

MEETING: KAIKOHE-HOKIANGA COMMUNITY BOARD
28 JUNE 2016

Name of item: RAD BUILDING - REPAIRS AND MAINTENANCE

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Date of report: 23 May 2016

Document number: A1724322

Executive Summary

The purpose of the report is to seek a recommendation from the Kaikohe-Hokianga Community Board in response to the Rawene and Districts Community Development Inc list of three (3) conditions on the Renewal of the lease of the Rawene Service Centre for a further three (3) years. The listed conditions from RAD are:

- for Council to waive payment for rent, rates, insurance and fire safety inspections;
- for Council to bring the building up to a suitable standard;
- and for Council to refit the building including alterations to the interior layout.

Recommendation

THAT the Kaikohe-Hokianga Community Board decline the request from Rawene and Districts Community Development Inc (RAD) for Council to waive payment for rent, rates, insurance and fire safety inspections;

AND THAT the lease of part of the Rawene Service Centre with RAD is renewed for a further three (3) years as per the terms of the original 2010 Deed of Lease, the 2013 Variation to the payment of Outgoings, and the rent increased by the compounded Consumer Price Index percentage for the previous term;

AND THAT the Repair and Maintenance issues identified to bring the building to an acceptable standard, that are not covered under the Second Schedule - Outgoings in the Lease Agreement, are prioritised, with those deemed to be required are spread over the 2016/17 and 2017/18 Financial Year;

AND THAT Council will revisit the request for a revised internal fit-out against other community requirements as part of the 2019/20 Annual Plan review.

1) Background

Rawene and Districts Community Development Inc (RAD) lease 180 (one hundred and eighty) square metres (more or less) of the building known as the Rawene Service Centre, 11 Parnell Street, Rawene. The lease commenced on 1 January 2010 with an initial term of three years and two Rights of Renewal by the tenant of three years each, with the first right to renew exercised in 2013.

On the basis that RAD could sub-let all or part of the leased premises and collect and keep the income of such sub-letting, the annual rent for the premises was agreed at \$3,900.00 plus GST for the initial term. It was further agreed that on each lease renewal, the rent would automatically increase by the combined Consumer Price Index for the previous term.

the lease was renewed and the annual rent increased to \$4,163.04 plus GST. At the same time, it was agreed that some of the fixed Outgoings (Insurance, Fire Alarm inspections and Rates) would be added to the monthly rent payments, with incidentals invoiced as they fall due. As a result, payments by RAD for Rent and Outgoings increased to \$5,890.64 plus GST per annum. No further invoices for incidental Outgoings have been issued during the second term of the lease.

On 18 November 2015, RAD wrote to the Kaikohe-Hokianga Community Board indicating they wish to renew the lease subject to three conditions:

- a) Council waiving payment for rent, rates, insurance and fire safety inspections;
- b) Council bringing the building up to a suitable standard (i.e. the building is uninsulated, damp, musty, hot in summer, cold in winter, the strong room not ventilated, the hot water system and kitchen are inadequate);
- c) Council refit the building including alterations to the interior layout to make it more suitable for community purposes.

2) Discussion and options

a) The renewal clause of the lease is clear on both the terms and the rent for the renewed term:

“The renewed lease will be on the same terms as this lease”

“The annual rent payable from the beginning of each Renewal Term will be increased by the combined annual Consumer Price Index increase for the previous term.

To agree to a waiver of rent, rates, insurance and fire safety inspections, could set a precedent for other community organisations to demand the same. For instance, the Kaitaia People Centre leases space from Council in the former museum building on South Road, Kaitaia at a commercial rate of \$85 plus GST per square metre. They provide similar community services and also sub-let office/meeting room space to groups and organizations.

b) District Facilities Technical Officers have recently had the facility assessed by a local builder and he has identified a number of issues in regards to building maintenance.

These issues range from urgent to non-urgent and will need to be prioritised to fit within available budgets for this facility over the coming years.

Current estimates for Repairs and Maintenance and Renewals, as indicated by the builder are:

Repairs and Maintenance	=	\$ 6,679.00
Renewals	=	\$13,040.00

For the Financial Year 2016/17, the available budget for Repairs and Maintenance on all Kaikohe-Hokianga Community buildings is estimated to be \$10,000.00 (ten thousand dollars) and yet to be confirmed by adoption of the 2016/17 Annual Plan.

