

22. 9. 2011

19. R43E SHORT-TERM LEASES FOR ACCOMMODATION AND STORAGE OF COUNCIL ASSETS



General Manager responsible:	General Manager Corporate Services, DDI 9418528
Officer responsible:	Property Consultant
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PURPOSE OF REPORT

1. The purpose of this report is to:
 - a) seek Council agreement to enter into a short-term lease for a storage facility in Hornby to house a range of former Vbase assets; and
 - b) seek a general delegation from Council for staff to enter into short-term leases for accommodation and storage.

EXECUTIVE SUMMARY

2. A delegation for staff to enter into short-term leases is sought so that the Council can respond to opportunities in an efficient and effective manner that meets the current market requirements. There is a need for expedient decisions to satisfy the Council's changing needs for storage space and temporary accommodation in a market that has become quite competitive. There is a distinct possibility that opportunities could be missed if lessors are required to wait for officers to seek specific Council approval for low-value leases for temporary accommodation or storage required for the repair of Council's facilities:
 - a) Lease Term: maximum of five years.
 - b) Lease Rental: no greater than \$300,000 per annum excluding GST and outgoings.
3. As a result of the earthquake events that have occurred since 4 September 2010 and the significant level of damage sustained by Council buildings, there is a growing need for storage space for assets. For example the former Vbase facilities; in particular the most damaged facilities being Christchurch Town Hall, the Christchurch Convention Centre and AMI Stadium.
4. These assets include:
 - new materials that had been purchased for the Town Hall refurbishment project which was underway when the 22 February earthquake struck. These include marble, tiles, HVAC plant and equipment);
 - new items purchased for AMI Stadium (new video replay screen for RWC, drainage materials, new turf elements);
 - items which can be successfully retrieved from the Convention Centre at the time of demolition (as yet unknown); and
 - items which will need to be removed from the Town Hall and AMI to protect them from further damage and to allow further work to be carried-out (eg seating, light fittings, furniture, soft furnishings, Reigler Organ).
5. In the case of the new materials, these items are currently stored temporarily at a range of locations including inside and around the facilities themselves as well as within contractors' premises. None of these locations provide either a satisfactorily secure or sustainable storage solution.
6. Following an extensive search we have identified a suitable storage facility in Hornby. The building is owned by Braeson Limited and leased to Brambles New Zealand Limited (trading as Recall). As it has been used by Recall, there is a high level of security including access control, secure fencing and security cameras. The facility comprises:
 - building area of 3200 metres squared (in two separate warehouses and small office area)
 - sealed area of 1354 metres squared (suitable for supplementary storage in shipping containers)
 - total site area of 9301 metres squared (including carparking, landscaping etc).

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As the facility will be available soon, it is proposed that Council enter into a sublease from 1 November 2011. Brambles' current lease expires on 30 April 2013 which therefore provides the opportunity to assess Council's long-term storage needs and negotiate a further lease period at that time if storage needs demand.

FINANCIAL IMPLICATIONS-

7. The cost of rent plus outgoings is \$315,000 per annum comprising:
 - rent of \$275,000 plus GST per annum; and
 - outgoings of \$40,000 plus GST per annum.
8. The costs of this lease will be recovered under Vbase's business interruption insurance cover or the Council's insurance cover for additional costs of working.

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

9. As the recommendations are a consequence of the earthquake events, this issue is not addressed in the LTCCP.

LEGAL CONSIDERATIONS

10. The lease documents have been reviewed by Council legal counsel. We are proposing to take over the existing lease and enter into a sublease. There are no onerous legal issues presented to Council through this arrangement.

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

11. Yes.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

12. As the recommendations are a consequence of the earthquake events, this issue is not addressed in the LTCCP.

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

13. Not applicable.

ALIGNMENT WITH STRATEGIES

14. Due to the exigencies of the Earthquake Recovery process, this recommended action is outside of 'normal' strategic process.

Do the recommendations align with the Council's strategies?

15. Not applicable.

CONSULTATION FULFILMENT

16. This is an operational issue and community consultation is not required.

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STAFF RECOMMENDATION

It is recommended that the Council:

- (a) authorise the Corporate Support Unit Manager to enter into a short-term lease for a storage facility in Hornby:

the cost of rent plus outgoings is \$315,000 per annum comprising:

- rent of \$275,000 plus GST per annum; and
- outgoings of \$40,000 plus GST per annum

and;

- (b) delegate to the Corporate Support Unit Manager the ability to enter into short term leases to meet storage and accommodation requirements:
- i) Lease Term: maximum of five years; and
 - ii) Lease Rental: no greater than \$300,000 per annum excluding GST and outgoings.