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## **Masterton Accommodation**

### **1. Purpose of report**

To consider the possible locations for a new building in Masterton (central or peripheral) taking into account the financial implications, transport links, zoning and staff considerations, and to seek approval to proceed with the construction of a new building in the recommended location.

### **2. Significance**

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3) (b) of the Local Government Act 2002.

### **3. Background**

Report 08.404 was considered by Council on 11<sup>th</sup> August 2008. The report outlined the current Masterton accommodation problems and recommended a course of action to address these problems. At that meeting Council resolved the following:

*“That the Council:*

- 1. Receives the report*
- 2. Notes its contents.*
- 3. Agrees that improvements to Council’s current Masterton accommodation are necessary.*
- 4. Agrees that the Council should construct a new building (options 5); and requests the Chief Executive Officer to further consider the possible locations for a new building in Masterton (central or peripheral site) taking into account the financial implications, transport links, zoning, and staff considerations, and to report back to Council with a recommendation on 29 September 2008.”*

Council also requested that further investigation be carried out to determine whether it would be more cost effective to construct a new single storey building as opposed to a two storey building. This option has only been considered in context of a peripheral greenfield site, as Council's existing properties at Chapel Street and Ngaumutawa Road are insufficiently sized and dimensioned to accommodate a single storey building.

Given these requirements four accommodation options are considered in this report being:

**Option 1**

A new two storey building to be constructed on Council's existing Chapel Street properties.

**Option 2**

A new two storey building to be constructed on Council's existing property at 63 Ngaumutawa Road.

**Option 3**

A new two storey building to be constructed on a peripheral greenfield site.

**Option 4**

A new single storey building to be constructed on a peripheral greenfield site.

**Attachment 1** provides indicative site layout plans for each option.

#### **4. Zoning/Town Planning**

The local district plan and its zoning rules will have a significant influence of the selection of an appropriate site for Council's development.

Council's predominantly commercial usage is best suited for the commercial zone. Generally the Commercial Zone will ensure that like and/or complementary activities are conducted within that zone. Commercially zoned land is almost exclusively located in the central area of Masterton. The exception is a significant section of land located on the northern side of High Street near Solway Park, however, this land has subsequently been developed into residential properties.

Development of commercial properties within the Industrial Zone is generally permitted although greater yard and boundary setback requirements are imposed. The Industrial Zone is predominately located on the land bounded by Ngaumutawa Road and the railway line. The exception here is some land at the far northern and southern ends of Masterton and the Ngaumutawa Road Future Development Area. Masterton District Council (MDC) Planning staff advise that obtaining consent for a sensible commercial development in an Industrial Zone is unlikely to be a problem. It is important to acknowledge that, if Council chooses to develop its new building in an Industrial Zone, it will have little or no control over the development of potentially "noxious" or unsavoury industrial uses on neighbouring industrial properties.

Development of commercial properties in the Residential Zone or Rural Zone are Discretionary or Non-complying Activities. MDC advise that an application to construct a significant commercial development in these zones will almost certainly be declined.

MDC planning staff did express some surprise and disappointment that GWRC was considering the location of their new offices outside the central area of Masterton. The objective of their District Plan is to encourage commercial activity in the central area to build up a vibrant and busy city centre which provides mutual support to retailers and other complementary businesses.

## 5. Greenfield Site Options

A search for greenfield site options has been undertaken with an initial focus on appropriately zoned land in proximity to Masterton, Renall and Solway railway stations.

**Attachment 2** is a summary of the potential greenfield sites that were investigated.

We were unable to identify any suitable property in proximity to Masterton Station. Much of the vacant land in this area is held by Maori Trusts and is available on a leasehold basis. However, most of the developed sites in this area have heavy industrial uses (e.g. a timber processing plant) and they are considered to be undesirable neighbours.

The only potentially suitable property identified in proximity to Renall Station is 157 Ngaumutawa Road. Until recently the site was owned and occupied by David Pope Transport. The site was recently sold to a developer, who is constructing a new store for Mitre 10 Mega.

Two potential sites in proximity to Solway Railway Station were identified.

The first is a vacant corner lot of 6,956m<sup>2</sup> on the corner of Judds Road and Pragnell Street. The owner of this site also owns the adjoining property on which he operates a transport repair workshop. We have contacted the owner and he has indicated that he has no desire to sell.

