

4. CIVIC OFFICES ACCOMMODATION – UPDATE REPORT

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The purpose of this report is to update the Committee on progress on analysis of building options for upgrading of the office accommodation at the Civic Offices in Tuam Street, and to report on what future action is proposed so that financial provision can be made for the preferred option in the Council's Long Term Council Community Plan (LTCCP).

CONTEXT

The Civic Offices in Tuam Street were created following the Council's purchase of the former Millers department store in the 1979/80 year. Refurbishment, upgrading and fitting out was carried out to make the building useable as offices, and it was officially opened in 1980. Further alterations and upgrading has been carried out over a number of years, as the number of staff increased, and various layout changes occurred as the organisation of the Council changed.

It became apparent that it was becoming increasingly difficult for the building to provide a satisfactory standard of accommodation, and in August 2000 a seminar of Councillors was held to identify the key issues involved.

At the Council meeting on 22 February 2001 and the Annual Plan meeting held on 23 March 2001 the Council resolved that:

- *The planning for the Civic Offices should give priority to improving the unsatisfactory working conditions of staff.*
- *That priority be given to providing additional space to reduce overcrowding in the Civic Offices and that \$10 million be allocated in years 1 and 2.*
- *Expenditure on the Civic Offices building itself be limited to essential maintenance from the currently budgeted \$3.2 million.*

Following this, a project team was established to investigate options for improving the office accommodation. The terms of reference for this team identified the following aims:

- To provide a well-designed, flexible and efficient working environment for Council employees, Councillors and visitors to the Civic Offices, to the extent possible within the funds available.
- To consider alternative options which can clearly demonstrate viability in terms of investment, utilisation and aesthetics.

The terms of reference also required that the improved Civic Offices building would achieve the following objectives:

- Overcrowding reduced by giving priority to providing additional space.
- Business needs and space requirements identified and reconciled.
- Is functional, "healthy", safe and "friendly" in terms of all users – elected members, staff and visitors.
- Is barrier-free, accessible to the disabled, children and the elderly.
- Complies with the requirements of the approved Project Brief including quality.
- Is designed to give a good balance between capital cost and on-going operating costs.
- Is completed within the Council approved budget.
- Is completed within the Council approved programme.
- Meets the requirements of Council policies e.g. "Energy Strategy.
- Meets the requirements of the appropriate legislation e.g. New Zealand Building Code etc.
- Provides space for Civil Defence requirements such as engineering headquarters, rescue headquarters and central city area headquarters.
- Suitable alternative site located for Early Learning Centre (in the event that the existing site is confirmed for use by the Civic Offices).

Arrow International Limited, a local firm of project managers, were engaged to manage the analysis of building options and the preparation of a detailed report, the results of which were presented to a Council seminar on 22 March 2002. Although no decision was taken at that time, it was agreed that limitations should be placed on continued expenditure for refurbishing of the existing building. Following the seminar the report was finalised in May 2002.

This report provides a summary of the options described in the Arrow report.

BUDGET PROVISION

The 2003/04 Annual Plan contains the following provisions for Civic Offices accommodation:

Annual Operating Costs	1,673,067			
Capital Costs	2004/05	2005/06	2006/07	Total
	6,280,000	8,390,000	200,000	14,870,000

DESCRIPTION OF THE PROPOSAL

A number of initial options were investigated.

1. Other Sites/Buildings

This considered whether there were any sites or buildings in the city other than the Civic Offices which would be suitable.

The purchase of property elsewhere in the city was considered to facilitate a new Civic Office building or adjoining the current Council building, to enhance a future redevelopment. However this did not appear warranted in terms of the additional cost and potential difficulties of accumulating sites, nor was a change in general location well supported. Furthermore the initial evaluation of the options indicates the current Tuam Street landholdings are in principal adequate, though this will require further detailed investigation in terms of producing an optimal design outcome.

The possibility of renting space in existing office building(s) was also investigated, but the amount of space required was more than was available in any existing building.

