

27. 1. 2011



13. VARIATION TO PARA RUBBER LAND OFFER TO EPIC CHRISTCHURCH LIMITED

General Manager responsible:	General Manager Strategy & Planning, DDI 941-8281
Officer responsible:	Programme Director Central City Plan – Strategy & Planning Group
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PURPOSE OF REPORT

1. To seek a variation to the terms agreed by Council on 28 July 2011 (**Attachment 1**) for the use of the Council owned sites commonly known as the 'Para Rubber Site' by EPIC Christchurch Limited.

EXECUTIVE SUMMARY

2. On the 28 July 2011 the Council resolved to permit the use of the Para Rubber site by EPIC Christchurch Ltd. (hereafter EPIC) for a temporary technology park concept called Sanctuary for a period of 3 years. The exact wording of that resolution is appended to this document under 'background'. Council also resolved that EPIC be required to take possession of the site within 6 months subsequent to demonstrating that funding had been secured.
3. Since that report was presented to Council, EPIC has secured promises of equipment, free design and engineering advice, and has received expressions of interest from an even larger number of prospective tenants. Design of the final structure is nearing completion, and tenders regarding its potential construction were due in on the 4 October.
4. Most importantly, EPIC, the Council, and CDC have been involved in ongoing discussions with Central Government, BNZ, and other potential funders of the EPIC concept. To date, agreements in principle have been reached with MSI and NZTE to secure \$1.5 million in funding over the period of Sanctuary. BNZ have also offered a \$1 million loan facility, and have helped EPIC secure site insurance.
5. Recently NZTE and MSI have strongly implied that their support and funding is contingent upon Council extending EPIC's lease term. They have concerns that the Council has not sufficiently demonstrated its commitment to the project with the 3 year lease currently in place. In addition, ongoing discussions with the Christchurch Earthquake Appeal Trust are proceeding but only on the condition that the lease term is extended. The success of the Sanctuary concept has always been contingent on securing central government funding, thus these concerns need to be addressed.
6. The longer lease period will also allow for a greater payback time on the temporary structure, enabling lower rents by spreading the cost of the build and eventual deconstruction over time. The longer lease period will also make the proposition more attractive to potential tenants, and provide Council and EPIC a longer period to find and discuss any potential arrangement for their final site.
6. This project remains critical to recovery. It will bring over 200 FTEs to the central city, and it underpins an area of the City key to the long term recovery of the CBD. It is signalled as a project in the Draft Central City Plan, and it has been vocally supported by the public and business community, and has attracted positive attention from central government and political leaders.
8. Therefore, it is proposed that Council provide the Para Rubber site to EPIC Ltd. rent free for an additional 2-year term, for a period not to exceed a total of 5-years. The other terms of the agreement, as resolved by Council, would remain the identical.

FINANCIAL IMPLICATIONS

9. Providing the site rent-free for an additional 2 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. As many central city sites will be available for temporary parking until redevelopment occurs, the actual forgone revenue is likely to be lower.

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13 Cont'd**LEGAL CONSIDERATIONS**

10. None. It is proposed to grant a licence to occupy the Para Rubber site for 5 years in total with no rights of renewal.

ALIGNMENT WITH STRATEGIES

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

CONSULTATION FULFILMENT

12. This concept is broadly supported by the community, and the Central City Plan received dozens of comments specifically supportive of this venture.
13. The possibility of this extension has been discussed with CDC, CERA, IRL, NZTE, MSI, the Christchurch Earthquake Appeal Trust Fund (often referred to as the 'Prime Minister's Fund'), and members of the business sector; they are also supportive.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Approve a variation to the existing agreement with EPIC to permit the use of the Para Rubber site by EPIC on a rent-free basis for a period not to exceed 5 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 3757m² or thereabouts.
- (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, and in compliance with the previous Council resolution on this matter from 28 July.

13 Cont'd**BACKGROUND**

The previous Council resolution on this matter stated the following:

- (a) *Approve the use of the Para Rubber site by EPIC Christchurch Ltd 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 3757m2 or thereabouts.*
- (b) *Delegate to the General Manager Corporate Services the authority to enter into a lease 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 Memorandum of Understanding with EPIC regarding working collaboratively to investigate the feasibility of developing the permanent Sigma project in the Central City for recommendation to Council.*
- (d) *That the Council receive updates 6 monthly (or more frequently if necessary) on progress towards achieving the Sigma project in the Central City.*
- (e) *That this option to lease be available for 6 months and only be entered into upon the Council being satisfied that all funding is in place to allow the development to proceed.*