

**QLDC Council
14 December 2017**

Report for Agenda Item: 5

Department: Corporate Services

Project Connect: One Office Accommodation Indicative Business Case

Purpose

The purpose of this report is to consider the Project Connect Indicative Business Case to continue to progress the one Council office accommodation proposal for consultation through the Draft 10 Year Plan 2018-2028.

Executive Summary

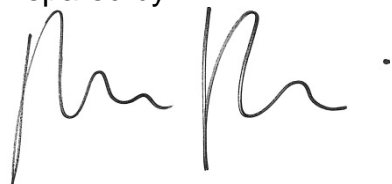
Since 1989 consecutive Councils have been considering, planning and designing a one office solution for the Queenstown CBD. The resulting poor accommodation and service solutions spread across four corners of the town is no longer tenable for the community or the staff. Council's intention to address this challenge has been signalled over the last two years through the 2016/17 and 2017/18 Annual Plans and this year through the Town Centre Strategy consultation. The Council has embraced an ambitious 'can do' approach and we are looking to ensure the organisation is in a position to deliver.

Recommendation

That Council:

1. **Note** the contents of this report and in particular the Project Connect Indicative Business Case outlining the case for the one office Council accommodation (Project Connect) proposal;
2. Agree to include funding for Project Connect in the Draft 10 Year Plan 2018-2028 for consultation.

Prepared by:



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1/12/2017

Reviewed and Authorised by:



Mike Theelen
Chief Executive

1/12/2017

Background

- 1 Since 1989 the Queenstown Lakes District Council has been working on the premise that Council should be located in one office, in the Queenstown CBD on Stanley Street (Attachment A).
- 2 For today's Council a number of the challenges associated with multiple office solutions have compounded and for the last two years, QLDC has been telling the story of compromised customer service and staff inefficiencies due to Council being located in offices in four different corners of the town.
- 3 It has consulted the community over a clear intention through the previous two Annual Plans and the Queenstown Town Centre Strategy on a proposal to create a one office accommodation solution.
- 4 The key driver is that the community is not receiving the service it deserves. It is creating significant time and cost inefficiencies for the community and staff and challenges to Council's culture.
- 5 Two of the four occupied offices are community-owned, the others are lease arrangements. The cost of leasing staff accommodation, as well as lease costs for fleet, is now in the order of excess of \$600,000 per annum. One of the buildings, namely Gorge Road was deemed not fit for purpose by Council in 2015. The building is a former Working Men's Club, into which Council moved in April 1999.
- 6 The image portrayed by the compromised council accommodation solutions and in the case of Gorge Road, dated and run down décor, is not in keeping with the image of the district as an iconic destination of choice, nor does it evoke a sense of pride for the community or the staff.
- 7 Additionally there remains potential for the Gorge Road site to be compromised by future arterial and transport solutions.
- 8 Council has spent the last 12 months in the build up to the 10 Year Plan 2018-2028 developing a robust rationale for change in the form of an Indicative Business Case (Attachment B).

Comment

- 9 The case for investment in a Council office accommodation solution can be made on multiple levels. First and foremost the Council desire to be a 'can do' Council delivering exemplary service for the community it serves is daily compromised through the poor state of the current office configuration and the cost inefficiencies of a community and staff who must spend considerable time travelling between buildings. It should be acknowledged here that Council is very aware that a similar challenge exists for the Wanaka community, where the community is also poorly served by the geographical separation of offices. A separate project is being considered.
- 10 Customer Service reports (November 2017) that on any given day of the week an average of 15 members of the public seeking planning and building services

must be redirected from the Gorge Road office to the Shotover Street office, a walking journey of approximately 7.5-10 minutes and particularly challenging in winter. A similar number daily are redirected from Shotover to Gorge Road seeking regulatory services.

- 11 Additionally with Infrastructure and Finance now based at Church Street the occurrence of frustration for professional and business individuals attending the wrong building for meetings or appointments with staff is daily. It should also be noted that teams are now forced to be split with Corporate located in Gorge Road, Stanley Street and Church Street and Finance and Regulatory split between Gorge Road and Church Street. This is clearly not culturally optimal.
- 12 Meetings with dignitaries and international delegates occur at QLDC in the Council Chamber 2-3 times a month on average. It instils a poor image for the district. The Chamber is dated, stuffy and cramped and often is not able to accommodate the members of our community who would like to attend public forum at Council meetings or those who are being officially sworn in at Citizenship Ceremonies.
- 13 It was also found in 2015 that the building does not meet the Building Code resilience requirement for an Emergency Operations Centre and the EOC was moved from the Council Chamber to the Queenstown Event Centre as a result. The building itself is not deemed earthquake prone (33% or below) but sits just above the risk line at 35% of current code.
- 14 The current state of Gorge Road in particular has seen staff satisfaction with their physical accommodation continue to slide with a drop of 9% in 2017 from 67% to 58%. A poor working environment arguably impacts both recruitment and retention.
- 15 Meanwhile Council has had to broaden lease arrangements at Church Street and Shotover Street to accommodate the growing staff (total lease costs including fleet parking is now in excess of \$600,000 per annum) and this year commenced housing staff in the old Destination Queenstown building on Stanley Street as a fourth office.
- 16 These shortcomings and unprecedented growth in areas such as building and consenting, regulatory and parks and sport and recreation, rates and finance and all the corporate services required to support Council have long been recognised by previous Councils and on 26 August 2015 the Council made the following resolution that the Gorge Street offices were not fit for purpose: *note that the current Gorge Road premises do not meet the current and future needs of the Council.*
- 17 Subsequently the Council passed the following resolution on 25 February 2016:

That the Council:

- 1. Note the contents of this report and the report prepared by Colliers International Queenstown dated November 2015;**

2. **Agree that the Council considers a proposal to develop a 'one office' Council office accommodation by 2018 and support the provision of \$250,000 in the 2016/17 Annual Plan (as a maximum placeholder) for project investigation, planning and design;**
3. **Confirm that the Council's preferred location for a future Council office building is the Queenstown CBD, in accordance with the Queenstown Town Centre Strategy 2009 (section 8.1), subject to an assessment of any consenting, designation or similar issues;**
4. **Confirm that any proposal would require:**
 - a. **The proposed building be constructed on a Council-owned site.**
 - b. **Further consideration of the merits or legality of a joint venture versus a Council-owned option.**
 - c. **The proposed building being capable of accommodating all Queenstown-based Council office staff with an acceptable provision for growth.**
 - d. **Further consideration of the 2020 Frankton Library Hub as included in the current 10 Year Plan with potential to either bring the 2020 proposal forward or develop an interim library solution for implementation in 2018.**
 - e. **Consultation on the proposal detail and options in the 2017/18 Annual Plan. noting this as an amendment to the 10 Year Plan [Local Government Act 2002 Section 93(4)]**

18 The 2016/17 Annual Plan highlighted 6 key priorities, one of them being the requirement to build new Council offices. This was flagged in the Council Consultation Document with Mayor Jim Boulton stating: "This Council needs to have its offices on one site in the Wakatipu, not four, and it's a no-brainer that we need staffing levels that match growth to meet your [community] expectations for service."

19 The 2015/16 Annual Plan likewise highlighted as a key issue Council's intention to build a 'one stop shop'.

Potted History

20 Council records of meeting minutes (Attachment A) show that the requirement for one office to be located on Stanley Street was first proposed in 1989. The Council then took a lease property at Shotover Street (still housing planning

today) but commissioned an architect to design a building at Stanley Street in 1993. Instead the Council purchased and moved into the existing Gorge Road premise in April 1999.

- 21 In 2006, after a year in the making an ambitious design for a Civic Centre including an auditorium, gallery, community space, a Council office and library on Stanley Street was shelved. In 2007 Council decided to build a building in the Gorge Road carpark and enter into a joint venture. This proposal lost support and in 2011 Council was considering a lease for one office at a premise on Shotover Street. This also lost support, a major factor being that Council considered owning its own building in perpetuity was an important legacy issue for future generations.

Cost

- 22 The indicative business case seeks approval to including \$41.5million of funding for a one office solution in the Draft 10 Year Plan 2018/28 for consultation. It would be simplistic to sensationalise this figure given current financial challenges facing the district.
- 23 The reality is that Council, its function, its purpose and its role in the community is not discretionary. Growth in any community is reflected in increased levels of service by Councils. More cleans, more consents, more infrastructure, more builds, more parks, more roads, more traffic, more freedom campers, more dogs, more burials, more citizenship ceremony's etc etc. All this equates to more staff, and staff and the function of Council must be accommodated.
- 24 It will be important that the 10 Year Plan contextualises the proposal but some key issues that will need to be factored include:
- a. A community-owned property becomes a legacy building and asset for future generations with the significant financial advantage of being developed on community land. This is the only solution that delivers tenure in perpetuity.
 - b. Building the solution in the Queenstown CBD is a strategic and deliberate decision supported by Councils over the decades to ensure that the CBD retains relevancy for locals and visitors. This is a clear mandate of Council.
 - c. There is no one building in the district that can be held up as a statement of pride of place: where new citizens can be sworn in, where the community feels welcome and connected, and that respectfully reflects the connection with the whenua (land) and the mana whenua (people of the land).
 - d. The intention is to partly offset the cost of the new building through the sale of 10 Gorge Road.
 - e. Councils are able to secure very favourable loan margins through the Local Government Funding Agency (current weighted average 4.28% per annum). Loan funding a Council building is the most affordable way of developing a building that represents to a key community asset in the long term.

