2. DUE DILIGENCE REPORT OF CIVIC ACCOMMODATION BUSINESS CASE

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	1710275
Reporting Officer/s & Unit:	Darran Gillies, Strategic Programmes Manager Alix Burke, Strategic Programme Coordinator

2.1 Purpose of Report

To report on a robust due diligence process that ensures that the preferred option of Officer Accommodation Business Case continues to be the best course of action for council. This includes making sure that the work enables the best possible outcomes of the public-facing component of the programme, primarily the implementation of the design and construction of Te Aka - Library and Council Chambers.

Officer's Recommendation

The Prosperous Napier Committee:

a. **Receive** The Due Diligence Report of the Civic Accommodation Business Case

b. **Approve** option 5a from the Civic Accommodation Business Case – The NCC lead Redevelopment of the library to be the preferred option within the LTP consultation; and to proceed into the next stages of the programme of work to support that option.

2.2 Background Summary

On 21 September 2023, the Future Napier Committee endorsed the Civic Accommodation Business Case and approved that Officers progress due diligence development of preferred Option 2, as set out in the business case: NCC sells the ex-Library Tower for redevelopment and leases space back for NCC's own long-term occupation, with appropriate reporting back to Council.

Council also endorsed the Civic Accommodation Project Delivery Plan with the inclusion of Council decision-making gateways on the preferred option.

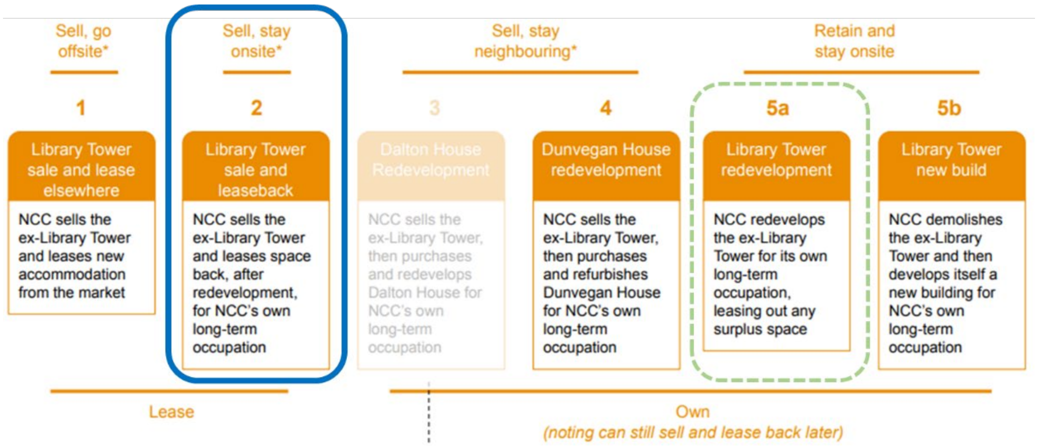
The due diligence entailed a wide range of areas. This included:

- Planning and Legal Obligations
- Structural
- Building Services
- Architectural Workplace Requirements
- Comparison between a new build and refurbishment option based on dues diligence information providing updated Quantity Survey estimates.
- Environmental Impact assumptions
- Whole of life cost comparison between the preferred business case option (2) and NCC owned and lead option (5a)

- An update of the Business Case assumptions, risks and opportunities.
- Consultation requirements

Summary of Preferred Option

The business case recommended option 2 where NCC sells the ex-Library Tower and leases back part of a redeveloped site for NCC's long-term occupation as the preferred option. Scoring highest on both the best outcomes score and the best value for money score.

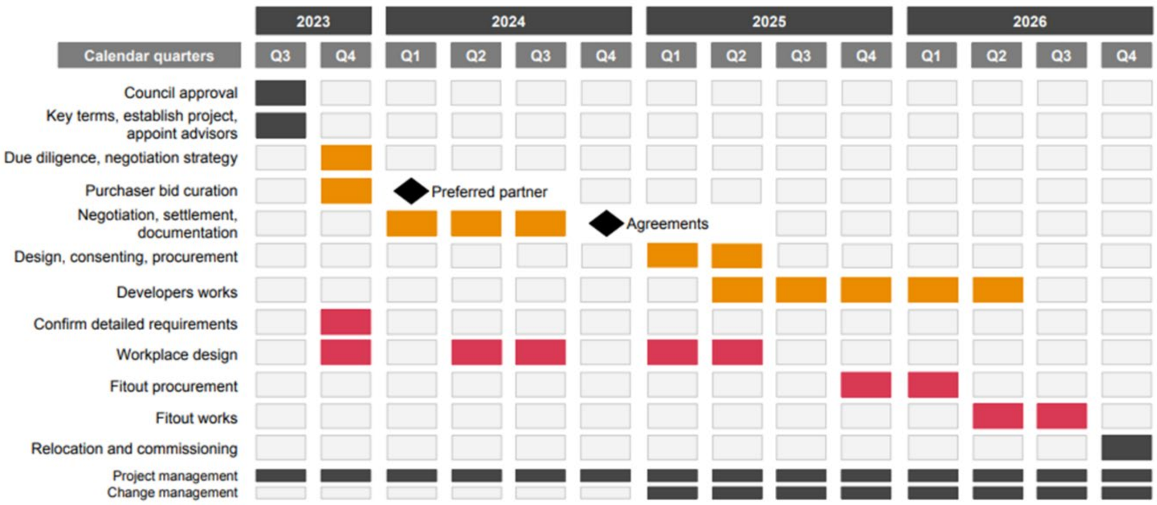


Key Assumptions

- Assumes a developer will likely demolish the building and construct new as the current library tower will cost $58+ million to refurbish.
- Complimentary relationship but no shared opportunities and efficiencies with Te Aka
- That the building and site is not a strategic asset, reducing the need for public Consultation.
- That a 90-year+ ground lease is needed to attract a developer

Preferred Option Indicative Timeline

The below, is a visual representation of what the programme timeline could be for successfully delivering the Business Case preferred option.



