

14. 170 FITZGERALD AVENUE OPTIONS REPORT

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The purpose of this report is to outline the options available for the future use of the Council's property at 170 Fitzgerald Avenue and to seek resolution to pursue one of the options available.

CONTEXT OF THE REPORT

In accordance with the Council's flowchart in regard to making a decision about the future use of Council facilities the property has been internally notified as being available. This report summarises those groups who have expressed interest and outlines the options available for 170 Fitzgerald Avenue's future use.

In terms of the annual plan, sale of the property has not been budgeted for, however it is anticipated that a gross revenue of \$4,800 p.a. will be received from tenanting the property on a residential basis.

BACKGROUND

The property known as 170 Fitzgerald Avenue comprises Part Lot 8 Deposited Plan 5018 contained in Certificate of Title 426/536 having 549m² and Lot 7 and Part Lot 8 Deposited Plan 5018 contained in Certificate of Title 433/025 having 615 m² (the dwelling site). The property was originally purchased by the Council for the purposes of a pumping station (refer attached plan) with the pumping station straddling the boundary of the two titles.

Located on Lot 7 & Part Lot 8 of the property is a two level dwelling constructed circa 1930 of 210m² offering four bedroom family accommodation. This dwelling internally provides only an adequate level of accommodation. Some recent renovation work has been undertaken as damage was sustained to the property through vandalism after the previous tenants moved out. Upgrade work cost the Council some \$10,000.

Straddling the boundary of the two lots is a pump station due to be decommissioned in 2005/06. Two wells also soon to be decommissioned are located on the property.

The Water Services Unit has purchased a property in Worcester Street where it is intended that a new pump station and wells will be developed. At that stage the Fitzgerald Avenue property will be vacated by the Council and no longer required for operational purposes.

EXECUTIVE SUMMARY

The property at 170 Fitzgerald Avenue was acquired by the Council's Water Service Unit for the purposes of wells and a pumping station. These wells and pumping station are due to be decommissioned in 2005/06 and this report looks at the future uses of this property.

Council staff have been made aware that this property is going to become available with a view to establishing whether any potential community or Council uses exist and can be supported. This report outlines these uses and through this process recommends that the property be retained as a public rental until decommissioning and then be sold through the open tender process as is standard with Council policy.

RELEVANT CURRENT POLICY

Property: Sale of

That, in principle, the Council should publicly tender properties for sale unless there is a clear reason for doing otherwise.

The Unit has always interpreted sale as meaning sale or lease.

This options report completes the second step in the Council's procedure as formulated in policy to determine future uses for Council property that is no longer required for operational purposes.

DESCRIPTION OF OPTIONS

Option 1 - Retain the property for use by a community group in partnership with the Council.

Through the process of internally notifying Council Units that the property is available we received expressions of interest from Community Advocates/Council Officers for groups within the community to utilise the property. These community groups were assessed against a predetermined matrix which judged each group against outcomes such as their relationship with Council policy, ability to financially resource the property, and operational approach/ability. The evaluation team comprised Jude Pani (Community Advocate) and myself (Victoria Murdoch).

It should be noted that through this internal process no units of Council required this property for any operational purpose. All the uses identified were for community initiatives promoted through staff.

The community groups are as follows:

1. The Indian Community of Christchurch

The group would utilise the property as a place of prayer, social activities and community support.

There are approximately four thousand Indians within the wider Christchurch community who to date have utilised community halls and facilities for their meetings. The group would like to secure a dedicated facility for its use.

The submission provided did not provide detail on many areas particularly in terms of the financial viability of the group. However it was indicated that the group would prefer to rent the property although no details of a lease were presented. Council Officers have requested further information but this has not been forthcoming.

2. Latimer Community Housing Trust

This group was set up in April 2000 as a charitable trust with a vision of purchasing properties that are structurally sound but in need of repair to renovate. It is the intention to develop bedsit accommodation.

The intention is to utilise labour from community wage earners and unemployed giving these people an opportunity to develop skills in conjunction with renovation of the dwelling. It is also intended to establish a community garden in association with this facility.

Latimer Community Trust would like to purchase the property at a market value assessed by registered valuation. The Trust has the necessary funding and is also considering applying to the Board to seek additional funding to begin improvement.

The Trust has been searching for a property over the last two years. It has entered into conditional contracts for five properties but these deals have not been concluded due to the Trust's financial inability to complete the contract.

3. Schizophrenia Fellowship of New Zealand Limited

This group have been in existence within the Canterbury region for 25 years. The group plans to utilise the property as a premises for providing meetings for supporting families who have a family member with mental illness. Within Canterbury 8,000 people experience mental illness.

Schizophrenia Fellowship NZ Limited has an existing contract with the Canterbury District Health Board. The funding provides sufficient income for a market rent to be paid for the property. The group has provided detailed accounts outlining its financial position and it is realistic for the group to be able to fund the property.

