

35. PROPOSED SUBLEASE TO CERA LEVEL FOUR – 62 WORCESTER STREET

General Manager responsible:	General Manager Corporate Services, DDI 941-8540
Officer responsible:	Manager Corporate Support
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PURPOSE OF REPORT

1. The purpose of this report is to inform the Council of the intention to sublease Council space in HSBC Tower to the Canterbury Earthquake Recovery Authority (CERA) and to seek Council’s authority to enter into a two-year sublease with CERA.

EXECUTIVE SUMMARY

2. Following the 4 September earthquake, the Infrastructure Rebuild Management Office was formed to deal with matters related to the City’s earthquake recovery process and is charged with oversight of design, construction management, finance, communication, programming, procurement and project administration.
3. A team of approximately 80 people comprising full-time Council employees and contractors was planned to deal with the predicted influx of earthquake-related reconstruction and consenting work which was expected to occur in the two to three years post the 4 September earthquake.
4. In order to accommodate the Infrastructure Rebuild Management Office, Council, at its meeting of 16 December 2010, approved the leasing of levels four and five of the premises at 62 Worcester Street, also known as the HSBC Tower. That lease is for a term of three years .
5. As a result of the February 22nd earthquake, CERA was established to lead and co-ordinate the recovery of the Canterbury region. In addition, the infrastructure rebuild is being managed by the Alliance in premises currently being established at Magdala Plance, Middleton.
6. CERA was initially located in Winston Ave in Papanui, but vacated this location following the 13 June aftershocks. As part of their search for office accommodation, CERA approached Council regarding the possibility of subleasing level four of the premises at 62 Worcester Street. The central location, the floor area and the proximity to the Council Civic Offices makes the premises a very suitable accommodation option for CERA. The CEOs of CERA and CCC agreed that CERA would sublease level four from Council in addition to the level two lease they had already secured from another party.
7. The terms and conditions of the proposed sublease to CERA over level four, including rental, is consistent with the terms and conditions of the current lease Council holds over levels four and five.
8. In accordance with the terms and conditions of the current lease for levels four and five, the sublease to CERA is conditional to the Landlord’s approval.

FINANCIAL IMPLICATIONS

9. The rental under the proposed sublease, payable to Council, will be \$223,762.20 per annum plus GST and outgoings, which covers all the cost of the lease for level four.

Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

10. No.

LEGAL CONSIDERATIONS

11. If the staff recommendation is adopted the Council’s Legal Services Unit will be asked to prepare a Deed of Sublease granting a sublease of level 4 to CERA.

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Have you considered the legal implications of the issue under consideration?

12. Yes, Council's Legal Services Unit has provided advice on the issues related to the sublease of the subject premises.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

13. Not applicable.

Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

14. No.

ALIGNMENT WITH STRATEGIES

15. Not applicable.

Do the recommendations align with the Council's strategies?

16. No.

CONSULTATION FULFILMENT

17. The Council is in negotiations with CERA and the Head Landlord of the HSBC building as to the terms and conditions of the proposed CERA sublease.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Notes that the CEOs of CCC and CERA have agreed that CERA will sublease level four, 62 Worcester Street, Christchurch from Council.
- (b) Grants delegated authority to the Corporate Support Unit Manager to negotiate and enter into the above sublease on behalf of the Council on terms and conditions acceptable to him.

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BACKGROUND (THE ISSUES)

18. CERA has been operating from leased premises in Papanui since its establishment by the Central Government in April 2011.
19. From a logistical and operational point of view, the relocation of CERA operations closer to the centre of the city would simplify their work in particular when dealing with recovery work in the red-zone.
20. The total area available for subleasing at level four, 62 Worcester Street is 630.5 m² comprising 534.84 m² of office space, and 45.57m² of balcony and foyer space. Cosmetic repair works for levels four and five, currently being undertaken, are expected to be completed by 18 July 2011.

THE OBJECTIVES

21. To facility suitable office accommodation for CERA for a period of up to three years and to support and assist with their operation associated with the post-earthquake recovery of the Canterbury region.