Development Advice – Planning and Legal Obligations

The Property Group (TPG) was engaged by NCC to provide advice around development options for the development of the preferred option on the site.

The report identifies that any ground lease in excess of 35 years is considered a subdivision of the land under the RMA. This could be achieved via a traditional subdivision or a process of setting apart the land under the PWA.

The images below from The Property Group's report show the existing site configuration of two parcels and the proposed configuration following subdivision of the library tower site:

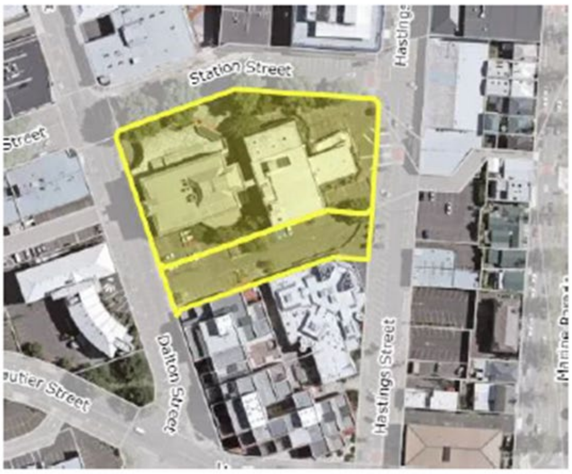


Figure 1: Existing Lot configuration

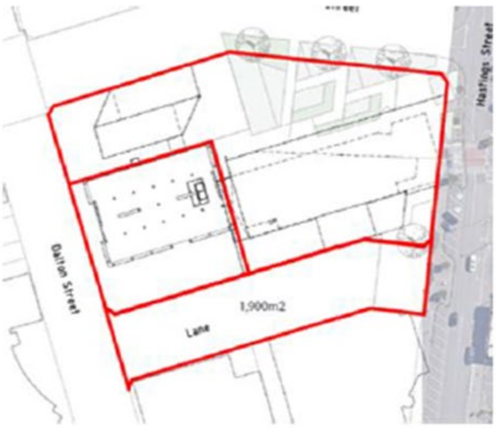


Figure 2: Proposed Lot configuration

Subdivision process

The proposed lot configuration shown in Figure 2 above indicates a new boundary line around the existing library tower building, splitting the title with an additional land parcel of approximately 1,870m² and a balance title of 4,580m².

TPG provided advice on the basis that the site is vacant land (i.e. the existing ex-Library Tower building is demolished by Council prior to subdivision) and advised that while subdivision can occur around existing buildings, the RMA requires buildings remaining on site to comply with the provisions of the Building Code, including a compliant means of fire escape, disability access and fire protection from adjacent properties. A lack of current compliance in these areas may require upgrades to the existing Library Tower building.

To conclude the subdivision process, Council would need to ensure each new lot created is provided with access to a legal road. If vehicle access from Dalton Street is to continue as a right of way, an easement would be required. Each new lot will need to connect to a Council water main and to stormwater and wastewater networks directly, or via an appropriate easement.

Setting Apart

Currently, the site is held by Council for the purposes of a Civic Centre. TPG advise as an alternative option to subdivision, Council could consider a process to set apart part of the land for municipal purposes, with the balance of land held for the purposes of a civic centre. The decision to set apart the land is ultimately made by the Minister for Land Information NZ.
"Civic Centre" and "municipal purposes" are general purposes and are not significantly different from one another. Therefore, there is a risk that the purpose of the land is not considered significantly different from the current purpose, and LINZ may consider that a subdivision is being created and decline the application.

The estimated time required for either the subdivision or setting apart process is 6 – 8 months.

Given the assumptions made around the land being vacant, and the associated compliance risks with any building that remains on site, Council sought additional legal advice around their obligations with respect to s40 PWA and subdivision of the site.

Legal Advice

Council's legal advisors, Rice Spier, was asked to provide further advice on:

a. If the land is leased under a ground lease to a developer (whether or not the building remains on the land), is sub-division of the title required?
b. Does a ground lease of 35+ years constitute a subdivision of the land (or what is the threshold, if any)? What is the effect of this?
c. Is sub-division/ separation of the title, or other similar mechanism needed in order to sell the ex- library tower building? i.e., can the building ownership change given the current title arrangement?
d. Can the building be sold in its current condition?
e. If the building remained on the site, 'as is' what extent of compliance with the NZBC would need to be met in order to progress with either sub-division or sale?
f. If a subdivision (or technical subdivision) is undertaken, does this trigger an 'Offer Back' process under S40?
g. How long is required for the 'Offer Back' process? Is this a definitive timeframe or subject to change? And what could or couldn't be progressed until this process had concluded, i.e., can an RFP be put to market?

