

Report on 2 The Strand, Takapuna

Shore Exhibition Centre Trust and Exhibition Centre

Independent Review of the Proposal

29 August 2017

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1.0 EXECUTIVE SUMMARY

1.1 Tattico has been commissioned by the Arts, Culture and Events department of Auckland Council to undertake an independent review of the proposal by the Shore Exhibition Centre Trust (Trust) to establish an arts exhibition facility in the Council heritage building at 2 The Strand, Takapuna.

1.2 The Trust proposal is to:

- Obtain initially a 3-5 year peppercorn lease of the building. If the centre was successful, a long-term peppercorn lease would follow.
- Undertake a heritage restoration upgrade of the building and facilitate the adaptive reuse of the building for an arts exhibition centre. The Trust proposes spending \$2.5 million on this heritage restoration and adaptive reuse, although the conclusion of this report is that the budget will be closer to \$3.5-4 million.
- The Trust proposes a Stage 1 project for \$250,000. This is based on a ground floor only use of the building and a minimal upgrade.
- Operate the exhibition centre on the basis of a Wednesday to Sunday operation staffed by 1.6 FTEs and run on a budget of \$245,000.
- Form strategic alliances with a range of other galleries and arts trusts/organisations to secure high quality exhibition material which can be regularly updated so as to attract repeat visitors.
- Fund this operation through a combination of venue hire, Council grants, sponsorship, and support from philanthropists.

1.3 The Trust comprises a committed, enthusiastic group of people with expertise in the arts area and leadership within the community. Currently the Trust does not have the breadth of membership necessary for a major capital works project, which the initial phases of this proposal would involve; or the ongoing expertise in financial governance. This is acknowledged by the Trust. It is also an element that could be recruited for should this project continue.

1.4 Projects involving seismic upgrade and heritage restoration of historic buildings are inherently complex and risky. This report evaluates the assessment of the building costs undertaken on behalf of the Trust by WT Partners. Transposing those figures into 2017 dollars identifies this project as being an approximately \$4.5 million commitment.

- 1.5 The Trust had raised \$1 million towards the project; \$500,000 in capex and five \$100,000 annual operating grants. However, the Trust has advised that this sponsorship is no longer available due to the delays in the project.
- 1.6 In my view, the operational budget at \$245,000 is far too tight. A more realistic budget would be \$350,000-\$400,000. The Trust does not hold its own collection. Rather it has formed some strategic alliances with other aligned organisations. In addition it will seek support from other organisations to lend their art/exhibitions. These borrowed collections would rotate through the centre. The experience of other organisations is that even if the actual works are lent with no financial consideration, there are inevitable significant costs with matters such as transport, insurance and the sheer handling and display of the works. The Trust budget provides \$75,000 for exhibition programmes. On top of this is obviously the promotional advertising to attract visitors. However, the Trust is adamant that they can operate within their proposed budget.
- 1.7 The Trust is seeking from the Council:
- (a) A long-term peppercorn lease of the building.
 - (b) The building being handed over to the Trust with any structural or external maintenance issues addressed.
 - (c) The Council to continue external maintenance of the building.
 - (d) An annual grant of \$50,000 per annum towards operational expenses.
- 1.8 In one sense, an exhibition centre is a very good fit for adaptive reuse of the building. However, it does not generate an economically sustainable future for the building instead relying on the Council to fund ongoing renewals and external maintenance.
- 1.9 One of the key risks for the Council is that the Trust is asking that the building would come across to them in a structurally sound, fully compliant manner. Given the era of this building and the seismic reports, lack of information about the structural integrity of the building, and whether there are elements within the building which will need to be addressed (buildings of this era could have asbestos); there is a significant financial risk to the Council. Being a heritage building, the Council will likely want to address any such matters anyway (although it is under no legal obligation to do so). However, the current Council proposition would see the building generating a financial return which would partly fund any required works to the building. The

Trust's proposal would see any such liability for the Council being directly funded from the Council, with return from the sale, lease, or offset from other Council costs of the seismic upgrade and heritage restoration of the building. Hence there is risk which will rest with the Council.

1.10 The Council's Community Facilities Network Plan and associated and Action Plan sets out the long-term needs and LTP funding for arts facilities within Auckland.

1.11 What is clear from this analysis is that:

(a) There is no identified need for public funding of an exhibition centre.

(b) There is no additional discretionary funding available from the Council arts budget.

(c) If there is to be another arts facility, it would be targeted at other aspects of the arts offer and not an exhibition centre.

(d) Devonport Takapuna ward is fortunate in having a broad range of arts facilities when compared to other wards. If investment was to be made in terms of equitable distribution of arts facilities, then other Local Board areas would have a higher priority rather than Devonport Takapuna.

1.12 The Local Board budgets are fully committed. The Local Board Plan and the recent public submissions have not identified any demand or response in terms of the arts centre.

1.13 If the Local Board wants to support this facility, it will need to reallocate its arts or other funding mechanisms. This would be to the detriment of existing arts, sport and recreation organisations within the ward. It should be noted the Trust does not want to proceed at the expense of other arts groups within Devonport Takapuna. Furthermore, the conclusion of this report is that the level of required Local Board funding would be significantly in excess of the notional \$50,000 suggested within the Trust budget.

1.14 In my view, this is a case of a worthy initiative by a committed and enthusiastic group which is under resourced and relies on a level of Council funding. Regrettably in the broad range of competing priorities for the Council, this is not a priority in terms of the Council strategies and can only be supported by reallocation of Local Board funds, which would be to the detriment of existing community organisations.

