

13.1 SWDC OFFICE ACCOMMODATION UPDATE**Author:** Matt Vins, Manager, Corporate Support**Authoriser:** Paul Gardner, Group Manager, Corporate Services**File Number:** N/A

The Council is satisfied that, pursuant to s48(1)(a)(i) of the *Local Government Official Information and Meetings Act 1987*, the information to be received, discussed or considered in relation to this agenda item is:

- s7(2)(b)(ii) the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

PURPOSE

To provide *councillors/members* an update on options to manage the Council's office accommodation following the previous report to the Strategy Working Committee (SWC).

EXECUTIVE SUMMARY

- This report provides an update on the work done to date to review the state of 19 Kitchener Street, Martinborough office and set out future options to resolve ongoing and historic issues with regards to the Council's corporate accommodation. It highlights deterioration of the office space and ongoing risk to staff health and safety.
- It provides responses to issues and queries raised by Councillors at the 4 September Strategy Working Committee with regards to alternate options to explore. These responses are designed to help inform future decisions and support Councillors to provide a steer on the long-term approach to the Council's office accommodation.
- It sets out the recommended next steps, including considerations around procuring external support, to conduct a high-level multi criteria analysis (MCA) of options. The intention of this work is to provide a recommended option to Councillors for decision at a later date.
- It also notes the timescales with regards to the Long-Term-Plan and the importance of being able to determine high-level capital figures for input into this process in November.

RECOMMENDATIONS

That *the Strategy Working Committee*

1. Note the updated report and the continued risk to staff health and safety at the 19 Kitchener Street, Martinborough office site.
2. Note that early work on high-level optioneering in-house suggests a preference for Option 2 or 3.
3. Approve an unbudgeted spend of up to [REDACTED] to work with Morrison Low on options using a multi-criteria analysis approach.

4. Determine whether to immediately remove the mould in the men's toilets at a cost of over [REDACTED] (including GST) as an operational unbudgeted expense, or to resolve this issue as part of the long-term option for the Council's office accommodation, whilst noting the ongoing risk and impact to staff in the interim.
5. Note that the Long-Term-Plan timetable requires input of high-level spend forecasts in November 2024.

BACKGROUND

A report was presented to the Strategy Working Committee (SWC) on 4 September. This outlined significant and ongoing issues at the Council's main office site – 19 Kitchener Street – and requested Councillors provide a steer on long-term options. It highlighted ongoing triage work which had been done to try and mitigate issues, but noted these were no longer sufficient and a long-term solution was required.

In summary, issues raised included:

- Mould throughout the building
- Asbestos not having had a required survey and management plan
- Lack of physical separation at reception
- Structural issues included ongoing leaks through electrical conduits
- Poor quality work environment
- Multi-sites impacting service delivery

Following 4 September SWC, the interim solution put in place to try and manage the mould in the men's toilets has now been stopped following feedback it was not suitable for ongoing treatment. As a result, access to the men's toilet has been prohibited again and there is now only one available toilet for all male staff at 19 Kitchener Street. External contractors were approached to price up full removal of this mould which will, at a minimum, require removal of parts of a wall and re-piping. The quote for this work is over [REDACTED] (including GST), as an operational unbudgeted expense, with around [REDACTED] being for specialised mould removal. Ideally this work would have waited until a long-term solution had been agreed but the risk to staff health and safety means this work is required as soon as possible. Councillors are asked to decide whether to carry out this work immediately, or to resolve the issue as part of the long-term option for the Council's office accommodation – whilst noting the ongoing risk and impact to staff in the interim.

4 SEPTEMBER SWC COMMENTS AND FEEDBACK

At the 4 September SWC, Councillors fed back in support of protecting staff health and safety, whilst ensuring any long-term option limited impact to ratepayers. There was general support for Options 1 (as an interim measure), 2 and 4. There was further feedback and comments to consider additional options – the update on progress against these is captured below:

Alternate Built Council Assets

Councillors queried whether there were other Council assets which could be used for its corporate office accommodation. A review of Council built assets returned four sites that had the potential

square metre space of above 500sqm (the 19 Kitchener Street site is around 670sqm and ideally the Council would require 750sqm+ for a single-site office):

- Martinborough Town Hall & Waihinga Centre
- Anzac & Kiwi Halls Featherston
- South Wai Sports Stadium
- Greytown Town Hall