The following advice was received:

- Subdivision or separate title ***is required*** in order to sell the building or lease the land under a long-term ground lease.
- A ground lease in excess of 35 years for the library building site on its own ***would be*** a subdivision.
- Section 40 of the Public Works Act requires Council to offer back the land to previous owners prior to divestment of the land.

It was identified that Section 42 of the Public Works Act allows land acquired for public works to be disposed of, but only if it is not required for public works. By definition, ***a*** *sale involving the lease back of the ex-Library Tower building may indicate the land is still required for public work***.**

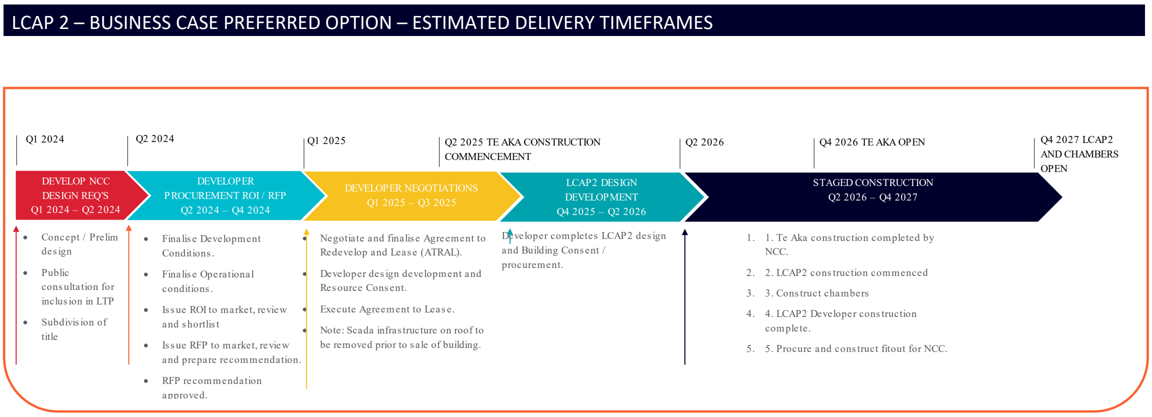
It was further noted that given the precinct is a prominent site which has been and is proposed to continue to be the city's civic centre, the site as a whole should be regarded as a strategic asset. Certain decisions, including a decision to transfer the ownership or control of a strategic asset to or from the local authority, cannot be made by a local authority unless the decision is explicitly provided for in its LTP, and the proposal for the decision was included in a consultation document.

Rice Spier's advice is that Public Consultation is required for Council to sell or lease any Strategic Asset. The precinct site should be considered a strategic asset therefore it would be prudent for Council to undertake consultation on the proposed divestment and leaseback proposal.

To date the proposal to divest and leaseback the site has not been contemplated in the LTPs, nor has it been the subject of the type of consultation required by S93E of the LGA. To that end, any future consideration for site divestment and lease-back should be included in future consultation before Council commences the process to divest any part of the site.

Timeline Changes

With the development and consultation requirements contemplated above an updated estimated timeline is provided below.



Due Diligence on the Library Tower Structure

The diagram below illustrates the framework in which the due diligence work has been undertaken on the library tower. The framework reflects the criteria of the Officer Accommodation Business case and the interdependencies with Te Aka and the opportunities that could bring.

Building Structure

A subset of the Te Aka design team was engaged to complete preliminary investigations on the ex-Library Tower Building, with the following objectives:

1. Assess the current condition of the building.
2. Clarify NCC requirements for the occupation of the building.
3. Undertake high-level cost estimates for a potential redevelopment to test previous cost assumptions.
4. The exploration of appropriate design direction for redevelopment, which will help shape the redevelopment requirements for the procurement process to enable an agreement with a developer.

The building investigation process included reviewing previous structural assessments and proposed remediation methodologies intending to achieve a minimum of 75% NBS.

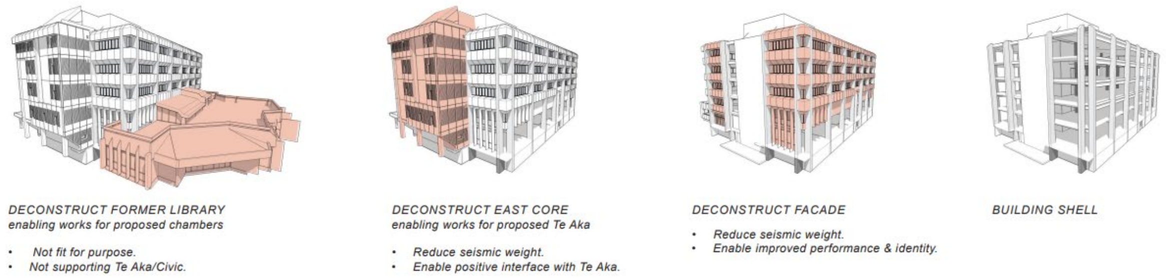
In brief, the building requires:

