

QLDC Council
10 October 2019

Report for Agenda Item | Rīpoata mot e Rāraki take : 8

Department: Property & Infrastructure

Title | Taitara Transfer of Glenorchy and Kingston Fire Stations to Fire and Emergency New Zealand and issuing of new ground leases

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

The purpose of this report is to consider whether to transfer ownership of the Glenorchy and Kingston Fire Station improvements/buildings to Fire and Emergency New Zealand, to approve the surrender of the current building leases and to grant new ground leases.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report;
2. **Agree** to transfer ownership of the Glenorchy and Kingston Fire Station improvements to Fire and Emergency New Zealand at nil consideration; and
3. **Approve** the surrender of the current building leases; and
4. **Approve** new ground leases being granted to Fire and Emergency New Zealand over Section 11 Block XIV (in Glenorchy) and the building footprint of Lot 1 Section 15 Block I Kingston subject to the following conditions:

Commencement	TBC
Term	Three (3) Years
Renewals	2 of 3 years each
Rent	Pursuant to Community Facility Funding Policy (\$1 per annum at commencement)
Reviews	N/A
Use	Training, offices, storage and meetings related to fire and emergency services. No commercial use allowed.
Operational costs	All rates and charges associated with the land to be paid for by lessee

Assignment/Sublease	With Council approval apart from a sublease to St John for the ambulance storage in the Glenorchy building which must be granted at a fee that covers occupation costs of that portion of the building only.
Liability Insurance	\$2 million
Expiry Conditions	Improvements to revert to Council ownership with no compensation payable
Break Clause	Council can give 5-years cancellation notice if the land is required for the ‘provision of core infrastructure services’
Maintenance	All maintenance of the building and lease area including gardening and tree maintenance/removal to be paid for by lessee. The Council reserves the right to request a tree maintenance plan from the lessee during the term of the lease
Other Conditions	Lessee to take on the buildings on an ‘as is, where is’ basis with no warranty to their condition

5. **Delegate** the signing of associated asset transfer, lease surrender and agreeing final terms of the new ground leases to the General Manager, Property and Infrastructure.

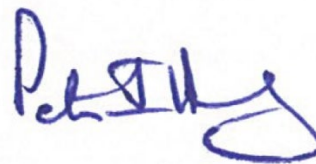
Prepared by:



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Property Advisor – APL Property

24/09/2019

Reviewed and Authorised by:



Pete Hansby
GM Property & Infrastructure

24/09/2019

CONTEXT | HORPOAKI

- 1 Prior to 2014, Council was responsible for the delivery of rural fire services. Fire stations were built in Glenorchy in 1997 and in Kingston in 1994 on Council land. We have no record of whether the construction was funded by Council or the community via the Volunteer Fire Brigades, but Council has managed and maintained the buildings as Council assets. An upgrade and extension of the Kingston station undertaken in 2010 was funded by the community.
- 2 In 2014 the Otago Rural Fire Authority (ORFA) was established and took over delivery of rural fire services in Glenorchy and Kingston. In 2015, Council granted leases for the two stations to ORFA.
- 3 In July 2017, the Government established Fire and Emergency New Zealand (FENZ). FENZ then became responsible for rural fire management and the Glenorchy and Kingston leases transferred to them.
- 4 The leases were granted for ten years from 1 June 2015, with one right of renewal for a further ten years. Pursuant to the Community Facility Pricing Policy, there is no rent payable. The Lessee is responsible for keeping the premises in “good repair, order and condition” but that excludes “fair wear and tear and any damage caused by flood, fire or storm”. That means that Council is responsible to maintain the buildings apart from damage caused by the Lessee.
- 5 FENZ are seeking the transfer of the improvements/buildings (but not the land) to their ownership. They would then be responsible for maintaining the buildings and would be able to alter and upgrade them to suit their needs. Altering the building footprint would require Council’s approval as Lessor. If approved, the previous leases would need to be surrendered and new ground leases granted instead.
- 6 The land concerned is Section 11 Block XIV in Glenorchy and approximately 332 square metres (the building footprint) of Lot 1 Section 15 Block I Kingston. Both blocks of land are freehold (not classified as reserve).
- 7 Council has the Kingston Station on its asset register at a value of \$8,166 as at March 2019, but the Glenorchy station is not listed on the asset register. Photographs of the stations are included as attachment 1.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 8 The two fire stations are in reasonably good condition, but the current leases run for another 16 years and so quite a bit of general maintenance and redecorating will be needed in that time. That would currently be at Council’s cost. FENZ would also like some flexibility to upgrade and change the buildings to suit their changing needs. They would currently require Council’s approval to undertake such work, but also it is difficult for them to fund upgrades to a building that they don’t own.