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a landlord to refit the interior of leased premises to suit the tenant without being compensated financially for such a refit by way of increased rent. The "current" and "proposed" floor plans provided by RAD for the refit are detailed in *Attachment 2*. The internal changes are substantial and likely to be costly.

In the Long Term Plan, there is provision for \$300,000.00 (three hundred thousand dollars) Renewal funding for this facility in the Financial Year 2019/2020.

The decision to pay for all or part of this refit could be considered as part of the renewal funding in the 2019/20 Financial Year.

It should be noted that on 31 December 2018 the nine (9) year lease with RAD expires and Council is free to lease the premises to other parties or determine a different or more appropriate use for the building (e.g. increased car parking for the adjoining hall, incorporating a stage for performances over summer has been mooted).

3) Financial implications and budgetary provision

a) To waive the payment for rent would mean a decrease in income to Council over the third lease term of \$12,770.19 plus GST (based on a rent increase of 2.2% CPI or \$91.59 p/a).

To waive the payment for rates, insurance and fire safety inspections would mean a cost to Council over the third lease term of approximately \$6,122.34 (based on current rates, insurance and fire safety inspection costs).

b) Repair and Maintenance work totalling \$19,719.00 plus GST could be prioritised and spread over the 2016/17 and 2017/18 Financial Years, provided Annual Plan budgets are set and approved.

c) The full cost of the proposed internal refit of the building has not yet been determined. The decision for Council to pay all or part of it, should be made as part of the \$300,000.00 (three hundred thousand dollars) Renewal funding budget 2019/20.

4) Reason for the recommendation

a) The Renewal clause of the 2010 Deed of Lease is clear on both the terms and the rent for the renewed term.

To agree to a waiver of rent, rates, insurance and fire safety inspections could set a precedent for other community organizations to demand the same.

The Long Term Plan 2015-25 (page 341, priority 3) states: "Ensure that Council secures best value from property holdings and office accommodation by: Continuing to ensure an economic return on properties available for lease or rental by commercial or other users."

b) Spreading the Repair and Maintenance work over two years would enable funding from operational budgets.

c) The full cost of the proposed internal refit of the building should be determined and the
\$30

Group

Full consideration has been given to the provisions of the Local Government Act

Attachment 1: Lease Schedule of Outgoings - Document number A1728697

Attachment 2: Lease Schedule of Outgoings - Document number A1728697

- a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
- b) Assess the options in terms of their advantages and disadvantages; and
- c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.

2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Relationship with existing policies and Community outcomes.	Policy # 5003 – Community Facilities / Community Halls
Possible implications for the relationship of Māori and their culture and traditions with their ancestral land, water, site, waahi tapu, valued flora and fauna, and other taonga.	Nil
Views or preferences of persons likely to be affected by, or to have an interest in the matter, including persons with disabilities, children and older persons.	This report is seeking the Board's view
Does the issue, proposal, decision or other matter have a high degree of significance or engagement as determined under the Council's Policy #2124?	No
If the matter has a Community rather than a District wide relevance has the Community Board's views been sought?	Community Relevance
Financial Implications and Budgetary Provision. Management Information Manager review	The outcome of the recommendation may impact on income, operating expenses and capital funding and these have been identified in the report. The

