

22. 2. 2001

REPORT BY THE WOODHAM ROAD SUBCOMMITTEE

PART A - MATTERS REQUIRING A COUNCIL DECISION

1. WOODHAM/PAGES ROADS – SALE TO TE AMORANGI RICHMOND

Officer responsible Property Manager	Author Property Projects Officer, Steve McCarroll, DDI 371-1940
Corporate Plan Output: Surplus Property	

The purpose of this report is to advise the Council of the financial arrangements proposed by the Woodham Road Subcommittee with regard to the proposed sale of the above site for a Wellness Centre.

Te Amorangi Richmond propose to establish a Wellness Centre on the site, for which funding is available from 1 April 2001. The Centre will be providing a specific and holistic health service for all cultures delivering primary health care services for the Christchurch community, particularly the eastern suburbs.

At its last meeting the Subcommittee recommended to the Council the sale of this land to Te Amorangi Richmond at the current Government Valuation of \$161,000, and that the financial details be finalised by way of a reasonable deposit with the balance being repaid on such reasonable terms/conditions as the Director of Finance considers necessary.

Discussions have since been held with representatives of Te Amorangi Richmond and agreement in principle has been reached on the following basis:

- That a 1/3 deposit be paid upon execution of the agreement, ie \$53,666.
- That the balance owing be advanced to Te Amorangi Richmond in the form of a first mortgage at a concessional interest rate.
- That the agreement be subject to the placement of a restrictive covenant on the title, giving the Council the opportunity to repurchase the land from Te Amorangi Richmond, at cost, if the project does not proceed within three years.

The Funds and Financial Policy Manager comments as follows:

"I have been asked to report on the financial implications of the proposal:

The purchaser/borrower is Te Amorangi Richmond Ltd, a joint venture company established in 2000 between Richmond Fellowship New Zealand Incorporated and Nga Maata Waka on a 50/50 basis. It was established to jointly tender for contracts to help underprivileged people attain and thence maintain basic services that they currently have to forgo.

By 1 April 2001, they believe they can be operating a wellness centre for Christchurch people who are financially disadvantaged. Wellness will include medical, family needs, relationship building, spiritual and hopefully employment needs for these people who come to the centre; and the centre will also go to the people on the other side of town. A mobile van is proposed for services in Hornby and Western Christchurch, all based from Linwood. In doing this, the aim was also extended to assist the recovery of unwell people.

Recently the company has been successful in obtaining two contracts, one with ACC for people recovering from a serious head injury and the other to operate a wellness centre with basic support from the HFA. It is this latter contract which brings the Christchurch City Council and Te Amorangi Richmond into contact.

Work has been completed on the building design.

The operating budget indicates a capacity to service the loan repayments of borrowed funding and the capital needed and obtained to operate the facility. The funding from HFA is for three years and they believe it will be extended when performance is evaluated over that time.

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The sale could be financed in part by a loan from the Council on the following terms:

<i>Sale Price</i>	<i>\$161,000</i>
<i>Cash Payment from the purchaser – 33.33%</i>	<i>\$53,666</i>
<i>Council provided loan secured by first Mortgage – 66.66%</i>	<i>\$107,334</i>
<i>Interest Rate payable – Fixed for 3 years, reviewed every 3 yrs</i>	<i>7.3%</i>
<i>Term – Table mortgage of interest & principal</i>	<i>10 Years</i>
<i>Monthly Instalment (over 10 years)</i>	<i>\$1,263</i>

The loan would be an investment of Special Funds

The Council should obtain from the purchaser an ‘option to repurchase’ the site at \$161,000 if by the end of three years the wellness centre is not built. The option would be noted on the title by way of caveat. This should ensure the Council’s interests are protected.”

Te Amorangi Richmond are hopeful that the Council will consider a loan at a concessionary interest rate. Consideration will need to be given to this request and, if so, how the shortfall between a concessionary rate and a market rate would be funded. There have been some tentative discussions between the Property and Community Relations Units with a view to funding any interest concession transparently through a Community Relations social delivery output: nothing has been either offered or confirmed.

Recommendation: That the site be sold to Te Amorangi Richmond on the following terms and conditions:

1. The placement of a restrictive covenant on the title, giving the Council the opportunity to repurchase the land from Te Amorangi Richmond, at cost, if the project does not proceed within three years.
2. A one-third deposit being paid by the purchaser upon execution of the agreement, ie \$53,666.
3. A first mortgage advance of \$107,334 being made by the Council to Te Amorangi Richmond to finance the balance of purchase price, on the terms proposed by the Funds and Financial Policy Manager, at an interest rate of 7.3%.

CONSIDERED THIS 22ND DAY OF FEBRUARY 2001

MAYOR