All other assets were deemed unsuitable due to size. Of the above, the only option considered as having the potential to meet the Council's office space requirement without having significant impact on other community services is the Greytown Town Hall. However, there are a range of challenges with transforming this into the Council's main office accommodation which include:

- Strengthening – the building is already undergoing works to address floor settlement issues.
- Mezzanine Floor – to achieve the necessary floor space it is expected a mezzanine floor would be required. This is likely to require further strengthening requirements and adds cost.
- Greytown Library – this would need to be relocated.
- Community Use – the WBS Room is rented out for use by various community groups
- Parking – Limited onsite parking for fleet and staff vehicles.

As a result, at this stage the Greytown Town Hall is not regarded as a preferred option ahead of refurbishing the 19 Kitchener Street, Martinborough site.

External Funding Opportunities

Potential external funding opportunities were considered to support the refurbishment of the 19 Kitchener Street, Martinborough site. The suggested funding pots were the Lottery Communities Facilities Fund, and the Lottery Environment and Heritage Fund – both of which re-open in January 2025 for bids.

Feedback from the Department of Internal Affairs has advised that it is unlikely the Council would be a strong applicant for these Funds – as these support projects which are primarily for community driven spaces, rather than Council headquarters. Given the local heritage listing of 19 Kitchener Street, as an early example of earthquake-proof building in the Wairarapa, there is still potential to explore the Lottery Environment and Heritage Fund. It is intended that the Council submits bids into both these funds given the ongoing risks to the 19 Kitchener Street building, its importance to the South Wairarapa Community and its locally listed heritage status, however it is not likely to be successful and any option should not rely on this funding.

DISCUSSION

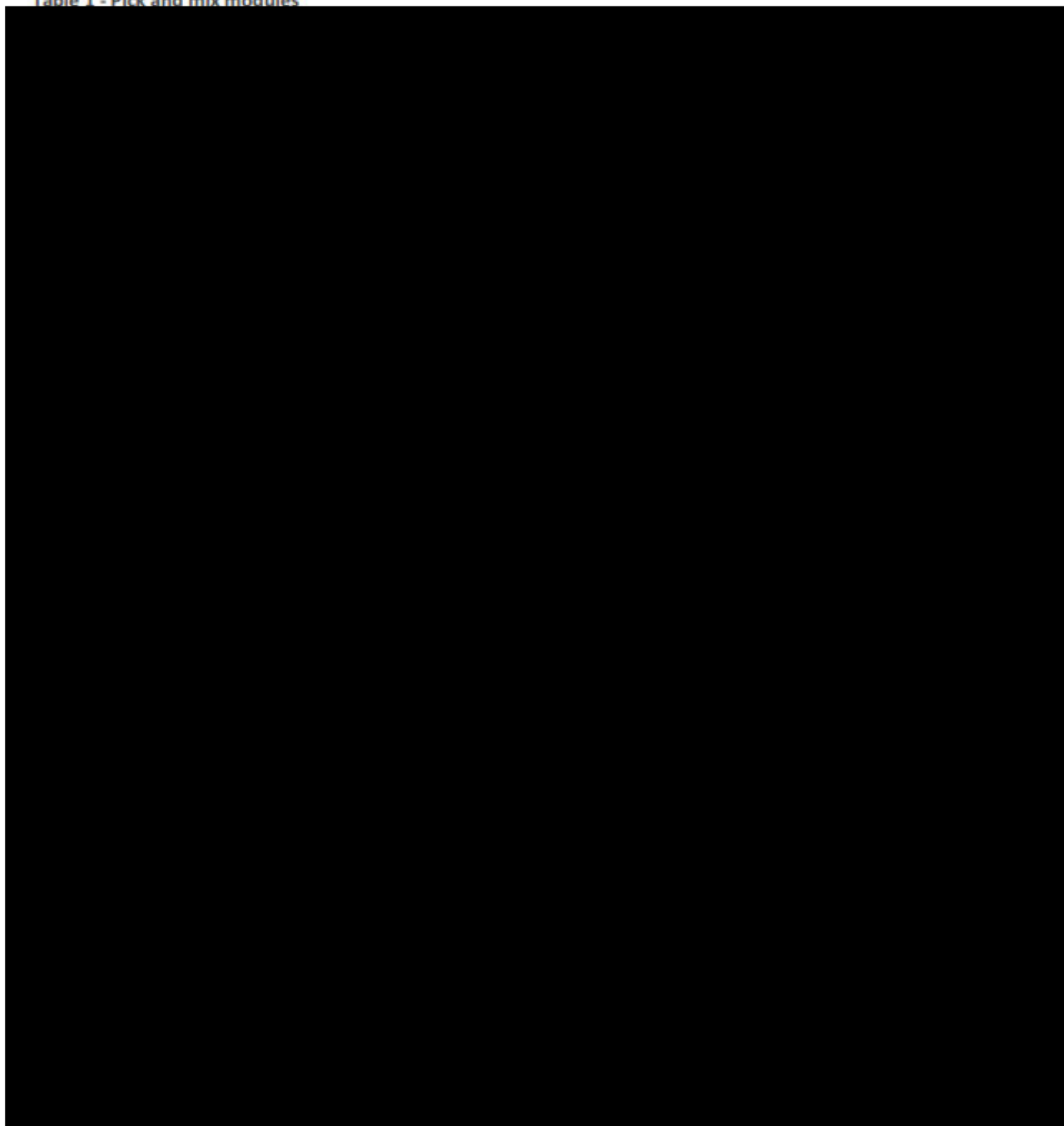
Councillors are requested to review and feedback on next steps to progress the main options as presented at SWC on 4 September. Further consideration has been given to these to support Councillors' thinking. The table below provides high-level thoughts and (very) indicative costs associated with the physical delivery of each option and associated impact on operational costs (rates). Should Councillors seek more detailed information regarding options, external support will be required. To note, these costs do not include any expenditure associated with optioneering and business case development.