The second site is a very large block of vacant industrial land measuring 32,635m<sup>2</sup> located off the end of Pragnell Street. The land is owned by Harvest NZ Limited. A subdivision of this area and the establishment of roading and other infrastructure would be required to provide Council with an accessible, appropriately sized usable site. We are advised that the subdivision of this land would require a critical mass of several prospective purchasers to justify subdivision.

We also note that both the Judds Road and the Pragnell Street properties are within 60 metres of the main Masterton earthquake fault. It is questionable whether this would be a sensible location given Council's post disaster management functions.

The recently developed industrial park at the Solway end of Ngaumutawa Road was also considered. While it has one potentially available site of sufficient size for Council, this land is located directly over the Masterton Fault.

A future industrial development zone is located directly opposite Council's workshop site at 63 Ngaumutawa Road. This is to be the location of a new industrial park ("The Poplars") which is due to be launched to the market within the next few weeks. The subdivision will comprise 33 industrial lots to be offered for sale by private treaty through a local Real Estate firm. The first stage of the subdivision includes three appropriately sized lots of 5,150m<sup>2</sup> all with frontage to Ngaumutawa Road. The industrial lots are expected to sell for approximately \$110 per square metre.

A wider search of potential greenfield sites in and around Masterton was undertaken on a desktop basis.

The land to the south of High Street and the Central area is almost exclusively zoned residential and then moves into rural zoned land. Neither of these zones is appropriate for Council's intended use.

The land before the bridge crossing the Waingawa River into Masterton is zoned rural or heavy industrial and has the Masterton earthquake fault running through the currently developed areas. The land north of the Waipoua River Bridge is zoned residential or rural and much of it is prone to flood hazard/alert areas. Neither of these areas is considered to be appropriate. It is also questionable if a location outside of these two bridges would be acceptable from an Emergency Management and/or Flood Protection point of view (i.e. if a bridge washes out or is destroyed by earthquake, access to the main Masterton urban area would be cut off).

Based on our investigations we conclude that the only currently available site that can satisfy Council's requirements for a Greenfield site is the land to be offered at "The Poplars" Industrial Park, Ngaumutawa Road. Therefore our greenfield site analysis is based upon Council acquiring a 5,150m<sup>2</sup> site in this industrial subdivision.

## **6. Single Storey vs Two Storey Building**

Costings were obtained for both a single and two storey building to be developed on a greenfield site. This analysis found that the total project costs for a single storey development would be approximately \$250,000 higher than that of a two storey development due to:

- Increased foundation costs due to larger building footprint.
- Greater roof and wall surface areas.
- Allowances for greater internal circulation space and hence a slightly larger building floor area.
- Less efficient reticulation of building services.
- Increased costs relating to larger sealed areas and other site works.

It is also expected that a single storey building will operate less efficiently and carry higher ongoing maintenance costs.

For these reasons, the development of a single storey building is not recommended.

## 7. Financial Implications/Considerations

### 7.1 Cost Comparison Summary

The table below summarises the relative net cost of each of the options:

Item	Option 1 New Two Storey Bldg Chapel Street	Option 2 New Two Storey Bldg Ngaumutawa Rd	Option 3 New Two Storey Bldg Peripheral Greenfield Site	Option 4 New Single Storey Bldg Peripheral Greenfield Site
Project/Construction Costs	\$6,711,870	\$6,953,134	\$7,193,320	\$7,449,525
Plus Property Acquisition Costs	\$nil	\$nil	\$566,500	\$566,500
Less Property Sale Proceeds	\$850,000	\$1,700,000	\$1,700,000	\$1,700,000
<b>Net Project Cost</b>	<b>\$5,861,870</b>	<b>\$5,253,134</b>	<b>\$6,059,820</b>	<b>\$6,260,357</b>
Project Funding Cost P.A.	\$566,000	\$507,000	\$585,000	\$605,000
External Property Rental P.A.	\$nil	\$45,000	\$nil	\$nil
<b>Total Annual Debt Servicing Cost</b>	<b>\$566,000</b>	<b>\$552,000</b>	<b>\$585,000</b>	<b>\$605,000</b>
Average Cost Per Ratepayer P.A.	<b>\$3.11</b>	<b>\$3.03</b>	<b>\$3.21</b>	<b>\$3.32</b>
Estimated Market Value of Completed Development	\$2,500,000	\$1,500,000	\$1,700,000	\$1,700,000
Notes:	<ul style="list-style-type: none"> <li>Project cost estimates include construction costs, fitout costs, furniture costs, relocation and temporary accommodation costs, fees and contingency and have been inflation adjusted to the currently anticipated construction commencement date of December 2009.</li> <li>Property disposal proceeds include allowances for costs of sale.</li> <li>Option 2 includes the rental paid on the externally rented premises for BioWorks.</li> <li>Cost per ratepayer per annum is an estimated average rates cost. Costs to individual properties will vary according to their type, location and capital value.</li> </ul>			

