TWENTYTWO

Nelson City Council

LIBRARY, COMMUNITY HUB & CIVIC CENTRE

Summary Report

Civic House Redevelopment Option

July 2024

Introduction

INTRODUCTION

TwentyTwo, together with Beca, have been asked by Nelson City Council to explore an alternative option for the redevelopment of Civic House to accommodate the Library, Community Hub and Council Civic Offices.

This redevelopment includes:

- Deconstructing the existing Savings Bank building
- Rebuilding and extending the Savings Bank building (including increasing the footprint for all floors to the extent of existing ground floor footprint, and adding an additional floor)
- Linking the new building to the Tower building
- Undertaking a full refurbishment of the Tower building including restrengthening the Level six roof.

Based on this scope, and with the extra area created by extending the Savings Bank building, it is expected that all of the Library, Community Hub and Civic Office functions can be accommodated, albeit over several floors.

The scale and nature of the rebuild and refurbishment of the buildings means that temporary premises will be required to allow people and facilities in the Tower and Savings Bank buildings to be relocated during the respective construction works. These temporary premises will need to be leased and setup with some temporary fitout for up to four years.

PURPOSE

The purpose of this report is to summarise the key findings from this preliminary work and to compare this new option to redevelop Civic House (now referred to as Option 3) against the preferred options from the IBC (Option 1: Council owned building on a single site and Option 2: Council leased building on a single site).

Civic House Redevelopment (Option 3)

PROPOSED SCOPE OF REDEVELOPMENT WORKS

The Option 3 redevelopment of Civic House includes:

- Deconstructing and rebuilding the Savings Bank building including extending the footprint of the upper floors to the full limit of the existing ground floor and adding an additional floor (and linking to the Tower)
- A major strip out and refurbishment of the Tower building, including restrengthening the level six roof
- Fitout of the lower three levels of the combined buildings for the Library and Community Hub
- Fitout of part of the Savings Bank building and four levels of the Tower for the Civic Office functions.

We have retained the assumption used in the IBC that it is impractical for the Tower to be occupied during the refurbishment. However, we propose that the redevelopment work is completed in two stages, with the first stage being the demolition and rebuilding of the Savings Bank building, followed by the refurbishment of the Tower. This allows the new Savings Bank building to be used as part of the transition space for the occupants of the Tower during its refurbishment. This reduces the cost of transition accommodation.

STAGING AND TRANSITIONAL MOVES

The indicative sequencing for the redevelopment involves the following steps:

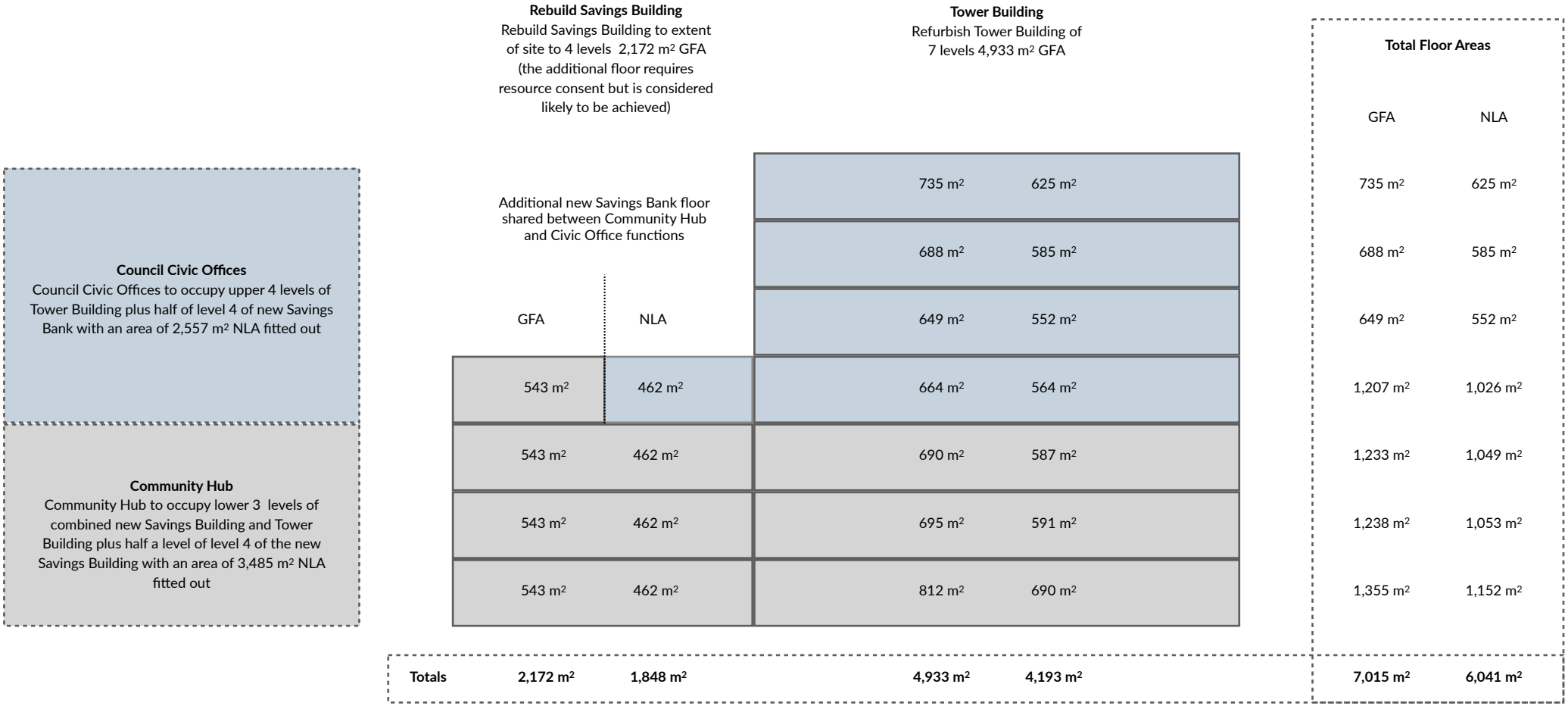
1. Find, lease and set up ~500 m^2 of temporary space for the existing Savings Bank office occupants noting a solution is needed for the other public and specialist facilities including Council Chambers that are currently housed in the existing building
2. Demolish the Savings Bank building
3. Build new 4-level Savings Bank building and setup as temporary office accommodation (forecast new net lettable area ~1,850 m^2)
4. Find, lease and set up ~650 m^2 of additional external temporary office space to accommodate the remaining Tower occupants (that can't be accommodated in the new building)
5. Refurbish the Tower building and setup the upper 2,500 m^2 for office accommodation
6. Move office staff from temporary accommodation in the new Savings Bank building and from external temporary office space into the completed Civic House office space
7. Fitout lower 3,500 m^2 of the Tower and new Savings Bank buildings for the Library and Community Hub (including public facilities and Chambers)
8. Move remaining Council functions from external temporary accommodation into the completed building and exit Elma Turner Library.

The indicative project timeline on page 6 indicates the full project will take approximately five years to complete.

Proposed Stacking for Civic House Redevelopment

STACKING AND OCCUPIED AREAS

This diagram outlines the Gross Floor Areas (GFA) of new Savings Bank building and the refurbishment of the Tower and the indicative Net Lettable Areas (NLA) of the fitout for the Library, Community Hub and the Civic Office space.