4. Home and Family

This group would like to utilise the property as a family and parent centre. Services offered include parenting classes, counselling, training and supervision, education groups and courses and research.

This property is situated in a prime locality for the group's purposes as it is easily accessible and is situated in an area where no other similar services are provided. This would also be held in conjunction with the property the Council previously helped them secure in Barrington Street.

Home and Family has the budget provisions to pay a market rent for the property but long term would like to purchase the property.

Summary

The outcome of the Predetermined Matrix is as follows for each applicant:

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| 1. | The Indian Community of Christchurch | 28% |
| 2. | Latimer Housing Trust | 76% |
| 3. | Schizophrenia Fellowship of NZ Ltd | 90% |
| 4. | Home and Family | 72% |

Financial Evaluation

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| 1. | The Indian Community of Christchurch | No detail provided |
| 2. | Latimer Housing Trust | Purchase property at market value, est \$170,000 |
| 3. | Schizophrenia Fellowship of NZ Ltd | Pay a market rent for the property assessed at \$11,500p.a. |
| 4. | Home and Family | Pay a market rent with long term view to purchase assessed at \$11,500p.a. |

There are distinct advantages and disadvantages of utilising the property for a community group outlined below.

Utilising the property as a community facility

Advantages	Disadvantages
<ul style="list-style-type: none"> • Could be a strategic way of delaying the complete sale of property until the property is completely decommissioned, but gives certainty to the property's future. • Provides a good outcome in terms of the community and fit with the Council policy. 	<ul style="list-style-type: none"> • Council could have ongoing involvement in the property depending on the community group chosen. • Because these groups have been represented in this process through the Community Relations Unit and are not 'Council uses' this potentially subverts the policy of 'Public Tendering' properties for sale or lease. • Potentially only short term, therefore could be disruptive for the groups. • Other community users which may be interested may not know of the opportunity.

Option 2 - Sell with easements/access rights

This property is still being utilised by the Water Services Unit with two wells and a pumping station on site. It is planned that decommissioning of the wells will occur in 2005/06.

In the short term easements could be created that would give access to these facilities while still in operation. In doing so this may detract from the saleability of the property.

The easements would also become redundant when the wells and pump station are decommissioned within a maximum of three years.

Advantages	Disadvantages
<ul style="list-style-type: none"> • The property would be sold as soon as the easements were created meaning Council would have access to the property but would have realised the value from the property. 	<ul style="list-style-type: none"> • Easements would need to be created over the property which would affect the desirability of the property on the open market. • Legally creates unnecessary complications which would not be required after the wells were decommissioned.

Option 3 - Leave as Public Rental – Either long or short term.

Currently City Housing is managing the property as a public rental. The property is currently returning \$220 per week. The tenancy commenced on 9 February 2003.

Advantages	Disadvantages
<ul style="list-style-type: none"> Access by Water Services Unit is available as required. 	<ul style="list-style-type: none"> It is a property inconsistent with the portfolio and in only fair condition.

ISSUES FOR CONSIDERATION

The property is currently still visited although not often by the Water Services Unit which has the pump station and active wells on site. Therefore we do not believe that it would be prudent to relinquish the Council's rights to access by selling the property at this time. Easements granting Council access to this property could be created, however would be considered by purchasers as a detrimental feature of the property.

Presently the two options to consider are whether the property should be utilised as a public rental or for a community group, such as

1. The Indian Community of Christchurch
3. Schizophrenia Fellowship of NZ Limited
4. Home and Family

which would all rent the property and in the case of Home and Family would look at purchasing the property further down the track which may fit in with the decommissioning of the site by Water Services.

Latimer Community Housing Trust would want to purchase the property outright so therefore should not be considered until decommissioning occurs.

FINANCIAL ANALYSIS

Rental Return

\$220.00 per week = \$11,440 per annum

Market Value

\$180,000 = 6.4% gross return on investment.

A gross return does not reflect the need to maintain or manage the property. An older style dwelling such as this property is higher in terms of maintenance required.

CONCLUSION

Although all options have been considered it is evident at this time, as the property is being utilised (even though only in part), that sale is not a realistic option to be considering in the short term.

The Property Unit recommends that the property should be tenanted until decommissioning and then should be sold. To leave this property as a public rental is the most appropriate use of the property as it will only be for a two year term. Any community use would most likely require a specialist fit out of some description which would not be viable for this shorter term tenancy period. The Property Unit would therefore recommend retaining the status quo and retaining the residential tenant currently in the property who has indicated a desire to remain.

Staff

- Recommendation:**
1. That the property at 170 Fitzgerald Avenue should be tenanted via city housing as a public rental until decommissioning of the site occurs by the Water Services Unit.
 2. That once decommissioning occurs the property be sold in accordance with Council policy.

Chairperson's

Recommendation: For discussion.