

**QLDC Council  
3 June 2015**

**Report for Agenda Item: 9**

**Department: Planning & Development**

**Gorge Road and Shotover Street Premises**

**Purpose**

- 1 To consider seismic assessment and associated legal advice on occupancy of the Gorge Road Council building, and to also consider wider office accommodation requirements in the context of this advice.

**Recommendation**

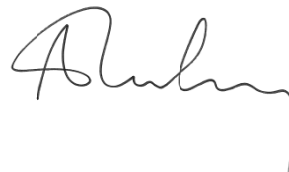
- 2 That Council:
  - a) **Note** the contents of this report (and appended reports), and in particular that:
    - i. The Gorge Road building is not “earthquake prone” but is at a low level of structural integrity, and significant remediation would not be cost-effective;
    - ii. At its present rating level it cannot continue to house certain public records or act as a civil defence headquarter;
    - iii. The Shotover Street building is not large enough to provide for operational requirements of the departments currently located there, and the landlord has indicated that he does not wish to extend the current leasing arrangements without a commitment for a longer period;
    - iv. Both buildings offer a relatively poor level of office functionality;
  - b) **Direct** Council officers to assess alternative accommodation options encompassing both Gorge Road and Shotover Street premises and report back to Council by June 2015.

Prepared by:



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6/05/2015

Reviewed and Authorised by:



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6/05/2015

## Background

- 3 After the Christchurch earthquake, reviews of Council buildings were commissioned. Initial engineering assessments were undertaken, with detailed seismic assessments completed on structures found close to or under 34% of code (under 34% being defined as “*earthquake prone*” and requiring remediation).
- 4 QLDC’s Gorge Road building has been the subject of a detailed seismic assessment by Holmes Consulting Group. Legal advice, incorporating the outcomes of this assessment and considering wider health and safety implications, has also been prepared by Lane Neave. A preliminary exercise to consider existing and alternative office occupancy costs has been prepared by Colliers.
- 5 A seismic assessment of the Shotover Street building is also being commissioned
- 6 A report was presented to the Audit & Risk Committee on 16 February 2015. The resolutions of that meeting are below:

*On the motion of Mr McLauchlan and Mr Matthews it was resolved that the Audit and Risk Committee:*

- a. *Note the contents of this report (and appended reports), and in particular that:*
    - i. *The building is incapable due to cost of significant remediation and as such cannot continue to house certain public records or act as a civil defence headquarters;*
    - ii. *The cost of alternative premises is likely to be in the range of approx. \$80,000-\$160,000 p.a.*
  - b. *Recommend to Council that Council officers are directed to assess alternative accommodation options and report back to Council by 31 March 2015.*
- 7 The Mayor sought a peer review of the engineering advice and it is included in this report. The preliminary property advice received by Colliers remains largely relevant. No additional work has yet been commissioned.

## Comment

### Summary of Engineering Advice

- 8 A detailed seismic assessment of the Gorge Road building has been undertaken by Holmes Consulting Group. This exercise was based on geotechnical investigations (including on site testing) and analysis by Tonkin & Taylor. The building is assessed as having a capacity of 35% of the Design Base Earthquake (DBE) for an Importance Level 2 (IL2) building. (An explanatory copy of “Building Importance Levels” is included in this report as Attachment F).

- 9 Peer reviews were then sought. An initial assessment was commenced by Lewis Bradford Consulting Engineers but Harrison Grierson was subsequently instructed. Both firms fundamentally endorse the approach and conclusions arrived at by Holmes Consulting Group.
- 10 A summary of the Holmes conclusions are as follows:
- Liquefaction and potential for lateral spread is the governing factor.
  - Without a significant sum (estimated at \$1million) spent on liquefaction remediation (subterranean ground strengthening), the building is unlikely to ever achieve >50% of IL2.
  - Even if remediation is undertaken, it is highly unlikely to get to IL3 and will never get to IL4.
  - Even with the land remediated, the structural works that are likely to be required to 'fix' the building itself are likely to impact on current design, and compromise the (already limited) operational aspects of the current activity.
  - There are no realistic options to move the building to 67%.<sup>1</sup>
  - As an IL2 building, QLDC is immediately required to re-address storage of critical public records and the current use of the building as an emergency management headquarters.