The total NLA for the existing combined Savings Bank and Tower buildings was estimated to be ~ 5,100 m²

Indicative Delivery Timeline

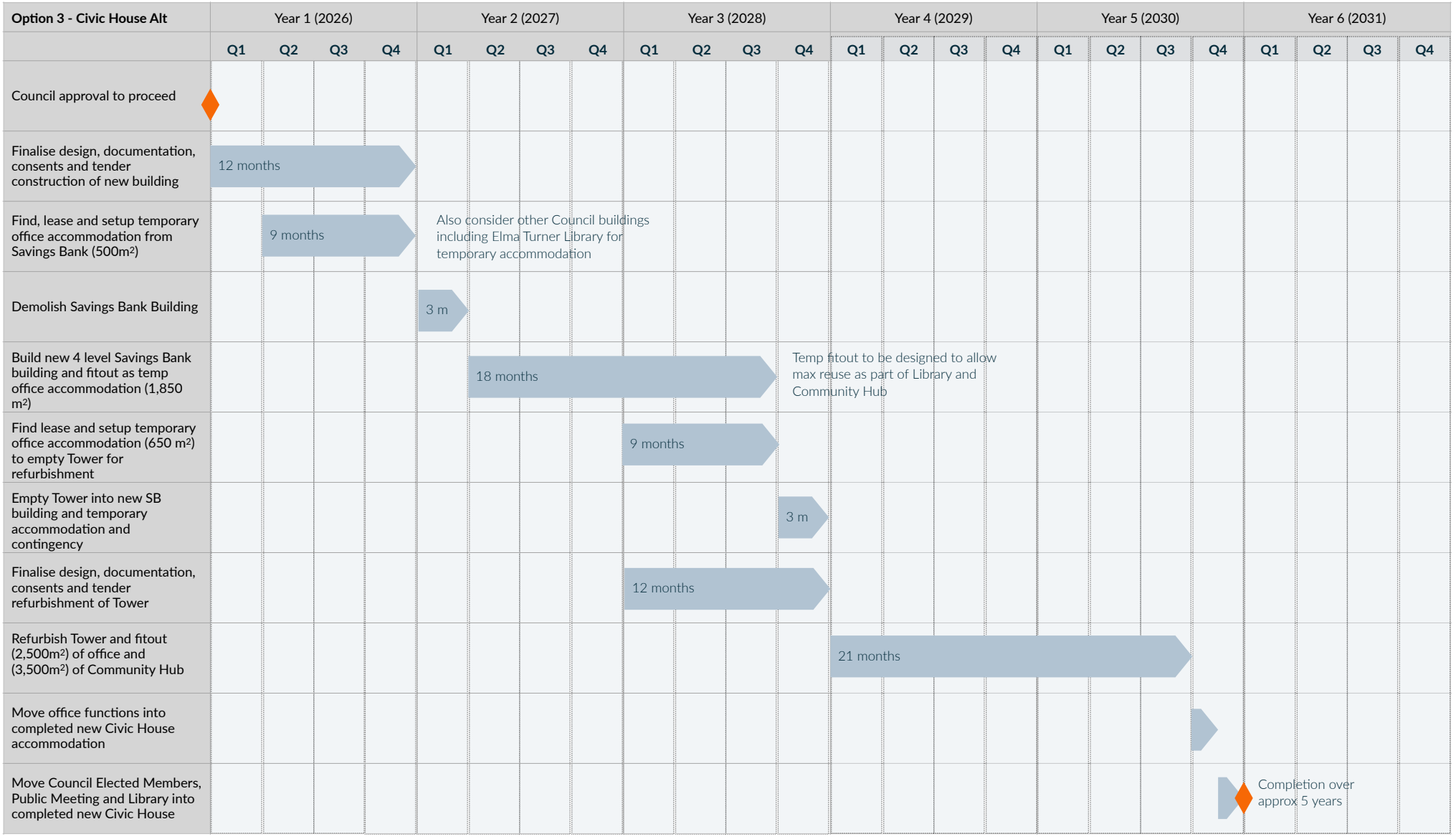
CIVIC HOUSE REDEVELOPMENT OPTION 3

To enable a comparison with the other options, and to assess the time required for temporary premises, we have prepared an indicative timeline on the following page. This maps out the key activities over the delivery period of approximately five years.