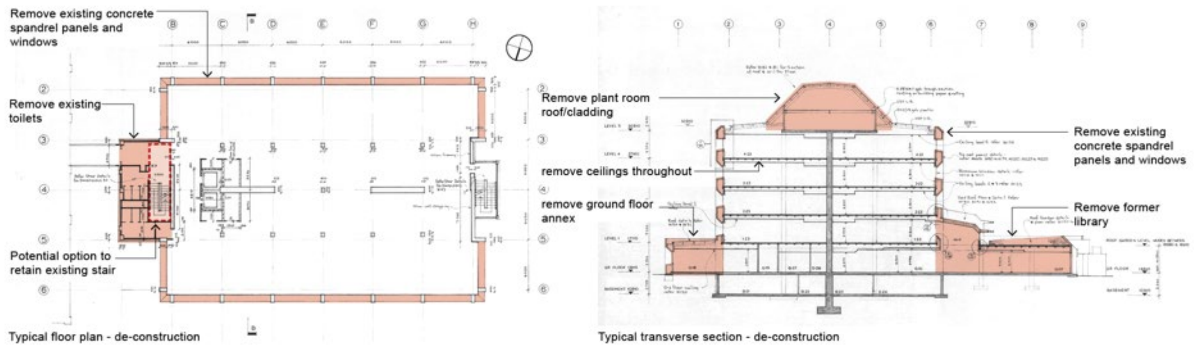
- Removal of precast façade panels.
- Tie slabs together with steel plates.

The team explored options to strengthen the building to 90% NBS, which would need the following additional interventions:

- Adding mass in the basement.
- Use of viscous dampers at upper levels

Below is an illustration of the structural interventions required to bring the building up to 70% plus NBS:





Building Services

Review the condition of existing services and associated compliance with current codes and define assumptions regarding the extent of building exterior upgrades required to meet a fit-for-purpose redevelopment. Our service engineer provider Beca has listed the baseline requirements and assumptions:

- Strip out all existing services, all at the end of life.
- Natural ventilation principles to align with Te Aka.
- Upgrade lifts to comply with the current Code.
- Upgrade fire protection to comply with the current Code.
- Opportunity to centralise Precinct building services from the three buildings on the roof / in the basement of the building.

Architectural Workplace Requirements

A process to test and explore workspace requirements that include office accommodation for up to 218 staff, based on an open-plan working environment. Based on expected space planning, NCC would occupy 3 of the 4 upper floors, with the ground floor being tenanted with complementary activity to Te Aka. This would allow the further floor to be made available to co-locate partner organisations.

In Summary:

- The structural requirement to replace the facade provides an opportunity to update the building and improve the connection to Te Aka.
- Upgrade fixtures and finishes, new gender-neutral toilets.

- Upgrade fire egress for compliance and to accommodate proximity to Te Aka.
- The redevelopment option aligns with Green Star objectives.
- Demolition of library annex including salvage of materials.
- NCC workplace requirements utilise 3 floors, with one floor available for lease to partner organisation(s)

Below are indicative illustrations provided by the architecture on how the library tower could be rejuvenated to provide fit-for-purpose office accommodation meeting the requirements of the Business Case. The illustrations also show how the building could be developed with a similar look and feel to Te Aka.


LARGE FORMAT PANEL/NARRATIVE


'HIT AND MISS' PATTERN

View from new public realm

View from northern approach

View from Dalton Street looking south


View from Dalton Street looking north

Greater Wellington Regional Council

AREA REQUIREMENT

For General Council Administration Workspace (Levels 1- 4)
(from PWC Business Case).

Assume:

- 218 people
- Transition towards agile workspace
- Density of 13m²/ person
- = 2890m² NLA …assume 90% efficiency = 3211m² GFA

For Public Facing/ Service Centre functions (Ground Level)
(From Te Aka Brief)

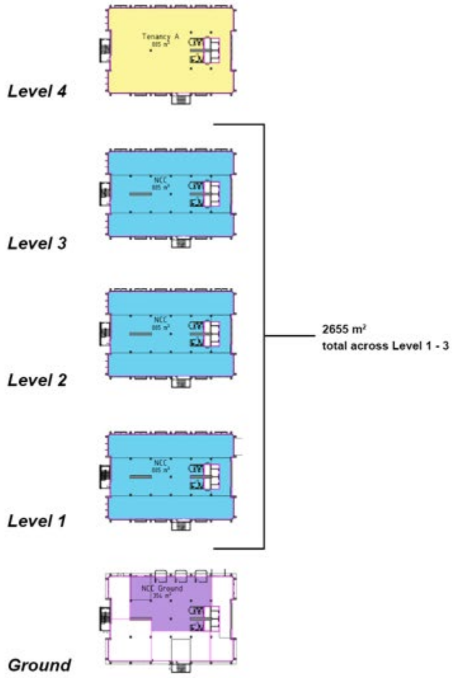
Assume:

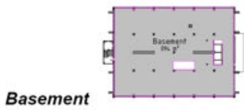
- Approx 405m² GFA

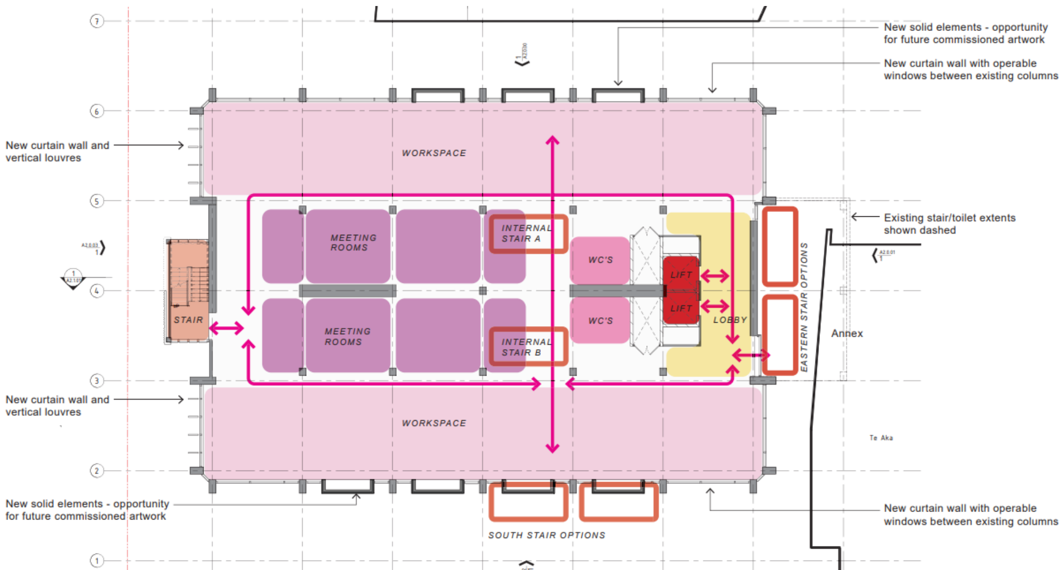
LCAP2 floors are approx. 885m² GFA, so this would imply **approx. 3 upper levels + approx. 40% of Ground Floor.**

This would leave **approx. 60% of Ground level free/available.**

Area Schedule (NCC Workplace)		
Level	Area	Name
Ground	354 m²	NCC Ground
Level 1	885 m²	NCC
Level 2	885 m²	NCC
Level 3	885 m²	NCC
	3008 m²	







TYPICAL UPPER LEVEL FLOOR PLAN 1:200 @A3

TYPICAL LONGITUDINAL SECTION DETAIL
1:50@ A3

Exposed Stalhton Rib & Infill

TYPICAL TRANSVERSE SECTION DETAIL
1:50@ A3

'Apples for Apples' Comparison
Below are the headline comparison points between a new build compared to a redevelopment of the existing structure. This is not a pros and cons list.

Redevelopment Option of Existing Structure	New Build Option
Structural upgrades are considerably more cost-effective than expected. Allowance for demolition of East Core and Library Annex currently costed in the LCAP1 budget. Overall cost estimate of $48.5M for redevelopment, compared with the previous estimate used by PWC of $69M	Based on a new build of equivalent area to the current building. Based on $/m^2 rates only – no design detail. Overall cost estimate of $53.7M for new building circa 5,000m^2. Estimated figures used by PWC for new build $24M, but based on a smaller footprint of circa 3,000m^2

Environmental Impact Comparison

An embodied carbon assessment for the proposed redevelopment was undertaken. This assumes a central services upgrade, façade replacement, internal fitout and structural upgrade. As a result of these upgrades, there will be a substantial initial investment in embodied carbon to deliver the refurbishments. The assessed range of upfront embodied carbon emissions for the redevelopment is largely dependent on the final scope of structural strengthening but is expected to be between **280-620 $kgCO_2$-e/m^2**.

By comparison, the estimated carbon emissions associated with a new building, assuming demolition of the existing structure and replacement with a new building of the same scale and function as the refurbished building scenario. The likely range of upfront carbon emissions associated with a new building is from **500-1250 $kgCO_2$-e/m^2** indicating a significantly lower level of upfront emissions associated with the redevelopment option.

Testing the Business Case Assumptions

As additional and more detailed information has arisen through the due diligence process it is important to test the assumptions made within the business case, alongside updating the risks and the mitigation put in place to reflect the updated position.

As those key assumptions were tested and with the cost between a new build and redevelopment of the existing library tower becoming closer, alongside accessing the risks and opportunities, option 5a in which NCC leads that redevelopment and retains ownership came into play.

Key Assumptions

- Assumes a developer will likely demolish the building and construct a new building, as the current library tower will cost $58+ million to refurbish.

  The updated estimate Overall cost estimate of $48.5M

- Complimentary relationship but non-dependant on adjacent precinct buildings/developments

  As Te Aka has been developed it has become clear that there are multiple positive outcomes from greater integration such as:

  Delivery of a high-quality integrated environment with clear civic identity and strong connections between civic-focused facilities, buildings, public realm landscape and adjacent parts of the city.

  Implementation of a cohesive cultural design strategy integral to the identity and function of the Civic Precinct.

  Establishment of a strong 'civic presence' with the range and critical mass of complementary civic functions and activities, particularly through the ground floors.

- That the building and site are not a strategic asset, reducing the need for public Consultation.

  The advice received recommends that due to the nature of the site council should treat it as a Strategic Asset and conduct public consultations accordingly.

- That a 90-year+ ground lease is needed to attract a developer
  This requires testing if council proceeds with the developer-led option

2.3 Implications

Financial

This due diligence exercise has tested the construction costs. Discussions around ROI would also extend to the minimum term of ground lease expected by a Developer, which is anticipated to be more than 35 years.

- The due diligence exercise indicates that a lower redevelopment cost of the existing Library can be expected, due primarily to the relatively simple structural remediation solution. Updated cost estimates for the redevelopment reduce the overall expected redevelopment cost by circa $10M, to $48.5M.
- That an average rental rate of Napier as $300-370/m2, indicating a difference in rental rates which has the potential to deter prospective co-location partners.
- Equivalent new build cost assessments total $53.7M, meaning it is expected to be approx. $5.2M cheaper to retain the existing building structure and strengthen/refurbish the building than to build new. Part of the additional cost in the new building option relates to the additional cost escalation which would be incurred due to a longer design and construction process.
- The whole-of-life cost analysis within the Business Case assumes a capital cost to NCC of $4M for the fit-out of the NCC civic accommodation leased space. This cost does not appear to consider the cost to fit out the ground floor, or any furniture, IT or AV costs, all of which would be required for a Developer-led solution.
- The quantity surveyor has estimated the total cost of NCC's fitout to be $7M. In addition to this, the cost of subdivision and costs to procure, negotiate and document the Agreement to Redevelop and Lease need to be considered. On this basis, the capital cost of the developer-led option is likely to be closer to $8M.

