TWENTYTWO

Nelson City Council

Community Hub including Library (and Civic Office Facilities)

Indicative Business Case

November 2023

24 November 2023

Final Indicative Business Case
22 November 2023

Developed with inputs from Nelson City Council and Beca (Jon Marshall and Audrina Stanley).

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EXECUTIVE SUMMARY

1. Nelson City Council seeks approval to invest in a community hub including library and civic office and to include a provision of $85M for the project in the 2024-2034 Long Term Plan (LTP). This compares to $65M currently provisioned in the current LTP.

2. The current Elma Turner Library and Civic House facilities are nearing the end of their economic life and require substantial reinvestment to mitigate deferred maintenance, improve seismic resilience and make fit for purpose. Even with this investment these facilities have inherent limitations.

3. Investment in a new community hub (including library, customer service, elected member and conference facilities) supports feedback from the community for accessible and multi-purpose community spaces to foster collaboration, innovation and experience and to provide a "sense of place". New civic office facilities, either integrated with the community hub or separately, allows Council to implement its Workplace Strategy[1] which is essential for management, technical and administrative teams to operate effectively and efficiently.

4. The investment decision also plays a key role in helping transform Nelson into "a creative, prosperous and innovative city", stimulating redevelopment of the city centre. Subject to agreement on the preferred way forward, this could involve new developments for the community hub and office facilities and the redevelopment and re-purposing of the existing facilities.

5. Five (5) Investment Objectives have been developed to ensure any new investment is aligned with Council's wider strategic intentions including ensuring the preferred investment choice stimulates the city centre, supports social and economic wellbeing, contributes to meeting sustainability and climate change objectives and provides value for money.

6. Based on forecast community and organisational requirements, ~6,000m^2 of community hub and library (3,500m^2) and office (2,500m^2) is required (as informed by other community examples and Council's Workplace Strategy) either within a single integrated solution or separately.

7. The delivery of any solution needs to support five (5) Critical Success Factors to ensure the identified benefits are realised including being seen first and foremost as a "community investment" initiative, minimising disruption to Council's operations, able to be delivered within ~5 years (to accelerate the outcomes sought) and be practical and feasible to be execute.

8. A range of potential options have been considered against the following dimensions and in the context of the local market:

    - Community Hub and Office on separate sites or together on the same site (as an integrated solution)
    - Council owned and led or market led and leased by Council
    - Refurbished existing buildings or new facilities to be built.

9. While no market engagement has been completed at this point, consideration has been given to Council's existing assets, other Council owned sites, land and development opportunities working with a commercial partner and the ex-State Advances site adjacent to Civic House, overlayed with TwentyTwo and Council's working knowledge of the market.

[1] Refer Appendix 3

10. From this process a number of options were discounted as they are considered unfeasible or not in line with Council's strategic intentions; including:

    - Options involving the demolition of Civic House[2] given its strategic positioning, inherent value and potential re-use
    - Options involving accommodating the community hub, library and office facilities into Civic House as there is insufficient space available and any addition to the building is likely to further exasperate the current inherent limitations
    - Options that require staff and operations to remain in Civic House while it is refurbished as advice from Beca indicate this is impractical
    - Options that require the office facilities to be split across multiple smaller buildings as this is inconsistent with Council's workplace principles.

11. While discounted, for completeness updated advice from Beca indicates the cost to redevelop Civic House is ~$45.5M (or ~$55M if the cost to decant staff and lease and set up temporary accommodation is included) excluding any value attributable to the existing asset. This level of investment may overcapitalise the asset relative to its value and also results in insufficient space available to meet the joint requirement or surplus space remaining if used for office functions alone.

12. Eight (8) Long List Options have been subsequently assessed against the Investment Objectives and Critical Success Factors, with a Minimal Investment option included. This has resulted in four (4) options being shortlisted:

    - **Option 1**: Develop a new building on a Council owned site for community and civic office functions (6,000m^2)
    - **Option 2**: Lease a new building developed by a third party for community and civic office functions (6,000m^2)
    - **Option 7:** Develop a new community building on a Council owned site (3,500m^2) and lease a new civic building developed by a third party on a separate site (2,500m^2)
    - **Option 8:** Develop a new community building (3,500m^2) and a new civic building (2,500m^2) on separate Council owned sites.

13. The following options were not shortlisted:

    - **Minimal Investment:** This option meets least of the Investment Objectives and Critical Success Factors, with the essential remedial works to Civic House (to remove the Earthquake Prone Building Notice[3]) estimated at ~$4.78M, excluding the cost already committed for strengthening Elma Turner Library
    - **Option 3 and 4:** The age, seismic rating, heritage classification and private ownership of the ex-State Advances building poses a significant risk to the feasibility and the timeline of the proposed redevelopment of all three buildings to meet Council's requirements, in addition to the inherent limitations of the three buildings. Even after redevelopment, the Civic Building in this form will not create an optimal community and library facility or work environment compared to a new building

[2] Civic House includes Civic House Tower (including Clock Tower) and ex Post Office Savings Bank Building.

[3] Council is required to remedy this notice by no later than 2034.

- **Options 5 and 6:** Although these options fulfil the community's needs, by focusing new investment on a community hub, the use of the redeveloped Civic House for office use results is a less than optimal office solution as is the case under Options 3 & 4 due to the inherent limitations of an older building. This is likely to result in less functional and agile workspace and with Council left with more space than forecast (albeit more than forecast for a new building). Redevelopment will require staff to relocate to temporary accommodation for at least two years. The limited market for commercial office space within Nelson indicates it is unlikely Council will find suitable accommodation for 200-250 staff across a maximum of three buildings.

14. Beca cost advice and benchmarking to other similar projects indicates the indicative capital cost to construct and fitout a new community hub and new office facility is in the order of $15,300psm across the gross floor area for the community facility and $11,800psm (across the net lettable area) for the office facility. This results in a total forecast cost of ~$89M as at 1 July 2024, excluding land. The estimates include construction costs estimating contingencies (as advised by Beca) and professional fees however no further cost escalations beyond mid 2024 are included at this point. Any additional inflation allowance will be considered as part of the LTP process.

15. For a single site solution, it is anticipated a ~3,000m^2 site is required subject to the specific site characteristics, planning requirements and concept design. Suitable sites in the city centre are limited. Council could consider re-purposing one of its existing sites, acquire a site from the market or facilitate a land swap agreement with other parties if viable. An allowance of $4 - $5M has been made for land acquisition at this point.

16. As alternative to Council funding, developing and owning the solution, Options 2 and part Option 7 assess the feasibility of leasing a solution from the market. Indicative market rentals, based on the levels seen in other markets for similar office development and adjusted for the community hub, have been applied. A potential commercial partner has expressed an interest in a leasing solution or joint venture but no commercial terms have been tabled.

17. A 20-year whole of life cost assessment has been completed to show the relativity of the options based on the cost data, market rental forecasts and preliminary assumptions. While this shows the owned options being slightly more economic (as the rentals and escalations adopted for the leased options may be overly cautious at this point) generally over the longer term the cost differential between owned and leased options is typically similar. The analysis also identifies the forecast capital outlay and forecast operating costs for the initial year (assumed mid 2029) for each option.

18. To better inform the feasibility and preferred option, a multi-stage procurement and market engagement process is needed to identify suitable sites (including any existing Council land), appoint a consultant and advisory team to undertake further due diligence and planning (to help further inform the cost forecasts) and to test the markets interest in providing a leased solution. Set out in the Commercial Case are the four key procurement pathways, including appointing a main contractor if needed and the contractual arrangements anticipated for each option.

19. To help fund the forecast capital costs, preliminary consideration has been given to the potential realisation of existing surplus assets. As set out in Table 7, a $10M notional allowance has been made for this realisation subject to a specific divestment and re-use strategy being developed. This results in an adjusted upper range capital cost estimate of ~$85M including an allowance for land.

20. Subject to approval of the investment decisions, ongoing governance and project management arrangements need to be put in place to progress the various workstreams identified to allow a Detailed Business Case to be developed and subsequent report back to Council. This will include undertaking a more detailed benefits realisation and risk management assessment.

INTRODUCTION

1. The outcome of the Indicative Business Case will seek Council approval to include a provision for the project(s) of a community hub including library and civic office investment in the 2024-34 Long Term Plan.

2. Approval of this investment decision will allow Council to further investigate and develop the short-listed options through to a Detailed Business Case and recommended preferred solution, for final Council approval.

3. This business case follows the principles of the Better Business Case framework but adapted into a feasibility report to provide Council with a clear assessment of the options and recommended way forward.

Problem Statement

4. Recent community consultation indicates there is wide support for new, accessible and flexible community facilities (within the city centre) to increase community engagement. This includes spaces for meetings/hui and multi-purpose spaces that support collaboration, innovation and experience and provide a "sense of place".

5. At the same, the existing Elma Turner Library[4] at 27 Halifax Street is nearing the end of its economic life. It is made up of an original 1956 workshop and garage which has been altered and added to a number of times. The site is prone to flooding and liquefaction and is likely to be at further risk due to the impacts of climate change and sea level rise. The library currently operates in a conventional way as a public library, which does not support the communities' expectations.

6. Further, the Council's civic office building (currently accommodated in two adjacent and interconnected buildings at 110 Trafalgar Street known as Civic House[5]) is also nearing end of its economic life. Previous feasibility work indicates these buildings have seismic issues and require extensive investment and refurbishment.

7. The current office accommodation provided by Civic House does also not align with Council's expectations for a modern and agile workplace for staff and elected members. The current elected member facilities and public council meeting chambers, also within Civic House, are also not fit for purpose and provide poor public access.

Previous Initiatives

8. A recent concept to replace the existing library with a new building on an adjacent site was estimated to cost $45.7M. This level of investment was seen as unaffordable by some members of the community if funded entirely by Council.

9. While funding for library development and refurbishment works is included in the current LTP, investment has now been paused pending a decision on the best way forward. While this is being

[4] Gross floor area (GFA) approximately ~2,200m^2.

[5] Civic House Tower completed/opened in 1983. Approximately net lettable area across both buildings approximately 5,100m^2 (as estimated from ~6,100m^2 GFA). Council occupies approx. ~4,600m^2 with one tower floor leased to IRD who are planning to vacate.

considered, ~$3M is currently being spent to re-strengthen the existing building to extend its life by 5 to 10 years.

10. Several initiatives have been previously scoped and costed to upgrade or replace Civic House. This aging asset requires considered reinvestment to address a number of issues including that:

    a. Much of the building infrastructure and building envelope are at "end of life" and need replacement, with this deferred maintenance becoming critical
    b. The separate building structures (clock tower, office tower and ex Post Office Building) have variable seismic ratings at present[6], requiring considerable investment to remedy (and bring up to 100% IL2) to make resilient and safe for staff and visitors
    c. The staff workspace is highly subdivided across two buildings and multiple floors which is not conducive to effective work, team connectivity and productivity
    d. The building performs poorly on energy use and carbon emissions requiring major refurbishment to support the Council's carbon emissions objectives.

11. In May 2021, Council approved a staged refurbishment of Civic House based on the following scope and assumptions:

    a. Progressively refurbishing each floor of Civic House over an eight-year period
    b. Moving the Council Chambers to the ground floor
    c. Providing an Elected Member lounge adjacent to the Chamber
    d. Providing a consistent, modern staff working environment on each floor
    e. Raising the ground floor to mitigate flooding based on a 1% AEP river flood event in 2080
    f. Implementing measures to reduce electricity use by 20% and eliminate diesel use by 2030
    g. Incorporating design principles to support Council's climate change objectives
    h. Providing for accessible and inclusive design
    i. Recognising iwi partnership.

12. Following approval, the Chief Executive was tasked with providing a report-back including further advice on the forecast budget, proposed building performance specification (including scope of seismic works), programme and project scope.

13. In September 2022, Council agreed not to proceed with a staged refurbishment. Further due diligence indicated the forecast costs had increased from $16.5M to $25.6M and there were additional cost risks as further investigation was completed. It was also noted the following issues could also affect the final solution and costs:

    a. Impact of new ways of working adopted post-Covid on the forecast space
    b. Ongoing uncertainty of local government reforms
    c. Identification of potential coastal inundation impacts and sea level rise
    d. Additional work to seismically strengthen the ex Post Office Savings Bank Building (as further work had revealed the likely need for more comprehensive upgrading or demolition given the dated seismic report held)
    e. Other earthquake prone building elements identified (ceilings, roof and plant room)
    f. Need to decant staff during construction rather than a staged programme as planned

[6] Civic House Tower <34% NBS (ie earthquake prone) due to roof/plant room with balance of structural frame 90%+, Clock Tower ~100% NBS and ex Post Office Savings Bank Building ~50% NBS (based on a dated assessment).

g. Risk that as more investigation was undertaken the true nature of the physical condition of the building becomes better understood.

Scope of Business Case

14. The need to consider the best investment decision for a community hub including a library and the unresolved solution for Council's office accommodation, and elected member and public meeting facilities, provides an opportunity to re-look at the individual and combined requirements.

15. This includes considering how these requirements can be best met as a single solution or as separate initiatives, potentially allowing Council to integrate the office and public meeting requirements with a public-facing community hub and new library facility, to provide a more multi-purpose and flexible facility.

16. These requirements, including then options for Council to lead and own this solution or to partner with the private sector, form the scope of this business case.

Process

17. An initial meeting was held with the Civic House Taskforce on 18 May 2023 where it was agreed any Civic House refurbishment work would be put on hold and the Chief Executive was tasked with bringing back an Indicative Business Case to the next meeting.

18. To inform the business case, engagement has been had with Chief Executive and the Senior Leadership Team to understand Council's aspirations for its community and library facilities and for its workplace. This has allowed a fresh approach to be taken as well as building on the previous work undertaken.

19. Further advice has also been commissioned from Beca to qualify and quantify the costs, timelines and risks with a range of options, including the refurbishment of the existing civic and library buildings.

20. While no wider market engagement has been completed at this point, as this forms part of the procurement plan as set out in Commercial Case, preliminary discussions have been held with a potential commercial partner to better understand their land holdings and their initial planning to potentially accommodate both the community hub/library and office facilities on a city centre site. Further comments on this option are set out under the Economic Case.

21. The outputs from the initial discovery and engagement are summarised in **Appendix 1**.

STRATEGIC CASE

Is there a compelling case for change?

22. The strategic case aligns the need for the investment in a community hub/library (with elected member and public meeting facilities) together with a modern workplace for staff with Council's wider strategic context.

Strategic Intent

23. The Local Government Act 2022 notes that the purpose of local government is to enable democratic local decision-making and action by and on behalf of communities, and to promote the social, economic, environmental and cultural well-being of communities. There are several strategic initiatives in the 2021 – 2031 Long Term Plan that outline how Council will meet these obligations.

Vision

24. Council's vision (forming part of the new LTP currently being developed) is to transform Nelson into "*a creative, prosperous and innovative city*" and Council plays a key role in creating an inclusive, resilient and connected community.

25. To fulfil this vision, Council has established three (3) priorities:

    a. Support its communities to be prosperous, connected and inclusive
    b. Transform the city and commercial centres to be thriving, accessible and people-focused
    c. Foster a healthy environment and a climate resilient, low-emissions community.

Transform our City Centre

26. The transformation of the city centre is a key priority. More recently, the city centre has experienced similar challenges as faced by many other towns and cities across the country. This includes a lack of public and private sector investment (resulting in aging and obsolete buildings and public amenity) and a reducing retail presence (with a high proportion of vacancies and uneconomic businesses) resulting in reduced vibrancy.

27. Council's investment in the city centre has often been impeded by the three-year electoral cycle, with local businesses frustrated by the Councils lack of clear direction for city investment.

28. Council's recently developed Spatial Plan provides some key insights into how and where investment in the city centre could stimulate economic development. The Spatial Plan defines the changes needed to create a people-focused, place-based vision for the city centre that attracts investment, residents, talent, thriving business, families, and events.

22. Council's investment (either directly or through the private sector) in both the community and civic facilities (alongside Council's other initiatives) is intended to be the start of a 30-year plan to regenerate the city centre and be a catalyst for further significant private investment.

Healthy Environment and a Climate Resilient, Low-Emissions Community

29. In May 2019, Council declared a state of climate emergency to avoid the most damaging effects of climate change.

30. In August 2020, Council committed to adopting central government's five-year national emissions reduction budgets. Council made this commitment to ensure that it takes early and substantive action towards achieving carbon neutral status.

31. Council's recently developed Climate Action Plan provides indicates how and where the infrastructural, social and environment aspects of the city can be addressed to mitigate and adapt to the challenges of climate change.

32. One of the four climate action projects committed to is mitigating Council's own emissions. A key initiative is to reduce carbon emissions by operating more energy efficient buildings and reducing energy consumption for heating, ventilation and lighting. Any new or refurbished Council buildings must support this objective.