Conclusions and Assumptions

- The timeline shows the redevelopment of Civic House being designed, tendered and constructed in two stages, with the demolition and Savings Bank building rebuilt first, followed by refurbishment of the Tower. While this is likely to be the most time efficient option it may come with some cost uncertainty
- The alternative would be to fully complete the design and documentation process to allow the tender of the new building and the Tower refurbishment at the same time. This may increase the timeline by approximately 3 to 6 months
- Temporary premises will be required for 4 years for the office based people currently in the Savings Bank building
- Temporary premises will be required for slightly more than 2 years for the Tower staff and facilities that cannot be accommodated temporarily in the new Savings Bank building.

Indicative Delivery Timeline



Civic House Redevelopment - Non-Price Evaluation

NON-PRICE EVALUATION OF CIVIC HOUSE REDEVELOPMENT

To compare the Option 3 redevelopment of Civic House with the other options we have retained the evaluation framework used in the IBC. The table below outlines the assessment rationale for the redevelopment of Civic House Option 3 based on a green, orange and red "traffic light" scoring system.

Evaluation Criteria	Option 3- Redevelopment of Civic House	
Investment Objectives		
Stimulates CBD regeneration as part of a long-term economic development plan	Location will stimulate CBD regeneration	
Supports the social and economic wellbeing of the community and transparent Council decision making	CBD location is good for community access. The location of Council chambers allows good public access which supports transparent decision making.	
Supports Council management and administration teams to be more effective and efficient	Administration and community support staff would be in one building, however spread across multiple floors. In other options staff are distributed across fewer larger and more contiguous floor plates.	
Meets government energy efficiency and carbon emission reduction objectives	Using an existing building is more sustainable as it reduces the amount of embodied carbon created. We assume the refurbished Tower can meet highest standards of energy efficiency and reduced carbon emissions.	
Council facilities are sustainable and resilient to the impacts of climate changes	The building can be made resilient to flooding through mitigation measures and these are included in the cost estimate. However localised areas of flooding may prevent access to the building at times.	
Critical Success Factors		
Be recognised by the community as a "community investment initiative" that supports Council's strategic aspirations	The Community may receive this redevelopment option better than a new building as Council may be seen to be making better use of their current assets.	
Involves minimal disruption to Council's operations, services, staff and elected members to ensure functions continue to be delivered effectively	All Council staff would have to be relocated to temporary accommodation and have multiple moves. Those that remain in the Tower while the new Saving Bank building is constructed and in the Savings Bank building while the Tower is being refurbished may be impacted by some disruption during the construction works.	
Be delivered within ~5 years of Council's approval of the Indicative Business Case to accelerate outcomes sought by the LTP	The indicative timeline indicates that it will take approximately 5 years to deliver from when Council makes a decision to proceed.	
Be able to be delivered by the market considering capability and capacity	The use of the new Savings Bank building as transition space reduces the risk and possible delays of not finding suitable temporary accommodation in the market.	
Be practical and flexible to implement to minimise time, cost and delivery risks	Involves transition moves, temporary works and risks associated with finding temporary accommodation and refurbishing and existing building of this age.	

Non-Price Attribute Comparison

NON-PRICE COMPARISON WITH OTHER PREFERRED OPTIONS

This table compares Option 3 with the other two preferred options; Option 1: Council Owned Building and Option 2: Council Leased Building.

Evaluation Criteria	Option 1 - Council Owned Building	Option 2 - Council Leased Building	Option 3- Redevelop Civic House
Investment Objectives			
Stimulates CBD regeneration as part of a long-term economic development plan			
Supports the social and economic wellbeing of the community and transparent Council decision making			
Supports Council management and administration teams to be more effective and efficient			
Meets government energy efficiency and carbon emission reduction objectives			
Council facilities are sustainable and resilient to the impacts of climate changes			
Critical Success Factors			
Be recognised by the community as a "community investment initiative" that supports Council's strategic aspirations			
Involves minimal disruption to Council's operations, services, staff ad elected members to ensure functions continue to be delivered effectively			
Be delivered within ~5 years of Council's approval of the Indicative Business Case to accelerate outcomes sought by the LTP			
Be able to be delivered by the market considering capability and capacity			
Be practical and flexible to implement to minimise time, cost and delivery risks			

