

37. EPIC LTD. TEMPORARY LAND VENTURE FOR PARA RUBBER SITE

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PURPOSE OF REPORT

1. Inform and seek the approval of the Council regarding a temporary land agreement with EPIC Christchurch Ltd for the development of a temporary high-tech park that will provide the basis for a Central City technology park called 'Sigma'.

EXECUTIVE SUMMARY

2. EPIC Christchurch Ltd. (hereafter 'EPIC') is a company headed by Wil McLellan of Stickman Studios and Colin Anderson of Effectus who are fostering and are fully committed to the development of an innovation and high-tech campus in the Central City of Christchurch for the benefit of high growth companies.
3. This first stage called Sanctuary involves the development of a temporary site for currently displaced IT and similar type businesses. Thirty businesses with nearly 400 FTEs have signed MoUs committing to the temporary venture. The second stage is called Sigma and will see the gradual and modular development of permanent building on a central city site; this stage will accommodate more than 700 FTEs.
4. EPIC and its partners identified needs for temporary space following the 22 February earthquake. In order to ensure business continuity, attract skilled workers, protect high growth and innovation focused SME's in Christchurch, and continue to develop the EPIC concept, EPIC Ltd. identified considerable urgency in identifying a temporary site that allows for business collaboration, enables the use of shared service arrangements, and allows for the expansion of their group of small-medium high-growth, high-tech industries. EPIC's strong preference is to be located in the Central City and to create a campus style complex.
5. To preserve this business model, and to ensure the rapid realisation of the EPIC concept, EPIC noted its need for a low/no cost site, which was not available on a commercial basis. Following significant consultation with the business sector, the development of a business plan, and due diligence with its members, EPIC approached the Council for discussions regarding the provision of a site for the Sanctuary initiative on a temporary basis.
6. EPIC and Council Staff have examined several sites and it is considered that the Para Rubber is the ideal site for the temporary setup.
7. It is proposed that Council will provide this site to EPIC Ltd rent-free for a period not exceeding 3 years. There will be performance criteria incorporated within any licence to occupy that may be granted to ensure the development of the stage 2 concept proceeds. EPIC will also commit to timeframes for development of Sanctuary and continued discussions with Council regarding the development of the Sigma venture in the Central City.
8. This is an opportunity for the Council to provide support for a promising innovative initiative at a difficult time. Sanctuary will deliver over 200 employees to the Central City, and the development of Sigma promises to attract high-skilled employees and businesses to a recovering Christchurch, many of whom are likely to live, work, and play in the Central City.
9. One of the key issues is whether the Council should place the Para Rubber Site on the open market for expressions of interest. While this is possible, the EPIC proposal is an initiative that has presented itself, and it provides the opportunity to deliver a short-term temporary development that will locate a large number of employees in high-growth industries back in the Central City. The number of employees, the skills they bring to the City and the long-term synergies between EPIC and the previous and current plans for the Central City South area are significant, and make the proposal an ideal start up initiative.

37 Cont'd

10. The distinguishing feature of the proposal is the intention of the proponents to develop a permanent commercial venture in the same locality. This venture may be located on private land, Council land, or a mixture of both, and any such proposal would need to be fully market tested. However, the EPIC model, the employees and skills attracted and retained by this initiative, and the future growth industries that could be attracted would be a significant boost to the area.
11. Discussions are ongoing with CERA / Central Government regarding the funding for the Sanctuary build, and providing this licence to occupy will help EPIC access funding; there is an expectation that Council signal an offer on the land first.

FINANCIAL IMPLICATIONS

12. Providing the site rent-free for 3 years has no cost. The forgone income could be up to \$40,000 per year, as that was the value of the previous rental income from a car parking lot lease. It is known, however, that many central city sites will be available for temporary parking until redevelopment occurs. This will considerably reduce short-term rental values.
13. There are also economic benefits to this plan: the current locations of many of these high-tech firms makes it difficult to recruit and retain staff, and hinders the collaborative nature of research and development between firms prevalent in the IT/high-tech industry. Enabling a collaborative approach is highly likely to result in greater efficiency, a larger number of projects being completed and produced, and higher revenues leading to greater economic growth.

LEGAL CONSIDERATIONS

14. None. It is proposed to grant a three year licence to occupy over what is known as the Para Site with no rights of renewal.
15. The Council has released SOL Corporation from its option over the northern portion of this site however consideration to the balance of land is in a separate report on this agenda. Notwithstanding this there is no impediment to granting a short term 3 year licence over the whole of the site.

