

## 8. Proposed Development of 8-10 Dent Street

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**Reporting officer** Mike Hibbert (Property Manager)

**Date** 21 November 2012

### ***Vision, mission and values***

*To provide opportunities for future development that contributes to the economic and social development of the district.*

### **Local Government Act 2002 – The four well-beings**

**Cultural** No direct link established.

**Economic** This matter will have a direct financial impact on Council, as well as indirect financial benefits to the District through economic growth.

**Environmental** No direct link has been established.

**Social** This proposal will have indirect positive social impact on the community through potential increased employment opportunities.

### **Purpose**

Council has publicly notified the proposal to sell or otherwise dispose of the properties at 8–10 Dent Street pursuant to s.138 of the Local Government Act 2002. Having heard submissions following the public consultation Council is now to determine the possibility of making the sites available for future hotel/visitor accommodation.

### **Property description**

The properties at 8-10 Dent Street are situated on the southern side of Dent Street, approximately 140 meters east of Bank Street and adjoining Laurie Hall Park and the public car park. The immediate surroundings provides a mixture of development, including a multi floor office block along Rathbone Street, town houses, a block of residential flats and further converted or purpose built professional offices opposite this portion of Dent Street.

In general terms the site is in a handy central location with views down toward the Town Basin and overlooking Laurie Hall Park.

8 Dent Street is level with the road at the road frontage, falling gently towards the rear boundary with the last 5-15 meters falling at a steeper gradient. 10 Dent Street slopes west to east mid way across the incline of Fire Brigade Hill. The site becomes very steep dropping down to the flat lower eastern portion below Dent Street, level with Rathbone Street and the Laurie Hall carpark.

The total area is 0.45 ha however the effective usable area would be less due to the contour of the rear boundaries.

### **Legal Description**

The location is held in 2 freehold titles:

#### **8 Dent Street**

Lot 53 Allotment 1 Parish of Whangarei, Certificates of Title NA 518/297

#### **10 Dent Street**

Lot 54 Allotment 1 Parish of Whangarei, Certificates of Title NA 2B/818.

## Acquisition History

Council records show that the premise at 8 Dent Street was purchased by Council on 4 November 1964 for \$25,000.00. The owners of the property at the time were L I Brown and H G Brown who offered to sell the property to Council. The title was transferred to Council in November 1965.

The property at 10 Dent Street was acquired initially by G R Bassett in November 1950. Council approached the Basset Family in 1952 and asked how much he was prepared to accept for the property, either land and house or land after leaving sufficient space for the house. In July of that year Mr Bassett instructed Thomson Bagley to offer the entire property to Council and in April 1954 Council resolved to purchase the site. It was not until 1955 when the land was transferred to Council for the government valuation of the time.

Further investigation through Councils Legal advisors Thomson Wilson has identified a number of aspects of each purchase that need to be considered. There is little to suggest that the acquisitions were of a compulsory nature however evidence does suggest the land was acquired for a public use. At the time of acquisition both properties were effectively designated in the relevant planning instruments, 10 Dent Street as 'Proposed Municipal Reserve', and 8 Dent Street as 'Reserved for Civic Purposes'. Correspondence to the Auditor-General seeking approval for the use of the Reserve Development Fund to purchase 8 Dent Street, records the property as being 'surrounded on three sides by Laurie Hall Park', further evidence to suggest the properties were potentially part of future growth of the Laurie Hall Park reserve.

## Current Use

The sites are currently occupied by residential tenancies and the Forum North Childcare and Education Centre Incorporated.

8 Dent Street contains the Almond Court Flats comprising of six two bedroom units built around 1951 with no apparent changes to the complex since this time. The brick exterior is fair and the interior is basic but functional. As with many residential buildings of this era the units are subject to damp/humidity problems and mould to ceilings.

10 Dent Street contains an early 1900s villa with basement garaging and office that has been converted to provide childcare accommodation. Most of the improvements have been completed by the lessee to accommodate the required compliance of running childcare facility or to meet the needs of their business. The age of the building indicates reasonable on going maintenance requirements to address a functional water proof structure, including roof replacement.

## Lease arrangements

Occupants of the Almond Court Flats hold standard residential agreements managed through Councils General Housing portfolio contractors, First National. The Residential Tenancy Act 1986, stipulates no less than 90 days notice is required to terminate tenancy agreement.