Funding Constraints

33. The current LTP included allowances for a new library of $46.3M and the refurbishment of Civic House of $18.3M ($64.6M).

34. The LTP Financial Strategy acknowledges Council must manage its finances in a manner that sustainably promotes the community's current and future interests. It specifically notes that it must ensure that the level of rates and borrowing are financially sustainable and are kept within pre-set limits.

35. The 2023/2024 Annual Plan proposed several initiatives to limit the average increase in rates to 7.2% per annum, in response to:

    a. The costs of repairs from the severe weather event in August 2022
    b. The significant increase in the costs of depreciation after a revaluation of Council assets
    c. The rise in interest costs
    d. Increased Council costs from higher levels of inflation.

36. Given these challenges the library project was also paused.

Wider Context

37. Nelson City is not alone in considering the need for investment in its community infrastructure and workplace. A number of councils are facing similar investment decisions and similar challenges in how this investment is planned, funded and delivered.

38. Many local authorities have legacy and aging community and civic facilities. Often these facilities have suffered from a lack of investment and maintenance and are increasingly impacted by seismic issues and changing expectations from the public and from staff.

39. Communities have increased expectations for community amenities, including libraries and community meeting facilities. The historical approach to libraries being a place to store and read books is well out of date. Libraries now serve their communities as a neutral space for people to gather and socialise and take on the role of a "community hub". Modern libraries also include public meeting rooms, flexible use spaces, cafes, social lounge areas, and mixed-use areas for collaboration, innovation and experience. Increasingly, this concept of a community hub is becoming a vital part of a community's identity, providing "sense of place".

40. Councils also need to compete for talent for their technical specialists and management roles. Many existing council workplaces are typically not configured for new post-Covid modern ways of working. They are often highly subdivided, have a lack of collaboration facilities and are cluttered with filing and storage. Staff are now working in different ways, many balancing working from home when they need quiet focused time and coming into the office two or three days per week to connect with their team and to socialise with others in the organisation and community. Most organisations are reconfiguring their workplaces in response.

41. Alongside increasing community and staff expectations, rising cost pressures is making it increasingly difficult for councils to maintain modest rate increases. Many are thinking about new ways of funding these investments and getting access to capital. This includes leasing facilities from the market and joint venture and partnering arrangements with the private sector. These are often arranged to reduce the upfront capital costs of major new development and to access private sector expertise to assure delivery.

Other Examples

42. There are several examples of other councils investing in modern, fit for purpose community and civic facilities. Attached as **Appendix 2** is a sample of examples. Investment in community facilities is often focused on supporting economic, social and cultural wellbeing. In some cases, alongside civic/office facilities, they are also part of economic development and urban renewal programmes and can be used as an opportunity to partner with iwi and mana whenua (in some cases to resolve historic issues).

43. Councils are also becoming more aware of the need to be transparent in their decision making and to engage with their communities in different ways. In several cases, elected member and public meeting facilities are being co-located with community facilities to make them more visible and accessible for the public. Formal and bespoke council chambers are now being replaced with flexible, multi-purpose conference facilities that can be reconfigured easily to suit other public meeting purposes.

Local Government Reform

44. Despite future uncertainty about local government reform, water reform and amalgamation, it is likely the regional governance across the Nelson and Tasman regions will need to serve the communities with a similar range of functions.

45. Tasman District Council[7] are also considering investment in a new civic office facility. Subject to the outcome of both initiatives, it is likely new facilities for both regions will create opportunities for co-location of some staff and functions over time to support increased efficiency and regional collaboration. It will be important both facilities provide flexibility to support this optionality while allowing each region to retain their own identity.

46. If local government reform results in a single regional/district council, there may be an opportunity to further fine tune the amount of workspace developed for Nelson City and Tasman District respectively, before the final investment decisions are taken, depending on the timing of reform. If reform occurs in the medium to long term, there will be opportunities to identify other government, iwi and NGO parties to co-locate/lease any additional workspace.

Council's Workplace Strategy

47. To inform Council's future workplace and office requirements, Unispace[8] have developed a Workplace Strategy. Unispace's assessment of the current council civic administration workplace identifies the following challenges:

    a. The current layout is extremely compartmentalised on each floor
    b. Teams have a lack of equity in the distribution of amenities and space

[7] TwentyTwo has been assisting TDC with a similar project since 2020 to consider their option to replace their current civic and administration facilities with modern fit for purpose facilities.

[8] Unispace are a workplace consultancy who have developed a Workplace Strategy (October 2023) for Council.

c. The absence of diverse workspace and effective meeting and collaboration areas, and staff's lack of pride in the existing building, is contributing to low occupancy with staff not enticed into use the office. In other workplaces this can often lead to reduced employee experience and engagement.

48. This work also identifies the key attributes Council's future workplace should offer:

    a. Excellent connectivity for all staff
    b. A diverse range of spaces that equally support all teams
    c. A variety of settings that support all workstyles including focused activity and social connection
    d. A variety of spaces that support a wide range of staff, including areas for the public to connect.

49. These principles are consistent with the approaches being taken broadly across private sector, government and local government organisations as workplaces adjust to new ways of working and to the increased use of technology-enabled engagement.

Investment Objectives

50. These strategic themes indicate Council's investment in a community hub and library led facility along with modern fit for purpose office and elected member facilities closely aligns with its strategic objectives and how other organisations are responding to similar challenges.

51. Five (5) Investment Objectives have been developed to capture this intent. Set out in **Table 1** is an assessment of how well the existing community and civic arrangements meets these objectives and the resulting gap that needs to be closed. This forms the basis of Council's future requirements or business needs.

52. The business needs provide the foundation to further describe Council's future requirements to consider the full range of options available (to meet these needs) and a framework within the Economic Case to critically assess these options.

Table 1: Investment Objectives & Business Needs

	Investment Objective	Existing Arrangements	Business Needs
1	Stimulates CBD regeneration as part of a long-term economic development plan	The CBD has suffered from a lack of investment and Council has not provided certainty for private investment	Stimulation of long-term private investment in the CBD
2	Supports the social and economic wellbeing of the community and transparent Council decision making	Traditional library facility in an end of life building with seismic issues and on a site susceptible to liquefaction and flooding The space allocated to Elected Member facilities does not have enough space and is not visible and easily accessible to the public who wish to attend Council meetings	A resilient, fit for purpose library and community hub Visible and accessible Elected Member and public meeting facilities

3	Supports Council's management, technical and administration teams to be more effective and efficient	A dysfunctional office work environment is impacting on staff efficiency and effectiveness Separation of the library and civic functions leads to duplication of facilities and resources	A modern, flexible and efficient workplace A civic and community facility that reduces the duplication of facilities and resources
4	Meets Government and Council's Carbon Neutral objectives and is resilient to local climate change impacts	Current civic buildings rate poorly on energy use and carbon emissions The library site is susceptible to liquefaction and both facilities are at risk of flooding	Energy efficient facilities with reduced carbon emissions Facilities are located and designed so they are sustainable and resilient to the impacts of climate change
5	Delivers an affordable long-term solution for the Council and ratepayers	The cost of refurbishing the existing civic buildings has increased significantly since 2020 and is subject to further cost risks The previous library proposal was seen as unaffordable if funded entirely through rates	The forecast capital costs are less than $65 million, excluding land, to fit within the funding approved in the current LTP

Community & Organisational Requirements

53. Based on the business needs, the community and organisational requirements are set out below to allow a full range of options to be considered, and in a form that the market could potentially respond to in due course through a procurement process.

54. For the purposes of planning and for the subsequent financial modelling included in the Economic Case, it is assumed:

    a. Approval of this investment decision and inclusion in the 2024 – 2034 LTP from 1 July 2024
    b. Refinement of options, market sounding and Detailed Business Case within 6 months
    c. Any new solutions are planned, procured, designed and consented within 2 years
    d. Any new solutions are constructed and delivered within a subsequent 2 years with a further 6 month construction contingency.

55. This results in a 4 ½ to 5 year elapsed period (including a 6 month construction contingency) from approval depending on the preferred way forward. In practice this could result in an indicative occupation date of early 2029 for a Council-led solution to mid 2029 for a leased solution based on the above allowances. For the purposes of the financial modelling a common completion date of mid 2029 has been adopted.

Community Hub & Library Requirements

56. Based on community feedback, Council has explored the role and function of a contemporary facility in view of the wider objectives. The aspiration for a new facility includes:

    a. Modern library facilities, including informal learning spaces and activity areas

b. Multi-purpose areas for functions and community and cultural activities
c. An accessible and inviting environment for all community stakeholders
d. Revenue generating spaces and services (like a café and bookable meeting rooms for example)
e. Co-located elected member facilities including a multi-purpose conference area that can be used by the public
f. A customer service desk co-located within the community hub (~150m^2).

57. Based on considering other examples, Council considers a new facility will require between 3,500m^2 to 4,000m^2 to accommodate these requirements, with 3,500m^2 adopted for this business case including the customer service facilities.

Civic Office/Workplace Requirements

58. The Workplace Strategy includes an estimate of the forecast space required to accommodate the civic office functions. The full Workplace Strategy report is attached as **Appendix 3**.

59. Based on projected staffing levels for civic administration staff of 300, a recommended desk sharing ratio of 70 desks per 100 staff and a projected 12m^2/per workpoint, Unispace estimate the civic administration office requires approximately 2,500m^2. This includes workpoint space, team support facilities and front of house reception and external meeting facilities.

Joint Requirements

60. This results in a joint forecast space requirement of 6,000m^2 for a combined solution. If a joint solution is favoured, there may be an opportunity to reduce this space forecast slightly if there are common facilities that can be shared between the two functions, creating space efficiencies. This can be considered at the point the options are developed in more detail on a specific site.

Building Quality Standards

61. It is anticipated the base building quality standard for the community hub and civic office facilities will be similar. Based on the standard being adopted by other local authorities and central government (including meeting sustainability targets) this is likely to feature:

    a. Large low-rise campus style buildings with well-designed inter-floor stair connectivity (to create space efficiency and to the increase collaboration of functions and teams)
    b. Modern building services providing high levels of occupant comfort and amenity (to provide a comfortable space and capacity for larger meetings and events)
    c. A 5-Green Star sustainability standard, 5 Star NABERS energy efficiency rating together with opportunities to consider further initiatives to meet Government's Carbon Neutral objectives
    d. Seismic resilience at 100% New Building Standard (NBS) at Importance Level 2 (IL2) on the basis there is no emergency management centre in the building(s) and gatherings are restricted to a maximum of 299 people in one place
    e. Adequate on-site car parking, bike and motorbike parking, end of trip facilities (showers, lockers and changing facilities) and storage.

62. In addition to these requirements, it is anticipated the community hub and library facility will require some additional architectural "treatment" to the exterior, façade and common areas as is common with public buildings. This could also include Te Ao Māori and mana whenua design input. An example of architectural refinement compared to an office building is the façade of the new Blenheim Library and Art Gallery.

63. These requirements would be framed up into a detailed Building Performance Specification at the point of engaging with the market or progressing a design solution.

Benefits, Risks and Constraints

64. The following benefits have been identified, linking to Council's strategic goals. As part of a Detailed Business Case in due course, these benefits will be further developed to allow them to be monitored and benefits realisation reported on throughout the life of any resulting projects.

65. Based on the scope of the investment decision, the following wider benefits are likely to be realised:

    a. Improved community confidence in Council's commitment to revitalising the city centre
    b. Encouraged private investment in the long-term revitalisation of the city centre which supports Council's wider economic development goals
    c. Improved social and cultural wellbeing through greater community connections
    d. Increased transparency in decision making through increased community engagement
    e. Increased ability to attract and retain staff in a regional economy
    f. More effective and productive teamwork and collaboration
    g. Reduced carbon emissions and improved energy efficiency
    h. Increased resilience with facilities less impacted by any seismic and climate change events
    i. Reduced asset maintenance costs allowing funding to be re-directed.

66. There are inherent constraints and risks associated with an investment decision of this nature. These include for example planning risks, due diligence risks, market and procurement risks, market constraints and delivery risks. If this investment decision is approved, a comprehensive risk assessment will be completed, a risk register established and mitigations developed. At this early planning phase the key risks include:

    a. The requirements may not be fully scoped and defined resulting in an underestimate of the needs, costs and timeframes. To mitigate this risk, Council has sought advice from TwentyTwo, Unispace and Beca to help inform the requirements however, the advice and estimates remain preliminary at this point. Ongoing validation of these requirements is needed at the next stage of planning to ensure the requirements remain accurate and opportunities for refinement are considered. Ongoing value management to constrain cost will be important throughout all phases of planning, design and delivery
    b. The potential solutions set out in the Economic Case may not be able to be delivered due to market constraints. This could include the availability of land (either Council owned or market led), constrained construction and development market capacity (due to other major initiatives like the redevelopment of Nelson Hospital) or wider economic conditions. The scale of Council's requirements is likely to see the market respond to this opportunity. As set out in the Commercial Case, the procurement strategy and market engagement in time will help further quantify and mitigate these risks
    c. Given the critical state of the current assets, further due diligence may reveal additional defects and obsolescence within these assets, affecting the financial assumptions made, and impacting on their interim occupation and use. This could require Council to invest further costs in mitigating these problems, pending approval of the investment decision, or requiring them to be vacated
    d. Funding is delayed or not approved. This will result in the Council being left with end of life facilities that require ongoing and costly repairs and maintenance, increasing the contingent liability and risk. The deferment of a solution could also be perceived negatively by the community, with their expectation for modern and collaborative

community facilities and a new library unmet, and with Council not meeting its strategic aspirations to rejuvenate the city centre or meet its climate emergency objectives and government expectations

e. The intended scope of community facilities and office requirements cannot be delivered within Council's approved budget. In this case, Council may need to reduce the requirements and scope of the investment decision or consider alternative funding options. Set out in the Economic Case is options to procure a solution from the market which alters the balance of funding needed, increasing the annual operating costs and reducing the capital funding required.

ECONOMIC CASE

What are the preferred options and why are they preferred?

Critical Success Factors

67. In considering the range of options to support this investment decision, the following Critical Success Factors have been identified alongside the Investment Objectives and resulting business needs. Any short-listed options need to:

    a. Be recognised by the community as a "community investment initiative" that supports Council's strategic aspirations
    b. Involve minimal disruption to Council's operations, services, staff and elected members to ensure functions continue to be delivered effectively
    c. Be delivered within ~5 years of Council's approval of the Indicative Business Case to accelerate the outcomes sought through the LTP
    d. Be able to be delivered by the market considering its capability and capacity
    e. Be practical and feasible to implement to minimise time, cost and delivery risks.

68. These factors have been considered in the development of the options and in the non-financial assessment of the Long-List Options set out below.

Range of Options

69. A wide range of options have been explored that potentially match Council's business needs, as set out in the Strategic Case. These involve of the following dimensions:

    a. Functions/facilities on separate sites or together on the same site
    b. Council owned developments or buildings leased from the market
    c. Refurbished existing buildings or new buildings to be built.

70. There are a number of further factors potentially affecting the feasibility of these options. These include the following considerations:

    a. Options to co-locate both the community hub and library along with the office requirements on the same site will depend on the availability of suitable sites with capacity for this joint requirement. The economic feasibility of a separate site solution for a community hub and library alone (and leased from the market) will depend on the market's appetite to develop this type of specialist asset with limited alternative use beyond Council's tenure. Co-locating the office requirements may reduce the markets perception of this risk
    b. Leased options could involve a conventional lease between Council and a private sector developer/investor or could involve a public private partnership (PPP) or structured finance arrangement with the asset eventually being owned by Council, with sub-options for the partner to provide some level of operational support in addition to the asset. Similarly, options to be developed by Council could involve Council appointing their own delivery consultants, contractor and team (as it typically does for a range of capital works projects) or appointing a development partner to access private sector expertise and reduce the direct risks associating with managing the project
    c. The availability of existing buildings in the market (or buildings that could be refurbished or re-purposed) will depend on the final scope of requirements and market conditions at the time of procurement. The availability of new developments to meet the single or co-

located requirements is dependent on suitable land held by Council or the private sector being available.

71. Set out under Market Context below is a preliminary commentary on the capability and capacity of the market to respond to these options, which help inform the financial assessment of the shortlisted options.

Market Context

72. The feasibility of any option is influenced to some degree by the "market". In this context the market includes:

    a. The availability of existing facilities for purchase or lease for the community hub and library requirements (including those requiring refurbishment or re-purposing)
    b. The availability of existing office facilities that could accommodate the forecast office space and building performance requirements (existing or refurbished)
    c. The availability of land for acquisition or development (by Council or others) in addition to any land Council could potentially make available from its own portfolio
    d. The capacity and capability of the investment and development community (within Nelson and potentially beyond) to fund and deliver projects of this scale in a regional market
    e. The capacity of the construction sector to deliver a new or refurbished solution of this scale and within the indicative timeframes.

