

7. TURNERS AND GROWERS SITE DEVELOPMENT PROPOSAL

General Manager responsible:	General Manager Strategic Development
Officer responsible:	General Manager Strategic Development
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PURPOSE OF REPORT

1. The purpose of the report is to describe the development proposal for the redevelopment of the Turners & Growers site negotiated with Urban Winery Holdings Ltd (UWH), and to seek approval to sign a Development Agreement between the Council and UWH.

EXECUTIVE SUMMARY

2. This report, which includes a public excluded section dealing with confidential details, summarises the history to date of negotiations with UWH for their purchase and development of the Turners and Growers site situated east of Madras Street, between Tuam Street and Lichfield Street in the Central City. It then describes the proposed development for the site (see attachment 1), explains the future land ownership and considers the project benefits. It indicates the Council commitments to the project and then describes the processes and legal arrangements proposed, including the Development Agreement which will be signed by the parties and the subsequent development plan which UWH will agree to prepare. It concludes with a suggested time line, indicating commencement on site following submission of the development agreement (September/October 2005 and development completed (depending on sales) by 2010-2012.

FINANCIAL AND LEGAL CONSIDERATIONS

3. Financial details are contained in the public excluded section. Legal considerations are largely about the preparation of a Development Agreement between the Council and UWH, being undertaken by the Legal Services Unit. This is described in the preferred option section below. The development will follow standard statutory procedures and requirements as it proceeds through the consent and construction stages.

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Accepts the negotiated purchase price agreed with UWH, as detailed in this report.
- (b) Authorises the General Manager Strategic Development to sign the Development Agreement on behalf of the Council, when he is satisfied with it.
- (c) Authorises the General Manager Strategic Development to accept the Development Plan when in his opinion it satisfies the requirements of the Development Agreement.
- (d) Agrees to provide funding for the commitments to the project as outlined in this report.

BACKGROUND OF THE DEVELOPMENT

History

4. In November 2004 the Council resolved to:
 - “(a) Accept Urban Winery Holdings Ltd as the preferred developer of the Turners and Growers site, with a view to preparing a Development Agreement between the parties which meets the Council’s objectives.*
 - “(b) Request management to establish a team and authorise it to negotiate any conditions that may be required between the Council and Urban Winery Holdings Ltd for inclusion in the Development Agreement.*
 - “(c) Agreed that when, and if, a suitable Development Agreement has been developed, it be reported to the Council for approval before any implementation takes place, or if no such agreement can be reached, that staff report back to the Council on the next steps.*
 - “(d) Thank Sir Miles Warren, former Councillor Ron Wright, and Messrs John Dryden and Steve Collins for their work in assisting with the evaluation of proposals.”*
5. Since that time a team of Council officers, including Ian Hay, Allan Johnson, Dave Hinman, Angus Smith, Tom Lennon and Ian Thomson have been involved in discussions and negotiations with representatives of UWH which have resulted in an offer being made by UWH which includes:
 - A concept plan which describes the proposed development
 - A price and payment structure for the purchase of the property
 - A development agreement which records the obligations of both the Council and UWH, which, if the recommendations of this report are adopted, will be signed by both parties.

Description of the Proposed Development

6. The plan proposed by UWH (copy attached - 1) provides for:
 - Residential accommodation in two and three storeys along the Lichfield Street frontage, and in six storey buildings along the east boundary of the site and part way along Tuam Street. The two storey buildings are of town house style. The three storey buildings are intended as live/work units, which could have a business function on the ground floor, with residential accommodation above. The six storey buildings comprise apartments of varying sizes.
 - A six storey hotel of approximately eighty rooms at the west end of the Tuam Street frontage (nearest Madras Street). In the ground floor and basement of the hotel is a fully operational winery, producing wine from grapes brought from local vineyards.
 - A retail market square under a glazed roof, surrounded by retail space which would be used for shops and food and drink businesses, related to the wine theme. Above the retail spaces is provision for a mixture of business and residential uses.
 - A public space which runs between Lichfield Street and Tuam Street, and which opens on to a Village Green which is surrounded on three sides by the residential buildings.
 - A through way from Madras Street to the public space. This provides a link to the Poplar and Ash Lanes precinct on the city side of Madras Street.
 - A basement car park which occupies a large portion of the site, and provides parking for approximately 350 cars. The floor level of the car park will be set approximately a half storey below the natural ground line.
 - The through way, public space, and village green are constructed on the roof of the car park, approximately 1.6 m above the adjacent street level.