The possibility of purchasing an existing office building was investigated, but again the size of building required was greater than what was available in any existing building.

The possibility of decentralising to reduce the amount of space required in the city was considered, but this was not pursued as it was contrary to the policy of concentrating services in the Civic Offices.

2. Existing Civic Offices Building

Two possibilities were identified for retaining the use of the existing Civic Offices building. The key factors in these were the requirement to create some additional space, and the need to refurbish the existing spaces.

(a) Build additional space on roof, and refurbish all floors.

(b) Build additional space on adjacent site (Early Learning Centre).

3. New Building – On Adjacent Site

At the time, there was a possibility of acquiring land adjacent to the Civic Offices. A possible new building was considered which could involve purchasing additional land, and combining it with the land presently owned by the Council and being used for car parking.

As a result of this initial analysis, the following three options were identified as justifying more detailed analysis:

Option 1 - Build additional space on roof, and refurbish all floors.

Option 2 - Build additional space on adjacent site (Early Learning Centre).

Option 3 - Build a new building on an adjacent site

Each of these options is described more fully in the Analysis of Options which follows below.

ISSUES FOR CONSIDERATION

1. Problems With Existing Civic Offices

Insufficient space

The existing offices are overcrowded, and 35 staff are housed in leased accommodation in the Glassons Building in Cashel Street, with a further 20 in the Parking Unit building in Tuam Street.

Unpleasant Working Environment

The dimensions of the floor plan in the Civic Offices mean that many areas are located in the middle of the building, and have poor access to views or natural light, creating an artificial and unpleasant working environment. In the Annex Building, large areas have limited or no access to views or natural light.

Ventilation

The ventilation system in the main building has been progressively updated over recent years, and generally handles the loads.

Problems are being experienced with the ventilation in the Annex Building and if the Council is to remain in the building for the long term these will need to be addressed.

Boiler

The resource consent for the existing coal fired boiler expires in 2004. The Council is committed to changing it, and a sum of \$420,000 has been included in the 2004/05 Annual Plan for this purpose. Design work is underway at present for the replacement boiler. It is possible that if sufficient commitment was made by the Council, the existing resource consent may be able to be extended to avoid this expenditure. However, there is no certainty that this will be possible.

Windows

The Council commissioned a report entitled "Civic Offices - Window Investigation" in June 2000. The report highlight the major issues and recommended short, medium and long term solutions.

The main issues are broken glazing panes, water leakage to the south and western facades and the condition of the window frames. Generally leakages are of a nuisance value with only a small number (less than 20 locations) causing water damage beyond the windowsills to the wall, curtains and carpets.

The short-term solution is to replace the broken panes and plug leakage at frame joints with epoxy base products and replace the worst flashings. The total cost of this solution, according to the report, is approximately \$15,000 (excl GST).

The medium term solution is to replace the broken panes, replacement of all corroded flashing and fill all cavities. This solution is very labour intensive. If this solution was adopted for the worst facades namely south and west the rough order of cost is expected to be \$70,000 (excl GST).

The long term solution is the total replacement of the window frames with new frames in seismic frames, double glazed and low e glass. This solution has been estimated as \$2,460,000 (excl GST) based on carrying out the replacement at the same time as the planned internal floor refurbishment.

The long-term option has been included in the cash flow for Option 1 and 2. Option 3 has the medium term option costed.

Lifts/Escalators

The lifts, passenger and goods are located in the north-west corner of the Civic Offices and have recently been refurbished. They are not in the ideal position to assist in efficient movement of staff and public.

Option 1 allows for the removal of all the escalators and replacement with two modern traction-less/machine room-less 14 person lifts located in the space left by the escalators. The central void containing the stair and lifts would be opened up into a light well with a glazed canopy at roof level.

The escalators are major electrical energy consumers requiring power all the time they operate. They also have high maintenance costs. The modern lifts proposed not only require less power than the escalators but only require power when there is a demand.

