

5.1 LEASE AGREEMENT FOR CIVIC ADMINISTRATION BUILDING**Author:** Phillip King, Property Manager**Authorised by:** Andrew Peckham, General Manager Corporate**CONFIDENTIAL**

Reason for considering this matter with confidential	Grounds under the Local Government Official Information and Meetings Act 1987
Section 7(2)(h) - the withholding of the information is necessary to enable [the Council] to carry out, without prejudice or disadvantage, commercial activities	Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7
Section 7(2)(i) - the withholding of the information is necessary to enable [the Council] to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7

PURPOSE

To seek approval for the:

- disposal of the property located at 67 Horomatangi Street; and
- taking of a lease for new office premises in a building to be constructed at 67 Horomatangi Street.

To delegate authority to the Mayor and Chief Executive to sign:

- a Memorandum of Terms reflecting the key commercial terms set out in this paper;
- a Sale & Purchase agreement to dispose of 67 Horomatangi Street;
- an Agreement to Lease for new offices at 67 Horomatangi Street; and
- any other documents required to give effect to the above transaction.

EXECUTIVE SUMMARY

Following a market search for suitable developers to design and deliver a new office space for Council to lease, Council has advanced negotiations with the preferred party – the Te Whare Hono o Tūwharetoa Limited Partnership (a body representing the various trusts and investment activities of the Tūwharetoa iwi).

It is proposed that Te Whare Hono o Tūwharetoa Limited Partnership (TWHT) will purchase the Council owned site at 67 Horomatangi St for an agreed value (\$3m), then develop and lease the building back to Council for a period of 20 years, with rights of renewal.

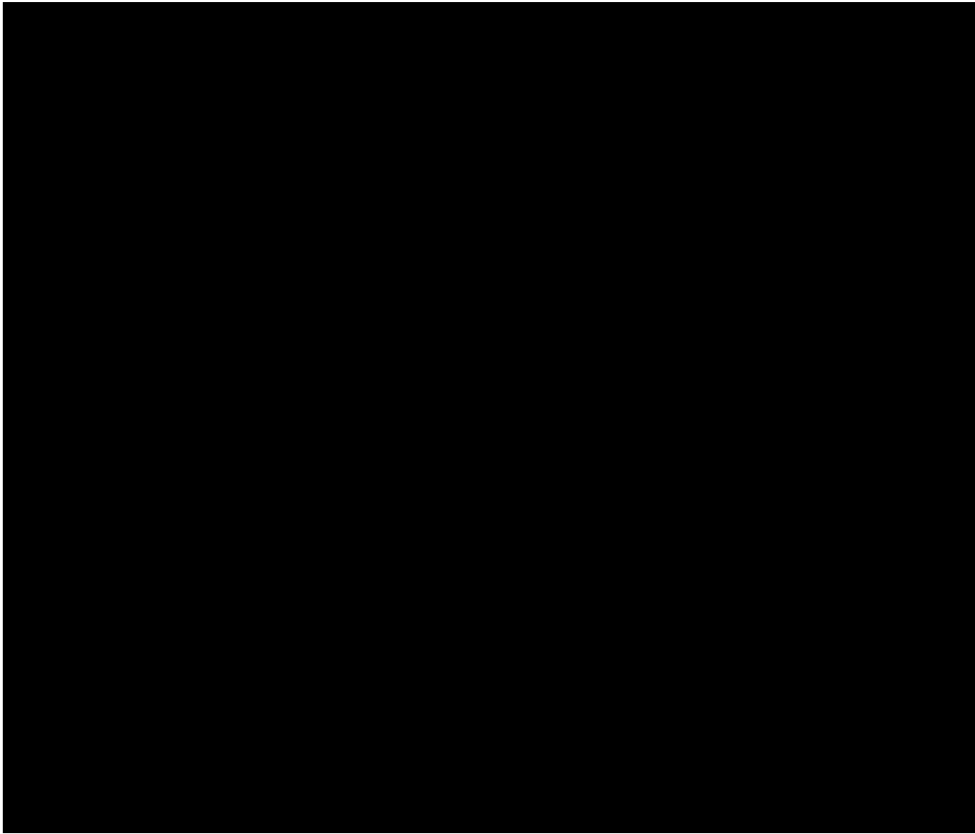
A stage has been reached where the parties have agreed the outline building design, specification, and a set of key commercial terms in the form of a non-binding Memorandum of Terms. We note that all costs have increased as a consequence of the heated construction market, supply and labour shortages. In the period between agreeing the Memorandum of Terms and reaching binding Agreement, the building costs will be confirmed and may impact the final rent. In the event that officers deem the impact material (i.e., >+5%) the project team will report back to Council. Final Agreement is expected by late March 2022.

It is recommended that delegated authority is granted to the Mayor and Chief Executive to enter into the transaction unless there is material change to the key commercial terms, design or sale and purchase price. We believe the risk of any change to the key terms is medium. In the event of material change, the project team will report back to Council for approvals.

Finally, we note the value of the relationship with Ngāti Tūwharetoa. Both parties seek to create a closer and enduring relationship and partnering in this development project is symbolic of that aspiration.