The Forum North Childcare facility is leased under a Auckland District Law Society lease document. The lease commenced in November 1993 for a term of 10 years with one further 9 year right of renewal subject to rent reviews every 2 years. The deed of variation dated June 1996 has some modifications to the rental review mechanism effectively limiting the rent to 55% of the current market value. The current contracted rent is \$7,700 p.a. plus GST, reviewed last in November 2002. No further rent reviews have been completed since this time as a result of inconsistencies between other rental arrangements with similar activities on Council land.

The lease expires in November of 2012.

## Planning

Under the District Plan the property lies in the Business 1 Environment that covers the greater Central Business area. This zoning has few restrictions and most activities are generally permitted. The District scheme indicates that the sites are subject to low, medium and high stability sensitive areas.

While there is record of Council having acquired the properties for municipal reserve or civic purposes, (see paragraph above entitled Acquisition History), there is no formal reserve or designation status attaching to the properties. The properties are not designated under the district plan and the titles are not subject to any formal reservation which limits their use. The only restrictions arising with respect to their possible development is that such properties are deemed to be a park pursuant to S.138 of the Local Government Act 2002 in that they were acquired for community purposes so that any possible sale/disposal for a potential hotel/visitor accommodation can only follow a public consultation process which has now occurred."

## Development Interest

The lack of a sizeable four star or a four star plus hotel has been identified on a number of occasions by many different groups as a barrier to growing a strong tourism sector. Whangarei has been overlooked on many occasions by national/international based activities due to the inability for teams, conferences and conventions to occur in a single, high quality location.

This has been acknowledged as recently as the Rugby World Cup with Tonga opting to stay in Paihia due to the lack of suitable accommodation. Council have explored the concept and has identified through strategic documentation such as the 20/20 plan, 20/20+ and recently through the 30/50 plan the need and possible location for such a development to help stimulate growth and present an attractive package to visiting/local groups.

This elevated site will offer a great vista over the Town Basin (similar to the Auckland waterfront) and also into Laurie Hall Park. Its central location to the City, Town Basin and environs offers great opportunity for visitors to walk, dine and enjoy the environment.

## Back Ground

At the Extra-ordinary Council meeting held on 14 November 2012, Council received both written and verbal submissions regarding the proposed development of the sites at 8-10 Dent Street. Submissions were received as a result of a public consultation process in compliance with section 138 of the Local Government Act 2002.

## Summary of Submissions

A total of 211 written submissions were received including 16 verbal submissions.

Table 1: Submission Summary table

<b>Support</b>	<b>Submissions Received</b>	<b>%</b>
<b>Yes</b>	<b>48</b>	<b>23</b>
<b>No</b>	<b>158</b>	<b>75</b>
<b>Unstated</b>	<b>3</b>	<b>2</b>

## Points of Discussion

### *Big Picture*

A hotel development fits in with the big picture that has been painted for Whangarei. It will increase capacity of quality stock (rooms). The central location is appealing because of the proximity to the CBD, facilities and business, particularly the recently enhanced Town Basin area. It will allow for events and conferences to be catered for which we cannot currently accommodate. A hotel is a vital component to maturing our city. Council's role in enabling positive growth through such initiatives will be a catalyst for economic development.

### *Use of the land*

It is apparent that a potential Hotel/visitor accommodation development is not conclusive to 'civic and 'municipal purposes. Any such future development would need formal resolution to Council to allow such an activity to proceed. In agreeing to the proposed change in use, Council will be able to engage in any future accommodation/visitor/hotel proposed development, in addition to the current designation of civic and municipal purposes.

### *Alternate Locations for Hotel*

Council has considered alternate locations for a potential Hotel development. Previous planning had identified the Town Basin as a possible location for such a facility.

However following detailed assessments by staff, particular to the visual and shading impact of such a structure in the Town Basin area, highlighted the negative impacts of using this site. Separate to this the area presents difficult geotechnical challenges that create significant costs for a building of this size.

Ultimately a hotel developer will determine what location is suitable. Resolution from Council to allow a potential hotel development will provide an additional location for consideration to potential development options on private land.

### *Land Sale*

The disposal of the land through sale or a ground lease would be at the market value of the time and subject to Council resolution. District Plan rules will regulate the permitted activity through the standard consents process including engineering: traffic, access and parking management, environmental impact: shading, height etc, however terms and conditions of such disposal may include restrictive covenants to satisfy the final look and feel and impact on the adjacent park. Any such terms would be reflective in a final settlement transaction and would be subject to Councils resolution.

### *Childcare Lease*

From a legal perspective the current lease has expired and Council has no legal obligations to renew. To enter into a new lease under the same terms and conditions the projected 55% of market rent would equate to approximately \$25,000. The building requires some significant investment, including a new roof. Previous maintenance work has also highlighted issues of rot and moisture as expected from a building of this age and type.