7. There is provision for a link to the adjacent proposed carparking building, for which the Council is negotiating with Devon Street Holdings Ltd (DSH) the owner of the adjacent land for the construction of a two level carparking building. When the building is completed the Council will be provided with 48 unit titled car parks in the lower level of the building.

Planning Requirements

8. The plans have been discussed with Council staff from ESU, Green Space, Transport and City Streets and Urban Design and Heritage, and largely comply with the requirements of the recently created Central City Edge Zone. One area of non-compliance is the encroachment of the hotel into the street setback space, and the recession plane requirement. UWH have been keen to provide a design which complies as fully as possible with the planning requirements, so that they minimise the risk of delays to the project which could occur if resource consent applications were required.
9. In meeting this requirement some compromises have been made in the layout of the buildings, and UWH have advised it is their intention to explore the possibility of enhancing the design if the necessary consents could be obtained without delay.

The Public Space

10. The public space will be owned by the Council on completion of the development, and most of it will be constructed above the car park. The land will be owned under a unit title, and so it is proposed that it is held in fee simple rather than as a reserve under the Reserves Act. This will allow more flexibility in the ongoing management of the space in association with the privately owned land which adjoins it.

What UWH Would be Buying

11. UWH are proposing to buy the land other than that occupied by the public space. They will also gain title to the 48 parking spaces in the car parking building to be constructed by DSHL on the adjacent part of the site.
12. The area of land to be purchased is 13,100 m². This includes 810 m² for the through-way and 2,620 m² for the village green. Both of these areas will have covenants which will provide that they remain open and accessible to the public during daylight hours, but may be closed after that time. This provision is to ensure safety and security in these areas during the night.

The Public Space

13. The area of public space which is to be retained by the Council.

Negotiated Purchase Price

14. The financial details of the purchase are contained in the public excluded section of the report.

Project Benefits

15. The Council's contribution, as outlined in the public excluded section of the agenda, needs to be weighed against the objectives set for the project at the outset, and the benefits which will accrue to the city as a result of it.
16. The site was acquired to meet objectives outlined in the Central City Revitalisation Strategy adopted by the Council in February 2001, which includes the following core principles for project development:
 - (a) **East Side Focus** - to generally focus on projects to the east side of Colombo Street.
 - (b) **Residential and Business Development Opportunities** - including funding for project assistance and joint venture developments to increase the residential population and business/commercial activity.

- (c) **Improve Public Spaces** - to enhance the amenity of the central city with particular emphasis on improving public spaces on the east side.
 - (d) **Integrated Development** - to pursue public-private partnerships, and integrated and complementary development to public and private spaces.
 - (e) **Sustainability** - to assess and prioritise projects according to social, environmental and economic sustainability evaluation criteria.
17. The redevelopment of this site was also seen by the Council as likely to act as a catalyst for revitalising the surrounding area and to have positive flow-on effects for the area between the site and the city centre.