RECOMMENDATION(S)

That Council:

1. Approves (subject to negotiating and agreeing documentation to effect):
 - a. the disposal of the property located at 67 Horomatangi Street to Te Whare Hono o Tūwharetoa Limited Partnership (TWHT) for \$3million dollars (plus GST if any), with settlement to follow satisfaction or waiver of the following conditions:
 - TWHT obtaining a geotechnical report in respect of the property that is satisfactory to it in all respects;
 - TWHT obtaining its board approval; and
 - Council obtaining all necessary approvals and completing any consultation or disclosure process in relation to the agreement.
 - b. subject to settlement of the sale of the land at 67 Horomatangi Street, agrees to take a lease of new office premises from TWHT in a building to be constructed by TWHT on the land at 67 Horomatangi Street, on terms and conditions that are materially consistent with the below:
 - c. 
2. Delegates authority to the Mayor and Chief Executive to sign, in accordance with these terms:
 - a Memorandum of Terms reflecting the key commercial terms set out in this paper;
 - a Sale & Purchase agreement to dispose of 67 Horomatangi Street to TWHT;
 - an Agreement to Lease for new offices at 67 Horomatangi Street; and
 - any other documents required to give effect to the above transactions.
3. Notes that TWHT may wish to further negotiate the key commercial terms, as it develops the building design in a constrained market. If this occurs and the adjustment(s) is(are) material, the revised terms will be bought back to Council for approval.

BACKGROUND

As part of the Annual Plan 2017, the Council first consulted with the community about different options for its Civic Administration Building (Wharenui Council) ranging from refurbishment to a new build. In December 2020, the Council approved a series of processes to identify options in the market for a site and developer to deliver new Council offices. The Council owned site at 67 Horomatangi St was identified as the preferred option. In March 2021, the Council asked the community, through its consultation document for the Long-term Plan 2021-31, whether it thought Council should lease a building or own a building. Council confirmed, as part of its decision on the LTP, that it would lease a building for its Wharenui Council.

Following an Expression of Interest phase which closed in April 2021, three preferred parties were invited to present detailed proposals to Council. This process closed in June 2021 and Elected Members were advised that the evaluation panel recommend the selection of TWHT to buy, develop and lease a new, fit for purpose, single site for Council administration and operations. TWHT are an entity (yet to be registered) consisting of the Tūwharetoa Māori Trust Board, Tūwharetoa Settlement Trust, Ngāti Tūwharetoa Fisheries, Te Pae o Waimihia and Lake Taupō Forest Trust as partners.

The following table summarises the steps taken so far:

April 2021	EOI closes and three preferred parties identified: - TWHT 
May 2021	Detailed Request for Proposal (RFP) issued to three preferred parties
June 2021	Evaluation of proposals concluded and recommendation to Elected Members identifies TWHT as the preferred party to buy and develop the site at 67 Horomatangi St and lease back to Council.
July 2021	Negotiations commence, starting with design clarifications
August 2021	TWHT finalise the building net lettable area and Importance Level structural design and configuration
September 2021	TWHT re-evaluate project feasibility, funding, and key terms
October 2021	TWHT issue revised Memorandum of Terms for Council approval
November 2021	TWHT advise that the development manager and contractor will change, but the commercial terms agreed to date are retained.
December 2021	Project team seeks permission from Council to negotiate and sign documents including an Agreement to Lease which will commit Council to the project.

DISCUSSION

Council has been represented in the negotiation with TWHT by TwentyTwo – Independent Property Advisors, with Bell Gully providing legal support and have been responsible for preparing the documentation required to support the transaction. TwentyTwo are tenant advocates and development agreement specialists. They have a long resumé of public and private sector clients and have expertise in complex property development negotiations. TwentyTwo represent a variety of local body organisations on similar matters, and have acted for the Crown for over 25 years. Council determined early in the process that it required specialist advice to steer the negotiation with the preferred party to ensure Council's interests and the long-term outcome would be assured.

