

7. ASSIGNMENT OF SOCKBURN TESTING STATION LEASE

Officer responsible Facility Assets Manager	Author Bill Binns, Property and Leasing Adviser, DDI 941-8504
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PROPOSAL/PURPOSE OF REPORT

The purpose of this report is to seek the Council's approval to the assignment of the lease from On Road New Zealand Limited to On Road New Zealand (2004) Limited.

FINANCIAL AND LEGAL CONSIDERATIONS

As the assignee On Road New Zealand (2004) Limited have fulfilled their obligations as per the background section of this report, the Council is obliged to consent to the assignment of the lease.

RECOMMENDATION

It is recommended that the Council consent to the assignment of the lease of the Sockburn Testing Station from On Road New Zealand Limited to On Road New Zealand (2004) Limited subject to:

- Personal guarantees being provided by the shareholders and/or directors of On Road New Zealand (2004) Limited.
- The vendor and purchaser meeting all the costs of the assignment of the lease as agreed between the parties.

BACKGROUND/THE ISSUES

In October 2001, the Council agreed to the assignment of the lease from Braig Enterprises Limited to Sockburn Testing Station, which now trades as On Road New Zealand Limited. At the same time a new lease was entered into for a term of five years (on the terms and conditions of the original lease), which expires in October 2006.

The title of the land on which the Sockburn Testing Station and Service Centre are situated is a reserve. This is held by the Council under Reserve 5161 and by proclamation 539227/1 (Gazette 1982 p1167) for Local Purpose (County Buildings) Reserve vested in the Christchurch City Council and contained in CJID/413. The land is a reserve in terms of the Reserves Act 1977 having been derived from the Crown's Estate.

Under the Reserves Act 1977 there are restrictions to leasing under Section 61 of this Act. Leases are subject to the Public Bodies Leases Act. Under this Act leases are required to be publicly tendered unless they are granted for a term which does not exceed five years or are terminable at any time on six months notice or less. It was for this reason the original lease with the Sockburn Testing Station Limited (On Road New Zealand Limited) was granted for five years. It is also appropriate that the lease term is restricted to five years whilst the Facility Asset Unit reviews the Council's property holdings.

The Council has been advised that On Road New Zealand (2004) Limited is purchasing the business and assets of On Road New Zealand Limited and is wholly owned by Vehicle Testing New Zealand Limited (VTNZ)

VTNZ is a wholly owned subsidiary of the Motor Trade Association. The entities of VTNZ and On Road New Zealand (2004) Ltd will have a turnover in excess of \$68 million per annum, net assets of \$13 million and in excess of 900 staff in 76 locations around New Zealand.

The assignment provisions of this lease are in typical terms as set out in the Auckland District Law Society lease document and the Council is required to consent to an assignment if:

- (a) The proposed assignee is "respectable, responsible and has the financial resources to meet the tenant's commitments under the lease."
- (b) All rent has been paid and there are no other breaches of the tenant's covenants under the lease at the date of assignment.
- (c) The assignee enters into a Deed of Covenant in a form acceptable to the Council.

- (d) Where the assignee is a company, the company's obligations are guaranteed by the principal shareholders of that company and/or if required by the Council, the Directors of the company.
- (e) The assignee pays the Council's cost and disbursements in respect of the preparation and stamping of any Deed of Covenant or guarantee.