Commercial Property Market

73. The commercial property market is small but relative to Nelson's regional economy and scale of its commercial centre.

74. The existing city centre commercial office stock is similar to many regional cities, generally:

    a. "High street" retail with office buildings above, many of which are now aging and in need of reinvestment. Some of the offices (for example along Trafalgar Street) are occupied by national and local businesses
    b. Crown-led developments, buildings and precincts traditionally occupied by government agencies which are also aging and require renewal
    c. Older smaller scale offices and former residential housing used for office and mixed uses
    d. Newer smaller-scale office development that has been completed over the last 10 years or so to meet local demand (particularly from professional services business), in areas such as Collingwood and Halifax Streets for example.

75. As also seen in other markets, new office development is generally tenant-led whereby the market responds to specific tenant/occupier requirements as and when this is of sufficient scale to make new development financially viable.

76. At present, there are very few vacancies in existing office buildings of a comparable quality to the accommodation sought by Council. Any vacancies are typically small and non-contiguous and insufficient to meet the scale of Council's forecast requirements, whether refurbished and leased from a third party or purchased by Council.

77. The limited depth of the market also impacts on the viability of securing short term space for decanting staff and functions from the current buildings. Based on TwentyTwo's experience sourcing office space for other clients, it is highly likely staff would need to be housed over multiple small sites based on the current options available in the market. This situation is unlikely to change in the medium term.

78. To inform the financial assumptions for the financial modelling (on inputs such as market rentals and investment yields for example) TwentyTwo has drawn on its working knowledge of the Nelson office market and experience with new building/development economics across other markets.

79. While this data is office-related, the parameters are likely to be similar for a community hub and library only development given that most of the building requirements are common to an office development. An adjustment has been made to recognise some additional cost is expected for a public building as noted.

80. Based on experience in the region and in other markets, it is likely the scale of Council's requirements (for new a development to be leased by Council) would attract interest from within the region and potentially beyond (as has been seen in other regional markets). One of the potential challenges is a scarcity of city centre land available unless sites are amalgamated or existing improvements demolished. The availability of suitable sites, in addition to any land Council can make available, will only be fully tested at the point Council formally engages with the market.

Construction Market

81. The local construction market is generally led by local mid-sized firms, some of whom also undertake development. Naylor Love is the only nationally based firm in an alliance with local firm, Gibbons.

82. Given the planned regional development including the Nelson Hospital project, it is likely larger providers outside the region will establish a presence for specific opportunities. The limited depth of the market is a potential risk. Set out in the Commercial Case is further consideration of the contractor procurement and contracting options available to Council to help mitigate these risks.

Market Engagement

83. Market engagement is outside the agreed scope of this business case. If the investment decision is supported by Council, a market sounding process will be undertaken, depending on the shortlisted options and preferred way forward. Market sounding will further explore the depth and capacity of the market to meet the requirements. It will also begin the consultation process with the community and identify interested parties and potential commercial partners. An engagement plan will need to be developed including confirming how mana whenua will be provided with an early opportunity to influence the potential solutions.

84. This engagement will in turn inform the procurement processes that will need to follow, regardless of whether the preferred option is Council or market led.

Potential Commercial Partner

85. Informal discussions have been held with one potential commercial partner to better understand their land holdings and their potential interest to work with Council, given their presence in Nelson and the previous conversations with Council. No commitments or undertakings have been made. Council has confirmed an indicative business case is being developed to seek LTP funding approval for new community/library facilities and new office accommodation and depending on the preferred way forward, a market procurement process will be undertaken in due course.

86. These discussions have revealed strong interest in developing a solution for either the community hub/library, office or a combined facility, either on a conventional long term lease basis or as a joint venture partner. Council has been provided with some preliminary bulk and location planning for a specific site, based on some assumptions made. While these assumptions are not aligned with Council's forecast requirements, the preliminary planning is useful, indicating a site of ~4,000m^2 is proposed based on two separate building structures, generous public landscaping and some on site carparking. Given the potential scarcity of sites, it will be important to continue to keep this option in view as part of a formal procurement process.

Council City Centre Landholdings

87. Preliminary due diligence has also identified Council has existing land within the city centre that could be re-purposed for development. This includes:

    a. 19, 23 and 27 Halifax Street (current library site and adjoining land)
    b. 81 Trafalgar Street (Millers Acre corner Trafalgar and Halifax)
    c. 69 – 101 Achilles Avenue (adjoining Whakatū Lane/Whakatū Square Carpark)
    d. 25 – 27 Bridge Street.

88. Subject to further due diligence, the Achilles Avenue site (~2,760m^2) may be the only site with sufficient capacity on the basis the Halifax sites adjacent to the Maitai River are excluded given their risk of climate change impact.

89. Once approval of the investment decision and preferred way forward is confirmed, Council can undertake further investigation on the planning rules and technical due diligence for each site to further inform whether these options are viable. Alternatively, Council may need to consider re-purposing other land or acquiring a suitable landholding (through market purchase or potentially a land swap with another landowner) if it prefers to lead its own solution. Set out under the Economic Case is further commentary on the potential land area requirements and supporting assumptions.

Ex State Advances Building

90. The former State Advances Building is located on a ~440m^2 site adjacent to Civic House on Trafalgar Street. Council sold this property in 2020 for $775,000. This is a Category C heritage building (likely to allow demolition) and has a 2014 Detailed Seismic Assessment (DSA) indicating a seismic rating of ~50% (which is likely to be less now based on new guidelines).

91. As part of considering options to upgrade Civic House, there has been previous suggestions this building could be acquired and included in a wider redevelopment. Council would have to initiate

an interest in purchasing however, no due diligence has been undertaken on this property at this point.

Discounted Options

92. In order to refine the long list of options, the following options have been discounted for further consideration. These options are considered unfeasible and do not align with the strategic intentions set out in the Strategic Case:

    a. Options that involve demolishing Civic House. Given its presence on a prime city centre site, its inherent value (subject to the completion of seismic and remediation works), its potential alternative use (including for residential accommodation) and its current book value ($4.7M as at 30 June 2023) it is considered uneconomic to consider this site for full redevelopment/land only use
    b. Options 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[9] 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 exasperate the current inadequacies of the workplace as outlined
    c. Options requiring Council staff to remain in Civic House while it is refurbished. The engineering advice indicates a staged programme of work (with staff remaining in situ and decanted floor by floor) is unviable and impractical and would cause considerable disruption and health and safety risks
    d. Options that require the civic office functions to be split across multiple sites/buildings. Multiple sites would reduce space and operational efficiency, increase costs and is inconsistent with Council's workplace principles.

93. Options that involve leasing the community hub and library from the market (on a separate site from the office facilities) have also been discounted at this point to simplify the range of options being considered for this indicative business case. As noted, this option may not be commercially viable for a developer unless Council entered into an extraordinary long lease term (25 years or more) given the potential limited alternative use of the asset. If Council proceeds with a leased

[9] No net lettable area survey is available given it is an owner-occupied building. The estimated net lettable area of 5,100m^2 is calculated by adjusting the gross building area of 6,069m^2 by 15% to recognise the inefficiency of the gross to net ratio for an older building of this nature. This allows a more like for like comparison to be made with the forecast space requirements, which are all calculated on a net lettable basis as is usual in the market.

solution, and engages in a formal market sounding process, the markets' interest in this option could be re-tested.

Long List Options

94. On this basis, eight (8) options and a minimal investment option have been explored in more detail:

    a. **Minimum Investment:** Retain Elma Turner Library and Civic House and complete essential remedial works for Civic House (seismic and roof repairs to Level 6 & 7 and other critical works)
    b. **Option 1:** Develop a new building on a Council owned site for community and civic office functions (6,000m^2)
    c. **Option 2:** Lease a new building developed by a third party for community and civic office functions (6,000m^2)
    d. **Option 3:** Acquire ex State Advances and redevelop the three "Civic House" buildings for community and civic office functions (6,000m^2 adjusted to reflect inefficiency of three buildings)
    e. **Option 4:** Acquire ex State Advances and sell and lease back from a third party the three redeveloped buildings for community and civic office functions (ie as per Option 3 but market-led)
    f. **Option 5:** Develop a new community building on a Council owned site (3,500m^2) and redevelop Civic House for civic office functions (noting additional space remaining in Civic House)
    g. **Option 6:** Develop a new community building on a separate Council owned site (3,500m^2) and sell and lease back from a third party redeveloped Civic House for civic office functions (ie as per Option 5 but market-led for Civic House component)
    h. **Option 7:** Develop a new community building on a Council owned site (3,500m^2) and lease a new civic building developed by a third party on a separate site (2,500m^2)
    i. **Option 8:** Develop a new community building (3,500m^2) and a new civic building (2,500m^2) on separate Council owned sites.

95. Any options involving the refurbishment of the existing Civic House buildings will require Council staff and elected members to relocate to temporary accommodation for at least two years.

96. Set out in **Table 2** is a description of each option and assessment of their advantages and challenges.

Table 2: Description of Long List Options

Minimum Investment Retain Elma Turner Library and Civic House and complete essential remedial works for Civic House	
Description	• Assumes ongoing seismic upgrades to Civic House to ensure it will no longer be earthquake prone
Advantages	• Requires lowest investment
Disadvantages	• Does not meet any of the Investment Objectives • Will result in continued disruption to staff due to ongoing repairs and maintenance • Continued and ongoing unforeseen issues and critical failures are likely to emerge as the assets further age and increased obsolescence occurs
Option 1 Develop a new building on a Council owned site for community and civic office functions (6,000m^2)	
Description	• Single site solution owned by Council • Integrated facility providing flexibility and adjust space and to share amenities • Purpose-built community hub with library facilities and elected member/governance facilities • Fit for purpose civic office facilities
Advantages	• Meets all Investment Objectives (1 – 5) • Single site solution reduces duplication of facilities and resources • Will be recognised by the community as a "community investment initiative" • Council office and library staff will move seamlessly into new facilities
Disadvantages	• May rely on Council acquiring a suitable site • Relies on agreeing a design, scope and construction contract and funding that is acceptable
Option 2 Lease a new building developed by a third party for community and civic office functions (6,000m^2)	
Description	• Single site solution owned by Council • Integrated facility providing flexibility and adjust space and to share amenities • Purpose-built community hub with library facilities and elected member/governance facilities • Fit for purpose civic office facilities
Advantages	• Meets all Investment Objectives (1 -5) • Single site solution reduces duplication of facilities and resources • Will be recognised by the community as a "community investment initiative" • Council office and library staff will move seamlessly into new facilities • Reduces capex funding requirements
Disadvantages	• Relies on finding a capable developer with a suitable site • Relies on agreeing commercially acceptable terms with a developer/investor and Council funding fitout and specialist works
Option 3 Acquire ex State Advances and redevelop the three "Civic House" buildings for community and civic office functions	
Description	• Single site solution owned by Council • Redeveloped building for community hub/library and governance facilities

	• Redeveloped civic office facilities
Advantages	• Single site solution reduces duplication of facilities and resources • Stimulates CBD re-generation (Investment Objective 1) • Supports the social and economic wellbeing of the community and transparent Council decision making (Investment Objective 2)
Disadvantages	• Relies on owner of ex State Advances selling the property within a reasonable timeframe or Council initiating purchase • Potential risks of heritage classification for ex State Advances affecting redevelopment • Potential unknown inherent risks for all three buildings following additional due diligence including current seismic rating of ex State Advances • Inherent design of existing buildings limits the ability to develop a modern and flexible workplace and potentially meeting the building performance criteria including sustainability targets • Risk location of buildings more impacted by flooding exacerbated by climate change • Disruption to staff and service delivery by need to relocate to temporary accommodation • Unlikely availability of suitable temporary accommodation for decanting staff • The cost to fitout temporary accommodation increasing the overall cost Relies on agreeing a design, scope and construction contract and funding that is acceptable
Option 4 Acquire ex State Advances and sell and lease back from a third party the three redeveloped buildings for community and civic office functions	
Description	• Single site solution leased by Council • Redeveloped building for community hub/library facilities • Redeveloped civic office facilities
Advantages	• Single site solution reduces duplication of facilities and resources • Stimulates CBD re-generation (Investment Objective 1) • Supports the social and economic wellbeing of the community and transparent Council decision making (Investment Objective 2)
Disadvantages	• Relies on owner of ex State Advances selling the property within a reasonable timeframe or Council initiating purchase • Potential risks of heritage classification for ex State Advances affecting redevelopment • Potential unknown inherent risks for all three buildings following additional due diligence including current seismic rating of ex State Advances • Inherent design of existing buildings limits the ability to develop a modern and flexible workplace and potentially meeting the building performance criteria including sustainability targets • Risk location of buildings more impacted by flooding exacerbated by climate change • Disruption to staff and service delivery by need to relocate to temporary accommodation • Unlikely availability of suitable temporary accommodation for decanting staff • The cost to fitout temporary accommodation increases the overall cost • Relies on agreeing commercially acceptable terms with a developer/investor and Council funding fitout and specialist works

Option 5 Develop a new community building on a Council owned site (3,500m^2) and redevelop Civic House for civic office functions	
Description	• Two site solution • Purpose-built community hub with library facilities and elected member/governance facilities owned by Council • Redeveloped civic office facilities owned by Council • Assumes community facilities will be developed first and initially used as decant space during the redevelopment of Civic House
Advantages	• Stimulates CBD regeneration (Investment Objective 1) • Supports social and economic wellbeing of the community and transparent Council decision making (Investment Objective 2) • Focuses the new spend on the community facilities
Disadvantages	• The resulting Civic House building (5,100m^2) is larger than Council's forecast requirements[10] even after adjusting the forecast space requirements to reflect the inefficiency of the building and occupancy over multiple smaller floors • The configuration of Civic House limits the ability to develop a modern workplace and potentially meeting the building performance criteria including sustainability targets • Risk location of Civic House is more impacted by flooding exacerbated by climate change • Refurbishment of Civic House for office accommodation separate from the community hub investment may be poorly perceived by the community • Disruption to staff and service delivery by need to relocate to temporary accommodation • The use of community facilities as decant space increases the lead time to deliver the complete solution by at least two years • The cost to temporary fitout the community facility for temporary office space (while Civic House is refurbished) increases the overall cost of the projects • May rely on Council acquiring a suitable site for community hub • Relies on agreeing a design, scope and construction contract and funding that is acceptable
Option 6 Develop a new community building on a separate Council owned site (3,500m^2) and sell and lease back from a third party redeveloped Civic House for civic office functions	
Description	• Two site solution • Purpose-built community hub with library facilities and elected member/governance facilities owned by Council • Redeveloped civic office facilities leased from market • Assumes community facilities will be developed first and initially used as decant space during the redevelopment of Civic House
Advantages	• Stimulates CBD regeneration (Investment Objective 1) • Supports social and economic wellbeing of the community and transparent Council decision making (Investment Objective 2) • Focuses the new spend on the community facilities

[10] The additional space could be leased to a third (like IRD as at present) and rental income obtained.

Disadvantages	• The resulting Civic House building (5,100m^2) is larger than Council's forecast requirements[11] even after adjusting the forecast space requirements to reflect the inefficiency of the building and occupancy over multiple smaller floors • The configuration of Civic House limits the ability to develop a modern workplace and potentially meeting the building performance criteria including sustainability targets • Risk location of Civic House is more impacted by flooding exacerbated by climate change • Refurbishment of Civic House for office accommodation separate from the community hub investment may be poorly perceived by the community • Disruption to staff and service delivery by need to relocate to temporary accommodation • The use of community facilities as decant space increases the lead time to deliver the complete solution by at least two years • The cost to temporary fitout the community facility for temporary office space (while Civic House is refurbished) increases the overall cost of the projects • May rely on Council acquiring a suitable site for community hub • Relies on agreeing commercially acceptable terms with a development partner and Council funding fitout and specialist works for Civic House • Relies on agreeing a design, scope and construction contract and funding that is acceptable for community hub
Option 7 Develop a new community building on a Council owned site (3,500m^2) and leases new civic building developed by a third party on a separate site (2,500m^2)	
Description	• Two site solution • Purpose-built community hub with library facilities and elected member/governance facilities owned by Council • New office facilities leased from market
Advantages	• Meets all Investment Objectives (1 – 5) • Council office and library staff will move seamlessly into new facilities • Can be delivered within the 5-year timeframe • It is practical and feasible to implement subject to market interest
Disadvantages	• Relies on finding a capable developer with a suitable site • Separate development/leasing of civic office facilities may be poorly perceived by the community • May rely on Council acquiring a suitable site for community hub • Relies on agreeing commercially acceptable terms with a developer/investor and Council funding fitout and specialist works for office building • Relies on agreeing a design, scope and construction contract and funding that is acceptable for community hub

[11] This risk could be mitigated by Council only leasing the space required subject to the third-party developer securing other tenants however this approach is likely to increase the development risk for the development partner.

