

# **CHRISTCHURCH CITY COUNCIL SUPPLEMENTARY AGENDA**

**THURSDAY 23 AUGUST 2012**

**9.30AM**

**COUNCIL CHAMBER, CIVIC OFFICES,  
53 HEREFORD STREET**



## CHRISTCHURCH CITY COUNCIL

**Thursday 23 August 2012 at 9.30am**  
**in the Council Chamber, Civic Offices, 53 Hereford Street**

**Council:** The Mayor, Bob Parker (Chairperson).  
Councillors Peter Beck, Helen Broughton, Sally Buck, Ngaire Button, Tim Carter, Jimmy Chen,  
Barry Corbett, Jamie Gough, Yani Johanson, Aaron Keown, Glenn Livingstone, Claudia Reid, and  
Sue Wells.

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**15. RESOLUTION TO BE PASSED - SUPPLEMENTARY REPORTS**

Approval is sought to submit the following reports to the meeting of the Council on 23 August 2012:

- 36 Welles Street Building Clearance
- Demolition Of QEII Facilities.

The reason, in terms of section 46(vii) of the Local Government Official Information and Meetings Act 1987, why the reports were not included on the main agenda is that they were not available at the time the agenda was prepared.

It is appropriate that the Council receive the reports at the current meeting.

**RECOMMENDATION**

That the reports be received and considered at the meeting of the Council on 23 August 2012.





## 16. 36 WELLES STREET BUILDING CLEARANCE

<b>General Manager responsible:</b>	General Manager, Corporate Services, DDI 941-8528
<b>Officer responsible:</b>	Property Consultancy Team Leader
<b>Author:</b>	David Rowland, Property Consultant

### PURPOSE OF REPORT

1. The purpose of this report is to:
  - (a) advise the Council of the current position with regard to the two fires that have occurred at 36 Welles Street on the 5 and 15 August 2012 and actions taken to collapse, then demolish building due to them being dangerous and a safety hazard with the majority, buildings D, E, and F on the attached plan (**Attachment 1**), being subject to a demolition order from CERA, and
  - (b) seek the Council's consent to demolish the two remaining buildings on the site.

### EXECUTIVE SUMMARY

2. On the 15 December 2011 the Council passed the following resolutions with regards to the Council's Facilities Rebuild Plan:
  - (g) Delegates to the General Manager Corporate Services and General Manager Community Services, jointly, the authority to:
    - (i) approve the demolition of buildings for safety reasons, i.e. act on Section 38 Notices from Canterbury Earthquake Recovery Authority (CERA).
3. The property at 36 Welles Street was acquired by Council in support of the Central City South Master Plan in 2008. It was damaged in the February 2011 quake and CERA subsequently issued a section 38 demolition order due to the collapse and damage sustained to buildings D, E and F.
4. The 5 August 2012 fire has left building B in a dangerous and unsafe state with the southern portion of building E the subject to the next major fire, which was collapsed on 15 August 2012 for safety reasons.
5. The New Zealand Fire Service advise that when they first attended the site on the 5 August they made entry in a defensive mode as they considered the building at that stage to be in a dangerous state.
6. The General Manager Corporate Services and General Manager Community Services, jointly exercised their delegated authority to demolish all buildings except A and C. All demolitions were approved on the basis of a CERA s38 notice. The two remaining buildings, although being affected by the fires, have not been issued with a CERA s38 notice. They are not considered to be an immediate collapse hazard, however the New Zealand Fire Service advise that it is likely that the buildings will continue to be an arson target.
7. If buildings A & C are not removed, it will be necessary to secure them, which is estimated to cost \$15,000 to \$20,000 plus ongoing security costs. There is little if any residual value in the buildings and they would have been demolished to pursue any development options on the site. For this reason, it is recommended that the Council approve their demolition now.
8. The buildings at Welles Street were insured for demolition for a total of \$577,817 in its policy which expired on 30 June 2011. These buildings were not part of the insurance cover the Council has taken for the 2012/13 financial year. A statement of insurance position has been requested as a matter of urgency for this property given the changing events at this site. At the time of writing this report that statement has not been received.

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9. An earlier structural assessment undertaken by Opus in April 2011 has concluded that buildings B, D, E and F should be demolished as they considered these buildings to be earthquake prone having sustained damage as a consequence of the quake events. These buildings are the ones subject to the first fire. This matter has been referred for comment and also acceptance by our insurers. As the demolition notice was issued as a result of the earthquakes, staff expect to recover demolition costs for these buildings from the insurers.

