

## 8. NEW CIVIC BUILDING/OWNERSHIP OPTION



<b>General Manager responsible:</b>	General Manager, Corporate Services
<b>Officer responsible:</b>	City Solutions Manager
<b>Author:</b>	Mike Stockwell, Manager - Major Projects, DDI 941-8332

### PURPOSE OF REPORT

1. The purpose of this report is to recommend an ownership option for the New Civic Building and its site.

### EXECUTIVE SUMMARY

2. In October 2005 the Council agreed to a decision making path and broad timeframe for its New Civic Building project. Immediate actions agreed were to implement a Registration of Interest (ROI) process for the site search, plus an ownership options study for the new building and site by an independent consultant.
3. This report relates to the ownership options for the new building together with its site. Site options will be reported to the Council in March 2006.
4. Deloitte was selected for the ownership options study on the basis of its up-to-date knowledge of the Council's business, especially taxation issues which are particularly relevant for this study.
5. Five alternative ownership options were considered and analysed by Deloitte. The preferred ownership option for the New Civic Building and its site is option 3(a), ie ownership by a Council Controlled Trading Organisation with leaseback to the Council. This option is recommended for adoption by the Council together with the implementation by management of the necessary financial and legal work to secure it.
6. Option 3(a) is preferred as it has the best Net Present Value to the Consolidated Council Group over a 20 year period, it has a manageable Rates impact, and it has a low risk in terms of setup and implementation.
7. A summary of the ownership options and their impact is considered in Appendix 1 attached. In essence the findings are:
  - If the Council wants the lowest long-term rates impact then option 1 would achieve this. However, this option does have a significantly higher rates impact in the short and medium term.
  - If the Council wants the lowest year one kick in rates, then options 2, 3(a) or 4 provide this.
  - Of the above options, the lowest NPV to the Council group is option 3(a) followed very closely by option 4.

### FINANCIAL CONSIDERATIONS

8. As shown in Appendix 1, the financial advantages of option 3(a) are:
  - The project is off the Council's LTCCP capital budget, thereby freeing up capacity.
  - It has the lowest 20 year Net present Cost to the Council Group.
  - It has a manageable Rates impact.

### LEGAL CONSIDERATIONS

9. On 27 October 2005, the Council considered a report on the ownership options for the New Civic Building. As a consequence the Council has now completed an ownership options study and has sought non-binding 'registrations of interest' for a site. This process has produced the results now being considered. This process is non-binding on the Council and will ensure as much as possible that the Council has complied with the decision making and consultation processes as required by the Local Government Act 2002. The Legal Services Unit is satisfied that completion of this process ensures that any disaffected party is unlikely to be successful in challenging the outcome of this process and that the Council can now safely proceed to further consider the project.

## STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Approve option 3(a), ie ownership by a Council Controlled Trading Organisation with leaseback to the Council as the preferred ownership option for the New Civic Building and its site.
- (b) Request management to implement the above.

## BACKGROUND

### Project Timeframe

10. In October 2005 the Council agreed to a decision-making path and broad timeframe for its New Civic Building project. The (very slightly) tweaked timeframe is replicated below with an update to show progress since then:

	Item	Timeframe	Progress To Date
1	Registration of Interest (ROI) for sites	Nov to mid Dec 2005	ROI completed.
2	Evaluate all known sites and identify best option	Late December 2005	Under action.
3	Conduct due diligence on ownership options for building and site (includes independent consultant's review of building and site ownership options, staff dialogue between Council/CCHL, legal and financial work)	Oct to Feb 2005	Review by Deloitte completed. Dialogue with CCHL pending.
4	Conduct due diligence on site and its potential purchase	Early 2006	Under action, links with 2 and 3 above.
5	Report to Council on preferred site and ownership option details. Council selects site and confirms ownership option	Early 2006	Under action.

Note this report relates to item 3 of the above table.

### PREFERRED OWNERSHIP OPTION OF NEW BUILDING AND SITE

11. The preferred ownership option is option 3(a), ie ownership by a Council Controlled Trading Organisation with leaseback to the Council for the following reasons:
  - The project is off the Council's LTCCP capital budget thereby freeing up capacity;
  - It has the lowest 20 year Net present Cost to the Council Group;
  - It has a manageable Rates impact;
  - It has a low risk in terms of setup and implementation.