The project costs contained within the first line of the table above reiterates our finding that a single storey building (option 4) will be significantly more expensive to construct than a two storey building (options 1 – 3). In context of Option 1 to 3 we comment as follows:

**Option 1** has the lowest construction cost. This is partly due to the utilisation of existing outbuildings. Less restrictive building envelope and setback restrictions, and the dual access through to the MDC carpark, allows for more intensive use of the site; hence a lesser site area and lower cost for site works (fencing, sealing, drainage, landscaping etc). As only the surplus portion of the Chapel Street site is disposed of, sale proceeds are not as great as with the other options, offsetting to a degree the construction cost savings.

**Option 2** has a higher construction cost as more outbuildings need to be constructed and the larger site area results in a higher cost of site works. BioWorks Department will need to be relocated to alternative rental premises and an estimate of the annual rental to be paid has been factored in. Once the sale of Council's Chapel Street properties is taken into account, this option carries the lowest overall net cost.

**Option 3** has a higher construction cost again, as in this case, all outbuildings would need to be constructed and the larger site area generates higher costs of site works. The sale of the Chapel Street properties is taken into account but offset by the cost to acquire the greenfield site. The overall net cost of Option 3 is the highest of the two storey options.

## **7.2 Property Acquisition/Disposal Risk**

The estimates of property acquisition costs and property disposal proceeds, referred to above, have been based on valuation advice. However, these transactions carry a very real risk that acquisition and or disposal expectations will not be met.

Those options with a lowest combined value of property transactions carry lower risk, while those with a greater combined transaction value carry a higher risk.

Option 1 carries low acquisition/disposal risk, Option 2 carries moderate risk and Options 3 & 4 carry the highest risk.

Option 2 carries an additional risk in that it requires the relocation of Bioworks Department to alternative rented premises.

## **7.3 Valuation Implications**

A high level valuation has been undertaken by a local valuation firm. This indicates that the current market value of a building constructed on a peripheral site would be significantly less than the value of the same new building constructed on Council's Chapel Street site (circa \$0.80 to \$1.0 million). The lesser value of a peripherally located property is a direct reflection of the lower market demand and rentals applicable to that location. We consider this

assessed differential in value to be conservative, as it is our opinion that any prudent investor would view the purchase of a commercial building on industrial zoned land as a very risky long term proposition.

It is understood that Council is a long term occupier and it is not contemplating selling or leasing out the completed property in the foreseeable future. However, the building that Council is creating has a physical economic life well in excess of 50 years. It is conceivable that Council's accommodation requirements could change significantly (or cease to exist at all) within this timeframe, and the building may no longer meet Council's operational requirements. If this occurs, Council's ability to sublease, lease or sell the property will be severely diminished by the industrial/peripheral location. Conversely, we would expect a high quality commercial building located in central Masterton to generate a good level of interest if offered for lease or sale. The respective risk and marketability profiles of the central commercial and peripheral greenfield site are very different.

## **8. Travel/Transport Links**

### **8.1 Internal Travel Survey**

In March 2007 GWRC undertook an internal travel survey entitled the "Go Smart Travel Report" which identified how GWRC staff travel to and from work on a daily basis. The main findings of the report as they relate to the Masterton office were:

- 69% drove or were driven in a private motor vehicle
- 19% cycled
- 6% walked
- 2% travelled by train
- 2% by motorbike or scooter

Of those who drove to work, approximately 50% required their vehicle for work.

