

## 9. CIVIC OFFICES ACCOMMODATION

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The purpose of this report is to provide information on a number of issues, in respect of the current Civic Offices, follow up on the previous Council resolution and to seek direction from the Council on:

- The status of the Council's future in the Tuam Street premises
- The future course of a review project.

### INTRODUCTION

#### Previous Report and Resolutions

In April 2000 the Property Unit sought endorsement from the Council through a report to the Projects and Property Committee for a strategic review of the Council's central city accommodation.

The resultant resolution was:

1. *That prior to deciding terms of reference for a review of accommodation options, an assessment be made of how much additional space is required:*
  - (a) *to relieve current over-crowding in the Civic Offices and*
  - (b) *to provide for additional staff or activities over the next 5 – 10 years*
2. *That before such assessment is commenced a seminar meeting of all Councillors be held to identify the key issues involved.*

#### Seminars

A seminar of Councillors was held on 29 August 2000 with the purpose of developing office accommodation criteria. This was followed by a series of workshops with staff essentially to explore the same issue. There were five sessions in total comprising a well balanced cross-representation throughout the organisation. There was understandably a strong correlation of opinion between all the groups and a combined summary of what would constitute appropriate central city accommodation for the Council is listed below:

- Provide a future proof building able to cope with expansion/contraction e.g. adaptable to changes in organisational, structure and technology.
- The ability to control security and use of public, council and staff areas
- Sustainable and energy efficient.
- Has good infrastructure, is high tech and smart.
- Is environmentally pleasant and maximises utilisation of natural environmental controls, i.e. light and air.
- Provides a healthy, safe, professional and enjoyable working environment, with good social and recreational facilities.
- Quality, but not extravagant.
- Standardised interior design in respect of a number of features, e.g. workstations, signage, layout etc
- Has a good logical layout, in respect of access and movement. A single reception point of contact that deals with the majority of customers and minimises the duplication of such services throughout the building.
- Has a professional and welcoming image that instils pride.
- Good electrical and mechanical facilities.
- Easily maintained
- Good public and meeting space
- Good central city and transport linkages
- Improved elected member accommodation

There was a plethora of ideas from these workshops, some of which obviously reflected opposing views for example, open plan verses offices and centralisation verses decentralisation. However, the above is a summary of the main and frequently raised points.

## BACKGROUND

### Land Details

Main Civic building site (163 Tuam Street)	2780m <sup>2</sup>
Annex Building Site (175 – 177 Tuam Street)	822m <sup>2</sup>
Creche Site	926m <sup>2</sup>
Total Land Area	4528m <sup>2</sup>

### Building Size

	<i>Gross Floor Area m<sup>2</sup></i>	<i>Population</i>	<i>M<sup>2</sup> (gross) per person</i>
<b>Civic</b>			
<i>Ground</i>	2289	92	25
<i>Mezzanine</i>	1135	40	28
<i>1<sup>st</sup></i>	2476	156	16
<i>2<sup>nd</sup></i>	2474	185	13
<i>3<sup>rd</sup></i>	2474	190	13
<i>4<sup>th</sup></i>	2474	239	10
<i>Penthouse</i>	101		
<b>Annex</b>			
<i>Ground</i>	985	41	24
<i>1<sup>st</sup></i>	888	85	10
<i>2<sup>nd</sup></i>	858	61	14
<b>Total</b>	16154	1089	15

On a net basis there is 13m<sup>2</sup> per person.

Historically, the benchmark for commercial office accommodation has been 20–25 square metres per person. This is an average, including common areas, reception, foyers, facility and utility areas etc. Over the last decade, major corporates have been endeavouring to achieve 10–15 square metres per person. This is generally only truly achievable with an open plan environment and a staff base that spends a lot of time out of the office, there by enabling “hoteling/hot-desking” techniques to be employed.

It is, however, worthwhile noting that because of the nature of the Council’s business a larger amount of meeting and public space is required and therefore it would be expected that the average rates would be higher. This is clearly not the case and generally supports the view that the existing accommodation is somewhat cramped in areas.

In support of the above, an e-mail survey of other Councils produced 6 responses. These indicated a range of 18.3-28m<sup>2</sup> per person.

Based on the above statistics and standards, it is considered that an additional 5000m<sup>2</sup> (net) is required to alleviate the current over crowding and provide for future flexibility. This would give rise to a total building size of 20,000m<sup>2</sup> net (22,000m<sup>2</sup> gross) 18m<sup>2</sup>/person net (20m<sup>2</sup>/person gross) compared to the current 14,687m<sup>2</sup> net (16,154m<sup>2</sup> gross) i.e. a 36% increase.