### Summary of Legal Advice

- 11 Legal advice has been sought which considers QLDC's obligations in light of the Holmes report. Specifically:
- a. From a building law / seismic perspective;
  - b. From a health and safety perspective, specifically its obligations to its employees, contractors and visitors.
- 12 On the first point, the advice notes that the building is not earthquake prone.
- 13 It notes further, that recent case law precludes a territorial authority from requiring any building owners upgrade to a level greater than 34% of the New Building Standard (NBS).
- 14 On the second point, the advice is that QLDC is required to take all practicable steps to ensure employees (and others) safety in the place of work. Whether a step is reasonably practicable is a balancing exercise, taking into account QLDC's current knowledge of the harm and comparing this to the costs to eliminate, isolate or minimise the harm. Current health

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<sup>1</sup> 67% is the minimum level recommended by the NZ Society for Earthquake Engineering. While it has no "official" status, this level has been adopted as an appropriate minimum rating level by a number of local councils and central government departments.

and safety legislation does not require QLDC to incur costs that are grossly disproportionate to the harm.

- 15 It is further advised that QLDC needs to consider the costs of other direct and non-direct financial costs, such as employee recruitment and retention costs, in making its own assessment.
- 16 In conclusion, the advice is that QLDC:
  - (a) *Consider whether it wishes to set an example to the local community and its staff by occupying a building that is at least 67% of the NBS.*
  - (b) *Undertake a full assessment of the total moving costs involved (including any additional on-going costs).*
  - (c) *Carry out an assessment of these costs against QLDC's total operating costs to assess proportionality in relation to the known harm.*
  - (d) *Make a final decision based on the above assessments.*
- 17 In assessing the legal risk, however, it should be noted that the recent earthquake generated considerable disquiet amongst staff, with the Gorge Rd building appearing to have had greater movement than that experienced by others in better constructed buildings. Discussions with the Holmes Consulting engineer who undertook the structural analysis subsequent to the earthquake was that the extent of lateral movement was consistent with his expectation of the building's performance in a seismic event, and it underlined his concerns with its possible performance in a more serious event.

### Financial considerations

- 18 Colliers have prepared a total occupancy cost assessment for the Gorge Road office and a comparison total occupancy cost for premises offering similar utility in Queenstown. While its rental value is assessed at \$377,760, in light of the structural issues, a more realistic approach is to assess the land value on the basis that it could be sold to a prospective developer.
- 19 The 74 Shotover Street lease expires in July 2016 and the annual lease costs are \$244,000. With 82 staff accommodated over 908m<sup>2</sup> (two floors), these offices are at absolute capacity, with no unallocated space for additional staff; visiting staff from other offices; and limited meeting space.
- 20 Colliers cannot identify an existing premise in the CBD that could accommodate all staff. They have identified that there are a number of sites in the CBD that could potentially be developed to provide suitable accommodation. They have also considered a new build scenario elsewhere in Gorge Road (further from the CBD) and an incomplete new build at Five Mile that is currently being leased.
- 21 The financial implications associated with the various scenarios are contained in the table below (outgoings are estimated in this analysis):

Comparison	Annual cost	Current premise	Annual cost difference
Existing Alternative within CBD	\$472,500	\$377,760	\$94,740
New Build - within CBD	\$540,000		\$162,240
New Build on Gorge Road	\$456,750		\$78,990
New Development Five Mile	\$504,000		\$126,240