Council Commitments to the Project

18. The offer requires that the Council undertakes the demolition of the existing buildings on the site, and clears the site. While this could have been made the responsibility of UWH, having it done by the Council offers the advantage that work can commence earlier, so a longer period will be available to carry out the demolition. This will allow maximum use to be made of sorting of the demolition material, which will give maximum opportunity for salvage and sale, thereby reducing the volume of material which will need to be dumped to landfill.
19. A report prepared at the time the site was purchased indicates that there is the possibility of some soil contaminants on the site the full extent of which is uncertain. This arises from possible PAH's (plus associated contaminants) presumably from old coke deposits associated with the site's historical use as a fire station. In addition a number of underground fuel storage tanks have been removed at various times, at least one of which was known to have left some residual, but thought to be manageable, contamination issues. UWH will be removing material from a large area of the site for construction of the basement car park, and they will do so at their cost. In the event that the contaminated material is encountered, the Council will pay only the additional cost for its removal or treatment.
20. The Council will pay, to a fixed maximum cost, for the construction of the landscaping of the public space and the village green.
21. The Council has made a commitment to undertake "*improvements to the general amenity of the area ... in support of the project*" (ROI and RFP Documents). This will require work on the streets surrounding the site, which could include paving, kerb and channel, lighting and planting. This work is not, however, required immediately, and will be designed and programmed to occur in stages as the on-site development proceeds.

Council Infrastructure in the Area

22. City Water and Waste has advised that there are no problems anticipated in providing water and waste water services to the site. If any additional work was required, it would need to be paid for by UWH.

The Development Agreement

23. It is intended that the Council and UWH will enter into an agreement that will 'set out their respective rights and obligations'. The following provisions in particular will be included:
- A requirement that UWH will prepare a Development Plan within six months from the date the Development Agreement is signed. This will contain detailed plans and specifications of the proposed development, including the company's proposed building programme and the arrangements put in place to secure finance for the project. The development will proceed only once Council staff are satisfied with the information contained in the Development Plan and that UWH is capable of carrying it out.
 - The price that UWH has agreed to pay for the site and the method by which it is to be paid.

- The steps available to the Council to secure payment of the purchase price. These will include:
 - Evidence satisfactory to Council staff of contractors' performance bonds entered into by UWH with its contractors to ensure that each stage of the development is built and finished.
 - Evidence satisfactory to Council staff that UWH has entered into bonds with its contractors and UWH's financiers for the purpose of ensuring that if UWH is unable, or elects not to complete any stage of the development, the financier will be entitled to provide funds for the contractor to complete that stage.
 - The Council registering a restrictive covenant against the certificate of title of the land to be transferred to UWH. This covenant will bind UWH and any future owner of the land and will require it to be used only for the purpose of meeting the Council's objectives for the land and carrying out the provisions of any development plan approved by the Council. The covenant will protect the Council's commitment to open public spaces and prevent any owner of the land from subdividing any part of it that is undeveloped to enable, say, the construction of tilt slab warehouses.
 - UWH providing a performance bond held by a financial institution approved by the Council that will secure the payment of that part of the purchase price due upon practical completion of the development. This will enable the Council to be paid that sum should UWH default at any point during the development or at the time it is completed.
- The parties entering into an Agreement for Sale and Purchase recording the terms and conditions of the transaction and the method of payment of the purchase price. This will not be completed until the Development Plan is signed.

24. It should be acknowledged that there remains a risk that UWH may, for whatever reason, be unable to complete the development, having started the construction phase. However, if this was to happen it is likely that any stage then under construction will be completed either by way of the contractor's bond or the three-way bond between the contractor, UWH and its financier. The expected result is that either another developer is engaged to complete the project or the part completed development is sold to a third party, along with any undeveloped balance of the land. The covenant will ensure that any future owner of the land is bound by the Council's objectives for it.

Financial

25. When the site was purchased by the Council in 2002, part of the funding came from the cash-in-lieu fund. Because it is now intended to hold the public space in fee simple rather under the Reserves Act, the use of cash-in-lieu funding is not appropriate, so the cash-in-lieu fund will need to be refunded the amount from the proceeds of the sale on completion.

Development Contributions

26. UWH may seek partial remission from the obligations to pay Development Contributions. Such applications will be considered by the Council in its statutory role as territorial authority, and normal Council policies will be applied.