- f. Council's current lease arrangements for Queenstown office space and fleet storage are currently in excess of \$600,000 per annum. This becomes a direct cost saving which can be offset against the debt servicing associated with a Council-owned development.
- g. The cost to ratepayers, residents and visitors who in the course of their customer interactions with Council are forced to walk or drive across town to obtain the appropriate Council services can no doubt be counted in terms of time wasted and levels of frustration.
- h. The proposal is seeking to include a Queenstown Library in the capacity that the proposed building will hold to accommodate future growth. By working smarter and through the introduction of a workplace strategy there is potential for this arrangement to endure. Short of fit-out this is a cost neutral solution to enhancing the Queenstown library offering in the short term.
- i. Although it has not been quantified the number of staff travelling daily between offices in the CBD, taking on average 15 minutes return per journey is delivering a considerable toll on productivity and value.

In Summary

25 Project Connect will enable the 'can do' Council approach by delivering:

- a. A significantly enhanced customer experience at one location to meet the needs of our community.
- b. A significantly more efficient Council business operation enabling 'one Council' to be delivered in terms of philosophy, culture and location.
- c. Long term financial and community benefit.

Options

26 The Indicative Business Case identifies and assesses reasonably practicable options for assessing a one office accommodation project as required by section 77 of the Local Government Act 2002.

27 The Council can choose not to support the recommendation as outlined and adopt the Status Quo or redirect officers to reconsider another option, contrary to the findings of the Indicative Business Case.

28 Option 1 Status Quo

Advantages:

29 No significantly changed financial implications.

Disadvantages:

30 As outlined in terms of:

- No change to existing poor customer service.
- No investment today to provide a legacy asset for generations of tomorrow.

- Continued and increasing lease costs, which continue to impact rates.
- Risks around the future of 10 Gorge Road.
- Failure to deliver on mandated Council resolutions.
- Failure to be a 'good employer'.
- Failure to address a lack of staff productivity

31 Option 2 Include funding for One Office Solution in the Queenstown CBD in the 10 Year Plan for consultation.

Advantages:

- Enhanced customer service.
- Creation of a legacy asset for future generations.
- Save on lease costs.
- Manage the risk to 10 Gorge Road.
- Deliver on mandated resolutions.
- Deliver on being a 'good employer'.
- Staff productivity and retention enhanced.

Disadvantages:

32 Cost implications in a challenging financial environment, which will impact rates.

33 Option 3 Support neither option and direct the Chief Executive to set aside the findings of the Indicative Business Case and reconsider an alternate option.

Advantages:

- Potential to revisit developing a more affordable office solution outside the Queenstown CBD.
- Potential to offer a mandate to set aside all previous engagement, resolutions and strategies in relation to the location of any office solution.

Disadvantages:

- Potential delay that would see the Status Quo continue.
- This would potentially undermine all previous engagement, resolutions and strategies in relation to the location of any office solution.
- Risk the future vibrancy and success of the Queenstown CBD

34 This report recommends **Option 2** for addressing the matter because this option supports the standing resolutions of Council, previous public engagement, Town Centre Strategies and will enable further community consultation through the Draft 10 Year Plan.

Significance and Engagement

35 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because it is of high community interest and signals a change to the 2015/25 10 Year Plan. It is therefore subject to the

special consultation process which will be undertaken through consultation on the 10 Year Plan 2018/28.

Risk

- 36 This matter relates to the strategic risk SR6B as documented in the Council's risk register. The risk is classed as high. This matter relates to this risk because office accommodation is critical to service delivery within the District.
- 37 The recommended option mitigates this risk, ensuring provision of a long term asset that will deliver efficient, improved services to the community.

Financial Implications

- 38 The recommendation is to include \$41.5million of loan funding in the Draft 10 Year Plan 2018/28 for consultation.

Council Policies, Strategies and Bylaws

- 39 The following Council policies, strategies and bylaws were considered:
- Annual Plan 2016/17
 - Annual Plan 2017/18
- 40 The recommended option is consistent with the principles set out in the named policy/policies.
- 41 This matter is not included in the 2015/25 10-Year Plan.

Local Government Act 2002 Purpose Provisions

- 42 The recommended option will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by enabling Council to consult on a solution that will greatly enhance community service;

Consultation: Community Views and Preferences

- 43 The persons who are affected by or interested in this matter are the residents and ratepayers of the Queenstown Lakes District, iwi and Council staff. As outlined consultation will be undertaken through the 10 Year Plan 2018/28.
- 44 The Council has consulted with the community on the intention of this proposal through the Annual Plan 2016/17 and 2017/18.