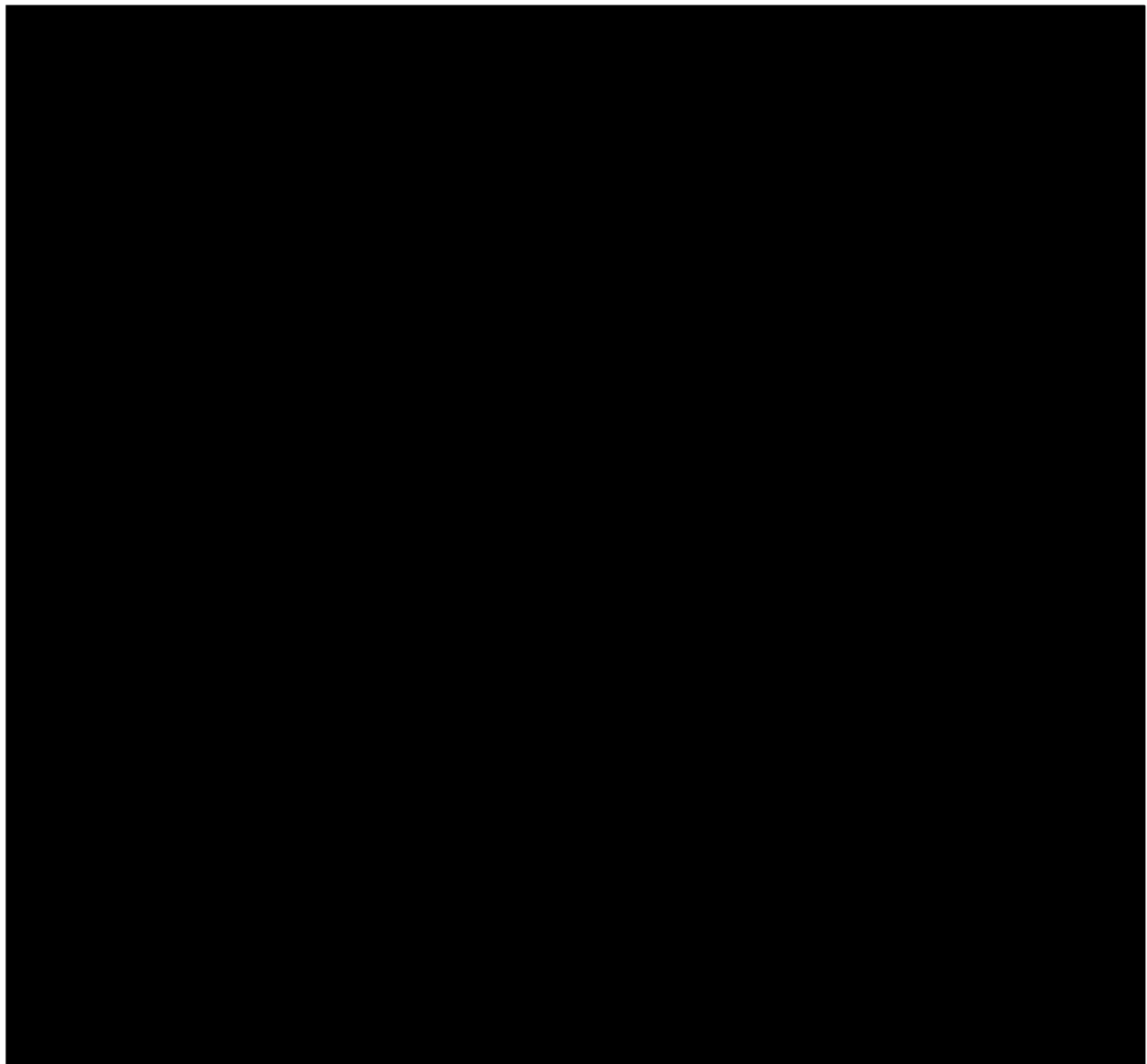
The key documents in the transaction are:

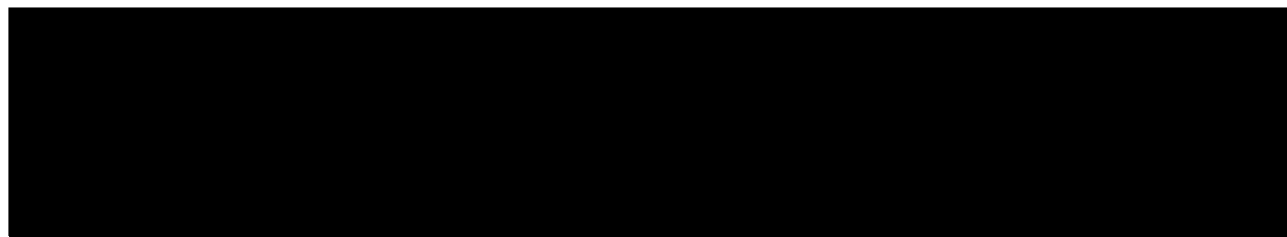
- Memorandum of Key Terms. This is used to agree the most significant elements of the transaction that will underpin the detailed documentation. If the parties can agree the key terms, then the remainder of the negotiation is smoother.
- Agreement to Lease. This is the detailed binding document that sets out all the key terms, design and construction processes, obligations, specifications, programme, and communications from the start of the project to the completion of the building. It is a comprehensive agreement that creates certainty and a focus on partnering.
- Deed of Lease. This is attached to the Agreement to Lease as a schedule and becomes effective once the building is completed and the tenant has commenced occupancy. It sets out the terms and conditions of the agreement between tenant and landlord. It is different from the Agreement to Lease because it is focused on occupancy, whereas the Agreement to Lease is focused on building.
- Sale and Purchase Agreement. This is the agreement that confirms the terms and conditions of the sale of the property.

The Memorandum of Key Terms

The most important step in the negotiation process is agreeing the key commercial terms, which include the outline building design and specification, programme, leased areas, facilities and the lease terms. The process also included agreeing the site sale price.