Development Plan

27. After the signing of the Development Agreement, UWH will have a period of six months in which to prepare and submit to the Council a Development Plan. During this period, UWH will undertake marketing of the development, completion of design, and will obtain consents and secure funding for the project. The Development Plan will disclose full details of the proposed development, including the terms and conditions of the building contracts and the details of the funding proposed.

28. The development plan is subject to Council approval, and the development agreement does not become unconditional until that approval is obtained.

Timing

29. UWH have advised that they expect the development to take between five and seven years, depending on the actual rate of demand for the residential accommodation.

30. If the Development Agreement is signed in early April 2005 the anticipated timing would be:

Development Agreement submitted by UWH	September/October 2005
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Development completed (depending on sales)	2010 - 2012
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OPTIONS

31. Options include:

- (a) Proceeding with UWH and sign the Development Agreement.
- (b) Revisiting seeking alternative development proposals.
- (c) Abandoning the Turners & Growers project.

PREFERRED OPTION

32. Proceed with UWH and sign the Development Agreement.

ASSESSMENT OF OPTIONS

(a) **The Preferred Option**

Proceed with UWH and sign the Development Agreement.

	Benefits (current and future)	Costs (current and future)
Social		
Cultural		
Environmental	Central City Revitalisation	
Economic	General City Wide Development and Growth - Increased Rate Take = \$80m project	see public excluded section

Extent to which community outcomes are achieved:

Primary alignment with community outcome - a prosperous city *“Our economy is based on a range of businesses which enable wealth creation and employment opportunities for all”*

Also contributes to a liveable City - *“Our people have appropriate housing and live in an attractive and well designed city and neighbourhoods”, “Our economy invests in and benefits from enhancing the liveability of our city”.*

Impact on Council’s capacity and responsibilities:

Positive - important step towards revitalising the central city, particularly the east side.

Effects on Maori: N/A

Consistency with existing Council policies: Central City Revitalisation Strategy, City Plan

Views and preferences of persons affected or likely to have an interest:

Earlier publicity has resulted in generally favourable comment about the concept. Nearby property owners (eg Lichfield Lanes developers) very supportive.

Other relevant matters:

Complies with new Central City Edge Zone which was subject to recent public consultation. Requires future Council commitment to adjacent street improvements.

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(b) Revisit Seeking Alternative Development Proposals

	Benefits (current and future)	Costs (current and future)
Social		
Cultural		
Environmental	Could be similar to preferred option	
Economic	Unknown at this stage	
<p>Extent to which community outcomes are achieved: Uncertain until alternative proposals assessed, but potentially similar to preferred option.</p> <p>Impact on Council's capacity and responsibilities: Wasted time, effort and goodwill.</p> <p>Effects on Maori: N/A</p> <p>Consistency with existing Council policies: depending on proposal, similar to preferred option</p> <p>Views and preferences of persons affected or likely to have an interest: Other potential developers - at least one likely to be interested.</p> <p>Other relevant matters: Time it would take and potential opportunity loss, with changing market conditions.</p>		

(c) Abandon the Turners & Growers Project

	Benefits (current and future)	Costs (current and future)
Social		
Cultural		
Environmental		Highest and best use likely not to be compatible with desired development outcome.
Economic	Return from sale of site	To sell site. Costs of abortive process having proceeded so far to date.
<p>Extent to which community outcomes are achieved: Unknown - will depend on future purchaser/developer.</p> <p>Impact on Council's capacity and responsibilities: Wasted time, effort and goodwill.</p> <p>Effects on Maori: N/A</p> <p>Consistency with existing Council policies: Contrary to Central City Revitalisation Strategies.</p> <p>Views and preferences of persons affected or likely to have an interest: Concern from businesses in vicinity who are very supportive of the project.</p> <p>Other relevant matters:</p>		