The main reasons given by staff as to why they travelled the way they did were that public transport was unrealistic and they preferred the convenience/flexibility of their current form of travel.

If Council was to shift to a peripheral location we would not expect to see any significant change in Council's internal travel profile with regard to how they travel to and from work.

However, we are advised that council staff have regular interface with the public, lawyers, print/photocopy service providers, retail suppliers and the like, and that travel to and from these locations is often "on foot". In particular there is regular interface with the Masterton District Council which is currently located only one block away. Staff also conduct business of their own during lunchtimes and breaks (shopping, banking, buying lunch, meeting friends and colleagues etc). If Council were physically remote from the central area, many of these trips would require the use of motor vehicles.

## 8.2 Visitor Survey

During the months of August and September 2008 visitors to the Masterton Office were requested to answer a short questionnaire on how they travelled to GWRC and their views on the location of Council's offices. The results of this survey were:

- 75% travelled by car
- 20% walked
- 5% travelled by train
- 63% were doing other business in Central Masterton
- 80% would not be concerned if the GWRC Offices were peripherally located.

While visitor numbers average around 220 persons per month, it should be noted that the number of survey participants was very small and it is difficult to draw any firm conclusions from these results. Anecdotally, if Council were to relocate to a peripheral location one would expect that:

- Many of those persons who travelled by car and were doing other business in Masterton would end up making an additional vehicle journey to Council's peripheral offices.
- The percentage of persons walking to visit Council would diminish.

## 8.3 Proximity to Public Transport

Council's Chapel Street site, its Ngaumutawa Road workshop site and the proposed greenfield site at Ngaumutawa Road are all approximately 1.4km by foot from the Masterton Railway Station. The Ngaumutawa Road properties are marginally closer to the Renall Street station being some 1.2km by foot.

The Chapel Street site is 200m from the nearest bus stop at Church Street. Notably this stop is the bus service hub which links the Masterton South, East and Western routes, the Landsdowne Circuit to the north and the Masterton to Martinborough service which passes through Carterton, Greytown and Featherston.

The Ngaumutawa Road properties are 280 metres from the nearest bus stop on the Masterton West Route. This route covers a significant portion of the western part of Masterton, however, bus commuters travelling from other parts or outside of Masterton, would need to first travel to the Church Street hub and then transfer to another bus on an alternative service route.

## 9. Operational Considerations

Feedback we have received from managers is that from a purely operational sense Council could conduct its core activities equally well from either a central or peripheral site. Issues that were identified as important were:

- Road frontage to provide Council with profile.
- Safe and convenient access to and from the site and good site circulation.



- Adequate provision of parking for operations, staff and visitors.
- Robust site security.
- A pleasant working environment for staff.

## **10. Staff Considerations**

Generally staff feedback is that they too would be equally happy with a peripheral or central location as long as it provided a pleasant working environment, good site access and adequate on site parking. They considered the opportunity to develop an attractively landscaped environment on greenfield site as a positive, with the main negative being the remoteness from retail and business services in the central area.

An indoor/outdoor area was also deemed important. This has been allowed for under all options, however, the area of site available for planting at Chapel Street will be modest relative to a greenfield site.

## **11. Site Specific Considerations/Concerns**

### **11.1 Chapel Street**

The principal disadvantage with the Chapel Street site is the irregular shape of the proposed development site.

This can largely be mitigated by the thoughtful layout of the site which will be assisted by the formal right of way we have obtained over the MDC carpark to the rear of the 24-26 Chapel Street. This will provide Council with dual access which will improve vehicle circulation. It will also provide direct access to the MDC carpark for staff and visitor carparking.

Council currently owns significantly more land at Chapel Street than would be required for its new building development. If Council decide to build on this site, it will have the ability to manipulate the final site size and shape to meet requirements that are derived from the detailed design process.

### **11.2 Workshop Site – 63 Ngaumutawa Road**

Staff and management have expressed a strong resistance to this site. The principal concerns with this site are:

- Industrial properties in the immediate surrounds create an inappropriate environment for staff and visitors. The area is visually unattractive and there are likely to be problems with noise, odours and pollution.
- The site is a rear lot limiting Council's exposure and visibility to the public.
- The layout of buildings and parking is constrained by site shape, dimensions and the sewerage and drainage easements bisecting the property.
- Limitations on parking for staff and visitors.
- Traffic safety concerns turning out into traffic along this 100km/hr section of Ngaumutawa Road.