ALIGNMENT WITH STRATEGIES

16. Central City Plan (Draft in Progress); Christchurch Economic Development Strategy (CEDS); Central City Revitalisation Strategy; Creative Christchurch; Urban Development Strategy (UDS).

CONSULTATION FULFILMENT

17. Concepts such as EPIC have been discussed with the Canterbury Business Leaders Group, the CORE Property Owners Group, Lincoln University, and CPIT as part of the Central City Plan process.
18. In addition, EPIC has engaged in with CERA, Council, IRL, the Chamber of Commerce, CDC, and the business sector describing their potential offering to the Central City.

STAFF RECOMMENDATION

It is recommended that the Council resolve to:

- (a) Approve the use of the Para Rubber site by EPIC on a rent-free basis for a period not to exceed 3 years.
 - a. Para Rubber in this instance refers to all Council owned land comprised in Identifiers 510696, 510697, 534837, 534838, 534839 and 22K/1339 having a total area of 3757 m2 or thereabouts.

28. 7. 2011

37 Cont'd

- (b) Delegate to the General Manager Corporate Services the authority to enter into a licence to occupy the Para Site on the terms outlined in this report.
- (c) Delegate authority to the Chief Executive of the Christchurch City Council to negotiate an MoU with EPIC regarding working collaboratively to investigate the feasibility of developing the permanent Sigma project in the Central City.

BACKGROUND

19. EPIC refers to Enterprise Precinct and Innovation Campus. EPIC Christchurch is a Limited Liability company established by William McLellan of Stickmen Studios and Colin Andersen of Effectus to create an Innovation Campus which stimulates the growth of high innovation SME businesses in Christchurch. Since its inception in April 2011 the initiative has attracted the support of over 40 SME companies in Christchurch, equating to over 700 FTE's for the Sigma initiative requiring over 15,000 sqm in the long term. EPIC has a core anchor group of Tenants which include Stickmen Studios and CerebralFix, Effectus, Industrial Research Limited, SLI Systems and ARANZ. The initiative is directed by William McLellan and Colin Andersen, with legal, business, design, and property advice provided by Duncan Cotterill, Deloitte, Warren and Mahoney and Colliers, respectively.
20. The anchor group approached Christopher Coleman, Google's Director of Global Real Estate, and Craig Nevill-Manning, Google's Engineering Director in New York, who are prepared to offer free advice for the development of the campus. This advice will be invaluable based on their experience of designing large collaborative spaces for software engineers, salespeople and creative staff to a tight budget.
21. The initiative has a two stage approach. Stage 1 is called Sanctuary and Stage 2 is called Sigma. Sanctuary focuses upon the short-term creation of affordable temporary premises within the central city for EPIC tenants that have been displaced and are at the most risk. EPIC is currently in discussions with Council staff regarding the provision of Council land for both stages of this initiative. The Para Site will house up to 400 FTE's for no longer than 3 years, and should have between 3000 and 4000 sqm of usable relocateable office space. EPIC propose that the building of the temporary premises is funded by CERA or Central Government, with tenants paying reasonable rent to enable recuperation of some of the initial set up costs. The objective of this phase is to prevent collapse or flight of endangered companies and demonstrate proactive action to protect high growth and innovation focused SME's in Christchurch.
22. The Sigma phase refers to the permanent Campus. This phase will see the gradual and modular development of permanent building on a central city site. The design of the campus will promote collaboration through shared facilities encompassing both business services such as meeting rooms, printing services and "quality of life" facilities such as recreation rooms, open spaces, crèches, etc. It is considered that this shared environment will therefore promote business efficiency, the development of collaborative business opportunities and serve as an iconic example of quality of life in the new Christchurch. This development will naturally compliment the Council's strategy of creating and focussing business activity, and living within the CBD, and it will support the goals of the Draft Central City Plan.
23. With regard to the status of the Sigma phase, the EPIC group are in discussions with Council staff to identify a suitable site or sites within Christchurch which may be publically or privately provided. The modular nature of this development means it can be expanded as the tenants grow or new tenants join. The Sigma development will be funded by a mixture of private and public funding, potentially with Council or Central Government. EPIC has numerous property developers and tenants interested in investing in this project. Interestingly, this project and campus project is being driven by a collective group of tenants rather than the traditional method of property developer on behalf of possible tenants. Government involvement in this project is essential to ensure it achieves it's objective establishing an inspirational environment which is affordable for New Zealand owned SME's and stimulates their growth within Christchurch.