ORIGINAL CIVIC HOUSE OPTION DISCOUNTED IN IBC

For completeness we note the IBC discounted the original Civic House option. This was a refurbishment and restrengthening of both the Tower and Savings Bank buildings. The rationale for the option being discounted was summarised in the IBC as:

"Options [have been discounted] *that attempt to accommodate the Community Hub, Library and Civic Office facilities into Civic House. There is insufficient space available to meet the forecast space requirements. The combined Community Hub/ Library and Civic Office requirements forecast is ~6,000m^2. This compares to the existing building footprint of ~5,100m^2.*

Given the relatively small size of the current floors in the building it is likely (due to space inefficiency) the forecast space requirement would increase slightly to accommodate the same functions compared to a modern equivalent building with larger floors. Additional space would need to be added to the building, across at least two additional floors (if feasible) which would further exacerbate the current inadequacies of the workplace."

Civic House Redevelopment - Cost Estimate

CIVIC HOUSE REDEVELOPMENT OPTION 3 COST ESTIMATE RATIONALE

The costs for the redevelopment of Civic House Option 3 are based on construction cost estimates for base building and fitout prepared by Beca. It should be noted at this stage no design work has been undertaken. Therefore the rough order of cost estimate is based on per square metre rates with appropriate contingencies included.

The Beca construction costs have been adjusted slightly using the same assumptions as used in the IBC for Options 1 and 2. These adjustments include:

- Removing the greenstar premium of 10% in the fitout estimate (it is retained in the base building)
- Reducing the Preliminary and General (P&G) allowance to 15% from 18%
- Reducing the professional fees allowance in the fitout estimate to 12% from 15%

In addition, we have included a further project contingency of 10% to cover any unforeseen issues given the inherent risk undertaking a major refurbishment of an existing building of this age prior to full investigation of the existing conditions.

The costs have been assessed in five parts:

1. Demolition and reconstruction of the new Savings Bank building
2. Refurbishment of the Tower building
3. Fitout and furniture for the Library and Community Hub
4. Fitout and furniture for the Civic Office
5. Leasing (where required) and setting up temporary transition accommodation to enable the Savings Bank building to be demolished and the Tower to be refurbished.

The following pages outline the cost assessment for the Civic House Redevelopment Option 3.

Cost Estimate - Civic House (Base Building)

1. NEW SAVINGS BANK BUILDING (BASE BUILDING)

The following table summarises the estimate for construction costs for the new Savings Bank building (GFA 2,172 m²). Note the new building has been extended to the maximum limits of the existing ground floor and has an additional floor. This will require resource consent to exceed the permitted height limit but this is expected to be relatively easy to achieve, given the connection to the 7-level Tower building.

New Savings Bank Base Building	Cost Estimate
Construction Works (from Beca)	$9,213,000
Estimating Contingency (30%)	$2,764,000
Contractors P&G (15%)	$1,797,000
Allowance for Traffic and Scaffolding	$459,000
Contractors Margin (8%)	$1,139,000
Total Construction Cost Estimate	$15,371,000
Building and Resource Consent (1%)	$154,000
Professional Fees (15%)	$2,239,000
Total Construction New Savings Bank Building	$17,854,000

2. TOWER BUILDING REFURBISHMENT (BASE BUILDING)

The following table summarises the estimate for construction costs for the refurbishment of the Tower building (GFA 4,933 m2). Note although not used as occupied space (and not part of the NLA) this estimate includes the upgrade of the Clock Tower (which is assumed to have a seismic strength of 90% of the new building standard).

Tower Refurbishment Base Building	Cost Estimate
Construction Works (from Beca)	$11,908,000
Estimating Contingency (30%)	$3,572,400
Contractors P&G (15%)	$2,322,060
Allowance for Traffic and Scaffolding	$846,000
Contractors Margin (8%)	$1,491,877
Total Construction Cost Estimate	$20,140,337
Additional Contingency for Existing Building Refurbishment (10%)	$2,014,034
Building and Resource Consent (1%)	$221,544
Professional Fees (15%)	$3,356,387
Total Construction Tower Building Refurbishment	$25,732,301

Cost Estimate - Civic House (Fitout)

3. LIBRARY AND COMMUNITY HUB (FITOUT)

The following table summarises the cost estimate for fitout construction costs for the Library and Community Hub (NLA 3,485 m²). It is expected these facilities will occupy the lower three levels of the combined buildings.