- Distance to the central area of Masterton.
- Security is likely to be more of an issue due to the remoteness of the site.
- A high ground water table may cause complications with the construction of foundations and site works.
- BioWorks will need to be relocated to leased premises.

### 11.3 Greenfield Site – Ngaumutawa Road

A greenfield site will overcome the property profile and site shape restrictions but many of the concerns expressed in Section 11.2 above will remain constant. A greenfield site will allow Council the freedom to layout the site and buildings in a less constricted manner. However, while Council can make its best efforts to provide a functional and pleasant working environment (through a well designed building, landscaping, outdoor staff areas etc) it will have no control over what goes on outside its own site boundaries. Council could easily end up in the position whereby over a period of time, its greenfield property is surrounded by undesirable industrial uses.

Catchment Management staff have also advised that in flood conditions the Ngaumutawa Road area can be subject to surface flooding due to surface water moving off the upper Wairarapa plains to the lower lying Ngaumutawa Road area.

The traffic safety concerns referred to above would also remain an issue.

## 12. Comparison of Options

The table below summarises and compares the options 1 -4.

	Option 1 Chapel St 2 Storey	Option 2 Ngaumutawa 2 Storey	Option 3 Greenfield 2 Storey	Option 4 Greenfield Single Storey
Annual Funding Cost (rounded)	\$566,000	\$552,000	\$585,000	\$605,000
Property Transaction Risk	Low	Medium	High	High
Completed Market Value	\$2.50 mill	\$1.50 mill	\$1.70 mill	\$1.70 mill
Zoning Fit	Appropriate	Permissible	Permissible	Permissible
Public Transport	Average	Poor	Poor	Poor
Profile	Good	Poor	Adequate	Adequate
Parking	Good	Average	Good	Good
Operational Fit	Good	Average	Good	Good
Staff Convenience	Very Good	Poor	Good	Good
Public Accessibility	Good	Poor	Adequate	Adequate

### **13. Summary/Conclusion**

We do not consider the Workshop site at 63 Ngaumutawa Road (Option 2) is a viable option. Although it carries the lowest overall cost, it does not provide the level of functionality, amenity or working environment that Council requires. The site lacks profile and the layout of buildings and parking is constrained by site shape, dimensions and the sewerage and drainage easements bisecting the property. Staff members have a strong dislike for this location.

Option 3 is clearly the preferred peripheral greenfield site option, as a two storey building will provide Council with a more efficient outcome at significantly lower cost. However, both greenfield options carry higher cost, greater property transaction risk and lower residual value than a building constructed on Council's existing Chapel Street site.

We are unable to identify any significant benefits (in respect of operational requirements, transport links or staff considerations) in locating to a peripheral greenfield site, and generally staff felt it would be less convenient to them and visitors than a central site.

We reiterate the importance of appropriate zoning. The construction of Council's building in a commercial zone sits far more comfortably within the objectives and policies of the Masterton District Council and will enhance the vibrancy and architectural landscape of Central Masterton. Most importantly, development within the commercial zone will ensure Council's quality development is not denigrated by inappropriate and undesirable adjoining land use activities.

After taking into account the financial implications, transport links, zoning, operational and staff considerations we conclude that the most appropriate location for a new Masterton Building is on Council existing properties at 24-34 Chapel Street.

## 14. Recommendations

*That the Council:*

1. **Receives** the report
2. **Notes** its contents.
3. **Agrees** that the appropriate location for a new building in Masterton (taking into account the financial implications, transport links, zoning and staff considerations) is on Council's existing site at 24 -34 Chapel Street, Masterton (Option 1).
4. **Agrees** that concept design for the new two storey building at Chapel Street be undertaken.
5. **Notes** that the cost of the construction of the new building will be included in the 2009-19 Long Term Council Community Plan.

Report prepared by:    Report approved by:    Report approved by:    Report approved by:



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**Attachment 1: Indicative site layout plans**

**Attachment 2: Summary of potential greenfield sites**