

2. ROBERT McDOUGALL GALLERY – CANTERBURY MUSEUM

Officer responsible Facility Assets Manager	Author Bill Binns, Property & Leasing Adviser DDI 941-8504
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The purpose of this report is to seek the Council's approval to enter into an Agreement to Lease and a Deed of Lease with the Canterbury Museum Trust Board, as lessee, of the Robert McDougall Gallery.

BACKGROUND

At its May 2003 meeting the Council considered a report from this Committee on the Canterbury Museum Revitalisation Project, which recommended:

"That the Christchurch City Council, as landowner of the Robert McDougall Gallery, approve the revised Museum Revitalisation Project for the use of the McDougall Gallery and request the Property Unit staff to finalise the lease for the McDougall Gallery between the Council and the Museum Trust Board for implementation immediately following the Royal Assent if Parliament enacts the Christchurch City Council (Robert McDougall Gallery) Land Vesting Bill."

The above recommendation was adopted by the Council.

The Act was passed on 18 September 2003.

AGREEMENT TO LEASE PREMISES

It is proposed that the Council and the Museum Trust Board enter into an Agreement to Lease in respect of the McDougall Gallery on terms and conditions set out in that agreement and in a Deed of Lease attached to it. The agreement is conditional upon the Museum Trust Board obtaining all necessary consents and approval for the work the Board intends to carry out on the Gallery site and upon completion of that work.

The agreement also allows the Board access to the Gallery for the purposes of storage and for holding temporary exhibition.

RENTAL

It has been acknowledged by both parties that a net market rent plus outgoings would be levied (albeit it being on the conservative side) as assessed by independent valuation allowing for negotiation if necessary.

The Museum will, however, pay the outgoings over the period prior to commencement of the formal lease.

Conditions

The Agreement to Lease covers the following conditions in detail: storage, exhibitions, resource consent being issued, practical completion of agreed works and public access and terms and conditions for the Deed of Lease.

LEASE

The Deed of Lease records the long-term arrangements agreed upon by the Council and the Museum Trust Board and will come into effect once the Board's works are completed.

Details of Deed of Lease

Term: 20 years

Further Term: (1) 1 of 15 years
(2) 1 of 14 years – 364 days

Annual Rent: Net rent plus GST and outgoings. The rent cannot be set at this point as it is too far in the future. The current assessment by an independent registered valuer is a net rent of \$146,000 per annum plus GST.

Commencement: The lease will commence at the time of practical completion of the tenant's works.

Rent Review Dates: 5 yearly from the commencement date.

The lease is in the form of the fourth edition of the Auckland District Law Society lease with the appropriate special conditions protecting the building (covered in the Conservation Plan attached to the lease) ie building alterations, an Asset Management Plan and facility maintenance etc.

These remain basically as agreed by the Council in 2003, including prior approval of the Council for building alterations.

Business Use: For the purpose of a gallery for the display of art and decorative arts and crafts and ancillary activities.

THE COUNCIL'S CAPITAL CONTRIBUTION

The Council's \$2.5 million capital contribution has been clearly defined in Clause 2 Conditions 2.1(e) of the Agreement to Lease.

Each party's capital contribution will be separately recorded.

ROGER DUFF WING, CANTERBURY MUSEUM

In processing these lease issues it has come to staff's attention that in 1977 when the Roger Duff Wing was being built it encroached into the air and ground space of the Botanic Gardens' title.

To rectify this matter, the Council's approval is sought to formalise this long standing arrangement by entering into an Airspace and Ground Space Lease with the Canterbury Museum. Under Section 61(2A)(a) of the Reserves Act 1977, the Council has the power to grant a lease for 33 years. Entering into a lease will properly document this encroachment.

Councillor Crighton moved the following amendment, by way of addition to the Chair's recommendation:

"That the lease include strict conditions on the protection of the heritage fabric of the building and that the heritage conditions be reviewed after 20 years."

The amendment was seconded by Councillor Anderton and when put to the meeting was declared **lost** on division no 1 by 4 votes to 6, the voting being as follows:

For (4): Councillors Anderton, Crighton, Ganda and Wright.

Against (6): Councillors Condon, Corbett, Harrow, O'Rourke, Stewart and the Chair.

Committee

Recommendation: That the Facility Assets Manager be delegated authority to conclude the following occupancy arrangements as generally outlined in the above report:

- (a) Agreement to Lease for the Robert McDougall Gallery
- (b) Deed of Lease for the Robert McDougall Gallery
- (c) Air and Ground Space Lease for the Roger Duff wing.