### *Almond Court Flats*

The flats are not part of Councils 'pensioner housing stock'. Rents are set at current market rates based on the existing condition of the premises which are moderate to poor. Current tenancies are inhabited by an array of difference demographics, some with fixed term tenancies until February and March of next year, with one flat vacant as of December this year. All tenants are subject to the terms and conditions of their tenancy agreements in accordance with the appropriate Tenancy Act.

### *Future Costs*

Regardless of a potential development of the sites, costs associated with the Almond Court Flats and the Childcare building, are expected to escalate in the future due to the age and use of the buildings.

It is anticipated that the Childcare needs an initial investment to replace the roof and address the anticipated escalation of maintenance. This has been estimated at \$50k. The Almond Court flats are in need of an upgrade. A significant upgrade to replace scrim walls, install floor coverings, modernize kitchens and services areas have been estimated at \$260k.

From a purely financial perspective the return on such investment can not be justified based on the current revenue from both properties.

### *Relocation of Forum North Childcare*

It was apparent a significant volume of submitters had current or historical connections with the Childcare Centre. The unique nature of the operation distinguishes this non-profit, community based operation from the many other kindergartens, plunkets, playcentres and kohanga reo providers in the district.

Of the 211 submissions received 158 opposed the potential development. These included 113 submitters associated with the Child Care as either family, teachers or children, ( 24 of those were children).

Although many submitters did not favour a Hotel at the site, a total of 77 submitters made comment that if the Hotel proposal was to proceed, Council had an obligation to assist in the relocation of the Childcare to a suitable location.

### *Future green Space*

The original acquisition of the sites is not specific in 'Civic and Municipal Purposes. However logic indicates the location adjacent to Laurie Hall Park supports the potential amalgamation of each site into the existing Laurie Hall Park. The current use of the land is not conclusive to the original acquisition. Resolution to allow a hotel development on the site would not remove the existing designation, but in simple terms allow Council to consider such a development in addition to civic and municipal purposes. Regardless of any Hotel development such an amalgamation of titles would require the demolition of both Childcare and Almond Court flat accommodation.

### **Process**

Council was required as a pre-requisite to any determination to sell or otherwise dispose of the properties to publicly consult. This is required by S.138 of the Local Government Act 2002. The possible sale or disposition of the properties was publicly notified so Council must in its determination take into account the written and verbal submissions received as part of the consultation process.

### **Conclusion**

- Resolution to enable future Hotel/Visitor accommodation development at the site would present to private developers additional options for consideration.
- Resolution to allow such development will be in addition to the original civic and municipal purposes.
- There is no legal obligation to renew the Forum North Childcare and Education Centre lease.
- The costs to maintain the current Childcare and Almond Court Flats accommodation is expected to escalate in the near future. Current revenue streams do not justify the extent of capital and operational expenditure.
- Any disposal of the sites through lease or sale would be conditional on Council approval.
- No development is expected to occur in the next 12 months.

### **Recommendation**

1. That the information be received.
2. Following consideration of the proposal to sell or otherwise dispose of the properties at 8-10 Dent Street and following consideration of written and verbal submissions received, both in support of and in opposition to such proposal, Council determines that it continue with the proposal to sell or otherwise dispose of the properties at 8-10 Dent Street being legally defined as:
  - Lot 53 Allotment 1 Parish of Whangarei, Certificates of Title NA 518/297
  - Lot 54 Allotment 1 Parish of Whangarei, Certificates of Title NA 2B/818;
 for development for tourist/visitor hotel/accommodation purposes subject to the terms of any such development being approved by formal resolution of Council.
3. Council acknowledges the concerns of submitters about the need for a continued child care facility in the nature of that provided by Forum North Child Care and Education Centre in the inner city. Therefore pending any sale or disposition of the properties at 8 – 10 Dent Street, Council agrees to allow for a minimum notice period of 12 months, under the same terms and conditions of the now expired lease to explore relocation options.
4. Council acknowledges the expressions of concern from those submissions specific to tenants of the Almond Court Flats and similarly provides a minimum notice period of 12 months before any development of the property proceeds.
5. Council staff are to engage in further discussions with both the Child Care Centre and tenants of the Almond Court Flats to clarify suitable alternatives and report to Council on progress within 6 months.

### **Attachment**

[Aerial Plan of 8-10 Dent Street](#)

Appendix 1



8 - 10 Dent Street