Option 8 Develop a new community building (3,500m^2) and a new civic building (2,500m^2) on separate Council owned sites	
Description	• Two site solution • Purpose-built community hub with library facilities and elected member/governance facilities owned by Council • New civic office facilities owned by Council
Advantages	• Meets all Investment Objectives (1 – 5) • Council office and library staff will move seamlessly into new facilities • Can be delivered within the 5-year timeframe • It is practical and feasible to implement subject to market interest
Disadvantages	• Separate development for civic office facilities may be poorly perceived by the community • May rely on Council acquiring suitable sites for both facilities • Relies on agreeing a design, scope and construction contract and funding that is acceptable

Non-Financial Comparison of Options

97. Set out in **Table 3** is the non-financial assessment of the Long List Options against the Investment Objectives and Critical Success Factors with additional footnotes. This uses a simple traffic light and "Yes", "No" and "Partial" assessment system to filter the options (Red: Does not meet criteria, Orange: Partially meets criteria and Green: Meets criteria).

Table 3: Non-Financial Comparison of Options

Options	Minimal Investment	Option 1	2	3	4	5	6	7	8
Investment Objectives									
Stimulates CBD regeneration as part of a long-term economic development plan	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Supports the social and economic wellbeing of the community and transparent Council decision making	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Supports Council management and administration teams to be more effective and efficient	No	Yes	Yes	Partial[12]	Partial[8]	Partial[8]	Partial[8]	Yes	Yes
Meets government energy efficiency and carbon emission reduction objectives	No	Yes	Yes	Partial[13]	Partial[9]	Partial[9]	Partial[9]	Yes	Yes
Council facilities are sustainable and resilient to the impacts of climate changes	No	Yes	Yes	Partial[14]	Partial[10]	Partial[10]	Partial[10]	Yes	Yes
Critical Success Factors									
Be recognised by the community as a "community investment initiative" that supports Council's strategic aspirations	No	Yes	Yes	Yes	Yes	Partial[15]	Partial[11]	Partial[11]	Partial[11]
Involves minimal disruption to Council's operations, services, staff ad elected members to ensure functions continue to be delivered effectively	No	Yes	Yes	No	No	No	No	Yes	Yes

[12] The current configuration of Civic House (small non-connected floors) limits the ability to co-locate teams and create a modern agile workplace.

[13] Existing building upgrade is unlikely to meet the highest standards of energy efficiency and reduced carbon emissions possible compared with a new modern equivalent building.

[14] The existing Civic House building has been identified as potentially being more susceptible to flooding.

[15] A separate development for new Council civic offices may be poorly perceived by the community.

Be delivered within ~5 years of Council's approval of the Indicative Business Case to accelerate outcomes sought by the LTP	Yes	Yes	Yes	No	No	No[16]	No[12]	Yes	Yes
Be able to be delivered by the market considering capability and capacity	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes
Be practical and flexible to implement to minimise time, cost and delivery risks	Partial	Yes	Yes	No	No	Partial[17]	Partial[13]	Yes	Yes
Selected for Shortlist	**No**	**Yes**	**Yes**	**No**	**No**	**No**	**No**	**Yes**	**Yes**

Shortlisted Options 12

98. Based on this analysis, the following options have been short-listed for financial analysis:

    a. **Option 1**: Develop a new building on a Council owned site for community and civic office functions (6,000m^2)
    b. **Option 2**: Lease a new building developed by a third party for community and civic office functions (6,000m^2)
    c. **Option 7:** Develop a new community building on a Council owned site (3,500m^2) and lease a new civic building developed by a third party on a separate site (2,500m^2)
    d. **Option 8:** Develop a new community building (3,500m^2) and a new civic building (2,500m^2) on separate Council owned sites.

99. This results in the following options being discounted:

    a. **Minimal Investment:** This option meets least of the Investment Objectives and Critical Success Factors. Based on previous advice from Beca, the cost to complete essential remedial works to Civic House (to remove the Earthquake Prone Building Notice) is estimated at ~$4.78M[18], excluding the cost already committed for strengthening Elma Turner Library
    b. **Option 3 and 4:** The age, seismic rating, heritage classification and private ownership of the State Advances building poses a significant risk to the feasibility and the timeline of the proposed redevelopment of all three buildings to meet Council's requirements, in addition to the inherent limitations of the three buildings as outlined. Even after redevelopment, the Civic Building in this form will not create an optimal community and library facility or work environment compared to a new building. In addition, Option 4 is reliant on packaging up this proposition to the market and reaching agreement with a third-party developer, adding time, complexity and risk
    c. **Options 5 and 6:** Although these options fulfil the community's needs, by focusing new investment on a community hub, the use of the redeveloped Civic House for office use results is a less than optimal office solution as is the case under Options 3 & 4 due to the

[16] The use of the newly community facilities as decant space will increase the lead time of delivery by at least 2 years.

[17] The need of temporary decant space will add to the overall cost of the development.

[18] Replace plaster ceiling tiles/seismically restrain, remedy structural issues for Level 6 & 7, replace roof and associated works.

inherent limitations of an older building. This is likely to result in less functional and agile workspace and with Council left with more space than forecast (albeit more than forecast for a new building). Redevelopment will require staff to relocate to temporary accommodation for at least two years. The limited market for commercial office space within Nelson indicates it is unlikely Council will find suitable accommodation for 200-250 staff across a maximum of three buildings. Longer term, the location of the site has been identified as having a higher flood risk, reducing its long-term resilience to local climate change impacts.

Indicative Cost Analysis for Shortlisted Options

Assumptions

100. To inform the indicative cost of the investment decision, each shortlisted option has been further scoped and general and option-specific assumptions developed.

101. Beca has been engaged by Council to provide indicative construction cost rates for base building, fitout works, and related costs. TwentyTwo has further informed the assumptions for professional fees, contingency allowances and other projects costs to provide a total project cost estimate. This information and supporting assumptions are set out in **Appendix 4**.

102. In summary, the estimated construction costs, on an indicative square metre basis and resulting forecast capital cost used for the financial analysis are set out in **Table 4** below. These rates have also been benchmarked to known similar projects within local government, which show the rates adopted are generally in line with the costs being forecast across the sector. It is often difficult to provide a true like for like comparison as the cost analysis and assumptions for each project varies. There is also often a variation in the building area used for analysis. Further benchmarking data is still awaited and can be provided to Council in due course.

Table 4: Indicative Construction and Project Costs

Stage/Project Example		NLA[19] (m^2)	GFA[20] (m^2)	Indicative Blended Rate July 2024 (psm)[21]	Estimated Total Cost
NCC Initial Advice Stage 1 IBC[22]	Community Hub & Office	6,100		$13,000	$80M
NCC IBC Beca	**Community Hub**	**3,500**	**3,850**	**$15,300**	**$89M**
	Office	**2,500**	**2,750**	**$11,800**	
Tauranga City	Community Hub & Library		6,000	$15,500	$93M
Confidential	Community Hub & Library incl. Chambers	3,500	3,860	$13,100	$50M

[19] Net Lettable area which is the measurement basis for leasing and assessing fitout cost.

[20] Gross Floor Area which is the measurement basis for base building construction costs.

[21] Based on Beca advice October 2023 inclusive of estimating contingency, professional fees and consents. Beca advice developed from an elemental build-up of forecast costs and rates. Fitout scope benchmarked to Greater Wellington Regional Council as modest fitout example.

[22] Refer Appendix 2: Initial indicative advice July 2023 to test existing LTP funding level, based on blended rate between community and office buildings inclusive of fitout.

103. In addition, set out below is further commentary on the key assumptions and allowances for each shortlisted option.

Option 1

104. A forecast land area of 3,000m^2 has been adopted[23] on the basis:

    a. The community hub and library (3,500m^2) and office (2,500m^2) are co-located into a single building structure for economies of scale and to ensure this investment is seen as primarily community led. This is likely to mean the office areas are on the upper floors
    b. The building consists of larger inter-connected floors (~1,500 – 1,700m^2) to keep the building height within the 15m city centre limit[24] (4 – 5 floors)
    c. There is some landscaping/public space
    d. There is a provision for some limited on-site carparking (20)[25].

105. A notional land value of $1,200/m^2 has been adopted based on indicative land value rates in the city centre, regardless of whether the site is already owned by Council (and has an existing Book Value) or if acquired by Council to facilitate this solution. As there are limited large parcels of land/limited land sales and the potential need to aggregate smaller sites (involving additional cost) and demolish existing improvements and remediate, an additional allowance of $500,000 has been added to the land cost allowance. This results in an estimated land value of $4.1M.

106. The blended construction cost data from Table 4 above indicates a combined base building and fitout cost of $89M has been adopted.

Option 2

107. The forecast net rental paid to a developer for a leased single site solution relies on the same assumptions for the building as set out for Option 1. A blended rental rate has been adopted based on:

    a. An anticipated market rental for the civic office component of $575/m^2 as at 1 October 2023 (and escalated to the forecast lease commencement date) based on the indicative levels of rental TwentyTwo are seeing across other markets for similar new office developments (applied to 2,500m^2) and
    b. An uplift of this rate to $680/m^2 as at 1 October 2023 (and escalated to the forecast lease commencement date) for the community hub and library component to reflect the percentage uplift in cost as seen in the Beca construction cost advice (applied to 3,500m^2).

108. An allowance has been made for Council's capital costs to complete its fitout works, over and above the base building provided by the development partner, based on the same indicative rates provided by Beca for Option 1. Alternatively, Council could negotiate for the development partner to meet this capital cost and pay a higher rental.

[23] Final site area will depend on bulk and location planning and site characteristics.

[24] Additional building height is subject to further planning rules and consenting process which could impact on the delivery time and approvals.

[25] No allowance for basement carparking to reduce construction cost and delivery complexity.

109. In relation to Options 7 & 8 similar assumptions have been adopted where relevant to inform the two-site options, either owned or leased by Council. The forecast land value for Option 8 increases to potentially $5.5M as two sites are required, resulting in less efficiency.

Existing Council Assets

110. For the purposes of the financial analysis no allowance has been made for the realisation from the disposal of the Elma Turner Library or Civic House. Set out in the Financial Case is preliminary advice on the likely disposal value of these assets and how their sale could offset the total cost.

Civic House Redevelopment

111. While options involving the redevelopment of Civic House have not been shortlisted, given the significant investigations and previous schemes explored by Council, an updated cost assessment has been completed to upgrade the current buildings. This is based on the buildings existing use for office only as the combined requirements exceed the current space available. As noted, a full refurbishment of this nature would in fact result in more office space than forecast.

112. The extensive nature of refurbishment means that staff will need to be relocated to temporary premises involving additional costs to acquire and fitout decant sites (if they can be identified) and disruption to staff and operations for a period of two years.

113. For the purposes of this estimate, it is assumed the base building works will involve:

    a. Removal of existing plant, roofing, exterior windows, base building services, base building fitout (carpet, ceiling, lighting etc), existing toilet and existing Council Chambers and public spaces (effectively back to the original building structure)
    b. Removal of the existing office fitout
    c. Upgrade of the buildings to a seismic standard of 100% NBS IL2
    d. Upgrade of exterior including new windows
    e. Installation of new building services (air-conditioning, lighting, fire protection etc)
    f. Installation of new base building elements (carpet, ceilings, bathrooms, end of trip facilities etc).

114. In addition, Council will need to allow to fitout and setup a new workplace for Council for the forecast ~2,500m^2 or more, including workplace, public spaces, meeting rooms, café, break out spaces and new workstations, furniture and AV technology (as per the assumptions for the shortlisted options).

115. Based on advice from Beca, the forecast capital cost (as at 1 July 2024) is expected to be in the order of **$45.5M** (excluding the costs to establish and lease decant sites), comprising:

    a. Base building refurbishment: **$37.6M** plus additional decant and temporary fitout works estimated at $**5M** excluding rental costs to lease alternative premises (potentially $3- 4M over the decant set up and occupation period)
    b. Fitout: **$7.9M**

116. Subject to valuation advice on the completion value, this level of capital investment is likely to result in the over capitalisation of this asset relative to its in-use value to Council or market value

if sold with a lease in place to Council. This level of forecast capital expenditure and underlying value of the existing asset (even using the current Book Value) excluding the fitout cost is circa $50M. The value of the building for office use is limited by the notional market rental that can be achieved, which will be less than that of a new building given its inherent limitations even post refurbishment.

Comparative Analysis

117. In order to compare the options on a like-for-like basis, a simplified financial analysis has been completed. This involves:
    a. A comparative cost lens based on the aggregated financial value which includes the relative 20-year NPV cashflow for each option plus the residual asset value, for those scenarios to be owned by Council
    b. A nominal cost lens for each scenario based on:
        i. The net capital outlay Council needs to meet
        ii. The forecast year 1 operating costs payable by Council.

118. Set out in **Table 5** is the relative difference between the options. This indicates there is a slight cost difference across the options, which is likely to close as more accurate market data is obtained in due course, as is typically the case when comparing owning and leasing options over a long-term period.

Table 5: Comparative Financial Analysis (as at 1 July 2024)

	Option 1	Option 2	Option 7	Option 8
20-Year NPV	($79.7M)	($59.8M)	($72.7M)	($81.0M)
Present Value (PV) of Council Owned Asset[26]	$29.8M	-	$18.7M	$29.8M
Aggregated Financial Value	**($49.9M)**	**($59.8M)**	**($54.0M)**	**($51.2M)**

119. By comparison, the nominal capital outlay (including land acquisition costs) for each option is set out in Table 6 including the forecast capex outlay and forecast year 1 operating costs. This shows the stark contrast in capital outlay for the owned, leased and hybrid tenure solutions.

[26] Based on hypothetical value of asset at end of 20-year period present valued to 1 July 2024 using Council's current cost of capital (5.5%) as a notional capitalisation rate.

Table 6: Nominal Cost Comparison

	Option 1	Option 2	Option 7	Option 8
Total Forecast Capex Outlay including Land[27]	**$93.3M**	**$24.7M**	**$68.3M**	**$94.7M**
Year 1 Forecast Operating Costs[28]	**$0.96M**	**$5.4M**	**$2.6M**	**$0.96M**

[27] Capex outlay phased over indicative land acquisition, planning, design and construction period.

[28] Estimate of rental (where payable) and building operating expenses (rates, insurance, maintenance etc) excluding depreciation as at occupation/completion of respective option (ie mid 2029).

COMMERICAL CASE

How will the preferred solution(s) be delivered?

Procurement Strategy

120. A fully developed procurement strategy will be developed as part of a Detailed Business Case following approval of the investment decision in principle (through this IBC process) and agreement on the preferred options. The initial steps in the procurement process will help test the feasibility of the preferred options and provide the required inputs for the Detailed Business Case.

121. The procurement of a preferred solution involves **four** primary procurement pathways:

- **Pathway 1:** Acquisition of land for Option 1, Option 7 and Options 8 (two sites)
- **Pathway 2:** Procurement of consulting and design team and construction partner to deliver the Council-led solutions (Options 1, 7 and 8)
- **Pathway 3:** Procurement of commercial development partner to deliver leased solutions under Option 2 and part Option 7
- **Pathway 4:** Subsequent procurement of fitout consulting and design team and construction partner (for Options 2 and part 7) to deliver Council's fitout for these options unless Council novates this delivery to the development partner.

122. Each pathway requires its own procurement plan. It is expected that each pathway will be progressed on a staged basis as further market intelligence is revealed and key milestones reached.

Pathways 1 & 3: Land Acquisition & Commercial Partner

123. As noted, several options are reliant on Council securing an appropriate site(s) within the CBD to allow development. This may involve an existing Council owned site repurposed for development, acquiring a site from the market or entering into a land swap agreement with other parties who may have existing landholdings that are suitable.

124. Given the scarcity of land for redevelopment, initiating a market sounding/registration of interest process is likely to be the best route to solicit all options for consideration.

125. Equally the viability of some options relies on the markets interest in developing either a joint community, library and office solution for Council (Option 2) or a separate office solution (Option 7). As noted, it is expected there will be interest from within Nelson and potentially beyond to develop a solution of this nature including interest already expressed by one party. Experience from other markets indicates that a structured market sounding followed by a formal ROI and RFP process is the best way to source all potential options and to create commercial tension.

126. Given the limited size of the market, it is recommended a formal process seeks both land only and development partner/leased options to ensure all scenarios are considered. This could also extend to considering joint venture proposals where Council may have some ownership interest.

127. This would lead to an interactive procurement process, as recognised as the best way to procure solutions of this nature, with engagement and co-design of solutions with potential partners yielding the best outcomes while maintaining competitive dialogue.

128. An initial ROI or RFI process would identify a long list of:

    a. Potential land/sites in addition to Council's own portfolio

b. Potential leasing options from the market including the experience and capacity of the developer/development partner responding.

129. This initial response will allow the feasibility for both a Council led development or a leased solution with a development partner to be further tested, including further informing the current land cost and rental assumptions.

