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## **PUBLIC EXCLUDED**

**Report PE 00.645**

18 August 2000

File: CFO/22/2/1

Report to the Policy and Finance Committee  
from Greg Schollum, Chief Financial Officer

## **Upper Hutt Depot**

### **1. Purpose**

To seek approval to proceed with a proposal to lease part of the Upper Hutt Depot to Upper Hutt City Council (refer **Attachment 1**).

### **2. Public Excluded**

Grounds for exclusion of the public under section 48(1) of the Local Government Information Act 1987 are:

*that the public conduct of the whole or relevant part of the meeting would be likely to result in disclosure of information for which good reasons for withholding exists, ie, to carry on commercial negotiations.*

### **3. Background**

Officers have been in discussion with officers of the Upper Hutt City Council about the possibility of leasing the rear portion of Council's Upper Hutt Depot. Upper Hutt City Council wish to occupy the premises as a base for the Hutt Valley Bush Fire Force and as its civil defence response headquarters/communications centre.

The rear portion of the Depot is currently vacant. However the vacant space is effectively a warehouse, with no provision of offices or amenities.

Upper Hutt City Council has outlined a range of facilities and improvements that they would require in order to lease the space. This work has been estimated to cost in the order of \$135,000 (excluding contingencies). There is currently no capital budget for this work.

O'Brien Property Consultancy have calculated that in order to provide Council with the appropriate return on capital a rental of approximately \$32,000 per annum would be required. Although not formally approved by the Upper Hutt City Council the proposal has support at officer level.

#### 4. **Comment**

Some of the finer details are yet to be worked through with Upper Hutt City Council but before investing any further time officers are seeking to gauge the comfort of the Committee to proceed. It is important to stress that we do not expect the Council's ongoing costs at the Upper Hutt Depot to change.

The lease will be structured to recover the initial investment over the period of the lease (12 years).

I see the benefits of the proposed arrangement as providing a return to Council on currently vacant space and in making the building more valuable as a going concern, should the Council ever wish to sell.

However, in order to further the proposal Council approval is required for the unbudgeted capital expenditure of \$135,000 (excluding contingencies).

Given the timing of the proposal this item cannot wait until the half year review (the traditional time when additional expenditure items are considered by Council).

#### 5. **Communications**

Not at this time.

#### 6. **Recommendations**

(1) *That the report be received and the contents noted.*

(2) *That the Committee recommend to Council that:*

(a) *it approve in principle the leasing of the rear of the Upper Hutt Depot to the Upper Hutt City Council;*

(b) *officers be authorised to negotiate with the Upper Hutt City Council a suitable lease agreement which provides for an appropriate return on capital employed;*

- (c) *subject to a suitable lease agreement being reached with Upper Hutt City Council, it approve capital expenditure of \$145,000 (including contingencies) for the purposes of readying the space for the new tenant;*
- (d) *officers be authorised to execute the necessary documentation.*

GREG SCHOLLUM  
Chief Financial Officer

**Attachment 1: Letter dated 21 August 2000 from O'Brien Property Consultancy.**