**FINANCIAL IMPLICATIONS**

10. The cost of demolishing buildings A and C as well as building B should that be declined by our insurers would be a direct cost to Council.

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

11. No. There is no provision to demolish these buildings in the current financial year.
12. The Central City South Master Plan noted that the Welles Street site is intended to be redeveloped for mixed use with a particular emphasis on residential development. To achieve this the site would need to be cleared at some stage. The intended time frame for initiating development was stated as July 2014.

**LEGAL CONSIDERATIONS**

13. There are no Council impediments to demolish the remain buildings on site given they are in Council ownership and would as part of the future re-development of the site be removed in any event.

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

14. Yes.

**ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

15. Not applicable.

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

16. Not applicable.

**ALIGNMENT WITH STRATEGIES**

17. Not applicable.

**Do the recommendations align with the Council's strategies?**

18. A Not applicable.

**CONSULTATION FULFILMENT**

19. There is no obligation to consult on this matter. There are over riding public safety matters taking priority.

**STAFF RECOMMENDATION**

It is recommended that Council approve the demolition of all remaining buildings located at 36 Welles Street.



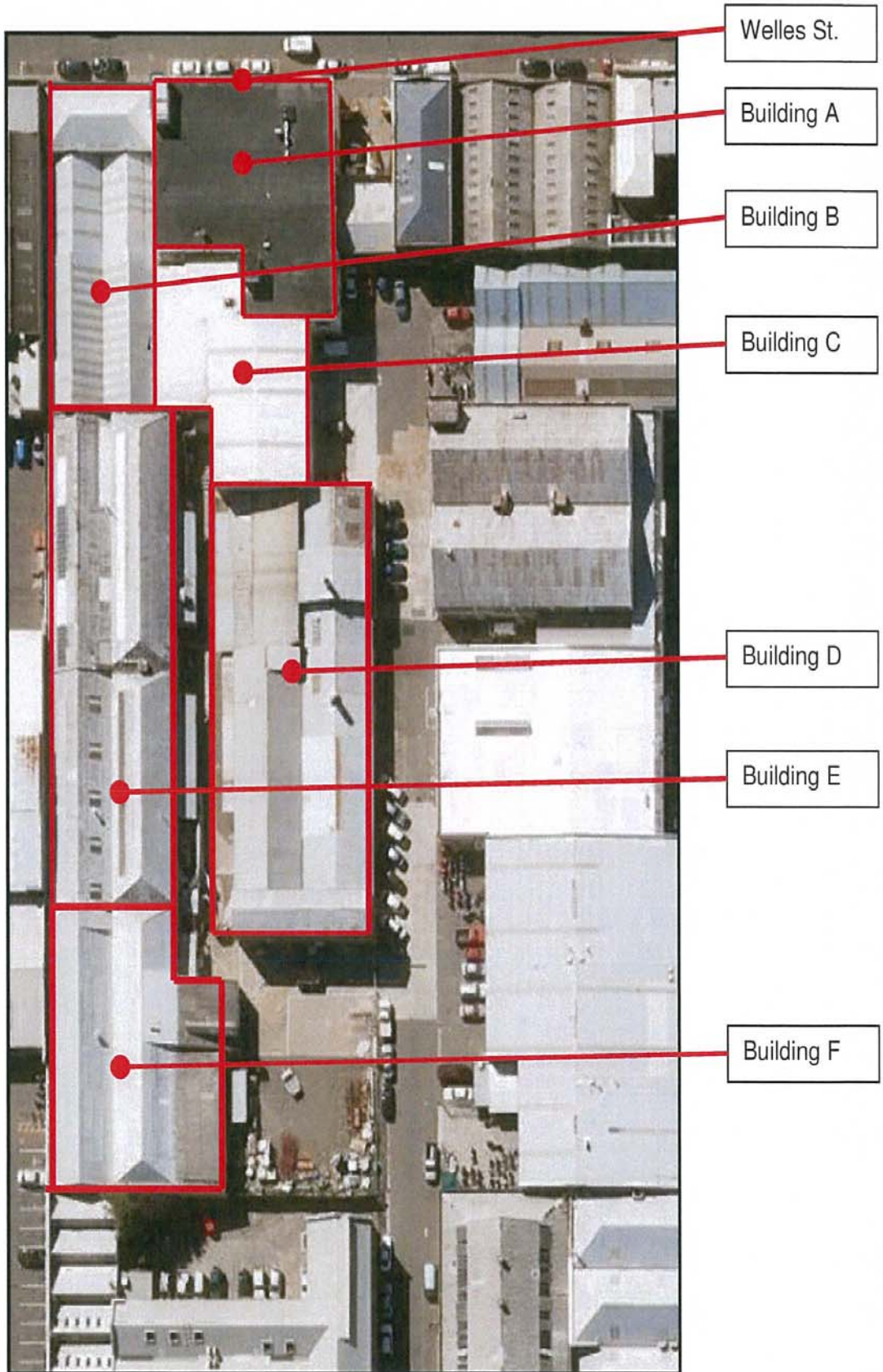
## 16 Cont'd

**BACKGROUND**

20. Buildings A and C have sustained minor fire as well as smoke damage. The New Zealand Fire Service have advised that the arsonist has attempted to light fires within these building however they did not ignite. They also hold the view that any building remaining on site will again be the target of arson. They strongly recommend on safety grounds these two buildings be demolished.
21. As staff do not have the authority to demolish these buildings separate authority is sought. The buildings are not necessarily in a dangerous condition but urgent demolition approval is sought for safety reasons. If these buildings are not removed it will be necessary to secure them and this is estimated at \$15,000 - \$20,000 plus GST.
22. Apart from minimal industrial type storage these buildings have remained vacant since Council took possession. They are at best run down and only in very average condition. The effects of the quakes including site liquefaction and the fires have compounded the rundown appearance of these structures and space.
23. Separate urgent quotations are being sought for the various on site buildings with the intent that the site including foundations and floors are all removed.
24. Following consideration of the Central City Recovery Plan, staff will report to Council separately on future options for this site. However, staff advice is that Council should take the opportunity now to clear the site by removing all damaged buildings as well as those partially damaged by fire. This immediately removes future risk for trespass and other localised anti social behaviours that are known to have occurred within the buildings and in this general locality.



### 36 Welles Street Buildings





**COUNCIL 23. 8. 2012****17. DEMOLITION OF QEII FACILITIES**

<b>General Manager responsible:</b>	General Manager Community Services, DDI 941-8607
<b>Officer responsible:</b>	Unit Manager – Recreation and Sport
<b>Author:</b>	Strategic Property Analyst – Rob Hawthorne