### Heritage

There are a number of heritage issues in respect of this property, these are detailed as follows:

The Civic Offices are listed in App.1, Section 10, Vol. 3 of the City Plan as a Group 2 heritage item. Demolition is a non-complying activity, alteration or removal is discretionary activity.

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

The building is listed in the City Plan for its historical/social, cultural/spiritual, architectural, group and land mark significance.

Built in 1937-9 to a design by Christchurch architect George Hart, the Civic Offices were originally designed to function principally as a department store for the noted firm of Miller's Limited. The building also housed Miller's head office and factory and contained innovative staff resources such as a recreation area and tennis and badminton courts on the flat roof.

The building was designed in the International style that had been developed by such noted architects as Walter Gropius and Mies Van Der Rohe. The distinctly Modernist façade with its cantilevered waffle slab concrete floors, octagonal mushroom capped columns and clean-lined Bauhaus inspired aesthetic conventions, was considered very advanced for its time.

The use of cantilevered floors that allowed for an uninterrupted run of glazing along the principal façade not only demonstrated Hart's knowledge of the most up-to-date international design conventions but served a practical purpose. The pure functionalism of this design allowed natural light to penetrate the first floor offices and second and third floor factory areas. The building also contained the first escalator installed in the South Island. This ran from the ground to the first floor.

The original forms of construction are still very evident in the building - the waffle slabs, octagonal pillars and in particular the steel window frames, sashes and glazing on the principal façade are very much part of associated with the Civic use of the building, such as the Council Chamber, that maybe considered to be of significant heritage value.

### **Valuation Issues**

The building has an insured replacement value of \$28,817,775. The estimated cost of demolition for insurance purposes is \$1,440,888. The current asset valuation shows the land at \$1,100,000 and the improvements at \$10,900,000. This equates to a current market capital value of \$12,000,000. Simplistically, this is an average rental of \$92.00 per square metre capitalised at 11%. It assumes a long term lease to the Council. It should be noted that if Council were to vacate or endeavour to sell the property with anything other than a good long term lease, the value of the property would be significantly detrimentally affected.

### **Capital Expenditure Over 21 Years of Occupation**

Millers building purchase (1979/80)	\$1,500,000
Millers building refurbishment (1979/80)	\$3,500,000
Annex purchase (1992/93)	\$1,495,000
Annex refurbishment (1993/95)	\$771,000
Capital expenditure (1990-2000)*	\$8,536,000

\* The most significant capital expenditure items were heating/ventilation/lighting upgrade \$2.85M. The lighting component of this provided for reasonable savings and payback period, structural work \$1.62, Civic Office improvements \$3.28M this substantially relates to internal reorganisation for the purposes of operational efficiencies and amalgamation and lift upgrade \$0.28M and internal alterations.

To be offset against this is the sale of Cambridge House for approximately \$2.4M which was undertaken to facilitate centralisation and efficiencies of the Council's operations in the early 1990s. The overall level of expenditure on the Civic Offices is not considered excessive given the age and design of the building and our long period of occupation.

It is important to note that when considering the future of any investment/asset it is necessary and appropriate to only consider the future costs/revenue, not the past. Past expenditure is considered a sunk cost and not relevant to any future decisions. We have provided a brief history of the costs on this property because there has been interest expressed in receiving this information and to give some appreciation of the issues.

## FUTURE

### Identified Capital Expenditure

In summary, a preliminary indication of anticipated capital expenditure that has been established for the purpose of developing a future asset management plan identifies the following requirements. \$3,240,000 of these costs are already incorporated in the Council's annual plan - \$268,000 operating and \$2,900,000 capital.

	2000/01	2001/02	2002/03	2003/04	2004/05	To be Scheduled	Total
Windows		\$68,300	\$1,173,000	\$1,173,000			<b>\$2,414,300</b>
Structural	\$500,000	\$500,000	\$200,000	\$400,000			<b>\$1,600,000</b>
Foyer/Council Chamber						\$2,000,000	<b>\$2,000,000</b>
Security						\$100,000	<b>\$100,000</b>
Coal Fired Boiler						\$300,000	<b>\$300,000</b>
HVAC						\$1,700,000	<b>\$1,700,000</b>
General Refurbishment	\$60,000	\$416,700	\$15,000	\$45,600	\$66,000	\$1,970,000	<b>\$2,573,300</b>
<b>Total</b>	<b>\$560,000</b>	<b>\$985,000</b>	<b>\$1,388,000</b>	<b>\$1,618,600</b>	<b>\$66,000</b>	<b>\$6,070,000</b>	<b>\$10,687,300</b>

The total over the next 5 years (2000–2005) is \$4,617,6000. Including the costs yet to be scheduled (\$6,070,000) the total identified expenditure equates \$10,687,600. Please note this excludes some items of potentially significant cost yet to be quantified.