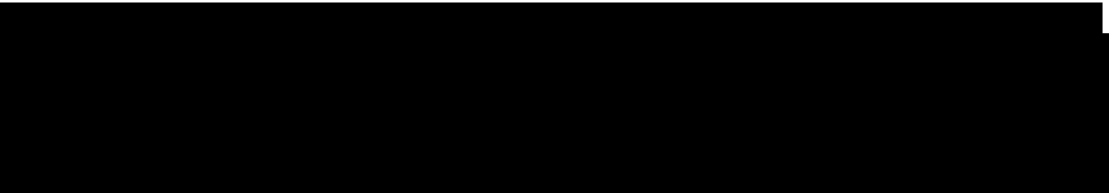
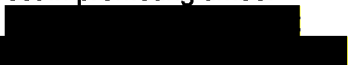
The key attributes of the transaction are summarised below (and the full Memorandum of Terms is attached).





Note: All Figures in table above are exclusive of GST

Commercial Considerations:

- 1) Council is required to lease 3,100m² of **net lettable area** with approximately 2,648m² of this being usable office space and 452m² being circulation and public space. This aligns with Council's long term space requirement and the developers total leased area requirement to be feasible. Some of this 3,100m² commitment may be mitigated by the ground floor lease to a retail/cafe tenant ~150m². Alternatively, Council may sublease a portion of the work floors to suit and reduce the overall rent commitment. This would be subject to market conditions and available tenants.
- 2) **Importance Level.** The building will have a structural design to Importance Level 4 which is suitable for accommodating our Emergency Operations Centre.
- 3) **Rent.** 
- 4) **Rent review.** 
- 5) **Incentive.** 
- 6) **Importance Level.** The building will achieve Importance Level 4 in structural design (resilient and safe to return to). However, it will not meet all criteria for a new Emergency Operations Centre (EOC) as defined by the various legislation. Therefore, Council will need to apply an EOC strategy where, if it fails in any area other than structure, this building can have additional building services delivered remotely (for example: plug in generator, mobile water, mobile toilets etc). This is consistent with other Councils and is the most practical solution.
- 7) **Building specifications.** We remain comfortable that the building proposition is a good one and contains the typical features and services expected of a new building.
- 8) **Sustainability / Greenstar.** We note that the developer has not yet committed to formal Greenstar certification for design and build but we have advised it will be a requirement and will seek to achieve this in the detailed negotiation.
- 9) **Carbon footprint of construction materials.** There was initial interest in promoting timber elements to the base building design to reduce the carbon footprint, 
 Carbon footprint awareness will need to extend to the manner in which Council develops its fitout design.

- 10) **Land purchase price.** [REDACTED]
- 11) **Programme.** While a detailed programme is yet to be provided, it will be documented in the Agreement to Lease that the developer will be expected to complete the building by the agreed dates or face a penalty regime. At this time, the target practical completion date is July 2024.
- 12) **TWHT relationship.** We note the value of the relationship is enhanced by the planned co-occupancy of the two parties. This will be by way of partitioned space but speaks to a closer relationship. [REDACTED]

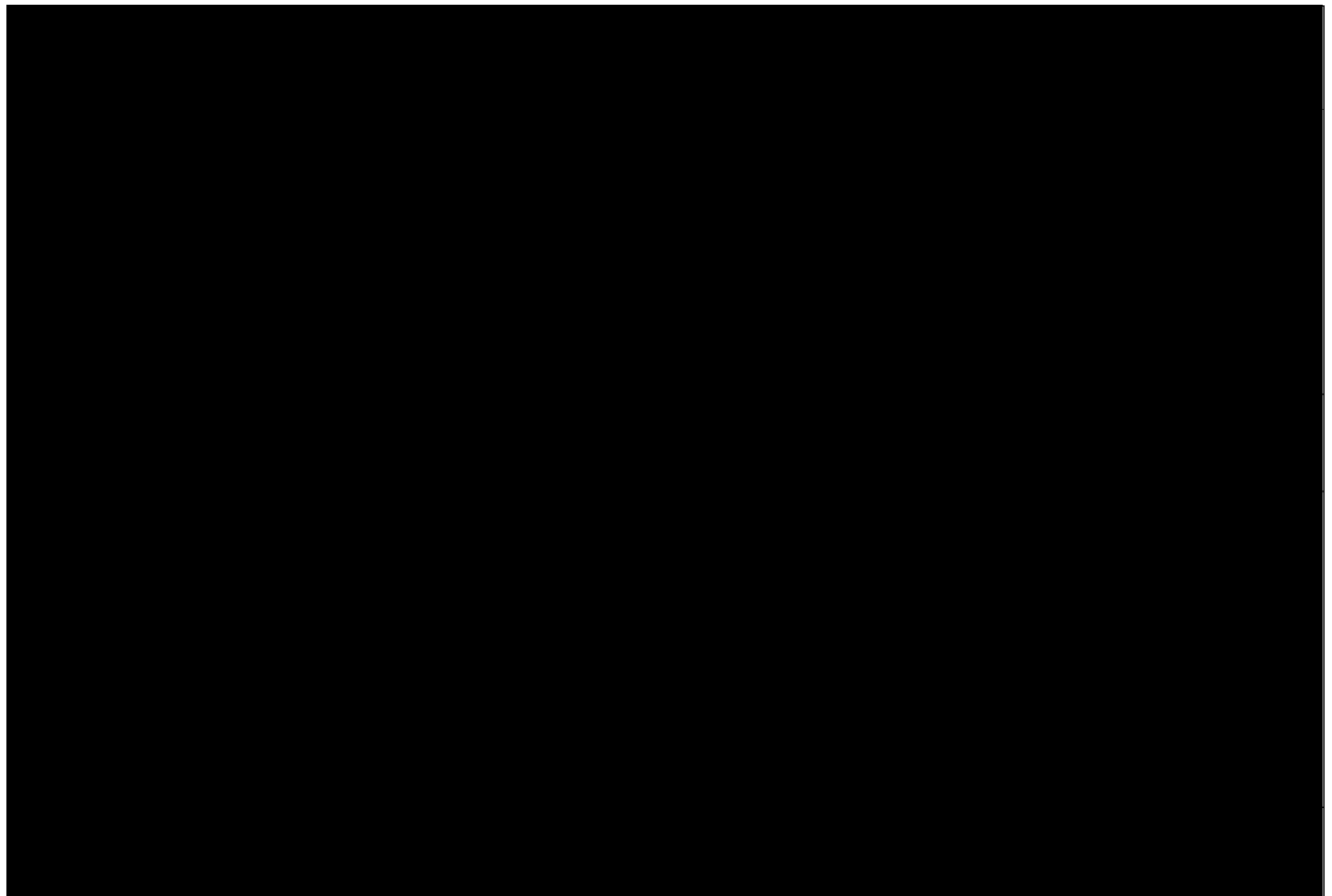
It is noted that TWHT have recently changed their development manager and contractor. TBP Properties have withdrawn by mutual agreement as the terms of their relationship with TWHT changed over time. TBP also has concerns about the ability to control rising costs and implement the IL4 structure.