Pathways 2 & 4: Consulting & Design Team & Construction Partner

130. Concurrently with initiating Pathways 1 and 3, Council needs to procure a consultancy and design team in a limited advisory capacity initially to help further inform the viability of the options. This will include leading the market engagement process, technical due diligence on any landholdings or preferred sites and undertaking preliminary bulk and location, workplace planning and concept design and updated costing advice for any Council led solutions. This advice will similarly better inform the viability and costs for the options.

131. To procure this advice Council may extend existing engagements, use any existing panels in place for these types of services or seek proposals. It is recommended this procurement is undertaken on a staged basis as the need for a full consulting and delivery team will be subject to the outcome of the preferred options.

132. As part of this process consideration needs to also be given to engaging a construction partner. For projects of this nature, appointing a main contractor on a ECI (Early Contractor Involvement) basis is often common, particularly in a challenging construction market with price escalation and limited sub trade capacity. This type of appointment is effectively a consultancy role where Council would get access to better real time inputs on pricing, procurement strategies and programme.

133. Given the scale of the Nelson market, prior to seeking proposals for a limited ECI appointment, some informal market sounding is recommended to gauge capacity. These appointments do not typically prevent Council seeking either design build or fixed price lump sum proposals from a range of parties in due course through a separate procurement process. The best procurement approach will be further informed from this ECI advice.

Other Considerations

134. While Council has extensive experience delivering capital works projects, specialist initiatives like the proposed options often require specialist expertise. While Council can appoint consultant and design teams as outlined, it could also consider appointing a development partner (for any Council led options like Option 1, part Option 7 and Option 8) to manage the full range activity on an agreed fee basis. There are examples of other local authorities using partnering arrangements through partnering agreements to get access to expertise and to transfer some risk, while still be fully responsible for funding and long-term ownership[29].

135. In the event Council's preferred route is a leased solution in part or full (Options 2 and part Option 7) best practice procurement involves (from the ROI process) an interactive RFP process and engagement with a preferred partner, issuing a tailored brief and building performance

[29] Examples of partnering agreements include Wellington City Council (Tākina Convention Centre), Tauranga City Council (current Te Manawataki o Te Papa community and related facilities) and Northland Regional Council (redevelopment of landholdings for commercial investment).

specification (BPS), seeking comprehensive proposals and commercial terms based on a concept design package, and negotiating a Development Agreement and Lease in line with government precedents, which are very familiar to the market.

Contractual Framework: Construction

136. For those options led by Council that require the appointment of a construction partner there are a range of construction contract structures that can be established. As noted, the initial appointment of a contractor on an ECI basis may be prudent to help inform the design, critical supply chain procurement, buildability and programme.

137. The choice of a design-build, guaranteed maximum price (GMP) or a lump sum fixed price contract depends on the level of risk transferred to the contraction partner. Most recently, given the significant escalations in material and labour costs, most "tier 1" vertical construction providers have resisted the transfer of design risk, requiring most projects to be fully designed and sub trades tendered to provide price and delivery certainty. This has required the upfront expenditure for all design services before the final pricing of the project is known, with progressive quantity surveyor pricing at design milestones.

138. In the Nelson market, it is expected a similar approach will be needed with Council progressively completing design and progressively validating the cost assumptions and value manging the design as needed to keep the projects within the budget envelope.

139. Once a construction contract and pricing framework is agreed, Council will be responsible for progress payments as set out in the construction contract typically in accordance with NZS/AS 3910 or similar.

140. The same principles will apply to the fitout works associated with any of the leased solutions although there is often more scope to choose a design build partner for fitout works. Under this model, the turnkey providers that offer this solution will only contract if they are appointed for the fitout design, project management and construction.

141. The appointed consulting team, project manager, quantity surveyor and legal advisers will provide specific advice on the best contacting model in due course.

Contractual Framework: Lease

142. A leased solution will involve the negotiation of a Development Agreement (including an Agreement to Lease) and Deed of Lease in customary form for a project of this scale. It is expected a leased solution will require Council to enter into a long-term lease of at least 15 years for an office only solution and potentially 20+ years for a joint solution involving the community hub and library. The final tenure arrangements including ongoing rights of renewal are a key part of the commercial framework to be negotiated.

143. It is also anticipated the lease form will involve a "net lease" where Council would be responsible for all operating expenses including rates (unless exempt), insurance and maintenance as is typical for a commercial lease. Periodic and/or fixed rent reviews will also be a key part of the overall commercial structure.

144. Council's obligations for rental would commence on practical completion of the building and fitout works in line with accepted industry processes.

FINANCIAL CASE

What is it all going to cost? What funding is required to fund the project?

Forecast Cost

145. Based on the Economic Case, the forecast indicative costs are set out in **Table 7** below.

Table 7: Forecast Cost

	Option 1	Options 2	Option 7	Option 8
Forecast Capital Cost (as at 1 July 2024)				
Land Acquisition	($4.1M)	N/A	($2.9M)	($5.5M)
Base Building Cost	($64.5M)	N/A	($40.7M)	($64.5M)
Fitout Cost	($24.7M)	($24.7M)	($24.7M)	($24.7M)
Total	**($93.3M)**	**($24.7M)**	**($68.3M)**	**($94.7M)**
Proceeds from Existing Asset Disposal	**$10M**	**$10M**	**$10M**	**$10M**
Adjusted Total	**($83.3M)**	**($14.7M)**	**($58.3M)**	**($84.7M)**
Forecast Operating Cost (as at mid 2029)				
Year 1 Forecast Operating Costs	**($0.96M)**[30]	**($5.4M)**	**($2.6M)**	**($0.96M)**

146. While the capital costs have been escalated from October 2023 to July 2024 in line with forecast construction indices (as advised by Beca) no additional escalation is included in the outyears. Any funding included in the Long Term Plan for the preferred investment option will need to consider the impact of construction and general inflation. The forecast rental costs have been escalated to mid 2029 which has been adopted as an indicative timeframe for delivery of the preferred solution.

147. The 20-year NPV modelling (summarised in Table 5 in the Economic Case) shows the indicative whole of life cost over this 20-year period, excluding depreciation and excluding any value or cost of capital associated with the existing assets while still in use/held. The modelling also excludes any potential realisation from the disposal of existing assets as a funding source, as explained further below.

Existing Council Assets

148. To offset the forecast capital cost, Council could consider disposal of the existing assets that are obsolete and need replacement. Noting that Council has not at this stage considered any of these assets as surplus under Section 40 Public Works Act 1981, this includes:

    a. 19 Halifax Street

[30] Allowance for typical building operating expenses such as rates, insurance, maintenance, and compliance excluding energy and cleaning. This compares to an existing cost for Civic House and Elma Turner Library in the order of $1.15M per annum.

b. 23 Halifax Street
c. 27 Halifax Street (current Elma Turner Library)
d. 110 Trafalgar Street (Civic House).

149. While no valuation advice has been commissioned, it is expected at least ~$10M[31] could be realised from disposal of these assets. **Table 7** has been adjusted to reflect this notional gain to show the relative reduction in the cost of each option.

150. In addition to any opportunities to offset the cost of new investment, disposal of these sites can also support the redevelopment of the CBD in line with Investment Objective 1 if these sites result in re-use or new development. Alternatively, Council could explore a potential land swap with other land owners where viable to net Council the same outcome in effect depending on the relative value of each site.

151. A divestment or alternative use strategy is needed in due course to ensure the best commercial and city-wide outcome, including considering Council's statutory obligations for disposal of each asset noting a site-specific disposal strategy could result in a greater realisation value. Further due diligence and valuation advice will be commissioned to inform the likely realisation and best disposal process.

Funding Sources

152. In addition to Council's own capital reserves and debt funding, Council will explore if there are any regional or infrastructure grants available to support this investment.

153. The impact of the investment decision on Council debt and rates will be separately modelled.

[31] Based on adopting rateable land values for 19, 23 and 27 Halifax Street and existing Book Value for Civic House as an initial guide.

MANAGEMENT CASE

How will the project be managed to ensure success?

Governance & Project Leadership

154. A new community hub and library and developing a viable solution for Council's civic office requirements is a key strategic project for Nelson City.

155. The role of the existing Civic House Taskforce, supported by the Chief Executive and key members of the Senior Leadership Team, will be extended to provide overarching governance and leadership for this planned investment and the delivery of the preferred solution. The Taskforce will report to Elected Members and provide regular reports and updates as the various workstreams are progressed.

156. Following approval of the investment decision and inclusion of funding in the Long Term Plan, a Project Lead will be appointed by Council to provide project leadership including responsibility for managing the workstreams, engaging and managing the external consultancy team, managing stakeholder engagement and communication (including mana whenua) and reporting to the Taskforce. Further consideration needs to be given whether this appointment is from within Council's current resourcing or engaged on a contract/project specific basis.

157. The Project Lead will develop a comprehensive Project Plan and programme capturing the key workstreams and milestones needed to progress through the next phases of planning, due diligence, market engagement and technical advice building on the work completed to date by TwentyTwo, Beca and Unispace. This will include establishing an initial project budget for approval to advance through to a Detailed Business Case for the preferred solution for final approval by Council.

158. The Taskforce will report back in late February 2024 on the Project Plan, programme and project budget.

Project Plan & Workstreams

159. Ahead of this work, it is expected the key workstreams up to June 2024 will include:

    a. Project Establishment: Appointment of Project Lead, developing project plan, programme and key milestones, and appointment of key advisers and technical consultancy team needed to progress next phase of planning and due diligence
    b. Stakeholder Engagement and Communication Plan: Establishing principles and protocols for engaging with staff, community, mana whenua and key stakeholders ahead of any market engagement to ensure consistent messaging and strategic alignment
    c. Procurement Plan: Formalising the initial advice included in the business case and developing a formal procurement plan and approach for approval
    d. Due Diligence: Undertaking further due diligence on the existing assets (to inform disposal advice in due course) and the existing Council land holdings for development to more fully prepare for engaging with the market and undertaking more detailed feasibility of options
    e. Market Engagement: Initiating market sounding, ROI and RFP process to canvas market for potential land for purchase/development and for leased solutions and completing an initial evaluation to identify a preferred solution and to validate the assumptions and costs included to date. The outcome of this process and the next steps that would follow need to be further considered
    f. Detailed Business Case: Developing a second stage Business Case to obtain approval for the preferred solution.

160. These workstreams need to commence in late January in order to be able to report back to Council by mid 2024. The final timeframe for a Detailed Business Case will depending on the timing and nature of the market engagement process and outcome from this process.

APPENDIX 1

Key Findings: Initial Discovery & Engagement July 2023

Indicative Business Case **Civic Building & Community Hub/Library**

STAGE 1: PRELIMINARY FINDINGS

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INITIAL FINDINGS

BACKGROUND

- There is a history of underinvestment in city vertical infrastructure
- Implementation of long-term Council investment is often impeded by the three-year electoral cycle
- Local businesses and communities are frustrated by Council's lack of clear direction for city investment
- Outcomes of Affordable Waters and other Local Government reforms are likely to have a limited impact on Council needs, especially in the short-term

Civic Building

- The current 1970s corner building has good "structural bones" but is end of life and needs to be stripped back to the shell as part of the refurbishment
- The current work environment is a dysfunctional amalgam of buildings with teams split across multiple floors and buildings
- The inefficient layout creates a highly subdivided work environment that does not support modern workstyles and team collaboration
- Current elected member facilities and public council meeting chambers have poor public access
- Level six has been vacated due to being earthquake-prone and having a leaky roof membrane. Teams have been relocated across several premises in the CBD
- The adjacent 1950s building likely requires deconstruction
- The cost to redevelop the current civic buildings has increased significantly and is still subject to considerable risk
- The estimated cost of strengthening and repairing the roof structure is $6.0 million
- Redevelopment of the current building is not feasible without the Council vacating the premises, adding to the overall development costs

Community Hub

- The current library building is end of life and is located on land potentially susceptible to flooding and liquefaction
- The $2.3 million investment in restrengthening the library building will only extend its life for 5-10 years
- The previously projected cost of $45 million for a new library/community hub is seen as unaffordable by some members of the community if funding is entirely covered by the ratepayer
- A replacement community building was well received by other members of the community during initial consultation

COUNCIL ASPIRATIONS

- Council wants to be a catalyst for smart investment in the city and this project needs to be considered as the first part of a 30-year rejuvenation plan for the city
- The Council's Spatial Plan provides key insights into how and where investment in Nelson City can stimulate economic development
- The proposed hospital redevelopment will attract building capability into the city and will be a catalyst for city regeneration
- Council requires new offices to operate effectively and attract and retain the staff it requires
- Council wants to align any new initiatives with the government's broader sustainability and carbon-neutral targets
- Council wants new, accessible and flexible community facilities to support community engagement objectives, including public meeting rooms and multipurpose elected member facilities etc.

Opportunities

- A local investor is interested in partnering with Council to support community objectives
- Council own a number of key strategic sites that have the potential to be swapped/developed to support the proposed community and civic facilities

Challenges

- There is limited commercial property available within Nelson to provide temporary accommodation for 250+ staff across three to four sites (if redevelopment of the current facilities is preferred)
- Setting up and relocating to temporary office accommodation will impose considerable cost and disruption to Council (if redevelopment is preferred)
- Community perception of separate new Council office premises may be unfavourable

Indicative Business Case **Civic Building & Community Hub/Library**

STAGE 1: PRELIMINARY FINDINGS

Nelson City Council
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BRIEF OF REQUIREMENTS

The following space and cost estimates provide an indicative sense of scale



OFFICE FUNCTIONS

Initial space requirements of 2,200m² to 2,600m² based on:

- 275 staff
- Government Property Group (GPG) recommendation of 12m² per workpoint* (historic benchmark)
- A desk sharing ratio of 65% to 80%

There are no requirements for emergency management facilities requiring a seismic rating greater than IL2.

The building should be scoped with a 5-star, green-star rating.



ELECTED MEMBER FACILITIES

Require 300m² to 500m² of multi-purpose space based on the current public chamber size, mayor and deputy mayor offices, elected member lounge, smaller meeting rooms and public waiting areas

Located within the community hub to improve accessibility for the public



COMMUNITY HUB WITH THE LIBRARY AT ITS HEART

Require 3,200m² to 3,500m² based on the proposed new library/ community hub brief and should include the following facilities:

- Modern library facilities, including informal learning spaces and activity areas
- Multipurpose areas for functions and community and cultural activities
- Accessible and inviting for our whole community
- Revenue generating spaces and services (e.g., café and bookable rooms)
- Co-located elected member facilities including a multi-purpose conference area that can be used by the public



COMBINED CIVIC AND COMMUNITY HUB/LIBRARY

5,500m² to 6,500m²

COST INDICATIONS

Indicative benchmarks from recent similar projects (for base building and fitout):



OFFICE BUILDING

$10,000/m²



COMMUNITY HUB AND LIBRARY

$15,000/m²

(based on brief and metrics from Tauranga City Council)

Using a midpoint rate of $13,000m², the estimated cost of the combined development would be in excess of $80 million, excluding land.

Council expectations are circa $65 million in build cost for the combined civic and community facilities. This may result in the requirements or quality for the new building to be scaled back.

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POTENTIAL OPTIONS TO CONSIDER

RANGE OF OPTIONS

In our experience, robust business cases explore and evaluate a number of credible options before arriving at a recommended option. After initial discussions we have identified 6 potential options with the following dimensions:

- Functions on separate sites or together on the same site
- Council owned developments or buildings leased from the market
- Refurbished existing buildings or developed new buildings

In describing the options, we have used the following definitions:

Civic Facilities - facilities that enable Council to deliver services

Community Facilities – facilities that support community engagement and wellbeing including community hub and library, elected councillor facilities and multipurpose public meeting chambers

DISCOUNTED OPTIONS

The following options have been discounted as not being feasible:

- Options that involve demolishing the current Civic Building as it is likely to have redundant value for another use e.g., redevelopment into apartments
- Options that try to accommodate the combined requirements into the current Civic Building as there is insufficient space
- Options that involve **only** leasing the community hub/library as it is unlikely to be feasible for a developer given the limited alternative use (unless there is a private-public partnership funding model used)
- Options that require the Council's office functions to be split across multiple sites

NOTES

Any leased options could involve a PPP/Structured Finance arrangement with the asset eventually being owned by Council

Options being developed by Council could involve appointing a development partner to reduce risks

OPTIONS

Council civic and community facilities on the same site



Option 1

Council develops a new building on a Council owned site to accommodate both civic and community functions.



Option 2

Council leases a new building developed by a third party to accommodate both civic and community functions.



Option 3

Council acquires the adjacent historic building and redevelops the three buildings to accommodate civic and community functions.



Option 4

Council acquires the historic building adjacent to the current civic building then sells and leases back the three buildings to accommodate both civic and community functions.