Option	Summary	Detail	CapEx Cost	Net OpEx Cost pa	Pros	Issues
Option 1	Do Minimum	Installation of security doors at reception. Replace one section of roof. Ongoing short-term treatments of issues.			Limited disruption. Likely discretionary exemption for building code.	Ongoing issues likely to continue to increase. Ongoing costs likely to increase. Increasing risk to staff health and safety. Increasing risk of disruption to the business. Ongoing non-compliance with building code. Does not improve staff working conditions.
Option 2	Basic Refurbishment	Resolve long-term issues and improve the condition of the office space. Operate within the existing structure's footprint. Fully replace the roof. Full refurb of Reception Basic refurb of office space.			Resolves most ongoing issues. Reduces risk to staff health and safety. Reduces risk of disruption to the business. Improvements to compliance with the building code. Improves staff working conditions. Modest productivity gains.	Modest cost. Disruption during refurbishment. Does not increase capacity so a 'one-site' Council is unlikely. Requires continued lease of Greytown space.
Option 3	Basic Refurbishment + Extension	Resolve long-term issues and improves the condition of the office space. Extension of approximately 80-100sqm to the front of the building. Fully replace the roof. Basic refurb of office space.			Resolves ongoing issues. Reduces risk to staff health and safety. Reduces risk of disruption to the business. Improvements to compliance with the building code. Improves staff working conditions. Productivity gains. Modest increase to capacity (+10) may allow for a 'one-site' Council. Possible to exit Greytown lease.	Initial cost. Disruption during refurbishment. Fleet parking space may be an issue. Heritage Listing may impact process.
Option 4a	New Building - Build	Resolves long-term issues and improves the condition of the office space. Provides 750sqm+ of office space and associated parking Significant planning, designing and build phase - will require Option 1 in the interim.			Resolves ongoing issues. Reduces risk to staff health and safety. Reduces risk of disruption to the business. Full compliance with the building code. Improves staff working conditions. Productivity gains. Allows for a 'one-site' Council. Possible to exit Greytown lease. Potential to sell 19 Kitchener Street for	Significant initial cost. Significant ongoing cost to service debt. Significant timeframe to plan, design and build phase. Requires Option 1 in the interim which increases cost and risk to staff in the interim. Timeframe to find suitable site. Council needs likely to change shortly after build (3-5 years)
Option 4b	New Building - Lease	Third-party builds the site to lease back to Council. Resolves long-term issues and improves the condition of the office space. Provides 750sqm+ of office space and associated parking Significant planning, designing and build phase - will require Option 1 in the interim.			Resolves ongoing issues. Reduces risk to staff health and safety. Reduces risk of disruption to the business. Full compliance with the building code. Improves staff working conditions. Productivity gains. Allows for a 'one-site' Council. Possible to exit Greytown lease. Potential to sell 19 Kitchener Street for	Significant ongoing cost directly applied to rates. Cost to 'fit out' the new office space Significant timeframe to plan, design and build phase. Requires Option 1 in the interim which increases cost and risk to staff in the interim. Timeframe to find suitable site. Council needs likely to change shortly after build (3-5 years) Likely to require 30+ year lease - question if the market would consider this.