**PURPOSE OF REPORT**

1. The purpose of this report is to seek a Council resolution for the demolition of the QEII complex.

**EXECUTIVE SUMMARY**

2. The QEII complex at 193 Travis Road, Christchurch, has sustained progressive damage since the first earthquake on 4 September 2010, with the 22 February 2011 earthquake causing the most significant damage.
3. The most significant elements of the damage include a 250 millimetres horizontal lateral spread of the buildings, a 300 millimetres (global) vertical displacement, in addition to significant (up to 300 millimetres) differential settlements, and the resulting fracturing of the reinforced concrete structures.
4. A multi-disciplined engineering consultant (Beca) was engaged by the Council to quantify the earthquake related damage and structural issues, assess repair options and consider the financial costs associated with repairs and associated works. The initial property inspections and damage assessment report were completed in April 2011.
5. Since the first report there has been:
  - a worsening of the building / structures condition due to on-going seismic shaking and ground movement
  - further inspections and surveys of levels and the spread of building foundations
  - clarification / identification of insurance entitlement.
6. A further report by Beca, incorporating the new information (see 5 above), was issued in February 2012, following inspections in November 2011 and January 2012. This report captured the worsening condition of the complex and focused on theoretical repair options and their likely cost. The Council is entitled under the insurance terms to a level of reinstatement whereby a damaged asset is returned to “substantially the same as its condition when new”.
7. The consultants have stated that the damage observed has resulted in it being impossible to return the QEII Facility (including in their February 2012 report, the 50-metre pool) to a condition substantially the same as when new using “repair” methodologies. They have also advised that even with a theoretical repair, estimates indicate that the cost of merely repairing the QEII complex (if it were possible) lies well in excess of the sum insured under the policy.
8. A quantitative risk analysis of repairs shows a mean out-turn or likely cost of \$93 million. The risk of the project exceeding the mean cost estimate is high due to the complexity of the building and the extent of the damage. Also, when repairs are undertaken it is likely to result in the need for significant additional repairs to other building elements / areas. As such, based on an analysis of uncertainties, at least \$115 million would need to be allowed in order to have a higher level of confidence in the total cost of the assumed scope of repair.
9. Based on an elemental repair of the complex it is clear that the overall cost to reinstate the facility will significantly exceed the sum insured of \$72 million. The Loss Adjusters for the Council’s insurers have confirmed in their Statement of Position dated 13 July 2012, that they concur with the cost estimates for the main complex and agree that this sum exceeds the sum insured.
10. On 2 April 2012 Council received a Notice of Demolition from the Canterbury Earthquake Recovery Authority (CERA) under Section 38(4) of the Canterbury Earthquake Act 2011. CERA is focused on dangerous buildings and on the removal of any potential hazards and as such their notice is only for part of the building as required for ‘Make Safe’ work.