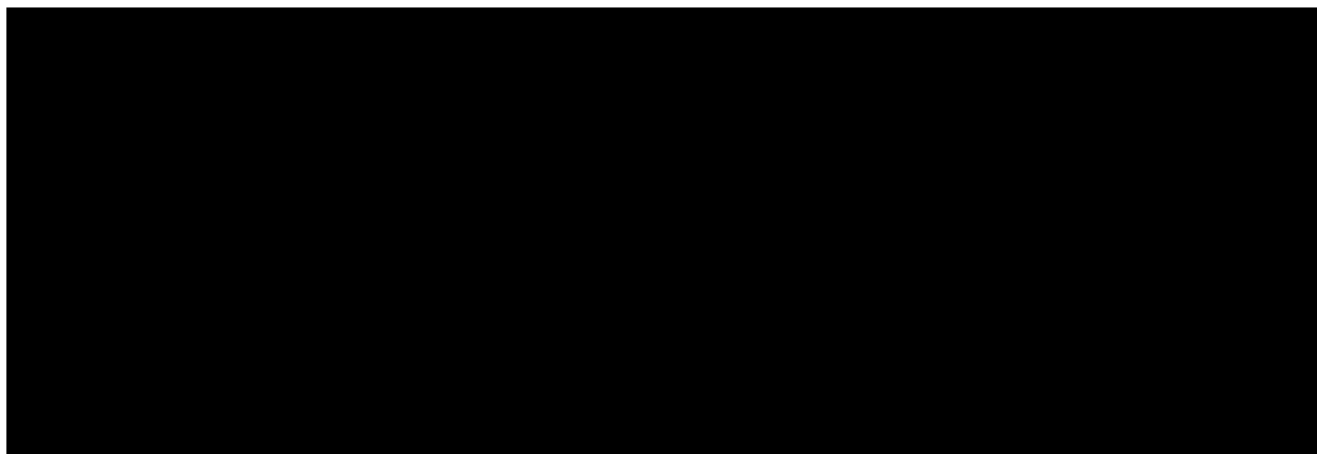
We do not believe this jeopardises or devalues the opportunity at this time. Rather, we believe it is better to have this known now than post Agreement. Further, we believe it has made TWHT engage with more knowledgeable advisers which will lead to greater surety.

The risk still remains that this change will draw more attention to the development costs, but at this time TWHT have confirmed that the Memorandum of Terms remain valid, but non-binding. We believe that TWHT will use the time between agreeing the Memorandum of Terms and reaching final agreement to detail the design, estimate costs more accurately, secure a contractor and confirm the commercial offer with Council.

We believe it is possible the commercial terms may change, which will prompt negotiation prior to final approval and agreement. [REDACTED]

Comparison with previous information provided by TwentyTwo Property Advisors to support LTP amendment:





Process for signing lease agreement

Discussions with the TWHT on the Memorandum of Terms is progressing quickly. It is anticipated agreement will be reached ready for execution in late December 2021 at best or very early 2022.