Relocation/Decanting (During Upgrading)

To minimise disruption to the Council's operations and interface with the public the number of departmental relocations should be minimised. This can be achieved by building the new floor space areas first (roof in Option 1, new building on the Early Learning Centre site in Option 2, and the complete building in Option 3). The costs of a minimal number of relocations have been considered in the cash flow analysis. Further work is needed in the next stage of the process once departmental layouts have been confirmed.

Options 1 and 2 require a new ground floor layout and entrance configuration to fulfil the projects objectives with regard to public access, 'welcoming' etc. Where possible this area should be completed early in the upgrade project.

Disruption During Refurbishment

For both Options 1 and 2, the seismic strengthening, construction of the new areas and refurbishment of the existing areas will be occurring alongside occupied office space. Although this can be planned to minimise disruption, the nuisance of noise and vibration will be substantial.

City Plan (Heritage Building)

The Civic Offices are listed in App 1, Section 10, Vol. 3 of the City Plan as a Group 2 heritage item. The building is listed in the City Plan for its "historical/social, cultural/spiritual, architectural, group and landmark significance". Demolition is a non-complying activity: alteration or removal is discretionary. Given the probable public interest in the project, public notification may be required.

The building is registered as a Category II Historic Place by the New Zealand Historic Places Trust under Section 23 of the Historic Places Act 1993. Any work proposed for the building requires consultation with the Trust.

Churn

"Churn" is a word used to describe the state of change in the layout of office space, as departmental needs and organisational arrangements change. Partition and furniture layouts, associated electrical, communications and mechanical services are re-arranged, all at significant cost. In previous years the Council has spent as much as \$600,000 per year on churn costs.

Churn costs are reduced in modern buildings, by using modular furniture and more flexible layouts.

2. Space Requirements

An analysis of the space requirements per person was undertaken by a joint venture between Ignite and Brighthouse Interiors, Auckland-based architects and interior designers. They used their experience in planning of similar office spaces to advise the space requirements for the various categories of office workers.

An estimate of the number of people to be accommodated was made as follows:

Number of staff at the time of the report	840
Projected increase on short term	42
Projected increase in longer term	50
Total	992

These numbers, together with the applicable space requirement per person, were used to determine the total floor area required.

3. **Seismic Issues**

The seismic capacity of the existing Civic Offices building has been reported on by Holmes Consulting Group. It is not categorised as "Earthquake Prone" or Unsafe", and because the "use" of the building does not change with the proposed redevelopment, there is no legal requirement to seismically upgrade the building. However its seismic strength is less than that of an equivalent new building. It will suffer significant structural damage in an earthquake of 60% full code loading. Under full code loading localised areas of the building are likely to collapse.

Strengthening is recommended to provide improved life safety. After strengthening it will be 100% of code requirement for an equivalent new building. The slab/column junction has been investigated by the University of Canterbury, because it was thought that it may not perform satisfactorily under seismic conditions because of the way it was reinforced. The testing has now been completed, and shows that the floor slabs will behave safely at least up to the 100% full code seismic loading intensity. This means that the waffle floor slabs do not require seismic strengthening to achieve 100% full code loadings.

The seismic work proposed is:

- Steel jacketing of columns on upper floors.
- Support of beams at east and west ends.
- East stairwell to be separated.
- Extra seismic supports to plant & equipment

The cost of this work is estimated at \$1.7 m.

4. **Councillor Areas**

In the options for upgrading the existing building, no provision is made to upgrade the Council chamber, or Councillor areas.

5. **Availability of Funding**

While some capital funding has been included in the last annual planning round for upgrading of the Civic Offices accommodation, it is not sufficient to cover any of the building options described in this report.

6. **Development Options**

A number of options are available to the Council for the development of new or refurbished office space. These include:

- Ownership
- Lease
- Lease with guaranteed buyback
- Lease with CCC as developer
- Partnering

The choice of which option is preferable for the Council will depend on a number of factors, and a process for evaluating the options will be outlined in the February report.