Whilst thoughts and (very) indicative figures can be assigned to each option in-house, further detail on reviewing and assessing these options requires external support. The level of this support is flexible, from relatively minor investment, to [REDACTED] for a full business case alone. The type of support is also dependent on the scale of potential works – with the option ‘build new’ requiring far more pre-work to justify the spend.

At Appendix 1 is a proposal from Morrison Low which provides more detail around these potential costs associated with optioneering. Each intervention is ‘modular’ in that the Council does not require doing all of them and can pick and choose what support it requires. It is important to note that the fees and costs listed do not include any quantity surveying or formal cost estimation for the identified options – the Council would need to engage a separate contractor for this work at additional cost should it be required. A summary of the optioneering support costs is shown below:

Table 1 - Pick and mix modules



In summary, early thinking suggests the best long-term options are Option 2 and 3. Rationale for this is summarised below:

- Option 1 – provides no long-term solution and ongoing and increasing risks to staff.
- Option 2 – Focuses on the key H&S aspects of the roof replacement and reception to resolve fundamental issues with modest spend and impact on ratepayers.
- Option 3 - Focuses on the key H&S aspects of the roof replacement and reception to resolve fundamental issues with modest spend and impact on ratepayers. Extension to allow for exit from the Greytown lease is likely to provide positive medium/long-term impact to rates.
- Option 4a – significant cost and build time. Requires Option 1 in the interim and significant unknown Council requirements impacts this. Potential to sell 19 Kitchener Street for [REDACTED] to offset some of the cost.
- Option 4b – significant build time and direct cost to ratepayers through the lease. Requires Option 1 in the interim and significant unknown Council requirements may mean no appetite to build this from the market. Early exit from any lease is likely to have significant financial impact on Council. Potential to sell 19 Kitchener Street for [REDACTED] to offset debt or initial lease payments.

Consideration should also be given to retained value as part of a refurbishment. Whilst it is unlikely to return a net positive value, a market valuation of the site from February 2024, captured at Appendix 2, demonstrates a [REDACTED] refurbishment could provide a [REDACTED] increase to the sites value. This further supports Option 2 or 3. It is important to note, within the market valuation document, it states the expectation that the roof would be watertight – and therefore any investment in the roof is unlikely to raise the value of the site.

In terms of budget, the following is already within the agreed Annual Plan to support next steps and therefore has no further impact to rates:

- [REDACTED] CapEx for Martinborough Corporate Office Updates in 2024-25
- [REDACTED] CapEx for Corporate Offices in 2024-25
- [REDACTED] OpEx for Staff Office – Options Analysis 2025-26
- [REDACTED] OpEx for Staff Office – Business Case Options 2026-27

Councillors are recommended to consider this, feedback their thoughts and consider next steps with regards to external support to provide more detailed optioneering ahead of determining a preferred option.

COMPLIANCE SCHEDULE

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - 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.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	This is a matter of low significance.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the Long Term Plan) that relate to this decision.	This report complies with n/a.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	There are no direct implications for Māori.
Chief Financial Officer review	The Chief Financial Officer has reviewed this report. The report has direct financial implications given the direction by Councillors will determine the next steps around optioneering and therefore cost. The report requests [REDACTED] budget to proceed with options analysis (which is unbudgeted in the current financial year), and potentially a further [REDACTED] of unbudgeted spend to remove the mould in the men's toilets. The report does not commit Councillors to a specific option, instead, it seeks to receive Councillor feedback on the approach to options analysis, and business casing, before a full option is developed.
State the possible implications for health and safety	The existing office space has significant health and safety issues. These were highlighted at the 4 September SWC. Delay in progressing a long-term solution with regards to the Council's office space increases the risk to staff health and safety.

APPENDICES

Appendix 1 [REDACTED]

Appendix 2 [REDACTED]