Below is a table illustrating a whole-of-life comparison of the cash flow of the sale and lease back option compared to council retaining ownership.

	2024				2025				2026				2027				2028	2029	2030 - 2034	2035 - 2039	2040 - 2044	2045 - 2049	2050 - 2054	
Calendar quarters	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4								
OPTION 1, DEVELOPER-LED																								Total
Consultants fees / legal costs																								$0.0M
Site subdivision + design changes	$0.1M	$0.1M			$0.1M	$0.1M	$0.3M																	$0.7M
LCAP2 design briefing	$0.3M	$0.4M																						$0.7M
RFP process		$0.1M	$0.1M	$0.1M																				$0.3M
ATRAL negotiations					$0.1M	$0.1M	$0.1M																	$0.3M
Construction monitoring fees						$0.3M	$0.3M	$0.3M	$0.3M	$0.25M	$0.25M	$0.5M	$0.1M	$0.1M	$0.1M	$0.1M								$2.6M
Sub Total fees and legal	$0.40M	$0.60M	$0.10M	$0.10M	$0.20M	$0.50M	$0.70M	$0.30M	$0.30M	$0.25M	$0.25M	$0.50M	$0.10M	$0.10M	$0.10M	$0.10M	$0.00M	$0.00M	$0.00M	$0.00M	$0.00M			**$4.6M**
Capital																								$0.0M
LCAP2 construction (fitout)															$2.0M	$3.0M								$5.0M
LCAP2 FF&E																$1.0M								$1.0M
Pre-paid ground lease							-$3.0M																	-$3.0M
Sub total Capital	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	-$3.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$2.0M	$4.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M			**$3.0M**
Opex																								$0.0M
Rent on existing premises	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M								$4.6M
Rent in LCAP2																	$1.4M	$1.4M	$7.3M	$8.0M	$8.7M	$9.5M	$10.4M	$46.6M
Sub total Opex	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$1.4M	$1.4M	$7.3M	$8.0M	$8.7M	$9.5M	$10.4M	**$51.1M**
TOTAL	$0.7M	$0.9M	$0.4M	$0.4M	$0.5M	$0.8M	-$2.0M	$0.6M	$0.6M	$0.5M	$0.5M	$0.8M	$0.4M	$0.4M	$2.4M	$4.4M	$1.4M	$1.4M	$7.3M	$8.0M	$8.7M	$9.5M	$10.4M	**$58.7M**
OPTION 2, NCC-LED																								
Consultants fees / legal costs																								
LCAP2 design development	$0.3M	$0.4M	$0.7M	$0.7M	$0.7M	$0.7M																		$3.5M
Tender and Consent process					$0.4M	$0.1M	$0.3M																	$0.8M
Construction monitoring fees						$0.3M	$0.6M	$0.6M	$0.55M	$0.55M	$0.6M	$0.6M	$0.2M											$3.5M
Sub Total fees and legal	$0.3M	$0.4M	$0.7M	$0.7M	$1.1M	$1.1M	$0.9M	$0.6M	$0.0M	$0.6M	$0.6M	$0.6M	$0.2M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M			**$7.8M**
Capital																								
LCAP2 construction							$2.6M	$2.4M	$4.7M	$7.7M	$9.6M	$8.7M	$3.2M											$39.0M
LCAP2 FF&E												$1.0M												$1.0M
Terminal value of LCAP2 asset (cost from PWC)																							-$8.0M	-$8.0M
Sub total Capital	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$2.6M	$2.4M	$4.7M	$7.7M	$9.6M	$9.7M	$3.2M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	$0.0M	-$8.0M	**$32.0M**
Opex																								$0.0M
Rent on existing premises	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M												$3.4M
Operating costs LCAP2													$0.2M	$0.2M	$0.2M	$0.2M	$0.6M	$0.6M	$3.2M	$3.5M	$3.8M	$4.2M	$4.5M	$21.1M
Rent from Level 4													-$0.1M	-$0.1M	-$0.1M	-$0.1M	-$0.4M	-$0.4M	-$1.9M	-$2.1M	-$2.3M	-$2.5M	-$2.7M	-$12.7M
Sub total Opex	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.3M	$0.1M	$0.1M	$0.1M	$0.1M	$0.2M	$0.2M	$1.3M	$1.4M	$1.5M	$1.7M	$1.8M	$11.8M
TOTAL	$0.6M	$0.7M	$1.0M	$1.0M	$1.4M	$1.4M	$3.8M	$3.3M	$5.0M	$8.6M	$10.5M	$10.5M	$3.5M	$0.1M	$0.1M	$0.1M	$0.2M	$0.2M	$1.3M	$1.4M	$1.5M	$1.7M	-$6.2M	$51.6M

The table expresses a high-level assessment and is conservative in its view of the potential rental income and the terminal valuation of the asset in a council-owned option.

1.6 Risk

Below is a list of risks identified within the business case along with additional risks identified through the due diligence.