The major items are:

- The windows, which are leaking and have corrosion problems. An independent engineering and building advisory report has been received. This is yet to be reviewed and a course of action developed from it. The estimated costs of rectification at this stage has been budgeted at \$2,400,000
- An EQE NZ Ltd report in 1996 identified 3 major structural problems with the building.
  1. Jacketing of the ground floor columns to overcome a number of structural deficiencies
  2. Supplementary supports to the eastern and western walls
  3. Isolation of the eastern stairwell and some mechanical services from the main building.

Item one has been completed and 2 and 3 are currently under review. In the next few months, University of Canterbury will be undertaking some physical testing and the results of this will be incorporated with the findings of the original report to develop some acceptable solutions. In the interim, the costing included in the plan is an indication based on the original report. \$1,600,000
- The cost for the foyer reorganisation and the Council Chamber area arises from some design work carried out in 1996/97 that has since been deferred several times. \$2,000,000
- There have been some short to medium term security fixes over the years. It is recognised that a long term strategy is however required \$100,000
- The coal fired boiler has a provisional resource consent until 2004, estimated replacement for 2005 \$300,000
- General refurbishment e.g. carpets, painting, toilet refit & lighting \$2,177,000
- HVAC anticipated future renewal or replacement upon functional obsolescence ie end of economic life, approximately 2010 \$1,700,000
- Civil Defence has been flagged as an area requiring investigation. However, there are no specific proposals therefore any estimated costs. Environment Canterbury has advised that its plans for development of a regional facility on an adjoining site could present some opportunities for a joint facility/development. -

This above plan essentially maintains the status quo with some general refurbishment as requested and attends to some significant repairs. It does not cater for the recognised deficiencies:

- Inflexibility - Owing to the layout of the building and densely populated floors, small changes in personnel frequently give rise to significant internal re-organisation and re-allocation of space. This generally produces higher than normal expected effects on people, costs and disruption of outputs.
- Poor quality work space for some staff
- Below average – HVAC, security, natural light and elected member accommodation.
- Lack of recreational and social facilities including nearby green/open space
- Poor design and layout especially meeting rooms, public greeting space, signage etc.

## **OPTIONS**

### **1. Move to an existing building**

The Council's requirements of 15,000 – 20,000 square metres in the central city are significant. We are not aware of any single existing property that is available or any that would be coming available to accommodate our requirements. A partnership or joint venture between adjoining property owners to provide this amount of accommodation, over more than one building, is also difficult to envisage and would in any event likely lead again to compromises. Therefore this is not an achievable option and not worthy of further consideration.

### **2. New Building**

A new building of 20,000m<sup>2</sup> net (22,000m<sup>2</sup> gross) is obviously a distinct possibility, although again securing a site of sufficient size in some preferred locations may be difficult e.g. close proximity of The Square. There are however a number of options just outside a one or two block radius of the Square, for example, the Council could re-develop its Manchester or Tuam Street Car Parks, there are also Christchurch Women's, Turners and Growers and the Orion site. This is not a definitive list and there are always possibilities of aggregating smaller parcels that are currently in multiple ownership. The Council's current site comprises 4,528 square metres. In summary we believe it would be possible to find a site solution to develop a new building, albeit that there may not be a great number of location options and on this aspect we could expect to compromise.

One of the significant factors in considering the viability of this option is the future of the current Tuam Street building. Quitting the building as a tenant or owner is difficult to envisage for the following reasons:

- Its heritage status
- The commercial office space market in Christchurch is currently weak with high vacancy rates. Abandoning the building without a replacement use would have a significant impact on the proportion of market vacancy (approximately 3.5%) and therefore could not be responsibly condoned.
- There are no immediately identifiable replacement uses. A number of possible users have been canvassed with none expressing any interest.
- The location and building design is not attractive for retail or apartment development. In any event it is unlikely the present market would support such alternative uses and development.
- Vacation by the Council would significantly detrimentally affect value, which compounded by the market forces could result in something close to land value, only with a resulting balance sheet write down.