Council and community facilities on separate sites



Option 5

Council redevelops the **existing civic building** to undertake civic functions (staff will be required to relocate to temporary accommodation for approximately 2 years) and;

Council develops and owns a new community building on a separate Council owned site.



Option 6

Council sells and leases back the **existing civic building** for development by a third party (staff will be required to relocate to temporary accommodation for approximately 2 years) and;

Council develops and owns a new community building on a separate Council owned site.



Option 7

Council leases a **new civic building** developed by a third party and; Council develops and owns a new community building on a separate Council owned site.



Option 8

Council develops a **new civic building** on a Council owned site and; Council develops a new community building on a separate Council owned site.



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STAGE 2 WORKPLAN

- Undertake site visits to explore what other organisations are doing
- Review Council owned sites suitable for development
- Confirm other potential sites suitable for development
- Undertake low-level engagement with landowners in the wider Nelson CBD area to understand other potential sites
- Meet with the Council's Finance team to discuss impacts on rates and debt
- Engage Beca to provide costing estimates and update their 2021 figures
- Develop each of the options based on information received during the engagement process
- Develop an evaluation framework based on development requirements
- Undertake financial modelling including the whole-of-life cost
- Complete financial and non-financial comparison considering the wider impacts of the development

APPENDIX 2

Project Examples from other Councils

The following table identifies Civic and Community Hub/Library developments across Local Government.

Local Council	Civic Building	Community Hub/ Library Building	Photo
Tauranga City Council		**He Puna Manawa** The Tauranga City Council Library, Heritage and Customer Service teams moved into temporary premises in the empty Goddard Centre shopping mall at 21 Devonport Road in early 2022 for approximately 3 years while a new Council library and community hub is developed. Size - 2,500 m^2 Date completed - Feb 2022	
	Civic Administration Building Willis Bond are developing Tauranga City Council's new office building at 90 Devonport Road. The Council will lease the 10,000 m^2 mass timber office building from the developer. This 6 greenstar, carbon-zero, hybrid timber building will be the largest of its type in the southern hemisphere. Size 10,000 m^2 Completion date: March 2025		
		Te Manawataki o Te Papa - Library and Community Hub The Library and Community Hub will provide library, archive, community space, and customer service functions. It will also provide a café, and kiosk providing I-Site and site wide ticketing functionality. A multipurpose facility that incorporates an integrated customer services function and provides for community activities beyond simply a traditional library. Size: 5613 m^2 Date completed: ongoing	

Local Council	Civic Building	Community Hub/ Library Building	Photo
Tauranga City Council	**Civic Whare** The purpose of the Civic Whare is to create a versatile venue that caters to Council meetings, formal ceremonies, and informal gatherings. The Civic Whare aims to be a welcoming and inclusive environment, encouraging engagement and participation from Tauranga residents of all cultures and backgrounds. Size: 581 m^2 Date Completed: 2028		
		Exhibition and Museum The Exhibition and Museum building is proposed for construction alongside the Civic Whare. It will be a draw card for the community and visitors alike with meeting, interactive and display spaces and is a critical component of the Te Manawataki O Te Papa development Size: 5,600 m^2 Date Completed: 2028	
Taupō District Council	**Civic Administration Building** Council has entered into a sale, develop and lease back arrangement with local iwi Tūwharetoa who will deliver a 2 storey seismically resilient (IL4 structure) building to bring all office functions of Council to one location. Size: 3,000m^2 Projected completion date: February 2025		

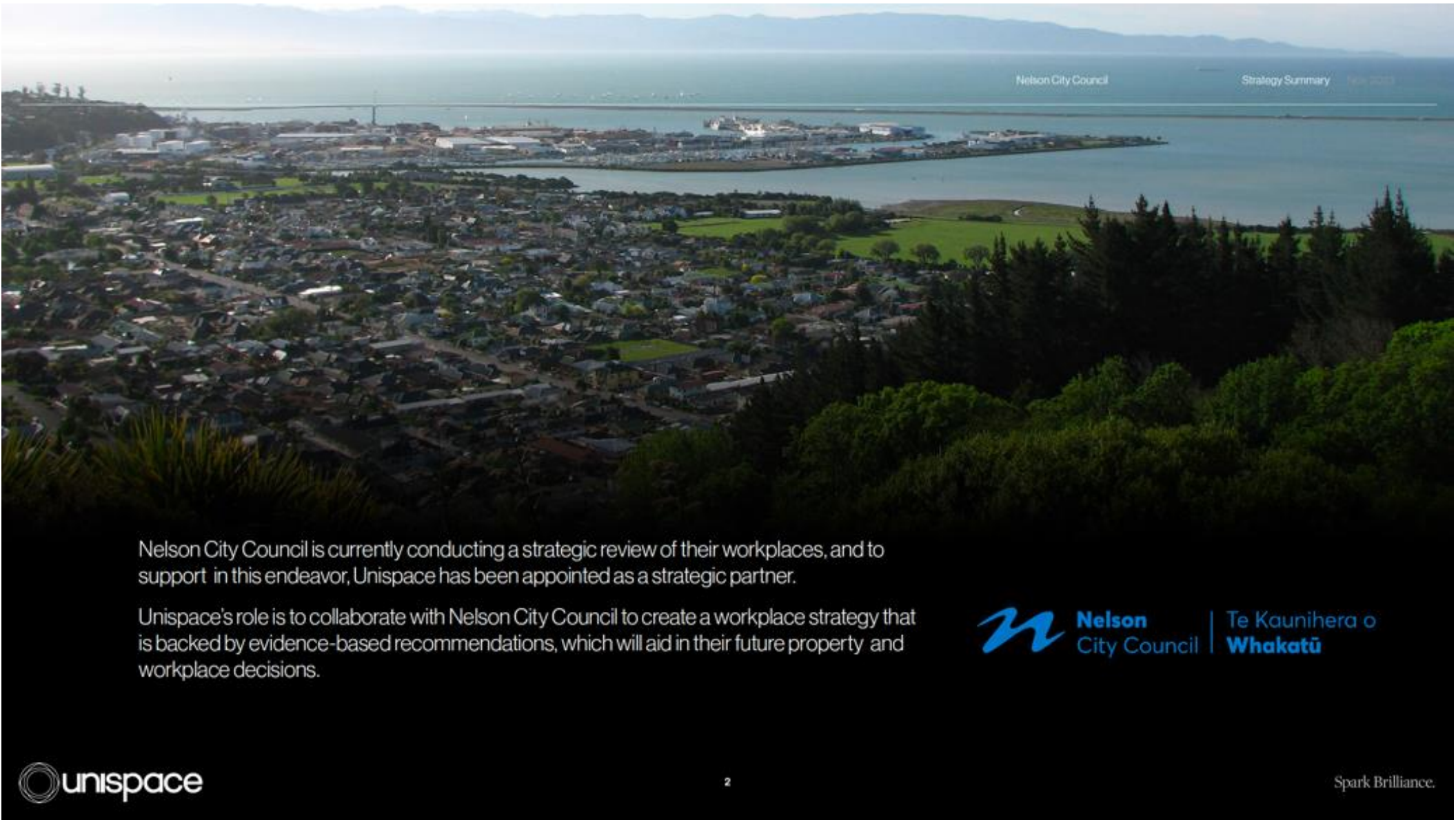
Local Council	Civic Building	Community Hub/ Library Building	Photo
Marlborough District Council		**Picton Library** Marlborough District Council elected to develop a new library and customer service centre supplying the community with modern meeting and library facilities. The new library was built adjacent to the old library which was demolished to provide green spaces. Size 540 m² Date completed: 2019	
Tasman District Council		**Motueka Library** A net zero development, the Motueka Library is twice the size of the previous premises, combining modern library functions with flexible meeting spaces. Size: 1100 m² Date completed: March 2022	
Wellington City Council		**Waitohi - Johnsonville Community Hub** Waitohi provides a focal point for the community, integrating a new Library and Community Hub, café and kindergarten together in an exciting hub. Date completed: December 2019	
Hamilton City Council		**Rototuna Library** Te Kete Aronui Rototuna Library combines traditional library offerings alongside bookable meetings spaces and onsite cafe, Size: 1600 m² Date completed: July 2023	

Local Council	Civic Building	Community Hub/ Library Building	Photo
Horowhenua District Council		**Te Awahou Nieuwe Stroom** Two museums sit side by side in a 2,000 sqm building, that is part of a Cultural Park featuring several other Māori, Dutch and pioneering attractions. Size: 2,000 m² Date completed: November 2017	
Christchurch City Council		**Tūranga** The flagship for Christchurch City Libraries, Tūranga supports 19 community, digital and mobile libraries around the city. The ground floor provides an inviting space that links through to the neighbouring Performing Arts Precinct and Convention Centre Size: 9850 m² Date completed: October 2018	
Ashburton City Council	**Te Pātaka a kā Tuhituhi and Te Waharoa a Hine Paaka** Ashburton City Council's new building will combine community and civic administration functions and act as a Civil Defence emergency operations centre, for the area. Size 3675 m² Date completed: in progress		
Whangārei District Council	**Te Iwitahi Civic Centre** It is a quality, fit-for-future building, sustainably designed to provide a welcoming, inclusive and easily accessible customer experience. It supports Whangarei District Council deliver services from a central location. Size: 7000 m² Date completed: June 2023		

APPENDIX 3

Unispace: Workplace Strategy


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Workplace Strategy Summary
Nelson City Council
November 2023



Nelson City Council is currently conducting a strategic review of their workplaces, and to support in this endeavor, Unispace has been appointed as a strategic partner.

Unispace's role is to collaborate with Nelson City Council to create a workplace strategy that is backed by evidence-based recommendations, which will aid in their future property and workplace decisions.

Nelson City Council | Te Kaunihera o Whakatū

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Agenda

01 Journey so far

02 Overview of Strategy Engagement

03 Recommendations

04 Space Budget

05 Next Steps

Executive Summary

Following discussions with our leadership and staff, the NCC has identified four key challenges. Our upcoming workplace offers a platform for re imagining work and workspace.

NCC should address these challenges with a mix of medium and long-term strategies, exploring change management and innovative pilot programme within Civic House.

Connectivity

Challenge:

The greatest challenge faced by the NCC is a lack of connectivity. From individual teams to entire teams, the current layout of Civic House is extremely compartmentalised on each floor.

Opportunity:

A future workplace for the NCC should offer excellent connectivity for all staff. In an ideal scenario, there would be fewer floors and excellent connectivity between spaces.

Fairness and Equity

Challenge:

Teams in Civic House have a lack of equity in the distribution of amenities and space.

Opportunity:

A future workplace for the NCC should offer a diverse range of spaces that equally support all teams. Space allocation and shared areas must be appropriately scaled to accommodate all staff.

Destination

Challenge:

The absence of diversity, the lack of effective meeting and collaboration areas, and the staff's lack of pride in the existing building all contribute to Civic House not enticing staff to use the office.

Opportunity:

A future workplace for NCC must have a variety of worksettings that support all workstyles including focus activities and social connection.

Responsibility

Challenge:

Investment into the workplace must reflect responsible spend of public money.

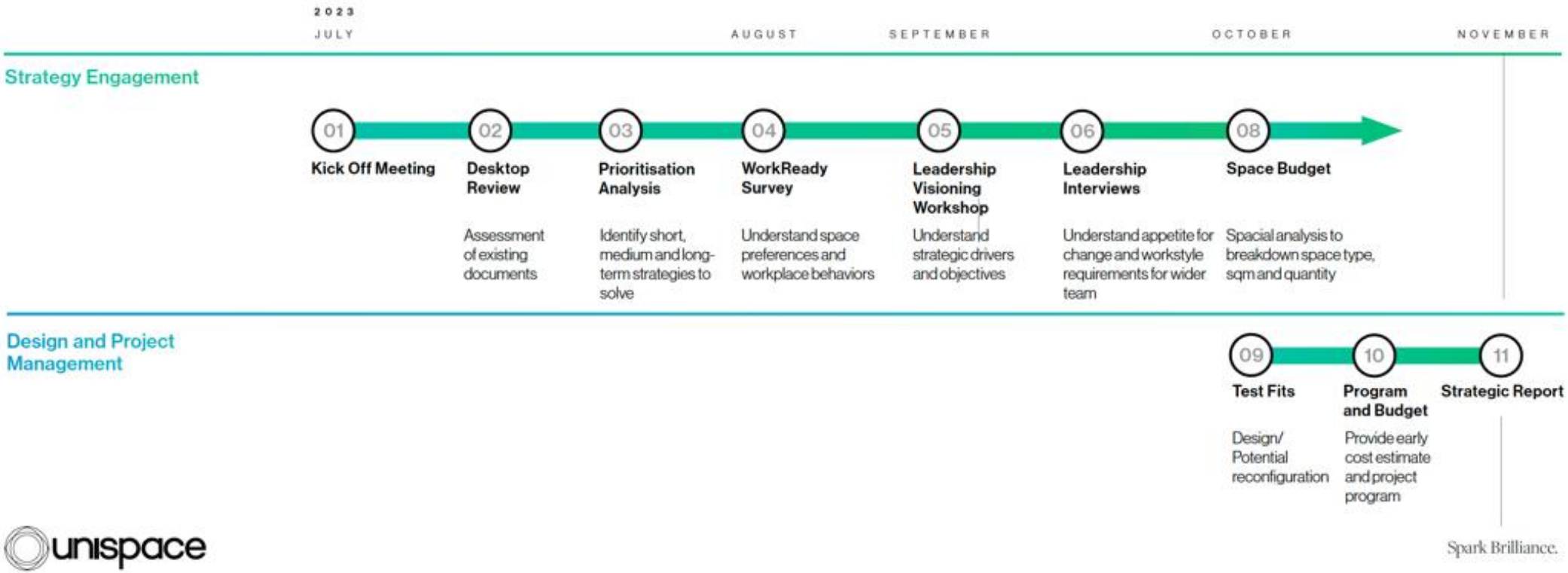
Opportunity:

A future workplace for the NCC must have a variety of spaces that support a wide range of staff, including areas for the public to connect.

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Journey so far



What we heard...

On 6 September 2023, the Nelson City Council SLT participated in a visioning workshop conducted by Unispace.

This workshop captured the staff sentiment towards the value of the workplace, workplace challenges, priorities, and critical success factors.



Key themes

Providing an enjoyable workplace that enables NCC staff to produce their best work and deliver for the community.

Areas for focus work, collaboration and socialising are key.

All business units have a 'home' in one location.'



Opportunities

Providing a variety of spaces are included to cater for a variety of work activities.

Allowing staff to continue to build connections through planned and ad hoc interactions.

Enhancing staff wellbeing by increasing natural light.

Implement a plan to enhance the workplace for the next 4-5 years.



Challenges

Budget.

Misplacement of teams across the floor plate.

"Traditional culture of planning but not doing the big stuff."

Current location.



Considerations

Making a smart, cost effective investment.

Implementation of the NCC flexible working policy.

Ensure that staff feel comfortable with hybrid working and behaviors.

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What spaces do you find most beneficial in the workplace?

Respondents identified that they get the most benefits from shared and collaborative spaces that support their team coming together.

An area to do individual work without distractions or interruptions — 76%

"Layout and flexibility to easily concentrate reducing the noise and distractions"

"Bookable quiet/private work space for focus work or online meetings"

Technology-enabled collaboration spaces — 74%

"Break out space with air and facilities for video conferencing"

"Open plan, non-allocated space with dedicated breakout collaborative spaces"

An area to relax and recharge — 68%

"More spaces to go and take a private moment to take a phone call/grab a break/take a meeting"

"A nice area to rest/ recharge after difficult work conversations"

Informal gathering space for social interaction — 57%

"A space that a team can grab a coffee together, laugh and have a chat without disturbing the rest of the team, but not floors away"

"A social area that all staff actually use like a tearoom

Brainstorming areas with whiteboards or pin-up space — 55%

"More whiteboards"

"More spaces for collaboration/brainstorming with colleagues"

What we heard...

Between the 14-22 September, Unispace interviewed members of the Nelson City Council Senior Leadership team to discuss workstyles, working behaviors and organisation and team needs within the workplace.