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11. The high level scope for the CERA demolition notice is summarised below as:
- the Main Stadium Building
  - the Covered Stand and both North & South Open Stands.

The extent of this is shown outlined in red in the following site plan, Figure 1.

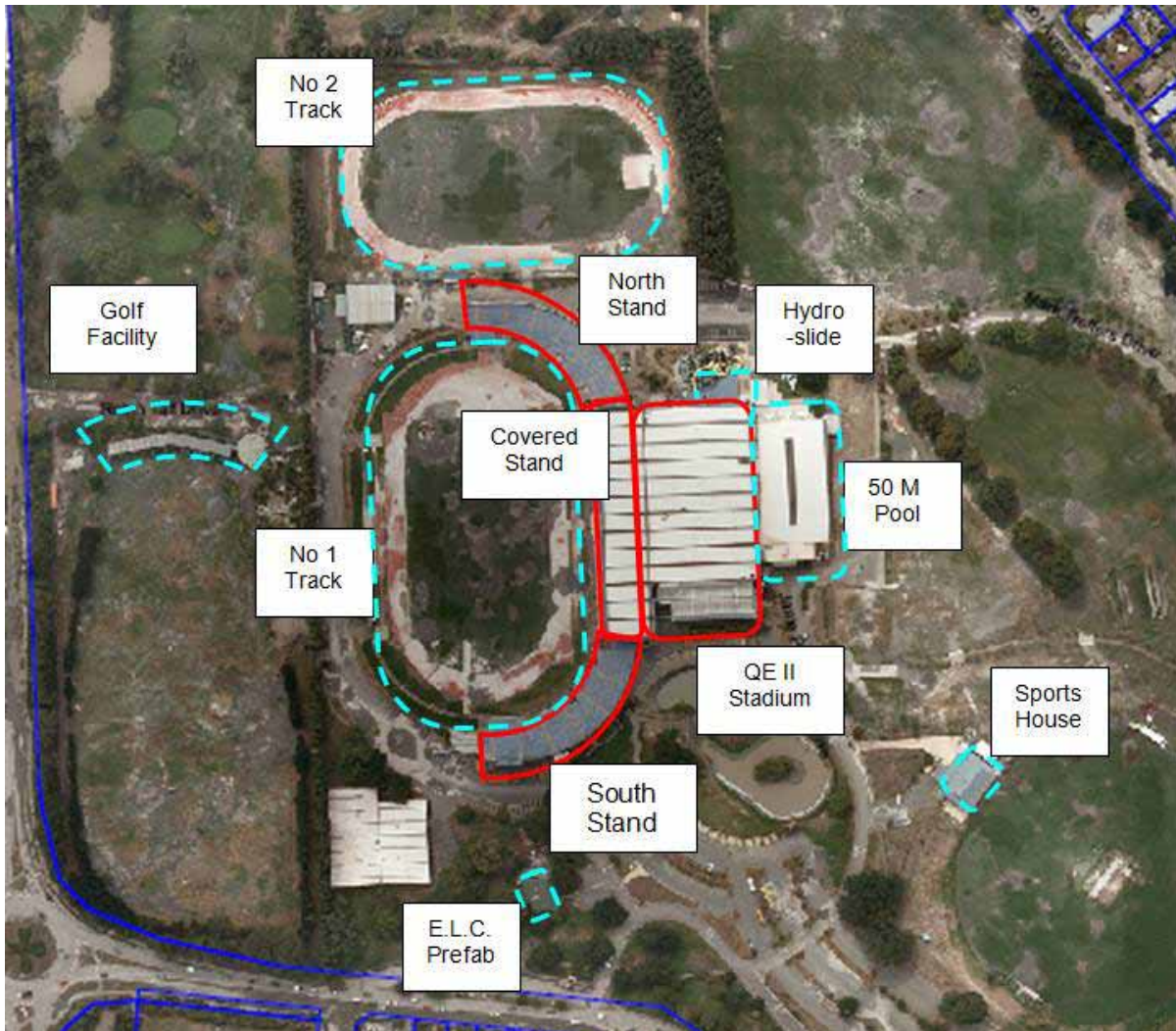


Figure 1. QE II - Site Plan (Cera demolition outlined in Red / other facilities outlined in Teal)