The Memorandum of Terms will consist of a price per annum and terms as outlined above. This report enables Council to consider the Memorandum of Terms and approve key commercial terms (as outlined in the recommended resolution) subject to change in net rental within a margin of +5%. The signing of the agreement can then be delegated to the Mayor and Chief Executive to enable it to be completed quickly on the completion of negotiation.

The Local Government Act 2002 enables the Council to delegate, for efficiency and effectiveness, to an officer of Council any of its responsibilities, duties, or powers except those listed in Clauses 32(1) (a) to (h) of the Seventh Schedule to the LGA. The signing of the Memorandum of Terms, a Sale & Purchase agreement to dispose of 67 Horomatangi Street and an Agreement to Lease for new offices at 67 Horomatangi Street is outside the existing financial delegation from Council to the Chief Executive Officer as it is substantially more than \$500,000. Therefore, a new delegation is required for this project. The proposed delegation is consistent with the requirements of the Local Government Act.

If during the negotiations TWHT wishes to materially adjust the key commercial terms, the revised terms will be brought back to Council for approval.

OPTIONS

Based on this information it is considered that there are two options. Either for the Council to:

- agree to the disposal of the property at 67 Horomatangi Street; and taking of a lease for new office premises in a building at 67 Horomatangi Street, based on the key terms outlined; or
- not agree to the key terms and require staff to renegotiate new key terms.

Options for approving the lease agreement

Option 1.- Agree to the disposal of the property at 67 Horomatangi Street; and taking of a lease for new office premises in a building at 67 Horomatangi Street, based on the key terms outlined.

Advantages	Disadvantages
• Provides certainty for both TWHT and the Council • Provides comfort to TWHT to continue design and negotiation phase with confidence • Project team will not need to return for further approval of the same material matters •  • It is non-binding, but is intended to become binding	• If key terms alter materially the project team will need to come back to Council for approval. This may delay the final approval of the agreement to lease.

• Enables the signing of the documentation to occur efficiently once agreement is reached without waiting for the next Council meeting to seek agreement • [REDACTED]	
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Option 2.- Do not approve the key terms and request staff to renegotiate the memorandum of key terms.

Advantages	Disadvantages
• [REDACTED] • Ensures that the Council sees and approves the final deal	• Results in delay in reaching agreement and signing agreements. • [REDACTED]

Analysis Conclusion:

Option 1 is the preferred option as it will enable negotiations to continue, provide some certainty of terms for both parties, [REDACTED] and faster and more efficient signing of the agreements.

CONSIDERATIONS

Alignment with Council's Vision

Council's vision is 'to be the most prosperous and liveable district in the North Island'. This is accompanied by a core set of values to underpin decision-making, the following of which are relevant to this particular proposal: Charming; Quality; and Value.

Financial Considerations

Long-term Plan/Annual Plan

A total of \$850,000 per annum is budgeted for the annual lease cost from 2024/25 (inflation adjusted to \$892,000 for 2024/25 going forward in the Long-term Plan 2021). The negotiated lease agreement (\$1,209,700) exceeds this by \$317,700 (an increase of 37%). As outlined earlier in this report this is due to:

- an increased area of floorspace (3,100m² instead of 2,500m²); and
- increased rent proposed by the developer which reflects the rising costs of commercial rents due mainly to the increasing costs of construction and investor yield.

[REDACTED]

In the context of Council's overall rates, the difference between the proposal amounts to at most a 0.51% increase (in the 2024/2025, with lesser increases in other years). This will need to be funded from rates.

The LTP also budgeted \$3,500,000 in the 2024/25 year (\$3,773,000 inflation adjusted) for fit out costs for the Wharenui Council. The estimated fit out costs have changed and are currently in the order of \$4,900,000. This is a reflection of:

- the increased area of floorspace (2,648m² instead of 2,500m² as Council will only fitout the net usable area)
- increased fitout costs due to a heated construction market, supply chain issues and labour shortages.

It is now proposed to do the fit out of the building in an integrated way as it is being constructed requiring the fit out expenditure to be brought forward to 2022/23 and 2023/24. These fit out costs do not form part of the lease agreement with TWHT.

The impact on the average cost per ratepayer for rates as a result of these changes (increase in lease costs and increase and change in timing of fitout costs) is:

Impact on Rates	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Average cost per ratepayer per LTP	\$0.00	\$0.00	\$0.00	\$22.81	\$30.68	\$30.54	\$30.73	\$30.97	\$31.16	\$31.39
Revised average cost per ratepayer	\$0.00	\$2.17	\$5.89	\$42.11	\$48.58	\$48.10	\$48.01	\$47.91	\$47.78	\$47.73
Rates average \$ increase	\$0.00	\$2.17	\$5.89	\$19.30	\$17.91	\$17.55	\$17.28	\$16.95	\$16.61	\$16.34
Average Rates % increase	0.00%	0.06%	0.16%	0.51%	0.46%	0.44%	0.43%	0.41%	0.39%	0.38%

The \$2.17 for 21/22 and \$5.89 for 23/24 is due to the fit-out costs being brought forward.