Interviewees:
Nigel Philpott
Andrea King
Pania Lee
Nikki Harrison
Mandy Bishop
Andrew White
Alec Louverdis

Fairness and equity

- Ensuring that everyone within the organisation has access to spaces that can enable them to do their best work
- Providing consistency in spaces across the floor plate for all business units
- Communicating the process and ensuring that staff voices are heard throughout
- Improving staff experience overall

"Equity is a key driver"

Connectivity and collaboration

- Have more seamless access to hybrid meeting technology in all meeting spaces
- Providing areas for teams to step away from individual workstations and discuss projects
- Vital to enhancing workplace culture
- Increase connection and collaboration across all business units

"We need to transition our culture to become more collaborative and flexible"

"Enabled to do our tasks without there being hurdles"

Flexibility - diversity of spaces to complete a variety of roles

- Providing a variety of spaces that allows people to perform different roles and projects
- Collaborative spaces
- Breakout spaces
- Focus spaces
- Social spaces
- Varied meeting room sizes that are technology enabled

"This project will be a success if our work environment enables us to do our best work"

Social spaces to build a sense of community

- Alignment the current cafe is not a welcoming space where staff want to spend their time and not easily accessible for all
- Creating a space that draws people in the build social connections
- Social spaces enhance a sense of teamwork
- A social area where staff can also come to relax
- Good coffee machine

"There is a lack of places for people to go and meet and have a chat"

"Relieve stress through provision of environment"

A space to be proud of that speaks to NCC values and success

- Important that staff feel heard along this journey and it is an inclusive process
- Providing a space where people are proud to bring the community, customers, family and friends
- Creating a sense of pride of the physical workplace
- Improves the ability to host and meet with the whole community

"We want people to come to the office because they are happy and want to be here"

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Strategic Workplace Objectives

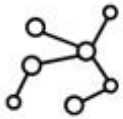
Critical Success Factors



A workplace that provides connectivity allowing Nelson City Council to deliver for the community



A 'home' for all business units



Providing a variety of spaces to enhance productivity



A destination workplace that motivates staff to come in to the office

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Recommendations



Recommendations

01
Consider a range of design scenarios to enhance Civic House

02
Rationalise storage throughout Civic House

03
Increase the diversity of workspaces across the floor plate

04
Provide a consistent technology experience throughout the organisation

05
Implement a change management framework

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Space Budget

Headcount projection

Future headcount modeling is based on the current 297 staff planned to occupy Civic House.

Sharing ratios (amount of staff per workpoints) are based on the oraganisational desire for a greater variety of worksettings and better social space to entice staff to work from the office.

Work from Office scenarios assume staff will continue work in a hybrid way with an average of 3 days in the office

Headcount modeling

	CURRENT	YR 1	YR 2	YR 3	YR 4	YR 5
Consistent Growth 1% year on year modeling	297	300	303	306	309	312

Headcount modeled

Workstyle sharing scenarios

IN THE OFFICE	LOW SHARING	PROGRESSIVE SHARING
Five days in the office	1:1	1:0.8
Four days in the office	1:1	1:0.7
Three days in the office	1:1	1:0.6
Two days in the office	1:0.6	1:0.6
One day in the office	1:0.2	1:0.4
Zero days in the office	1:0.2	1:0.0
Blended Ratio	1:0.8	1:0.6

Working from Office scenario

IN THE OFFICE	% OF STAFF
Five days in the office	15%
Four days in the office	25%
Three days in the office	25%
Two days in the office	20%
One day in the office	10%
Zero days in the office	5%
Average days in office	3

Assumption of what % of staff are attending office

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Headcount projection

Sharing ratio options are applied to both current headcount and potential future 5 year headcount (with assumed 1% growth).

Noting pre-covid typical workplace occupancy never exceeds 80% with when factors such as Annual leave, sick leave, working from other locations are taken in account.

Specialist areas such as workshops have been excluded from modeling.

Areas are net lettable, excluding toilets and base building areas.

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	OPTION ONE CURRENT HC LOW SHARING	OPTION TWO CURRENT HC PROGRESSIVE SHARING	OPTION THREE FUTURE HC LOW SHARING	OPTION FOUR FUTURE HC PROGRESSIVE SHARING
Headcount Current Civic house headcount used for future modeling	297	297	312	312
Sharing Ratio Blended ratio based on WFH and flexibility desire. Expressed as Staff:Workpoint	1:0.8	1:0.6	1:0.8	1:0.6
Primary workpoints Ergonomic worksettings including workstations, team benches, offices	240	180	252	189
Secondary workpoints Inc. touchdown spaces, collaboration spaces, focus pods, phone booths. Not including meeting rooms	48	63	50	65
Total workpoints Density per workpoint	282	243	300	254
Square meter/ workpoint Pre-Covid and Hybrid Government property group target range $12m^2$ - $16m^2$	$12m^2$	$14m^2$	$11m^2$	$14m^2$
Space Demand	$2,810\ m^2$	$2,586\ m^2$	$2,882m^2$	$2,643m^2$
Commentary	Change management required	Change management required. Highest diversity of spaces	Change management required. Accommodates more growth	Most change management required. Accommodates more growth

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Scenarios

Priorities

Early in the strategy engagement, Unispace worked with Nelson City Council to identify a list of short, medium and long term strategies to evolve the physical workplace.

Order of priority	Action
Immediate	Online/IT training / expectations on how to best communicate with each other
	Assigned vs unassigned seating/implementation of flexible working policy
Medium	Increase focus spaces
	Personal storage areas/lockers
	Availability of meeting rooms and confidential space
	Dedicated team spaces
Long term - Civic House	Meeting room technology
	Breakout and social spaces
	Kitchen facilities
Long term - New Property	Natural light
	Ventilation, temperature

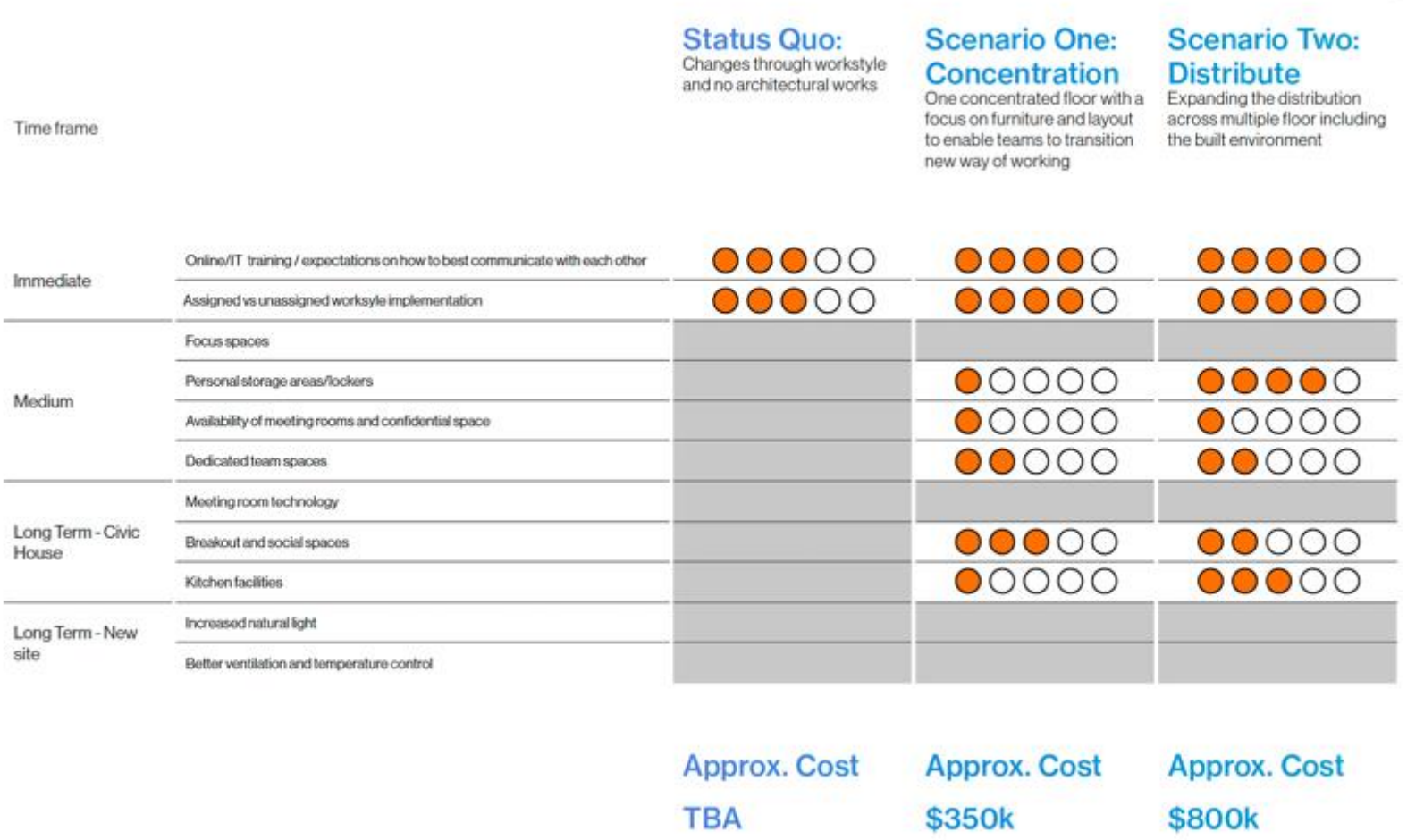
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Priorities matrix:

Based on the prioritisation matrix, two scenarios have been identified which would assist Nelson City Council in achieving its strategic objectives.

Each scenario identifies the impact each action will have on a number of key drivers.



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Scenario One: Concentrate

Based on the prioritisation matrix, two scenarios have been identified which would assist Nelson City Council in achieving its strategic objectives.

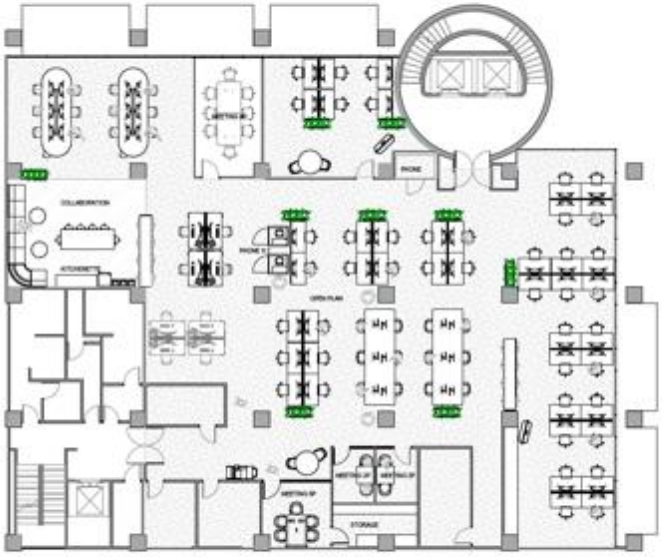
Each scenario identifies the impact each action will have on a number of key drivers.

Existing



- Demolition of two existing meeting rooms
- Reduction in desks
- Removal of old lighting

Proposed



- Revised desk layout
- New collaboration space
- Refreshed kitchenette joinery
- New collaboration area
- New focus and large meeting room
- New energy efficient lighting

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Scenario Two: Distributed

In addition to a revised layout for level one increasing collaboration and team spaces.

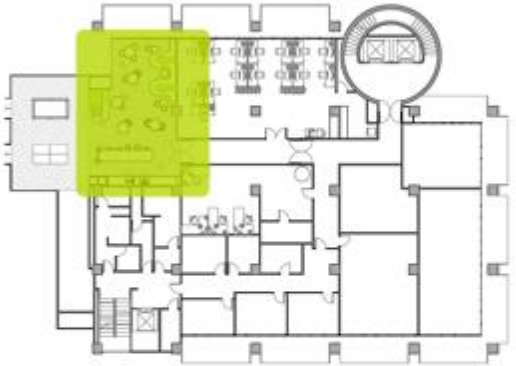
Targeted works on Levels One, Three and Four to increase Collaboration, team amenity and social spaces.

L1



- Revised desk layout
- New collaboration space
- Refreshed kitchenette joinery
- New collaboration area
- New focus and large meeting room

L3



- Refreshed staff cafe
- New kitchen joinery
- New multipurpose seating layout

L4

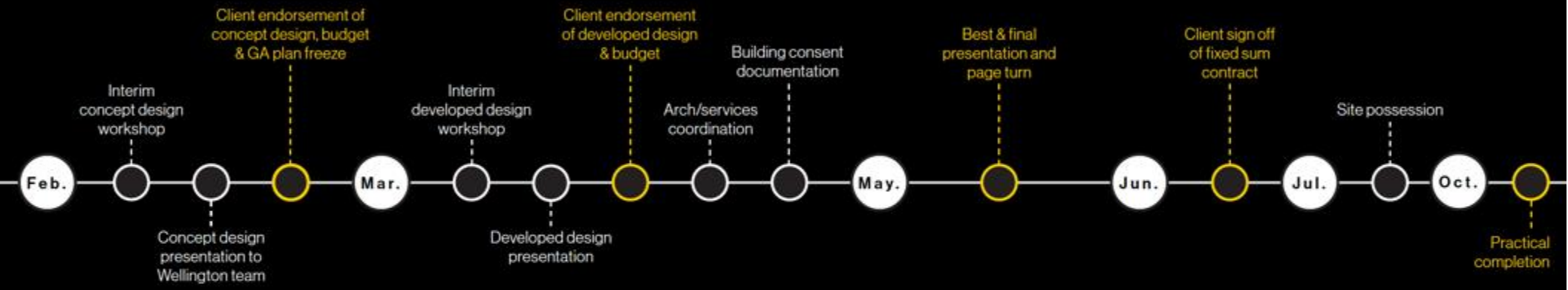


- Refreshed kitchenette joinery

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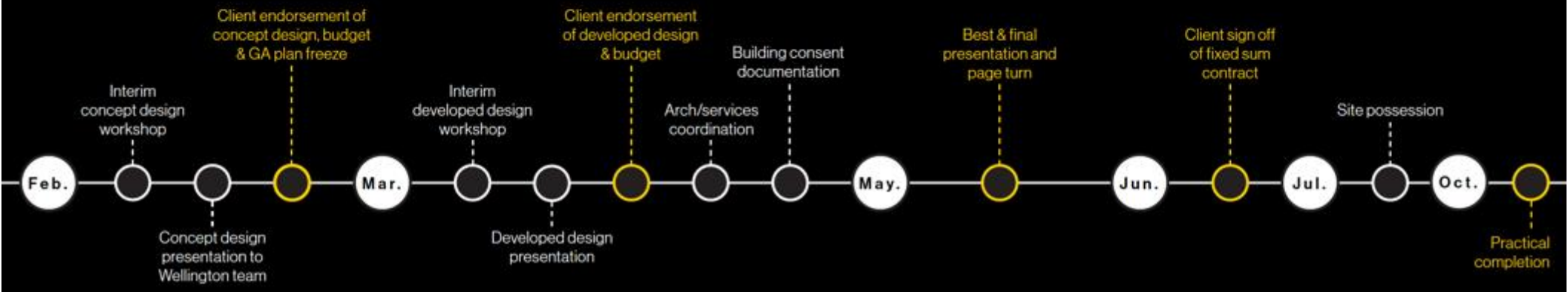
Project roadmap



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Project roadmap



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Next steps

01

Endorsement of strategic recommendations

02

Consider scenarios

03

Consider budget and programme

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Appendix

Survey Summary



Between the dates 24 August - 1 September, Nelson City Council staff participated in a WorkReady survey conducted by Unispace. This survey captured the staff sentiment towards the perception of current challenges and opportunities with workstyle and workspace

31 questions

271 Total Respondents

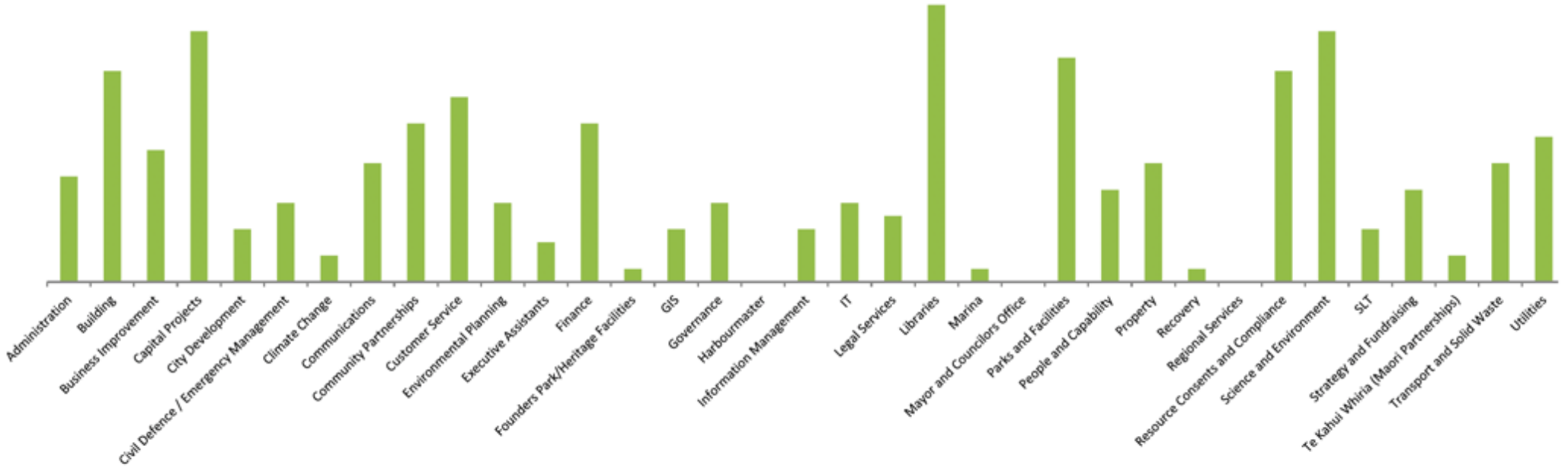
(Approximately 73% of staff)