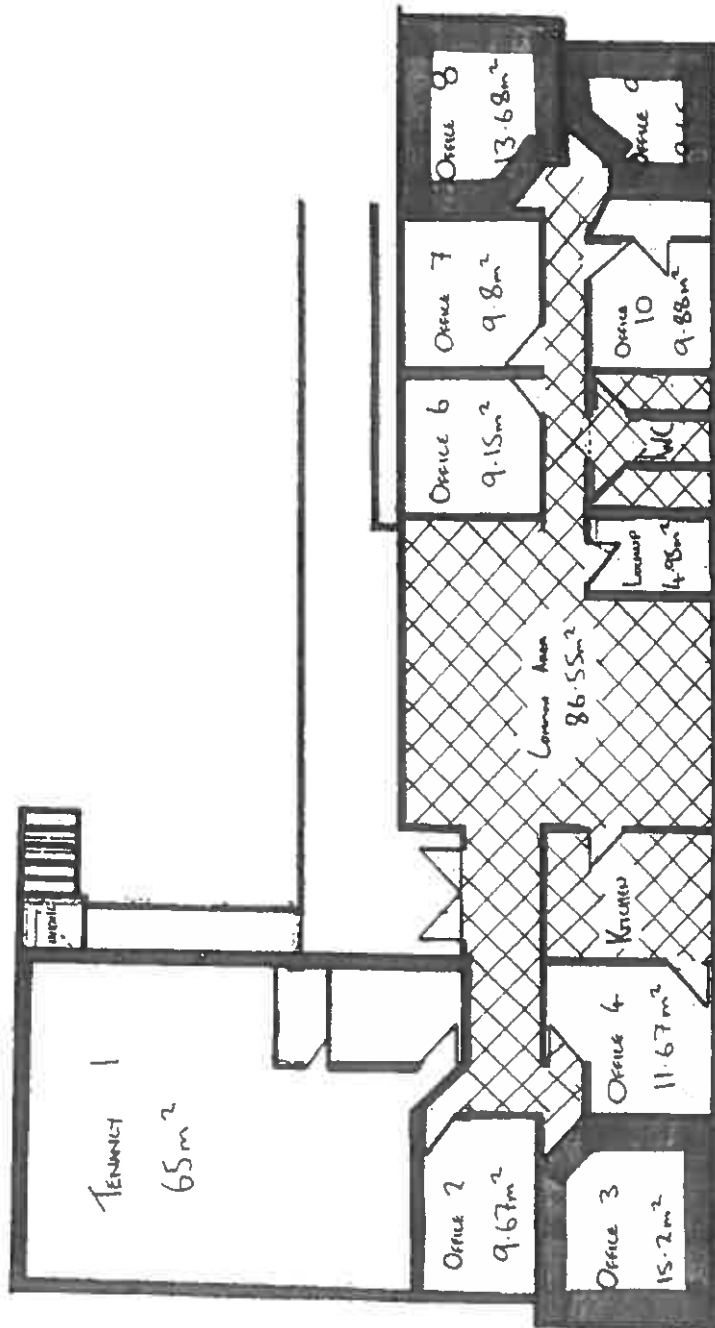
SECOND SCHEDULE
Outgoings

1. All rates, charges, levies, assessments, duties, impositions and fees from time to time payable by the Lessor to any Authority relating to the Building irrespective of its ownership.
2. All charges for and costs relating to the supply of electricity, telephones, gas, water, sewage, drainage, rubbish collection and other utilities and services supplied to the Building.
3. All premiums, valuation fees and other sums payable by the Lessor for all insurance policies on the Building.
4. All costs incurred in complying with the requirements contained in any Compliance Schedule relating to Systems and Features provided in the Building and in obtaining an annual Warrant of Fitness for the Building.
5. All costs of maintaining and servicing fire detection and fire fighting equipment.
6. All costs of painting, repairing and maintaining the roof and exterior of the Building.
7. All costs of repairing and maintaining any gardens, yards, driveways, parking areas and other sealed areas adjoining the Building.
8. All costs of providing consumable supplies for toilets and other common facilities.

DCW
SR
M.P.