- The proposal to divest and lease back the site has not been contemplated in the LTPs, nor has it been the subject of the type of consultation required by s 93E of the LGA.
- If NCC relinquish control or ownership of land, within the Civic Precinct then there could be long-term adverse impacts on the vibrancy and use of the heart of the city.
- If economic rental rates of new or redeveloped sites are unaffordable or at a level that might be deemed unacceptable then the preferred option may not be tenable.
- If the recommended way forward is not approved then a long-term solution to NCC's office accommodation requirements will not be implemented, and NCC will continue to incur risks associated with the case for change highlighted in the Strategic Case.
- If a suitable developer partner cannot be sourced, then the preferred option cannot be implemented.
- If a suitable developer partner drops out during negotiations, significantly delaying or preventing implementation of the preferred option.
- Separate ownership will complicate the ability to physically connect between LCAP 1 and LCAP 2 buildings. This risk undermines the connectivity of the precinct, and particularly the Chambers, which would benefit from the direct interface with the ground floor of the Civic Administration building which would ideally be formed via a weather-protected connection.

Opportunities in option 5a, a NCC Lead Development

The business case assessment of options 2 and 5a against the Investment Objectives for the project did not identify any tangible difference, as all key investment objectives are met by the decision to consolidate staff within a new building on the Precinct. It was within the financial case that there was a substantial difference between the two leading options. As we have seen, as the due diligence progressed that differential decreased. It is also noted that all of the key risks listed above can be mitigated through an NCC-led redevelopment of LCAP2 as part of a wider Precinct redevelopment.

An NCC Led development could provide for the following benefits:

Centralised services. Te Aka concept and preliminary designs currently assume all three buildings on the precinct will be supplied with stand-alone central plant. This would result in a reduced central plant and associated capital and operational cost benefits and would involve developing a precinct-wide services infrastructure strategy encompassing electrical infrastructure, cooling and heating water infrastructure, and fire sprinkler infrastructure.

The procurement for construction of the entire Te Aka precinct. This is likely to attract greater interest from tier 1 construction capability, with the potential for higher quality assurance, and greater economies of scale through construction technology, materials, and supply chain aspects, resulting in reduced construction-related risk, and greater cost and time efficiencies.

On a long-term basis, Council would retain control of the precinct. This would enable the ability to execute the benefits identified in the Library Civic Area Plan:

- Delivery of a high-quality integrated environment with clear civic identity and strong connections between civic-focused facilities, buildings, public realm landscape and adjacent parts of the city.
- Implementation of a cohesive cultural design strategy integral to the identity and function of the Civic Precinct.
- Establishment of a strong ‘civic presence’ with the range and critical mass of complementary civic functions and activities, particularly through the ground floors.

Crime Prevention Through Environmental Design (CPTED)

As part of the resource consent process for Te Aka a CPTED report was commissioned. The overall objective of the CPTED is to ensure Te Aka within the receiving environment does not add to the security risk profile, and that the development addresses known CPTED risks.

The CPTED report highlighted the current library tower as a hot spot for a number of anti-social criminal activities. The report highlighted that even though Te Aka would address many of the issues any delay to the development of the tower would mean that many of the positive outcomes would be negated.

There are CPTED issues associated with unoccupied buildings which are challenging to mitigate. LCAP2 is a key part of the wider Library Civic Area Plan and there are interdependencies which have an impact on the CPTED risks, especially directly adjoining LCAP2. Without the LCAP2 development, key community-orientated facilities (such as all-hours public toilets and bus lounge) do not have certainty of delivery.

Council delivering the two phases of the project as one would mitigate these challenges and would lead to an optimal CPTED outcome.

2.7 Options

The options available to Council are as follows:

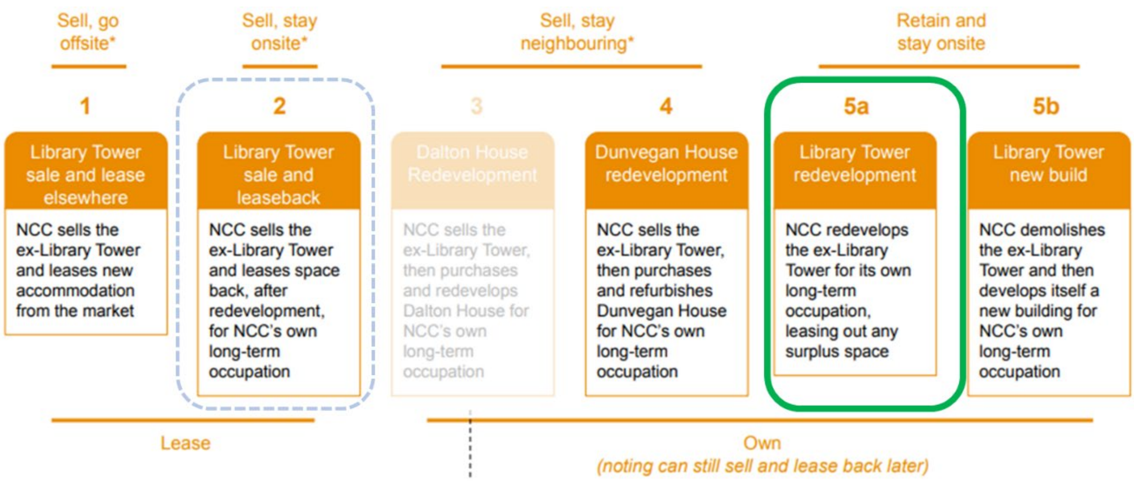
a. Receive The Due Diligence Report of the Civic Accommodation Business Case
b. Approve to proceed with the business case option **5a** – NCC lead Redevelopment of the library to be the preferred option within the LTP consultation for 2024 -2027 ; and to proceed into the next stages of the programme of work to support that option.
c. Approve to continue with the business case option **2** - NCC sells the ex-Library Tower for redevelopment and leases space back for NCC’s own long-term occupation to be the

preferred option within the LTP consultation for 2024 -2027 and to proceed into the next stages of the programme of work to support that option.

d. Do not approve to proceed with either of the above options and pause the project.