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Demographics

Business Unit

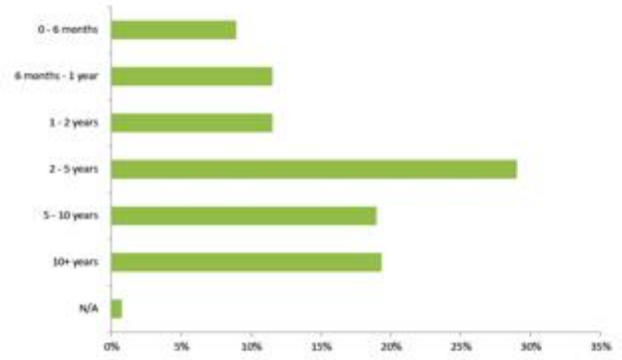


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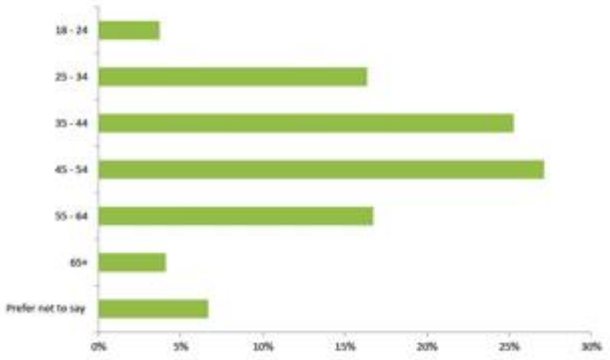
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Demographics

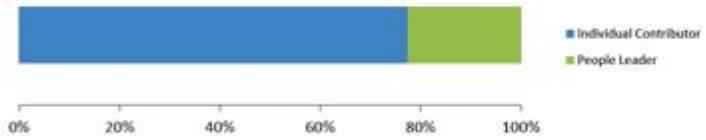
Tenure



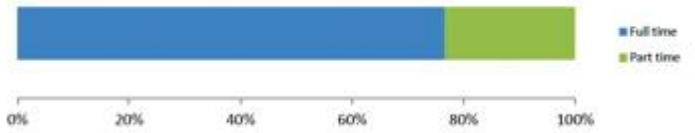
Age



Organisational Role



Employment Hours



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Benefits of the Office

89% Ease of bouncing ideas off others

82% Building social connections and professional networks

72% Being in the same physical location as my colleagues supports creativity

68% Face-to-face collaboration is more effective

64% Being included in discussions important to my professional growth

"To collaborate and connect with colleagues around the organisation. I enjoy being able to escape from my home personal space."

"Meetings with my manager are better/safer/improve communication if they are held face to face. I do enjoy association with my colleagues at Council and I like to support them when I can."

"Social connection, collaboration. I'm much more motivated at the office!"

"Interaction with the team. Mentoring and being available for quick questions from the floor. It makes me feel useful being able to problem solve in person as well as being available to problem solve."

"Connecting and interacting with my colleagues. Better opportunities to share work related information. And also non-work related conversations for camaraderie and wellbeing."

Challenges of the Office

65% Unable to concentrate at my desk due to interruptions

59% Temperature and air quality

48% Unable to concentrate at my desk due to noise

50% No space to rest / recharge / de-stress

37% Do not have the right space to collaborate

"I would like to reduce the level of noise that is associated with working in an open plan environment. If colleagues messaged to see if I was free rather than just interrupting me at my desk."

"The environment is dull and does not inspire creativity or enthusiasm for a creative communications team. There are limited break out spaces on our floor."

"The staff cafeteria is dated and could use some modernising to make it more appealing , staff prefer to eat at their desks."

"There is no team focused work area (i.e. group of desk co-located) to encourage collaboration. Less open plan with distractions/noise."

"The temperature of the office is changing all the time but more often than not, I'm absolutely freezing cold. I'm not sure how to fix this in an open plan office but that's something I would really want improved as it can be hard to focus on work when I constantly feel cold."

Flexible Working Challenges and Benefits

The identified benefits of working from home are personal and focus based (commute, balance etc.) The challenges of working remotely are team focused (connection, socialisation etc.)

Benefits of working Remotely

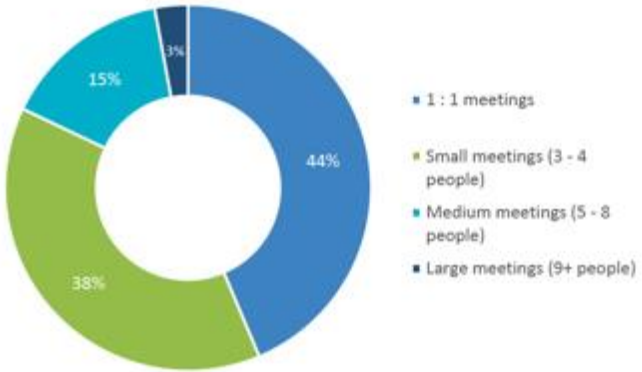
1. Reduced travel time of commuting
2. Ability to focus without distractions
3. Reduced travel cost of commuting
4. Work-life balance
5. Easier access to wellbeing activities

Challenges of working Remotely

1. Lack of team connection
2. Feeling socially disconnected
3. Limited ad hoc knowledge exchange
4. Lack of visibility to team work
5. Reduced lack of visibility to decision makers

Meeting and Activity Habits

Daily Meeting Breakdown

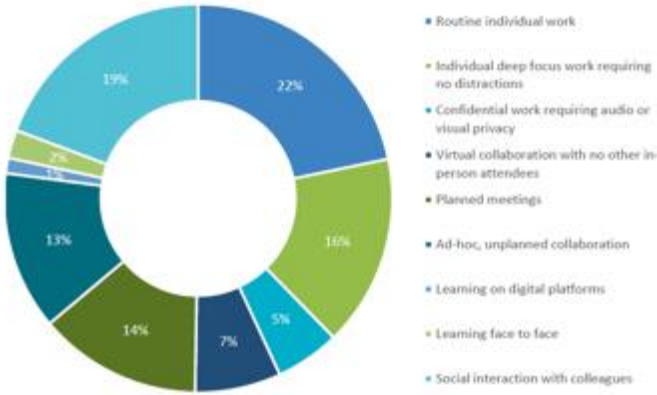


Most frequent types of meetings

1 1:1 Meetings

2 Small Meetings (3 - 4 people)

Daily Activity Breakdown



Most frequent work activities

1 Routine individual work

2 Social interaction with colleagues

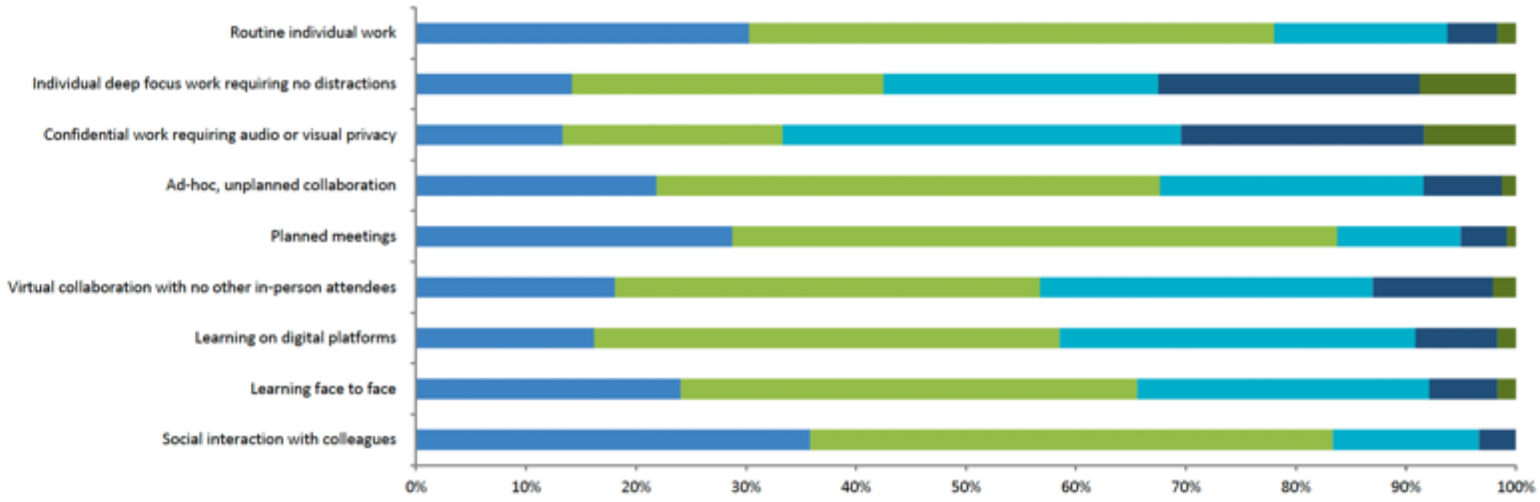
3 Individual deep focus work

4 Planned meetings

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How does the current Nelson City Council office support the following activities



Most supported activities

1 Planned meetings

2 Social interaction with colleagues

Least supported activities

1 Individual deep focus work

2 Confidential work requiring privacy

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Headcount projection

ZONE	SPACE TYPE	COUNT CATEGORY	CAPACITY	UNIT AREA (M²)	Opt 1 Current HC Low Sharing		Opt 2 Current HC Progressive Sharing		Opt 3 Future HC Low Sharing		Opt 4 Future HC Progressive Sharing	
					Qty.	Area (m²)	Qty.	Area (m²)	Qty.	Area (m²)	Qty.	Area (m²)
Problem Solving	Workstation	Primary Workpoint	1	4	238	950	178	713	250	998	187	749
Problem Solving	Focus Pod	Secondary Workpoint	1	3	12	36	12	36	13	39	13	39
Problem Solving	Focus Room / Phone Booth	Secondary Workpoint	1	4.5	12	54	15	68	13	59	16	72
Problem Solving	Leadership Office	Primary Workpoint	1	18	2	36	2	36	2	36	2	36
Innovation	Open Collaboration/Breakout	Secondary Workpoint	4	9	6	54	9	81	6	54	9	81
Innovation	Huddle Room	Tertiary Enclosed Collaboration	4	9	6	54	9	81	6	54	9	81
Innovation	Small Meeting Room	Tertiary Enclosed Collaboration	6	13.5	5	68	5	68	5	68	5	68
Innovation	Medium Meeting Room	Tertiary Enclosed Collaboration	8	27	4	108	5	135	4	108	5	135
Innovation	Large Meeting Room	Tertiary Enclosed Collaboration	12	40	2	80	2	80	2	80	2	80
Innovation	SLT Meeting	Tertiary Enclosed Collaboration	8	18	1	18	1	18	1	18	1	18
Community	Social Hub/Cafe	Tertiary Multi-Purpose	10	156	1	156	1	156	1	156	1	156
Community	Pantry/Teapoint	Other			4	54	3	41	4	54	3	41
Community	Public area	Tertiary Multi-Purpose	50	200	1	200	1	200	1	200	1	200
Community	Small Meeting - Public	Tertiary Enclosed Collaboration	4	12	2	24	2	24	2	24	2	24
Community	Large Meeting - Pulbic	Tertiary Enclosed Collaboration	8	20	2	40	2	40	2	40	2	40
Community	Councilors Lounge	Tertiary Enclosed Collaboration	8	25	1	25	1	25	1	25	1	25
Community	Council Chambers	Tertiary Multi-Purpose	20	150	1	150	1	150	1	150	1	150
Support	Comms/Server Room	Other			3	27	3	27	3	27	3	27
Support	IT Build Room	Other			1	14	1	14	1	14	1	14
Support	Print / Utility Hub	Other			5	40	4	32	5	40	4	32
Support	Security Office	Other	1	7	1	7	1	7	1	7	1	7
Storage	Lockers	Other			238	17	180	13	250	18	189	13
Storage	Laterial File Cabinets	Other			119	48	90	36	125	50	95	38
Storage	Furniture Storage	Other			1	9	1	9	1	9	1	9
Fit Factor	5% of NLA					113		104		116		107
Circulation	18% of NLA					429		395		440		403
Total Net Lettable Area						**2810**		**2586**		**2882**		**2643**

Spark Brilliance.

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APPENDIX 4

Financial Assumptions

The following assumptions have been used for the 20-Year NPV and related financial analysis.

General Assumptions

1. Community Hub and Library: 3,500m^2
2. Civic Office: 2,500m^2
3. Modelling period: 20 years
4. Modelling commencement date: 1 July 2024 to align with the date of the next LTP
5. Project delivery date: 30 June 2029 both owned and/or leased solution
6. Discount rate: 7%
7. Capitalisation Rate to assess the terminal value of any owned options: 5.5% which aligns to Council's current cost of capital and a proxy for a market cap rate
8. Market rent for the civic office: \$575/m^2 as at 1 July 2024, escalated out to the estimated date the premises are delivered in mid-2029 by 2.5% per annum
9. The market rental adopted is 'untested' and has not been determined through a traditional development feasibility model, instead through other new build projects across other markets and other RFP processes
10. To determine a 'market' rental for community facilities, the market rent for the office facilities has been escalated by 18%, being the premium in base build construction cost rates (rounded to the nearest \$5/m^2) as advised by Beca. This equates to a rental at 1 July 2024 of \$680/m^2 escalated to mid 2029
11. Rental escalations of 2.5% per annum applied to both a market leased option as well as the rentals applied when determining the terminal value of a new Council owned asset
12. Operating expenses (rates, insurance, maintenance etc) for market leased options have been assessed at \$120/m^2 as at 1 July 2024 escalated out to the date of the expected delivery
13. An additional operating expenses allowance of \$15/m^2 has been added to the options owned by Council to account for additional costs incurred by Council as owner of a building such as preventative maintenance
14. Operating expenses have been escalated at 3% per annum to reflect general inflation
15. The level of operating expenses adopted is the same for both the Community Hub and Library and Civic Office noting the slight premium referenced above for a Council-owned asset)
16. Project costs of \$250,000 have been included in model to allow for market sounding, consultants and legal fees in Year 1 of the project. No allowances have been made for fees/costs that may be incurred between November 2023 and 1 July 2024 for a detailed business case and associated advice
17. Base build and fitout rates provided by Beca are based on 2023 estimates which have been escalated to a project start date of 1 July 2024 as advised by Council. No further escalations have been included in the modelling
18. The value of Council's existing civic and library facilities has been excluded for modelling purposes as these are expected to be neutral/ the same across all four options
19. No depreciation of these existing Council owned assets or new assets have been included in the financial modelling as these are expected to be neutral across all options
20. The modelling does not take into account any proceeds from the disposal of any Council owned sites/assets however, we have commented on the potential realised sale proceeds from disposing of some Council owned assets within this IBC
21. Current operating expenses for the existing sites have not been included in the modelling as these are 'neutral' across all options
22. No allowance has been made for subtenant rental income received by Council
23. No allowance has been made for temporary/decant premises during the construction of a new facility

24. No allowance has been made for any works to existing building(s) prior to occupation of a new building(s)
25. Base build and fitout costs for options are the same regardless of whether the option is owned or leased and also whether both functions are located on the same site or are separate
26. All costs exclude GST.

Owned

1. Land acquisition costs shown in Year 1
2. Land acquisition costs of $1,200/m^2 adopted
3. Assumed a 3,000m^2 site could accommodate both the civic office and community facility. If these were separated, a 1,750m^2 site would be required for the civic office and 2,000m^2 site for the community facility subject to the specific site characteristics and planning requirements
4. A notional sum of $500,000 per site has been included as an allowance for any demolition, site preparation etc
5. Council owned options include allowance for operating expenses from the date of delivery (mid-2029).

Leased

1. For a market leased option, an allowance has been made for 20 x car park – ie 10 car parks for the community facilities and 10 car parks for the office compo
2. A market rent of $35/pcpw as at 1 July 2024 has been adopted escalated out to delivery of premises
3. The car parking rates have been escalated at 2.5% per annum in line with the escalation adopted for the premises
4. No allowance has been included for any incentive received from a development partner
5. Assumes Council enters into a lease with an initial term of 20 years.

Fitout

1. Office fitout is modest, functional space in line with Greater Wellington Regional Council fitout standard as assumed by Beca
2. Beca advice excludes fees and therefore the following allowances have been added:
    1. Professional fees (design, project management) - 15%
    2. Consents – 1%
    3. Fee risk (of professional fees and consents only) – 5%.

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