### **3. Retrofit (Complete rebuild within existing structural envelope) and add to Tuam Street**

The Council owns adjoining land available for expansion i.e. creche site and the Tuam Street car parking site. In addition there are alternative property options outlined in the public excluded portion of this report. To be directly comparable to Option 2 and provide an adequate amount of space as discussed earlier we have assumed this option incorporates an additional building extension of approximately 5,000m<sup>2</sup>.

It is important to note that for comparative and costing purposes this option effectively assumes a complete rebuild within the existing structural envelope e.g. new HVAC, ceiling tiles, lighting, carpets, floor and wall finishes, partitioning, bathroom facilities, lift upgrades, escalator relocation, creation of a light well and fitting and services replacement and upgraded.

Whilst there are a number of deficiencies with the current building, as outlined earlier in this report, they are not insurmountable. Furthermore, the current building does have a number of redeeming features – outlined in the advantages and disadvantages section of this report.

#### **4. Co-location with ECAN**

Several meetings and discussions have been held with Environment Canterbury over the last few months to explore the possibility of co-location and whilst there are many advantages, this is no longer a possibility as Environment Canterbury advises that it has “found itself in a once in a lifetime position. Having determined its needs and knowing the advantages of maintaining the current location, for a property to become available next door was too good an opportunity to miss” and they have therefore availed themselves of this opportunity.

We should however in future planning bear in mind that they would be interested exploring the advantages and possibilities of constructing a joint building to house Civil Defence and Emergency Management services.

#### **5. Retention and Upgrade of Current Tuam Street Premises**

The asset management of the current Tuam Street premises has been constrained, more particularly over the last two years, during which long term planning has been deferred because of uncertainty over the Council’s future in this building. A decision to remain in this property would enable the development and adoption of a comprehensive asset management plan. It is estimated that this could result in identifying capital expenditure for remedial repairs, necessary maintenance and upgrade work in the vicinity of \$10-\$15M. This amount of expenditure, however, would not address the deficiencies identified by staff and elected members as outlined in this report. Especially, the necessity for additional space and more flexible and future proof design and layout.

#### **Costs**

The following cost estimates in respect of Options 2 & 3 have been developed by an independent registered quantity surveyor. They exclude:

Double glazing to windows	Finance costs
Furniture, fittings & equipment costs	Legal fees
Siteworks and parking costs	GST
Artwork	
Shelving/storage systems (Lundia etc)	
Computer equipment	
Relocation/disruption costs	
Escalation	
Land costs	

These costs have been developed whilst taking into account the criteria established in the workshops i.e. a medium to high quantity office building with a net floor area of 20,000m<sup>2</sup> (22,000m<sup>2</sup> gross). The same level and standard of accommodation has been assumed for both options so that the costs are directly comparable.

It should, however, be noted that these are preliminary estimates only for comparative decision-making purposes. They are not project-based estimates and would therefore need to be reviewed following the development of a well defined project brief and scope.

	Range of Construction Costs	
	Low	High
<b>Option 2</b> – New Office Accommodation (New build 22,000m <sup>2</sup> gross floor area)	47,500,000	- 55,000,000
<b>Option 3</b> – Retrofit (complete rebuild within existing structural envelope) Tuam Street and Build New Office Adjacent (Extg 16,145m <sup>2</sup> + New 5,500m <sup>2</sup> gross floor area)	39,000,000	- 45,000,000
Variance between Options	8,500,000	- 10,000,000

We have not incorporated the necessary land purchase with option 2 nor proceeds from sale of the existing building. There is likely to be a large amount of offset between these two factors for the reasons mentioned earlier. Furthermore, any differential arising from realising a greater value than anticipated from the current premises would never completely erode the comparative advantage of remaining in the existing Tuam Street premises (option 3).

It should be noted that all of the cost elements from the capital expenditure items identified earlier in this report have been incorporated into option 3. There are also significant elements of the costing for this option that would not need to be immediately undertaken, if at all, it therefore represents a worst case scenario. Because this is developed for comparison with a new building cost it is very likely significant cost savings could be achieved through varying the scope of the project – not all elements in the costing would need to be attended to in entirety e.g. heating, ceiling tiles, lighting, carpets.

#### Option 5 – Retention and Upgrade

“Identified Capital Expenditure” refer prior list of proposed upgrade work identified for next 15 years under heading “Future”	\$10,000,000 - \$15,000,000
Additional 5,500m <sup>2</sup> gross floor area	\$12,000,000 - \$13,000,000
Indicative sum for other improvements	\$4,000,000 - \$6,000,000
	\$26,000,000 - \$34,000,000

This option involves undertaking a comprehensive review and space planning exercise on the building to establish a concept plan and costings to improve conditions without going as far as a full retrofit in conjunction with evaluating the additional space alternatives. If well considered and carefully planned this option should cost effectively achieve the objective of creating adequate Council accommodation.