The average cost per ratepayer per LTP shown above is different from the figures outlined in the Consultation Document for the LTP 2021-31. This is because the savings made by not having to rent multiple premises in the town centre, that Council staff are currently housed in, were not factored into the calculations in the LTP. Instead, in the consultation document, the direct cost of both options (leasing a building or owning a building) were compared.

However, as we are now comparing the preferred lease proposal with the LTP Consultation Document lease proposal, the cost savings of no longer having to rent multiple premises is relevant to the discussion. Accordingly, the impact on rates for both options has been calculated by deducting the rent savings from the lease costs. This does not affect the difference in cost between the lease option in the LTP Consultation Document and the current revised figures.

Legal Considerations

Local Government Act 2002

The matter comes within scope of the Council's lawful powers, including satisfying the purpose statement of [Section 10](#) of the Local Government Act 2002 (LGA). That section of the Act states that the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. It is considered that economic, environmental and cultural well-being are of relevance to this particular matter.

Sections 77-81 of the LGA are relevant for Council decision making. Section 78 requires the Council, in the course of its decision-making process, to give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter. The Council first consulted with the community in early 2017 (as part of the Annual Plan 2017) on different options, from refurbishment to a new build, for the new Council offices. Consultation has continued until most recently in March 2021 when the Council asked the community, through its consultation document for the Long-term Plan 2021-31 whether it thought Council should lease a building or own a building. Council confirmed, as part of its decision on the LTP, that it would lease a building for its Wharenui Council and budgeted \$850,000 (\$892,000 inflation adjusted) every year from the 2024/25 year. Council also budgeted \$3,500,000 in the 2024/25 year (\$3,773,000 inflation adjusted) for fit out costs in the LTP.

Clause 32(1) of the 7th schedule to the Local Government Act 2002 enables "for the purposes of efficiency and effectiveness in the conduct of [Council's] business," for the Council to delegate to an officer of Council any of its responsibilities, duties, or powers except those listed. A delegation from Council to the Mayor and Chief Executive for the signing of a Memorandum of Terms reflecting the key commercial terms set out in this paper, a Sale & Purchase agreement to dispose of 67 Horomatangi Street to TWHT, an Agreement to Lease for new offices at 67 Horomatangi Street; and any other documents required to give effect to these transactions is consistent with this part of the Local Government Act.

Policy Implications

As outlined above a budget for the lease and fit out of a building for the Wharenui Council has been included in the LTP 2021-31 and was consulted on as an option in the consultation document for this LTP. However, the budgets now required, the timing of these budget and the impact on the average cost per ratepayer have changed. The changes to the average cost per ratepayer reflect the increase in leased floorspace, the increased rent (in accordance with market rents), increased fit out costs and increased fit out floor area. These changes reflect the changing market conditions. A decision to agree to the financial terms in the Memorandum of Terms is not inconsistent with the LTP.

Māori Engagement

Iwi and hapū groups were provided the opportunity to express their views on the proposal to lease a building for Council's administrative functions as part of the Long-term Plan. No further targeted engagement with those groups is considered necessary to inform Council's decision making on the terms of the actual lease agreement.

With the Tūwharetoa Māori Trust Board, Tūwharetoa Settlement Trust, Ngāti Tūwharetoa Fisheries, Te Pae o Waimihia and Lake Taupō Forest Trust as partners in TWHT, this presents a clear opportunity to strengthen the partnership between Council and Ngāti Tūwharetoa. With the first three partners mentioned as tenants within the building, this development would also create an opportunity for better collaboration and co-location with Council to enhance the working relationship between these organisations. Indeed, this co-operative endeavour would reflect the partnership envisaged for iwi and local government creating a unique flagship building for the future of the Taupō district.

This procurement can leverage broader outcomes that enable the involvement of Māori suppliers, including TWHT and Tūwharetoa cultural advisors, artists and kūmātua that will be involved in the project. It is acknowledged that this building will become a taonga of both organisations, and appropriate steps to recognise and display what is precious to the Taupō region will be embraced through design.

Risks

The risks associated with the project now fall into two categories:

- 1) Cost escalation. As TWHT change its development manager and contractor, there is risk they will revisit the key commercial terms. We have been assured the Key Terms presented remain valid – however there is risk that TWHT may decide to amend the terms as they develop more detailed design information. It is important to adopt a partnering approach should these risks surface and where appropriate support the project feasibility by working with the developer to ease the impact of any cost changes.

There are a number of levers to mitigate or accommodate this risk:

- a. Make a decision quickly
 - b. Enter into a binding agreement so no changes can be made
 - c. Defer settlement of the land to improve cash flow
 - d. Rentalise any material increases in cost – e.g. increase the rent.
- 2) Delivery risk. Contractor availability and supply chain issues may impact TWHT's ability to deliver the building on time. This may have a flow on effect to Council's current leases and fitout costs. To mitigate this, the Agreement will include a clear communication process to deal with delay (or Force majeure events) including the potential of a penalty regime, and Council will seek to negotiate flexibility in its leases in its current portfolio, where possible.