2.8 Development of Preferred Option

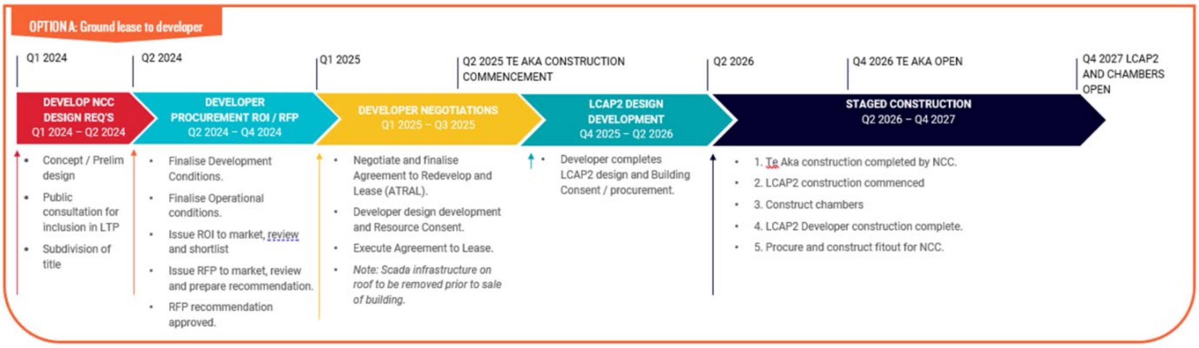
The due diligence to date confirms that with the additional information provided, the cost differential between the preferred option **2** and option **5a** has significantly reduced. This coupled with the multiple benefits and risk reductions outlined within the paper, it is thus recommended that we proceed with option **5a** as the preferred option within the Long-term Plan Consultation 2024 -27, and to proceed with the supporting work.

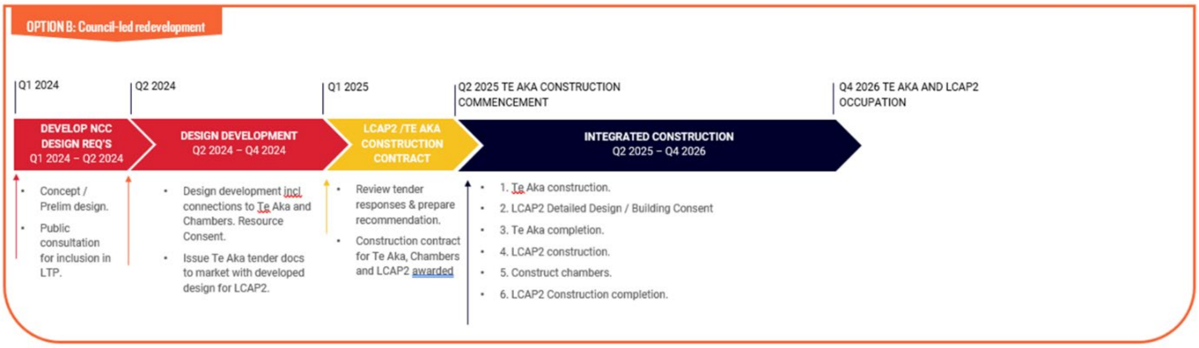


In brief, the benefits of option **5a** are it :

- Continues ownership and control of a strategic asset within the CBD.
- Maximizing opportunities with Te Aka.
- Has been previously consulted on in previous LTPs.
- Provides the most environmentally positive outcomes across the whole precinct.
- Enables shared services that will reduce overall build cost and ongoing running costs.
- The ability negotiate more competitive terms for the lead construction contract.
- Supports complete mitigation or reduction of risks identified in the business case option **2** such as risk to programme timeline.

The diagram below gives an updated estimate of the two options discussed throughout this memo. The key difference is the elimination of separate procurement and negotiation processes through a NCC led development.





On Going Programme

Below is a list of key tasks to support the development of option **5a** to enable it to be the preferred option within the LTP. The tasks are not abortive if the council decides through the LTP process to choose option **2** of the business case.

- The continuation of the architectural design process up to the end of the preliminary design stage to establish in detail the council's accommodation requirements.
- Development of a *Value Engineering* approach to the precinct-wide integration opportunities and to define and cost potential programme and cost efficiencies associated with NCC retaining control of the entire precinct.
- Refine requirements for public consultation and include within the Long-Term Plan considerations.
- Continue construction market soundings around the benefits of precinct wide development.
- Further testing of costs is undertaken to capture the total capital cost to NCC, along with the cost of any delays to the procurement process and the additional costs to LCAP1 associated with subdividing the site.
- Consider the ability to access Capital to fund either a Developer-led option or an NCC redevelopment.

2.4 Attachments

Nil