12. In accordance with Council's delegated authority, staff have acknowledged the Section 38 demolition notice and accepted CERA's offer to progress the demolition works.
13. The Loss Adjusters for the Council's insurers have confirmed in their Statement of Position dated 13 July 2012, that they would not oppose a CERA-led demolition.
14. CERA tendered the demolition and accepted the lowest quote from Mainzeal, one of five accredited contractors that submitted tenders, for the Section 38 elements. The price for this work amounts to \$1,622,541 and this was the lowest tender, with the highest amounting to \$2,375,152.

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## 17 Cont'd

15. CERA, aware of the engineering and damage reports for all facilities on the QEII site, offered to include in their tender process the other facilities. Council staff accepted this offer as it enables the Council and the owners of the various facilities on the site to have the option of completing demolition works at the same time as the CERA-led demolition, detailed above in a very cost effective manner. Mainzeal consistently provided the best price for demolition of the remaining facilities. The Section 38 demolition work has now commenced on site however, the option now exists for the Council to take advantage of some of the economies of scale offered by the demolition work underway on site.
16. The following table (Table 1) details the balance of Council owned and operated facilities on the site with a brief description of damage, with comments from Council's engineering consultants. It also includes the associated demolition cost provided by Mainzeal.

Facility	Description of Damage	Repair & other considerations	Demolition Costs
No 1 & 2 Track	<ul style="list-style-type: none"> <li>Severe damage to main track and field facilities</li> <li>Damage to warm-up athletics track</li> <li>Artesian well damaged</li> </ul>	<ul style="list-style-type: none"> <li>the track and field facilities are effectively destroyed and require removal.</li> </ul>	\$77,644
50 M Pool structures & associated site infrastructure & landscaping (including a petrol tank)	<p>50 M Pool Tank</p> <ul style="list-style-type: none"> <li>Damage to tiles where tank has ruptured.</li> <li>Pool walls have fractured.</li> <li>Large crack along length of pool floor.</li> <li>Tank no longer water-tight</li> <li>Differential level survey indicates 70 mm differential level along pool edge</li> <li>Pool has widened &amp; elongated in areas</li> <li>Pool joints have opened as a result of ground movement (lateral spread).</li> <li>Tank no longer meets FENA dimensional requirements.</li> </ul> <p>50 M Pool Building</p> <ul style="list-style-type: none"> <li>Large cracks to the concrete slab</li> <li>Geospatial survey of building indicates that it has spread laterally and also settled.</li> <li>Approx. 300 mm overall global settlement at eastern entrance concrete slab.</li> <li>Large vertical and lateral settlement cracks to concrete slabs evident.</li> <li>Building columns no longer vertical (inward sloping toward the pool).</li> <li>The building is now approx 100 mm wider between external column lines and this is evident in cracking to concrete slabs, pool tank floor and in the lean of the columns.</li> <li>Geospatial survey information indicates approx. 300 mm overall global settlement at eastern entrance concrete slab.</li> </ul>	<ul style="list-style-type: none"> <li>The significant global and differential movements of the facility (both vertical and lateral) are considered impossible to reinstate through a "repair".</li> <li>Extensive further inspections would be required with more damage to elements (both seen and unseen) anticipated over the course of any project or following expensive intrusive investigations.</li> <li>Re-levelling of the whole building and correction of the lateral spread of the structure is not considered to be practically achievable without removal and full rebuilding of large portions of the building.</li> </ul>	\$362,987
Margin P & G etc	N/A	N/A	\$18,416
<b>TOTAL</b>			<b>\$438,468</b>

**Table 1 – Status of No 1 & No 2 Tracks, the 50 M Pool & Site Infrastructure.**

17. The Council has also obtained a price for the removal from the grounds of QEII of the building known as the Sports House, previously leased by Canterbury Cricket. The cost of this work, at \$29,144, is significantly lower than other tendered prices we have received from other parties and leverages off the economies of scale associated with the main demolition contract.