Library and Community Hub Fitout	**Cost Estimate**
Construction Works (from Beca)	$9,476,000
Less fitout greenstar allowance	-$886,000
Estimating Contingency (30%)	$2,577,000
Contractors P&G (15%)	$1,807,000
Contractors Margin (8%)	$1,108,000
Total Construction Cost Estimate	$14,969,826
Building Consent (1%)	$150,000
Professional Fees (12%)	$1,815,000
Total Construction Library and Community Hub Fitout	$16,934,000

4. CIVIC OFFICE (FITOUT)

The following table summarises the cost estimate for fitout construction costs for the Civic Office (NLA 2,557 m²). It is expected these office facilities will occupy the upper four levels of the combined buildings.

Civic Office Fitout	**Cost Estimate**
Construction Works (from Beca)	$4,378,000
Less fitout greenstar allowance	-$398,000
Estimating Contingency (30%)	$1,194,000
Contractors P&G (15%)	$835,000
Contractors Margin (8%)	$513,000
Total Construction Cost Estimate	$6,920,000
Building Consent (1%)	$69,000
Professional Fees (12%)	$839,000
Total Civic Office Fitout	$7,828,000

Cost Estimate - Civic House (Transition Costs)

5. TRANSITION COSTS

The adjacent table summarises the rental and temporary fitout transition costs to allow the Savings building to be demolished and rebuilt and the Tower building to be refurbished.

Due to the extensive nature of the refurbishment, Beca continue to advise that the Tower cannot be occupied while the construction works occur. However, once built, the new Savings Bank building can be used as transition space while the Tower is refurbished. This reduces the external temporary space required as transition space and therefore the overall transition costs.

We have assumed the temporary office space created in the new Savings Bank building can be done in such a way that it can be partly reused as part of the final Library and Community Hub fitout.

The cost allowances for the transition space is based on the same assumptions as the IBC, where the redevelopment of Civic House was considered but discounted as noted. The temporary space assumptions have been modified to take into account the use of the new Savings Bank building as temporary office space and the different timeframes involved for temporary space to decant the Savings Bank building and later the Tower.

At this stage the costs for temporary accommodation do not take into account additional space or setup costs that may be required for temporary space for Council Chambers, current facilities on the ground floor of the Savings Bank building (archives, workshops etc) and the Customer Service Centre. A solution for accommodating these facilities will be needed, potentially using Elma Turner Library in the interim.

Transition Cost Allowances for Temporary Accommodation	**Estimated Costs**
Rental	
Office Space from Savings Bank (500 m^2 for 4 years at \$300/ m^2)	\$600,000
Overflow Office Space (650 m^2 for 2.25 years at \$300/ m^2)	\$438,750
Total Transitional Rental Costs	**\$1,038,750**
Temporary Fitout	
Office Space from Savings Bank (500 m^2 at 60% of Beca office fitout rate - \$1,800 m^2)	\$900,000
New Savings Bank building (1,850m^2 at 40% of Beca fitout rate for office space)	\$2,220,000
Additional Office Space Required (650 m^2 at 60% of Beca office fitout rate - \$1,800 m^2)	\$1,170,000
Total Temporary Fitout	**\$4,290,000**
Total Transitional Cost Allowances	**\$5,328,000**

Cost Estimate Summary and Comparison

SUMMARY OF CIVIC HOUSE REDEVELOPMENT OPTION 3 COSTS

This table summarises the five component parts of the alternative option to redevelop Civic House Option 3.