- 9 The small garage attached to the fire station is occupied by St John ambulance vehicles and equipment. FENZ have agreed that they would organise a sub-lease to St John at a reasonable cost.
- 10 There is no intention to transfer the land to FENZ – it will remain in Council ownership. If the buildings are transferred, Council will need to grant ground leases to FENZ. The suggested terms and conditions are as follows:

Commencement	TBC
Term	3 Years
Renewals	2 of 3 years each
Rent	Pursuant to Community Facility Funding Policy (\$1 per annum at commencement)
Reviews	N/A
Use	Training, offices, storage and meetings related to fire and emergency services. No commercial use allowed.
Operational costs	All rates and charges associated with the land to be paid for by lessee
Assignment/Sublease	With Council approval. A sublease to be granted to St John for the ambulance storage in the Glenorchy building at a fee that covers occupation costs of that portion of the building only.
Liability Insurance	\$2 million
Expiry Conditions	Improvements to revert to Council ownership with no compensation payable
Break Clause	Council can give 5-years cancellation notice if the land is required for the ‘provision of core infrastructure services’
Maintenance	All maintenance of the building and lease area including gardening and tree maintenance/removal to be paid for by lessee. The Council reserves the right to request a tree maintenance plan from the lessee during the term of the lease

Other Conditions

Lessee to take on the buildings on an ‘as is, where is’ basis with no warranty to their condition

11 Given that the total asset value is low, and the potential cost over time could be significant, a transfer of the assets would be beneficial to Council. The only real value remains in the land which is to be retained.

12 Option 1 To transfer the Glenorchy and Kingston Fire Station buildings to FENZ at nil consideration, approve the surrender of the existing lease and approve the proposed new ground leases.

Advantages:

13 Removes a future maintenance liability.

14 Gives FENZ better ability to use the buildings to deliver fire and emergency services in Glenorchy and Kingston.

Disadvantages:

15 Council will “write-off” the asset value of around \$8,000.

16 Option 2 Agree to transfer the Fire Station buildings at Glenorchy and Kingston to FENZ at an assessed market value, approve the surrender of the current lease and approve the proposed new grounds leases.

Advantages:

17 Council will recover its asset value.

18 Gives FENZ better ability to use the buildings to deliver fire and emergency services in Glenorchy and Kingston.

Disadvantages:

19 FENZ do not have funding to purchase the buildings and likely would not proceed, which could result in a future maintenance liability for Council.

20 Option 3 Not agree to transfer the Fire Station buildings at Glenorchy and Kingston and for the current building leases to remain in place.

Advantages:

21 Council will not lose its asset value.

Disadvantages:

22 Council will incur future maintenance liabilities.

- 23 FENZ will not have the flexibility to amend the buildings to suit their use and ability to deliver fire and emergency services in Glenorchy and Kingston.
- 24 This report recommends **Option 1** for addressing the matter because it will reduce a future Council maintenance liability while assisting with the delivery of fire and emergency services in Glenorchy and Kingston.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 25 This matter is of medium significance, as determined by reference to the [Council's Significance and Engagement Policy](#) because it involves divestment of Council non-strategic assets.
- 26 The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community.

> MĀORI CONSULTATION | IWI RŪNANGA

- 27 The Council has not undertaken any consultation outside of FENZ. Consultation with the Community Associations in Kingston and Glenorchy could be undertaken prior to transfer.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 28 This matter relates to the Community & Wellbeing risk category. It is associated with RISK00009 – ineffective management of community assets within the [QLDC Risk Register](#). This risk has been assessed as having a High inherent risk rating.
- 29 The approval of the recommended option will support the Council by allowing us to transfer the risk. This shall be achieved by transferring maintenance and management of the fire station buildings to FENZ.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 30 The recommendation will result in writing off an asset value from the Asset Register in the 2019-2020 year but will then avoid potential maintenance costs in future years.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

- 31 The following Council policies, strategies and bylaws were considered:
- Community Facility pricing Policy
- 32 The recommended option is consistent with the principles set out in the named policy/policies.
- 33 This matter is not included in the Ten Year Plan/Annual Plan but does not have any impact on it.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

34 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by assisting FENZ to deliver rural fire services in the most effective and efficient way;
- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

- A Plans of proposed lease areas
- B Photographs of the Kingston and Glenorchy fire stations