Attachments

- A Council Agenda Item 1996
- B Project Connect Indicative Business Case (circulated separately)

**QUEENSTOWN LAKES DISTRICT COUNCIL
FOR THE MEETING OF 25 OCTOBER 1996**

REPORT FOR AGENDA ITEM : 6

SUBMITTED BY: Chief Executive Officer

PROPOSED COUNCIL BUILDING

This paper is presented at the request of Councillors who wish to deliberate whether a new building should be provided.

Following is the recent history of this decision.

Buildings Committee—20 March 1989

The Council reported that before deciding to extend the Stanley Street offices all other possible alternatives were considered, including leasing space in Queenstown, relocation to Frankton and other sites close to Queenstown.

At that time the Council was housed in five locations:

- Stanley Street building (previously extended in 1974)
- Former High School site (said to be temporary)
- Works Depot, Industrial Place, Queenstown
- Works Depot, Wanaka
- Offices, Wanaka.

The report included extracts from a Department of Labour report on overcrowding and a threatened closure of the building.

A decision was made to develop a new building on the Stanley Street site. However, in the event this became a heated issue which was shelved.

Council Meeting—28 November 1989

The General Manager reported that he had completed investigations for the rental of suitable premises based upon the continued use of the existing administration building, the reinstatement of the Council Chambers, and the relocation of staff from the former school buildings.

Staff were to be relocated to Ansett House, Shotover Street by 31 January 1990.

Council 26 November 1991 (two papers)

Council Office Accommodation.

The paper outlined the pre-1989 decisions of the Council and the eleven alternative sites which were considered. It included an analysis of population and staffing growth and office visitor numbers.

Several new options were considered.

- Locate all staff at Ansett House
- Gorge Road Industrial Park
- Old School site, Stanley Street
- Frankton Golf Course
- Frankton Airport site
- Frankton Airport Terminal
- O'Connell's Pavilion
- Armada House, Camp Street
- Existing Stanley Street site
 - a. Earlier design
 - b. Revised layouts A and B.

Council Meeting—26 January 1993

A progress report of sub-committee work in sizing, costing, programming and briefing an architect to proceed with the project on the existing Stanley Street site.

Council Meeting—28 September 1993

Decision to proceed with the project on the existing Stanley Street site.

Council Meeting—14 December 1993

Report indicating anticipated completion date of 01 July 1995.

Council Meeting—26 July 1994

Updated report and loan funding agreed.

Councillors will be aware that the project became bogged down by an appeal against the resource consent approval which was granted, and by the blocking of the Council's proposal to close Athol Street.

The condition of the existing building remains unsatisfactory and staff are working in unfavourable conditions. The Environmental Health Department is located in the old School building and the Corporate Services and Operations Department occupy a floor of Ansett House.

Various alternatives are again available:

- Resolve the planning issues and develop the Stanley Street site
- Do nothing, and refurbish the Stanley Street site
- Move across the road to the old School (stadium) site and sell the site of existing offices
- Move to another site.

RECOMMENDATION

That the Queenstown Lakes District Council considers its next course of action.

Q/96/145 PROPOSED COUNCIL BUILDING (Item 6)

On the motion of Councillors Hohneck and Burdon it was resolved that a Working Party of Mayor Cooper, Councillors Hayes, Neal, Blackford, Hohneck and Spijkerbosch investigate and report back to the Council, a plan for a new council office building, including a library, on a site opposite the existing library (Sections 14-17, Block XVI, Town of Queenstown), and that the remaining site (Sections 1-2 & 9, Block XVIII, Queenstown Reserve), opposite the Stanley Street offices be reserved for a future arts and cultural centre.

Councillor Turnbull voted against the motion

Councillor McHugh and the Chief Executive Officer left the meeting at 4.00 pm.

Q/96/146 WANAKA WATERFRONT DEVELOPMENT (Contract 269) (Item 7)

On the motion of Councillors Rennie and Burdon it was resolved that the tender submitted by Maungatua Contracting (Wanaka) Limited for \$46,433.50 be accepted.

Q/96/147 WANAKA MARINA SLIP LANE (Contract 268) (Item 8)

On the motion of Councillors Rennie and Burdon it was resolved that the tender submitted by Maungatua Contracting (Wanaka) Limited for \$29,961.58 be accepted.

Q/96/148 DEDICATION OF ROAD—UPTON STREET, WANAKA (Item 9)

On the motion of Councillors Wellman and Rennie it was resolved that the Queenstown Lakes District Council dedicate and accept for dedication the land described as Part Section 2 SO 24170 (Pt CT 15C/1019).

Q/96/149 DUNMORE STREET CARPARK—WANAKA (Item 10)

On the motion of Councillors Rennie and Wellman it was resolved that pursuant to Section 230 of the Local Government Act 1974, the Queenstown Lakes District Council hereby resolves to sell Sections 2, 3, 4 and 12, Block IV, Town of Wanaka.