In addition several specific projects have been costed and these are outlined in the public excluded portion of this report.

#### ADVANTAGES AND DISADVANTAGES

##### Advantages

##### Disadvantages

**Option 1.** Existing Building - not available

**Option 2.** New Building

- Less disruptive to business – one relocation
- Greater flexibility
- Enables more of desired criteria to be easily met

- Limited scope & programme flexibility
- Cost
- Land availability
- Future of existing premises

**Option 3.** Retrofit (complete rebuild in current structural envelope) and addition to current building in Tuam Street

- Cost
- Use of a heritage building
- Variety of enhancement options
- Ability to vary scope and timing of upgrade
- Known identity
- Good location
- Close to Bus Exchange & retail heart of City Mall
- Existing large floor plates, therefore fewer floors
- Excellent nearby car parking facilities
- More disruptive e.g. relocations & construction
- Existing design & construction will impose some constraints

**Option 4.** Combined Accommodation with ECAN – not available

**Option 5.** Retention and Upgrade of Civic Offices plus provision of new 5500m<sup>2</sup> gross floor area

- Cost
- Enables development and adoption of a comprehensive asset management plan
- Use of a heritage building
- Variety of enhancement options
- Ability to vary scope and timing of upgrade
- Known identity
- Good location
- Close to Bus Exchange & retail heart of City Mall
- Existing large floor plates, therefore less floors
- Excellent nearby car parking facilities
- Supports Central City objectives
- Some constraints of current building would remain
- Does not provide for site expansion options
- Could, if poorly planned and implemented, lead to continuation of the ad hoc nature of attending to issues, especially reorganisation
- Could compromise flexibility and future proofing objectives

## SUMMARY

There is a significant body of compelling evidence in support of remaining in the current Tuam Street accommodation. In the current property market climate building new is untenable unless a financially viable alternative use for the existing building can be found. In any event, even if this were achievable there is still good sound financial reason to make the most of the current accommodation.

There are clearly deficiencies with the current accommodation. However these can be overcome with careful and well thought out planning. Although the costs paint a black and white picture it must be noted that there will be numerous opportunities in respect of the costs arising from remaining on Tuam Street to significantly vary the scope and hence cost of any upgrade project down from the option 3 projections. In essence option 5 if not well-planned could easily result in similar project costs to option 3 without all of the benefits. Although a wide-ranging review on options 3 and 5 could be undertaken, the pragmatic approach would be to elect and focus efforts on developing plans for the implementation of option 5.

## RECOMMENDATION

1. That remaining in the current Civic Offices at Tuam Street be endorsed.
2. That a project team under the sponsorship of the Property Manager and Director of Operations be established to develop and cost a concept plan(s) in respect of option 5 for future consideration and approval by the Council.
3. That a preliminary budget of \$34,000,000 be established during the current annual plan process for the purpose of implementing this project. This should be scheduled over three years with the bulk occurring in years two and three.



4. That the concept of a joint Civil Defence/Emergency Management Facility with Environment Canterbury be discussed further and that the Property Manager further discussions to develop a proposal for the Council's consideration.

The Chairman commented:

In considering the issues, the importance of the Civic Offices in their current location should be noted. The concentration of staff and activity has played a significant role in maintaining the viability of businesses in the surrounding area. The estimates in this report are preliminary but it would appear that the recommended Option 5 could be achieved for little more than half the cost of completely new accommodation.

Over-crowding in some parts of the building has resulted in sub-standard working conditions for many staff. The Council has an obligation, I believe, to provide additional office space as a matter of urgency.

- Recommendation:**
1. That remaining in the current Civic Offices at Tuam Street be endorsed.
  2. That a project team under the sponsorship of the Property Manager and Director of Operations be established to develop and cost a concept plan(s) in respect of option 5 for future consideration and approval by the Council.
  3. That the concept of a joint Civil Defence/Emergency Management Facility with Environment Canterbury be discussed further and that the Property Manager hold further discussions to develop a proposal for the Council's consideration.
  4. That the Annual Plan Working Party be asked to budget \$7M in years 5 to 7 (in addition to the \$3.2M already budgeted) for refurbishment of the Civic Offices and that staff be asked to report on a revised asset management plan.
  5. That the Annual Plan Working Party be asked to budget an indicative sum of \$12M for provision of 5,500m<sup>2</sup> of additional gross floor area and that staff be asked to advise on the approximate programming of the expenditure.