**COUNCIL 23. 8. 2012**

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18. The Sports House was issued a Yellow Card following the February 2011 earthquake and vacated. It has suffered significant ground and building settlement affecting both the structure and the fabric of the building. Efforts were applied in partnership with Canterbury Cricket to undertake temporary repairs to allow the buildings re-occupation, however these proved uneconomic and were not supported by insurers. Council staff are currently working with the insurers representatives to confirm the Council's insurance entitlement and gain approval from insurers for a full write off of the asset. Given the advantageous price obtained for demolition this report seeks council's approval in principle to demolish the building, subject to receiving approval from the Council's insurers that the facility can be written off.
19. The Early Child Care prefab located at QEII also suffered modest damage from the earthquakes and a Yellow Card was issued resulting in the closure of the facility. In addition to the above demolition information, the Council has also obtained indicative prices for the removal from the grounds of QEII of this facility. These prices are subject to the destination for the facility being determined. This report seeks approval to relocate the Early Child Care prefab to an alternate site, subject to resolving the insurance claim, to allow a community-based childcare service to be housed.
20. Within the grounds of the QEII site are a number of leased facilities. The tenants for two of these leases, QEII Hydrosrides Limited and S W Jang Investments Limited (known as Ascot Golf Course and Driving Range) would like to terminate their leases as a result of the earthquake related damage experienced on site. The lease to QEII Hydrosrides has a final expiry date of 14 July 2025 and does not contain rights of termination for damage and destruction of the hydrosride facilities. The lease to SW Jang Investments Limited expires on 31 October 2012 and provides a right of first refusal to the tenant. The ground lease does not contain provisions to terminate due to damage and destruction of the property.
21. In seeking a tendered price for the main QEII complex Council also sought prices for the demolition of both of these facilities so that the respective tenants could benefit from the economies of scale available, if they wished.
22. Each of the tenant's wish to surrender their leases and having explored alternate, demolition quotes would prefer to utilise the CERA-led demolition contract, underway with Mainzeal. Each of the tenants have agreed to pay to the Council the amount quoted for the demolition of their tenant structures, in exchange for the Council waiving all demolition and reinstatement obligations of the tenant (i.e. removal of buildings and leaving land in a clean and satisfactory state),
23. One of the advantageous outcomes of the tender process was that the successful contractor, Mainzeal, has offered to provide a superior make good finish to those offered by other tenders, at no extra cost. This will see the site returned to green field park finish until future options for the site have been considered by council and the community.

**FINANCIAL IMPLICATIONS**

24. No - demolition works covered by insurance (or subject to settlement agreement).

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

25. Not applicable.

**LEGAL CONSIDERATIONS**

26. Subject to contractual obligations for insurance settlement and lease termination.

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

27. Yes.



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**17 Cont'd**

**ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

28. Not applicable.

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

29. Not applicable.

**ALIGNMENT WITH STRATEGIES**

30. Not applicable.

**Do the recommendations align with the Council's strategies?**

31. Not applicable.

**CONSULTATION FULFILMENT**

32. Not applicable.

**STAFF RECOMMENDATION**

It is recommended that the Council:

- (a) Accept the tender by Mainzeal (\$438,468) to demolish the balance of the main QEII complex, not currently being demolished under the Section 38 Cera notice i.e. the Number 1 and Number 2 Tracks, the 50-metre pool and building and the associated site infrastructure (including retaining walls, rainwater structure, storm water service redirections, soft and hard landscape features).
- (b) Accept the tender by Mainzeal (\$29,144) for the demolition of the Sports House, subject to receiving approval from Council's insurers that the facility can be written off.
- (c) Approve the relocation of the Early Child Care prefab to an alternate site, subject to resolving the insurance claim, to allow a community-based childcare service to be housed.
- (d) That the Council grant delegated authority to the Corporate Support Manager to conclude the Deed of Surrender of the leases to QEII Hydrosides Limited and to SW Jang Investments Limited on the following basis:
  - (i) that each of the tenant's leases will be surrendered by mutual agreement, and a Deed of Surrender entered, and;
  - (ii) that Council will waive all demolition and reinstatement (i.e. removal of buildings and leaving land in a clean and satisfactory state) obligations of the tenant, and;
  - (iii) each of the tenants will pay to Council the amount quoted for the demolition of their tenant structures, in exchange for Council waiving those obligations stated in (d) ii.

