

## 1. CENTRAL CITY REVITALISATION: RENEWED REQUEST FOR FINANCIAL ASSISTANCE 8-12 BEDFORD ROW

<b>Officer responsible</b> General Manager, Strategic Development	<b>Author</b> Dave Hinman, Central City Team Leader, DDI 941-8804
--	--

The purpose of this report is to advise the Council of recent discussions with Mr D Harwood, owner of 8-12 Bedford Row, and his tenant under contract, Mr G Holland, and to seek the approval of the Council to re-enter into negotiations with Mr Harwood for the provision of financial assistance, together with streetworks improvements. This had been previously offered but within a time limit which has now expired.

### BACKGROUND

There has been a long history of discussions and negotiations with Mr Harwood, going back to 1997, in respect of his currently disused properties at the corner of Manchester Street and Bedford Row. A series of reports to the Council in 2001 culminated in the Council agreeing (subject to conditions) to contribute a sum of \$75,000 towards reforming and paving of the adjacent Bedford Row footpath, and the contribution of \$150,000 towards structural strengthening, exterior and interior maintenance and improvements to his three buildings. This approval, given at the September 2001 meeting of the Council, included a requirement for a formal agreement between the Council and Mr Harwood, and an expiry date of 31 December 2002. A further requirement was that at least 60% of the ground floor was required to have been leased before any funding was made available.

The expiry date was included to ensure performance within a reasonable time, given the already long drawn-out nature of the matter. Discussions did continue during 2002, and related work such as the paving and street layout plan for Bedford Row by Ian Athfield was completed and consulted on. Later in 2002 a draft Agreement and Memorandum of Encumbrance to give effect to the matters and conditions covered in the Council reports, was prepared. However, apparently due to his inability to attract suitable tenants at the time, Mr Harwood did not proceed to finally conclude and sign the agreement, and the proposals lapsed.

Recently Mr Harwood has made a further approach wishing to renew the request for financial assistance. He now has a lead tenant conditionally contracted to lease the ground and first floors of the larger of his three buildings (8 Bedford Row) and a further tenant interested in No 10. He will need to upgrade the whole of the buildings, making provision for residential development on the upper floors, and has advised that the project will only go ahead if he can get some financial assistance towards his building refurbishment and if the pavement widening and paving is done. He has requested a significantly higher sum for his building work than that agreed by the Council in 2001.

### THE 2001 DECISIONS

The key decisions made by the Council in 2001 were at its 27 September meeting where in respect of the streetworks issue it resolved to allocate a further \$40,000 from the City Streets budget "for streetwork improvements on the south side of Bedford Row, in front of buildings 8, 10, and 12 in general accordance with the attached plan". A sum of \$35,000 had already been allocated from the Urban Renewal Account.

The building funding issues were resolved at the reconvened meeting of the Council on 9 October 2001, at that stage in public excluded. The report had considered various options including part grant/part loan, but the Council resolved to grant \$150,000 in the following terms:

*"That staff be authorised to negotiate an appropriate package, subject to the approval of the City Manager and the Director of Finance, with the following parameters:*

- 1. That Council staff be authorised to negotiate an appropriate funding package with Mr Harwood to assist in his refurbishment and adaptive reuse of his buildings at 8-12 Bedford Row of up to an equivalent of \$150,000 financial "benefit" provided by the Council over several financial years.*
- 2. That such financial assistance be sourced from the Central City Project operational account, and paid in accordance with agreed Council policy (ie payment upon receipt of invoices for actual work undertaken and to accepted building code).*

3. *That prior to the distribution of any grant money, 60% of the ground floor space of all three buildings combined be leased to ensure the refurbishment is contributing to central city revitalisation objectives.*
4. *To ensure the developer initiates the project in a reasonable time frame, that financial assistance be available only until 31 December 2002.*
5. *The condition of a "no sex industry clause" be applied for either grant or loan.*
6. *That the value of this project to central city revitalisation be noted as confirmed by the Central City Mayoral Forum Executive at its meeting of 17 September 2001."*

#### **CURRENT ISSUES**

There are a number of matters of detail still to be worked through to reach agreement with Mr Harwood and or his tenant(s) including policy changes that have occurred in the interim which may have some effect (eg the Street Enclosures Policy relating to tables and chairs etc on footpaths).

However the two fundamental issues are: Is funding at the level suggested (or at some other level) still appropriate? And if so, is such funding still available, given that it was not uplifted within the required period?

There are long and detailed past reports to the Council on this matter, and in particular the September 2001 reports to the then City Services and Strategy and Resources Committees established the rationale for the street improvements, and for offering assistance to Mr Harwood for his buildings.

Despite a buoyant economy in the last couple of years, Mr Harwood has not until now been able to attract tenants and put together a refurbishment package and his buildings remain vacant and semi-derelict. While progress is being made elsewhere in the central city and there is a current redevelopment proposal for the eastern end of Bedford Row (Cashel Chambers site) it would assist the western end if these buildings were restored and actively occupied. The bar/restaurant and residential mix, proposed then and now is seen as appropriate for the locality.

On the previous occasion the matter did not proceed at least in part because of the lack of suitable tenants (required to fulfil the Council's conditions). That is not the situation now, and discussions with the tenant indicate a strong desire to proceed with significant funding already assured for tenant fitout.

The approvals given in 2001 were endorsed by the Central City Mayoral Forum. This further request was received after the Forum's April meeting, but will be again referred on to the Forum for confirmation at its meeting on 25 May.

It appears that it is still possible to find funding for this project, using funds not currently committed and by substitution. There is still \$150,000 of uncommitted funding available in the central city account, the Urban Renewal Account may have money available in 2004/05 (ie \$35,000) and in the City Streets budget (Major Amenity Improvements) \$40,000 could be reallocated from 2005/06 to 2004/05.

Given the need to carefully target central city funding to best effect, the quantum previously offered is still considered to be an adequate contribution from the Council, and an increased allocation is not supported.

Mr Denis Harwood and his tenant under contract, Mr Geoffrey Holland, made representations to the Committee regarding the level of Council financial assistance. The deputation advised that additional funding was required to make the development commercially viable and requested that the Council funding be adjusted to 2004 dollar values.

- Recommendation:**
1. That the Council agree, in principle, to the streetworks expenditure and financial assistance to Mr Harwood for the same amounts and subject to conditions to be negotiated, including an expiry clause of 31 December 2004.
  2. That \$150,000 be sourced from the Central City Project Operational Account (2004/05).

3. That the Annual Plan Subcommittee be requested to consider whether to commit the additional funding and the source of such funding.
4. That staff report on the concept of the Council taking an equity interest in such projects rather than making cash grants.