

21 August 2000

Greg Schollum
Chief Financial Officer
The Wellington Regional Council
Wellington

Dear Greg,

Re: Upper Hutt Depot - Potential Lease, Upper Hutt City Council

We have been exploring a potential lease of the rear portion of the Upper Hutt Depot to the Upper Hutt City Council (UHCC).

UHCC wish to occupy the premises as a base for the Hutt Valley Bush Fire Force (BFF) and as its civil defence response headquarters/communications centre.

At the moment the rear portion of the depot is a basic warehouse with no provision of offices or amenities. The UHCC use of the premises will require:

- The area to be isolated from the balance of the structure, which is occupied by the Regional Council, as a security measure. This can be simply achieved at nominal cost.
- Provision of a two level amenities block which will provide for office, store, dispatch room, training room with kitchen facility, communications room and amenity room with two toilets and two showers. This facility will extend to 135 square metres.
- Provision of one more roller door entry to the east elevation.
- Removal of vehicle judder bars at entry. Leaving these will cause undue stress to the fully laden water tanker.
- Remove part of driveway and parking area kerbing to facilitate turning area for fire vehicles and tanker.
- Provision of dual power supply facility that can be generator supplied in a power failure. UHCC will supply the generator.

We have had Sinclair Knight **Merz** assess the likely cost of the work. The assessment is for some \$135,000 plus GST. Some savings can probably be made with use of used kitchen unit and carpets but the overall cost will still be substantial.

We have met with UHCC to discuss a lease in broad concept and on a without prejudice basis. The lease terms discussed were:

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Premises: WRC to provide rear depot warehouse 390 m² , an office and amenity of 135 m² and yard space for car parks, vehicle movement and washdown.

Term: Minimum term of 12 years certain with two rights of renewal of 6 years each.

Rent: Based on a formula. Base rent for warehouse as it stands 457 m² at \$35.00 per m² = \$16,000 plus rent for improvements at 12% of the actual end cost.

If actual end cost is \$135,000 then the overall rent will be \$32,200 plus GST. A clause to be inserted which would see the rent being no less than market assessed at \$26,000 plus GST.

Tested against market rents this would read:

warehouse	390 m ²	@ \$40.00	15,600
Office and amenity	135 m ²	@ \$60.00	8,100
Yard	500 m ²	@ \$4.00	2,000

Total indicated market rent

Rent Review: Each 3 years of term the market rent assessed for review. At review the rent can be no less than the rent set for the initial term.

WRC Responsible For: Meeting the cost of rates, insurance and exterior maintenance.

UHCC Responsible For: Meeting the cost of consumables, interior maintenance and making good any damage arising from occupation whether interior or exterior.

UHCC would like the lease to commence as early as possible as it would like to be operational from the depot premises before the summer season. We do not think that is feasible due to the time incurred in each council seeking approval to the transaction, drawing up of plans and specifications, seeking building permit approval, calling for tenders and having the work undertaken. We think it far more likely that the premises would be ready for occupation by the end of January 2001.

We base this time on:

WRC approval in principle to proceed with negotiations	1 week
UHCC approval of concept plans for building improvements	1 week
WRC and UHCC seek approval to lease proceeding on agreed basis	3 weeks
Plans and specifications drawn up to client approval	4 weeks
Obtain building permit from Upper Hutt City Council	4 weeks

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Call tenders for the work	4 weeks
Construction phase	6 weeks
Total potential time from Monday 21 August 2000	23 weeks

It should be noted that this time runs through the Christmas period and two weeks are likely to be lost.

We have canvassed Wayne O'Donnell, Geoff Cameron and Bruce Andrell on their reactions to this proposal. The main issue is the security of the site. During the day, no problems are envisaged. After hours the depot is kept secure with locked gates to the perimeter fence. UHCC have been advised that it must rigidly police the locking of the gates at all after hours times. This, in particular, includes ensuring the gates are locked at night when the BFF is called out. The last vehicle out must stop and close/lock the gates.

Please advise if the WRC is at all interested in the capital expenditure of \$135,000 in order to gain a tenant for the rear accommodation at the depot at a rental in the order of \$32,000 for a minimum period of 12 years.

We understand that the UHCC will be fully responsible for the BFF as from 1 October 2000. We also understand that as part of the transaction, the WRC has undertaken to continue and contribute \$5,000 per annum to the running costs of the BFF. Perhaps this \$5,000 can be factored into the lease arrangement.

The BFF is presently in premises under lease for two years from March 1999 with a right of renewal for a further two years. The property presently occupied has been conditionally sold and the new owner has applied for resource consent to construct a retirement village on the site. It is likely that the BFF will be asked to vacate the site in any event.

We look forward to your response and advice if we should proceed further with discussions with UHCC or not.

Yours sincerely
O'Brien Property Consultancy Limited.



Peter O'Brien