SIGNIFICANCE OF THE DECISION OR PROPOSAL

Council's Significance and Engagement policy identifies the following matters that are to be taken into account when assessing the degree of significance of proposals and decisions:

- a. The level of financial consequences of the proposal or decision;
- b. Whether the proposal or decision will affect a large portion of the community or community of interest;
- c. The likely impact on present and future interests of the community, recognising Māori cultural values and their relationship to land and water;
- d. Whether the proposal affects the level of service of an activity identified in the Long-term Plan;
- e. Whether community interest is high; and
- f. The capacity of Council to perform its role and the financial and other costs of doing so.

Officers have undertaken a rounded assessment of the matters in clause 11 of the Significance and Engagement Policy (2016) and are of the opinion that the proposal under consideration has a high degree of importance and so is significant. This is because the decision to approve in principle a lease agreement for the Wharenui Council and the sale of the land at 67 Horomatangi Street will have:

- a high level of financial consequences;
- will affect a large portion of the community;
- will impact on present and future interests of the community; and
- the community interest is high.

The engagement section below analyses the Significance and Engagement Policy (2016) further and concludes that no further consultation is required.

ENGAGEMENT

In March 2021 Council sought feedback from the community, through the consultation document for the Long-term plan 2021-31, on the future for the Wharenui Council. The document asked for feedback on whether to lease or own a building to house council staff and stated that Council's preferred option was to lease a building. The consultation document outlined all the consultation and council decisions on the Wharenui Council so far, from the initial consultation to determine options for the Wharenui Council back in May 2017. The document set out the advantages, disadvantages and costs including the average cost per ratepayer for two options. These options were to lease a building or to own a building on the Tūwharetoa Street car park. 138 submissions were received on this issue with feedback overwhelmingly (81%) in favour of leasing. The reasons for this were that it was considered cheaper overall to lease, there was less risk in leasing, less cost uncertainty and it was important that any lease must be at market rates. As part of the decisions on the LTP 2021-31 Council confirmed that leasing is the preferred option for the future of the Wharenui Council.

While the average cost per ratepayer has increased for the lease of a Wharenui Council since the LTP was adopted, this is due to increases in the floor area required, an increase in market commercial lease rates and fit out costs and bringing forward of the fit out of the building. Officers have sought advice and formed the view that further consultation is not required as the overall proposal is fundamentally the same as what was consulted on (i.e. a long-term lease), the specific location was not part of the Council's consultation (so the Council is not bound to any particular location) and the increase in the cost does not reach the level where further consultation is required. This conclusion is supported by the overall circumstances which also point away from any further consultation being legally necessary.

The Significance and Engagement Policy outlines situations when Council may not engage during the decision making process. Section 8 of that policy is relevant:

Council may choose not to engage when:

- a. There is already a good understanding of the views and preferences of those that are affected or interested;
- b. There is need for confidentiality;
- c. The costs outweigh the benefits;
- d. The matter has already been addressed through Council policies and plans;
- e. An immediate or quick decision is required;
- f. Emergency works are required; or
- g. The matter relates to the operation and maintenance of a Council asset and responsible management requires the works to take place.

Subsections (a), (b), (d) and (e) are relevant in this case.

It is considered that further engagement with the community is not required at this stage as:

- These cost increases, when assessed on the overall impact on rates, are small (see table in financial considerations section of this report).
- The negotiations with the developer are at a crucial stage and it is prudent to continue to negotiate out the key commercial terms.
- The financial component of the commercial terms are commercially sensitive and so cannot be disclosed to the community at this time.
- Halting negotiation at this stage to engage with the community could potentially result in the deal being lost.
- [REDACTED]
- Council is aware of views and preferences of the community on the leasing option for the Wharenui Council as extensive engagement has occurred on this topic since 2017, especially through the community's submissions during the development of the LTP 2021-31.

Accordingly, Council is aware of the views of the community on whether leasing is a good option. And while the costs of leasing have escalated since the consultation in March 2021, so too have the costs of construction correspondingly escalated meaning that the earlier comparison of leasing relative to owning remains valid. On that basis officers advise that Council does not need to undertake further engagement to understand the views and preferences of the community.

Although there are additional costs to Council over and above those signalled in the Long-term Plan

Council has a responsibility to act prudently when managing public money

COMMUNICATION/MEDIA

A communications plan will be prepared with the communications team to inform the community about the partnership approach for, and the increased costs of, the lease for the Wharenuī Council once the commercial terms have been agreed and a Memorandum of Terms, a Sale & Purchase agreement to dispose of 67 Horomatangi Street, and an Agreement to Lease new offices at 67 Horomatangi Street have been signed.

CONCLUSION

TWHT and the proposed Memorandum of Key Terms remain the most favourable option for Council to successfully deliver its objective of a fit for purpose, single site solution. The drivers for this recommendation are:



While there is some risk that the Memorandum of Terms may be amended as TWHT advance the detailed design, the sooner Council reach Agreement to Lease the greater certainty it will create. Much of this progress to Agreement will be driven by TWHT but we believe they have genuine positive intent and appreciate Council has little appetite for material change.

ATTACHMENTS

Nil