### General office lease considerations

- 22 The current QLDC office accommodation arrangements in Queenstown are far from ideal:
- a. The split between two offices creates operational inefficiencies;
  - b. Although some improvements have been made to the layout, the Gorge Rd facility is not fit for purpose, having been established as a club and retro-fitted as office space;
  - c. Both offices are cramped with staff density at the lowest end of what is acceptable, which has had growing adverse impact on staff morale; and
  - d. Spare desk and meeting room space is very limited creating a need to find additional off-site meeting space and depriving elected members of working space for Council-related activities.
- 23 In addition, the Shotover St offices are now coming to an end of their current lease period. It had been assumed that the landlord would be happy to provide a further extension of the lease. However growing demand from alternative tenants has resulted in the landlord proposing alternative arrangements to QLDC, namely:
- a. extending the level 1 (58 staff) lease from July 2016 only; and
  - b. leasing space at a Church street location to accommodate the remaining 24 Shotover street staff.
- 24 It is also noted that the current office space provided at the Queenstown Events Centre is at absolute capacity with no space available for incoming staff filling current vacancies.
- 25 These considerations (relative lack of adequate and functional office space, and the expiration of the Shotover Street lease), reinforce the desirability to identify whether there are alternative cost-effective options for providing Council services in Queenstown, including accommodating staff and elected members and suitable public facilities.

### **Options**

- 26 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:

- 27 Option 1 Do nothing and remain in the existing Gorge Road offices.

**Advantages:**

No additional costs incurred.

**Disadvantages:**

The building is at the minimum level of earthquake safety. It cannot continue to house public records or act as a centre for emergency management. Operationally, the building is not fit for purpose and given its construction, there have been serious concerns expressed as to how the building would perform in an earthquake.

- 28 Option 2 Assess alternative options for alternative accommodation for Gorge Road.

**Advantages:**

Will provide the information required for informed decision making on the future of the Gorge Road building.

**Disadvantages:**

Some modest costs associated with investigating alternative options.

- 29 Option 3 Assess alternative options accommodating both Gorge Road and Shotover Street staff into a single premises.

**Advantages:**

Will provide the information required for informed decision making on the future accommodation requirements of the entire organisation in Queenstown.

**Disadvantages:**

Some modest costs associated with investigating alternative options.

- 30 It is recommended that Option 3 is adopted by the Council, because:

- a. The additional costs may not be significant and no additional cost will be incurred by the Council unless and until suitable alternatives are identified and assessed;
- b. There is a reputational risk in not at least pursuing alternative accommodation options when some structural risk has been identified;
- c. There are potential benefits in improving working facilities for elected members and staff, and a single point of access to the Council services for the public.

### ***Significance and Engagement***

- 31 The proposed course of action is one of further inquiry only and does not raise any thresholds requiring consultation.

### ***Risk***

- 32 This matter relates to the strategic risk SR7 Capacity for Emergency Response. It also relates to the operational risks OR004 Serious Injury to Member of the Community, OR016 Staff Not Appropriately Resourced, OR018 Serious Injury to Staff Whilst Performing Contracted Duties, as documented in the Council's risk register.

### **Financial Implications**

- 33 The proposed course of action is one of further inquiry only. The costs likely to be incurred are modest and can be met from existing budget allocations.

### **Council Policies, Strategies and Bylaws**

- 34 No policies or strategies are directly applicable to this matter.

### **Local Government Act (LGA) 2002 Purpose Provisions**

- 35 The proposed action is one of internal administration to which the LGA purpose provision is not directly relevant.

### **Consultation: Community Views and Preferences**

- 36 Aside from discussions and formal reports from experts, there has been no wider consultation on this issue.

### **Publicity**

- 37 No media statement or public communication is proposed.

### **Attachments (Presented separately)**

- A Holmes Consulting Structural Assessment
- B Colliers appraisal and alternative scenarios
- C Lane Neave legal advice (**legally privileged and not included in the public agenda**)
- D Harrison Grierson Peer Review
- E Lewis Bradford Seismic Assessment Peer Review
- F NZ Building Code Building Importance Levels