7. **Lifecycle Analysis Options Assessment**

The Asset Management Team is currently completing a cost benefit assessment using Lifecycle Analysis of respective options which will show a steady state cost of owning and operating each of the options currently being considered. This will integrate the ongoing operational costs and savings associated with various options with the longer term cyclic renewal requirements for each option. Functional obsolescence issues driven by technology, customer expectations and change management issues are also anticipated and these will be factored into the modelling. The results of these assessments will be available for the February Options Report.

8. Next Steps

If the recommendations in this report are adopted, then the next steps will be:

- Complete financial analysis of lifecycle costs
- Report to Committee in February 2004

After that, if a decision is made on a preferred option, the next steps will be:

- Confirm number of staff to be accommodated
- Consider Development Options
- Develop a design brief
- Proceed with implementation of the preferred development option

ANALYSIS OF BUILDING OPTIONS

Option 1 - Build additional space on roof, and refurbish all floors

Description

Build new 1,500 m² on roof
Refurbish existing floors, excl Councillor areas and Council Chamber
New furniture
New elevators, remove escalators
Seismic Upgrade, incl new windows
New Boiler
Cost \$19.3 m

Pros

Retains use of existing building (Heritage)
Leaves Early Learning Centre site for future

Cons

Disruption during refurbishment
Over-capitalising of old building
Doesn't solve problems of the floor plan – natural light etc
Inferior environment/outlook
High cost risk

Option 2 - Build additional space on adjacent site (Early Learning Centre)

Description

Relocate Early Learning Centre
New building 3,925 m² on Early Learning Centre site
Furniture etc to new building only
Upgrade Civic Offices Ground Floor (Customer Service area) **only**
Seismic Upgrade, incl new windows
New Boiler
Cost \$20.6 m

Pros

Retains use of existing building (Heritage)
Provides more floor area

Cons

Doesn't allow for upgrade of existing building
Loss of ELC from site
Over-capitalising of old building
Doesn't solve problems of the floor plan – natural light etc
Inferior environment/outlook

Option 3 - Build a new building on an adjacent site

Description

New building of 16,170 m², including furnishing.
Includes:

- Purchase of additional land
- Conversion of existing Civic Offices to car park building.

Cost \$53.7 m

Could be built in stages, but this would result in higher costs, and significant disruption during construction of the later stages.

The cost estimates used for this option have been based on a sketch proposal for a building on the site opposite the existing Civic Offices. However the purpose of this report is not to agree to a specific design or site, so these costs should be considered generic. The concept utilised for evaluating this option contains a number of interlinked issues in terms of design and site size, which can only be resolved further at a later stage in the planning process. Therefore, for the purposes of this report the new building option should not be regarded as relating to any particular site.

Pros

Best environment for staff/Councillors/visitors
Best efficiency/sustainability (staff and operating costs)
Improved image for Christchurch and CCC
Allows for use of existing building (Heritage)
Positive for central city
Lower cost risk

Cons

Greater financial commitment
Takes longer to implement

CONCLUSIONS

The Council has agreed that the standard of office space for its staff needs to be improved, and this report details three options which would achieve this aim.

The two building options which involve upgrading the existing building both incur total costs of around \$20 million. While Option 2 provides more office space, it does not allow for upgrading of the floors in the existing building.

A new building on an adjacent site will cost around \$50 million.

A new building will have a number of non-financial benefits related to image and staff morale. It will also have reduced operating and churn costs throughout its life compared with upgrading the existing building.

A detailed financial analysis of the total life-cycle costs of each option will be carried out to provide a full comparison of the options, and this will be reported to the Committee in February 2004.

Staff

- Recommendation:**
1. That officers report to the Property and Major Projects Committee meeting in February 2004 providing a detailed evaluation and analysis of the options.
 2. That, following a decision on the preferred option, a recommendation be made to the Annual Plan Subcommittee that financial provision for it be included in the LTCCP.
 3. That Councillors provide comments on any further issues they wish to see covered in the February report other than those outlined above.

Chairman's

Recommendation: That all options be thoroughly explored bearing in mind the possible size of a future Council.