Current floor plan

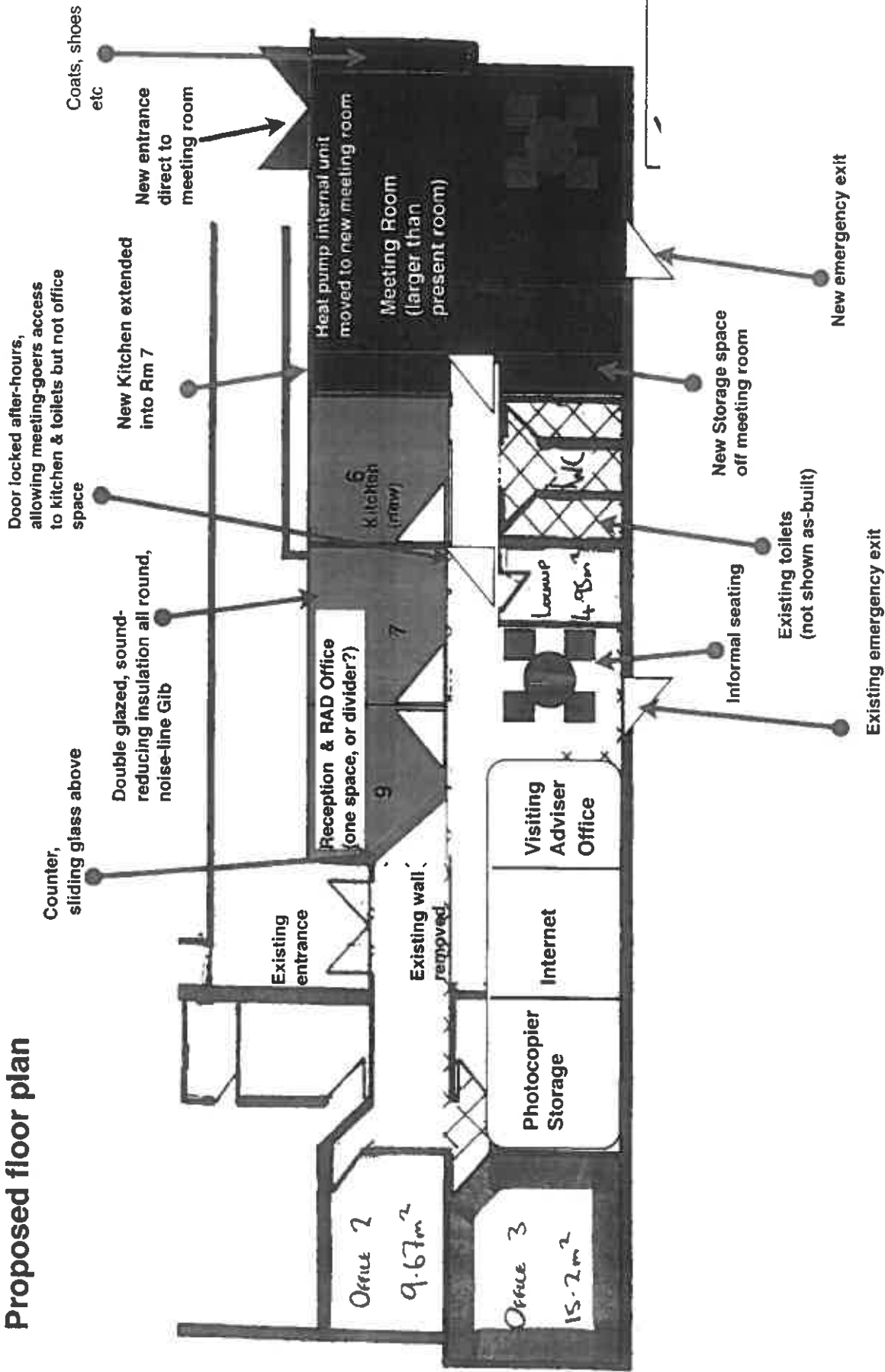
RAWENE SERVICE CENTRE



TOTAL TENANT 2 = 180 m²
 TOTAL TENANT 1 = 65 m²
 TOTAL AREA = 245 m²

TENANT 2
 Common Area 86.55m²
 Offices 6+ 93.45m²

Proposed floor plan





3.0 CONFIRMATION OF PREVIOUS MINUTES

Agenda item 3.0, document number A1730670, pages 1-10 refers.

Reason for the resolution
To confirm the minutes of the previous Kaikohe-Hokianga Community Board as a true and correct record of the previous meeting.

Resolved Stephens/Clarke

THAT the minutes of the Kaikohe-Hokianga Community Board meeting held on 17 May 2016 be confirmed as a true and correct record.

Carried

Member Schollum recorded his vote against the motion.

The Chairperson requested that Member Schollum leave the meeting for a period of ten minutes.

The meeting adjourned at 10:29 am and Member Schollum departed the meeting.

The meeting reconvened at 11:00 am.

4.0 SPEAKERS

Representative from Kaikohe Business Association spoke to the funding application, agenda item 7.4 refers.

Attendance: Member Schollum rejoined the meeting at 11:12 am.

5.0 INFRASTRUCTURE AND ASSET MANAGEMENT GROUP

5.1. RAD Building Repairs and Maintenance

Agenda item 5.1, document number A1724322, pages 11-17 refers.

Reason for the resolution
Following a discussion during the public forum at the commencement of the 28 June 2016 meeting, Board members felt that further discussions needed to take place with the Rawene Districts Community Development Inc and staff.

Resolved Stephens/Clarke

THAT the report entitled "RAD Building Repairs and Maintenance" dated 23 May be left to lie on the table to enable the Kaikohe-Hokianga Community Board to undertake an advocacy role;

AND THAT a report be provided back to the Board providing further information to a future Board meeting.

Vote by Division

<u>For</u>	<u>Against</u>
Stephens	Schoillum
Clarke	Beadle
Evans	
Toorenburg	

Carried