Component Parts of Redevelopment Option 3	Estimated Costs
New Savings Bank Building (Base Building)	$17,854,000
Tower Building Refurbishment (Base Building)	$25,732,000
Library and Community Hub (Fitout)	$16,934,000
Civic Office (Fitout)	$7,828,000
Transition Costs for Temporary Accommodation	$5,328,000
Total Civic House Redevelopment Option 3 Costs	**$73,676,000**

COMPARISON WITH PREVIOUS CIVIC HOUSE REFURBISHMENT OPTION COSTS

For completeness we note that as part of the IBC, an option to redevelop the existing Civic House building (Tower and Savings Bank building) was considered but discounted as noted.

For comparison the costs for this option are set out below (noting it excluded the Library and Community Hub fitout but it left approximately 2,500 m^2 of space that had the base building works completed but was left unoccupied and not fitted out).

Component Parts of Previous Civic House Refurbishment (Originally Discounted in IBC)	Estimated Costs
Base Building Refurbishment	$37,650,000
Library and Community Hub (Fitout)	Not included
Civic Office (Fitout)	$7,959,000
Transition Costs for Temporary Accommodation	$9,000,000
Total Previous Civic House Refurbishment Option Costs	**$54,909,000**

Business Case Option Cost Comparison

OPTION COST COMPARISON

The adjacent table compares the total forecast costs of the other preferred options from the IBC (Option 1 Council Owned Building and Option 2 Council Leased Building) and the Civic House Redevelopment as scoped in this document (Option 3).

The financial analysis in the IBC adjusted the capital costs by making a nominal allowance for the land acquisition costs for Option 1 (estimated as $4.1M) and deducting a nominal divestment value for the likely proceeds from the sale of Civic House and the Elma Turner Library buildings (~ $10M), subject to further valuation advice in due course.

This resulted in a net estimate of $83.3M, rounded to $85M for Option 1.

To allow a like for like comparison of Option 3 with Option 1, a similar adjustment has been made. To follow the same rationale, $7M of the $10M divestment value has been apportioned as the input cost for Civic House to recognise this asset will be retained. As a result, the disposal proceeds are reduced to $3M, as a nominal allowance for the disposal of only the Elma Turner Library property.

As noted in the IBC, a specific disposal strategy is needed for any assets to be divested including valuation advice. This advice may show that the divestment value for Civic House is above $7M, which would adjust the input value for this option and also adjust the nominal disposal proceeds for Options 1 and 2. This may change the relativity of the options once valuation advice is obtained as part of the Detailed Business Case for example.

Forecast Capital Cost (as of 1 Jul 2024)	**Option 1 - Council Owned Option**	**Option 2 - Council Leased Option**	**Option 3 - Civic House Refurbishment**
Land Acquisition	$4.1M	N/A	N/A
Notional Value for Civic House	N/A	N/A	$7M
Base Building Cost	$64.5M	N/A	$43.6M
Fitout Cost	$24.7M	$24.7M	$24.7M
Transition Costs	N/A	N/A	$5.3M
Total Forecast Capital Costs (excludes land acquisition and existing asset disposal costs)	**$93.3M**	**$24.7M**	**$80.6M**
Less Proceeds from Existing Asset Disposal	$10M	$10M	$3M
Adjusted Total	**$83.3M**	**$14.7M**	**$77.6M**

TWENTY**TWO**

STRATEGY22
Aligning property/real estate with strategic intent

WORKPLACE22
Optimising the workplace to support high performance

INVEST22
Infusing strategic acumen and commercial acuity into investment decisions

ADVISORY22
Applying expert commercial acuity to real estate projects and transactions

TECHNOLOGY22
Integrating building and workplace technology with business and property projects

DELIVERY22
Establishing governance, teams and processes and providing leadership to ensure project success

PORTFOLIO22
Partnering as a trusted outsourced property and lease management provider

ASSURANCE22
Improving the performance of property programmes, projects and in-house teams

WELLINGTON
Historic House
22 The Terrace
P 04 471 1054

AUCKLAND
Level 12
11 Britomart Place
P 09 282 4771

www.twentytwo.co.nz