficient use of the site to achieve wider benefits.

Pursuing Option 5 would be difficult given there is unlikely to be another site within the CBD that can accommodate Council's functions and is as accessible as its current location.

Option 2, to consolidate Council's administrative functions within a smaller footprint and utilising one of the existing buildings, while divesting the remainder of the site for commercial development, presents the most viable option. Option 2 consists of two additional alternatives: divestment of Site A or Site B. The feasibility of these alternatives are further explored in the spatial analysis, urban design and commercial feasibility sections below.

## **Spatial Analysis**

An architect undertook a spatial planning exercise to answer this question. Although it was found that both sites were capable of accommodating Council's administrative functions as well as a Public Library, there were significant advantages to retaining Site B and redeveloping this site for Council use. The existing Library Building is able to accommodate all of Council's staff, while a new extension to the front of this building can easily accommodate Library facilities, a Council chambers, and a Council customer service and public meeting room space.

The alternative, retaining Site A for Council functions, would require significant excavation and building work to accommodate all of Council's functions and would result in poor building configurations, no access to light within the existing building, changes in levels across floors, and a very cramped space. Costs are expected to be significantly higher for this option.

## **Urban Design**

An Urban Design Assessment was carried out to understand which part of the site was better utilised for civic functions and which for commercial. The assessment concluded that Site A is an extension of a key commercial street (Hastings Street), high profile, coastal views from upper floors, and good, highly visible pedestrian connections to the CBD, and was therefore better suited to commercial activity. Site B is located within a cluster of other civic administration functions, is located adjacent to the bus depot, and is therefore better suited to civic administration functions.

## Commercial Feasibility

The economic impact assessment considered the feasibility of three types of commercial activity on Site A: medium-format retail, office accommodation; and hotel. The assessment concluded that although all three commercial type options are potentially feasible to varying degrees, a hotel would be the most desirable option (see table below).

Commercial Type	Feasibility Comment
International-brand hotel	<p>There are no international-brand hotels located within Napier at present, despite Napier being the ‘headquarters’ of the commercial accommodation sector in Hawke’s Bay. Napier has recorded both a longer-term and shorter-term significant growth in visitor activity. Overseas spending has also grown significantly as is hotel occupancy. Based on current growth figures (3.6%/year)*, Hawke’s Bay is estimated to receive 6.6 million visitor nights by 2030 (currently at 4.2 million/year). This figure is conservative.</p> <p>The redevelopment of the Napier Conference Centre is likely to attract larger conferences and events, requiring a large hotel that can accommodate all delegates/guests in the one place. Aside from Site A, there are no large sites available within the city centre that would accommodate such a hotel, and none likely to be available in the future without impacting on the city’s heritage resource.</p> <p>* Statistics NZ is forecasting international visitor growth at 4.8% per year.</p>
Medium-format retail	<p>Despite a noticeable lift in retail spending over the past few years, underlying growth has been limited, reflected in the number of tenancy vacancies in the CBD. In addition, medium-format retail located in the Fringe Commercial Zone has the potential to further dilute the overall economic strength of Napier’s core retailing, hospitality and Art Deco area in the CBD.</p>
Office accommodation	<p>The underlying market for office accommodation real estate in Napier’s CBD is subdued. Overall there is a fair amount of vacant office space in the area, however what is available is not of a size or configuration demanded, nor is it of a standard demanded by tenants. Demand is fueled primarily by existing enterprises in the area wishing to relocate their activities.</p>

Further to this, the Horwath HTL report supports the financial viability of an international-brand hotel on this site.

## Preferred Option

The preferred recommended option for the use of the civic administration site is **Option 2(a)**:

- Site A – Divest (either long-term lease or sell) for Commercial Use
- Site B – Retain ownership and develop for civic administration purposes

## What are the benefits?

The main benefits of the proposal have been identified as follows:

- **Affordability** – the proposal presents the most affordable option to the community.
- **Land value** – Council can off-set some of the costs of this development through the divestment of part of the site to a private developer for commercial use.
- **Economic benefits of commercial use of Site A** – an economic impact assessment has shown that three types of commercial activity (retail, office, and hotel) have a positive impact on Napier's economy. However, the development of an international-brand hotel on this site has considerably greater economic benefits than the other two types of commercial activity.

Economic Impact Measure	Total Economic Impacts					
	Construction/Development			Annual Operation		
	Hotel	Office Block	Retail Outlet	Hotel	Office Block	Retail Outlet
<b>Total Revenue (\$M)</b>	95.37	12.33	11.89	34.80	5.24	0.39
<b>Net Household Income (\$M)</b>	16.06	2.22	1.97	6.38	1.16	0.04
<b>Total Employment (persons/jobs)</b>	331	46	41	228	32	1
<b>Gross Regional Product (\$M)</b>	31.66	4.36	3.85	14.53	2.44	0.18

Napier-Hastings Net Economic Impact Gains for Construction & Year 5 Operation of Alternative Commercial Developments in Napier

- **Improved amenity** – a new commercial development on Site A, and development of Site B presents the opportunity to increase amenity of the site and surrounds, providing better public spaces and more open building frontages.

- **Increased vibrancy** – commercial use of Site A will likely increase the number of people moving through this area, particularly so in the evening hours should the site be developed for a hotel.
- **Improved working environment for Council staff and better access to Council services** – consolidating all of Council's administrative functions on one part of the site and in one building presents the opportunity to reconfigure the working spaces so they are more suited to team requirements and a modern approach to working on projects. The redevelopment also allows Council to make changes to accessibility of the building and improved customer service systems and facilities.
- **Increased safety** – the primary purpose of the proposal is to address the seismic strength of Council's administration buildings. This will improve safety for both staff and customers.

## What are the costs?

Demolition costs for the Civic Administration Building on Site A are **\$959,000 (excluding GST and plot levelling)**. There will also be costs associated with subdivision and legal fees (not yet quantified). Costs associated with the redevelopment of Site B will be considered at a later date as a separate decision, however in order to accommodate all Council services (including the Library) on Site B the Library annex will need to be demolished. The cost to do this is estimated at **\$110,000 (excluding GST and making good)**.

## How will the proposal be funded?

Demolition costs for Site A can be managed through existing budgets. Should Site A be divested, the proceeds from the sale will contribute to the rebalancing of these costs.

## Special consultative procedure

In adopting the Statement of Proposal for public consultation, including the draft declaration indicating the proposed option, the Council is required to consider whether the Statement of Proposal meets the requirements of section 87 of the Local Government Act 2002. A statement of proposal must include:

- A statement of the reasons for the proposal; and
- An analysis of the reasonably practicable options, including the proposal; and
- Any other information that the local authority identifies as relevant.

The Council considers this Statement of Proposal meets these requirements.

## Submissions

Submissions may be received from **4 October 2017** and until no later than **noon on 3 November 2017**. Any person who wishes to speak in support of their submission will be given the opportunity to be heard by the Council at a yet to be scheduled hearing.