- 1.15 The Trust does not want that and is seeking additional rather than reallocated funding. Reallocating resources or generating additional resource is clearly a political decision. What is clear from this analysis is that despite this being a seemingly worthwhile project, it does not rate in terms of the current Council priorities or budgets.
- 1.16 The \$1 million grant from the Becroft family was specific to this project and this building. This sponsorship opportunity has now been withdrawn. The Trust has advised that without substantial support from the Council they are no longer able to proceed.
- 1.17 This matter has been under consideration for some time. The purpose of this review is to undertake an analysis to help inform the Devonport Takapuna Local Board in determining Council support for the project. The project will not succeed without Council support. Council staff, the Trust itself, and I assume the Local Board (due to the commissioning of this report), are seeking sufficient information to make a final decision on the project. This is the only reasonable course of action to be fair to the Trust. Either the project, while worthy, will not proceed; or the Council should grant the lease and make the commitments to enable the Trust to try and deliver the project.
- 1.18 The recommendation of this report is that the project not proceed. While the Trust will debate this, my conclusion is that the capital cost and the operational costs are both significantly understated. The use itself is a very good adaptive reuse of this heritage building, but it does not generate a financial return which will place the building on an economically sustainable footing to ensure its ongoing conservation.
- 1.19 Perhaps of more importance is the fact that if the Council had additional discretionary money to put into arts facilities (and current indications is there is no additional funding) then there are other more compelling priorities in terms of the type of arts offer, and there are other geographic areas that would have a higher priority than the Devonport Takapuna area.
- 1.20 The Trust will not be able to implement this project without Council support. Current policies, budgets and priorities mean that there is no Council resource to support the project. Therefore, given the length that this matter has been in debate, it is important that the Council make a clear decision on the future of the proposal. The recommendation is that this project not proceed.

2.0 RECOMMENDATION

- 2.1 That the Council:

- (a) Advise the Trust that regrettably due to a broad range of competing priorities, and due to the already full commitment of Council budgets; the Council is not in a position to support the Trust and provide a lease of 2 The Strand to the Trust.
- (b) Formally acknowledge and thank the Trust for the energy and passion they have brought to the project.
- (c) Write to the Becroft family explaining why the Council is unable to support the project and acknowledging and thanking them for their previous generous offer to the Trust.
- (d) Include the Strand properties within the strategic review of Takapuna being undertaken by the Council and the Council's property department in terms of facilities requirements, and that this work specifically address the adaptive reuse and economic sustainability of the building at 2 The Strand.
- (e) Reallocate the \$270,000 residual transitional fund given to the Trust at the time of amalgamation to arts and culture activities within the Shore in recognition that this money was originally given as part of the legacy community fund from North Shore City Council.

3.0 BRIEF

- 3.1 This report is commissioned by the Arts, Culture & Events Department (ACE) of Auckland Council to undertake an independent review of the North Shore Exhibition Trust (Trust) proposal for the building at 2 The Strand.
- 3.2 It follows a request from the Devonport Takapuna Local Board for an independent analysis of the Trust proposal.
- 3.3 Tattico has been given an open brief, i.e. there are no constraints and to what we can or should look at in this review.
- 3.4 The analysis is to include:
 - An evaluation of the proposal including the economic feasibility.
 - A review of the proposal against the Council's the Community Facilities Network Plan (2015) and the associated action plan. This includes all arts related assets.
 - An examination of the original gift of the property at 2 The Strand, and the implications for the development and ongoing use of the site.

- An examination of the heritage factors applying to the site.
- An analysis of the options available to the Council.

3.5 Tattico has undertaken this work in terms of:

- (a) An examination of the Council arts and culture strategies.
- (b) A review of other arts facilities on the North Shore and budgets available for these facilities.
- (c) An examination of the history of the site.
- (d) A review of the heritage listing of the building and the associated conservation plan.
- (e) Discussions with key stakeholders including:
 - the Trust;
 - ACE management;
 - Local Board staff;
 - property staff;
 - Panuku Development Auckland;
 - a person active in the arts community who has undertaken a review of arts facilities;
 - a workshop with Devonport Takapuna Local Board;
 - the local Councillor.

4.0 PROPOSAL

4.1 The Shore Exhibition Centre Trust is a single purpose charitable trust established to build and operate an exhibition centre in the property at 2 The Strand, Takapuna. The Trust was established in 2009.

4.2 The Trust proposal is to:

- (a) Obtain a 3 to 5 year Council lease at peppercorn rental for the building at 2 The Strand.
- (b) If the Centre proves successful, to extend this to a long-term peppercorn lease.
- (c) Immediately spend in the order of \$250,000 to demolish some internal partitioning and paint the interior to establish an interim exhibition facility and public access to the building.

- (d) Fundraise some \$2.5 million to undertake a restoration programme for the heritage building and its adaptive reuse as an exhibition centre.
 - (e) Having raised the \$2.5 million capital component, would close the exhibition centre to undertake the heritage restoration.
 - (f) Operate the exhibition centre in accordance with the Trust's business plan.
- 4.3 The Trust's business plan is addressed later in this report under economic feasibilities of the project (section 9). However, in summary, the Trust:
- (a) envisages an overall budget of \$245,000 per annum;
 - (b) seeks an annual \$50,000 grant from the Council;
 - (c) relies on other philanthropic gifts to fund operational costs;
 - (d) has established a relationship with other arts trusts that would help with lending exhibitions;
 - (e) would staff the facility five days a week (Wednesday through Sunday) with a combination of 1.6 FTEs and volunteers.
- 4.4 The exhibition space would be focused on a broad range of exhibitions targeted at a broad range of different forms of artwork and exhibit materials. It would be very tactile and involve significant community participation. It is not limited to "arts" exhibitions in the traditional meaning, but is a very broad art and cultural offer.
- 4.5 The concept is one of a high turnover in exhibitions to create variety and attract repeat visitors.
- 4.6 This would be a combination of bespoke exhibitions generated through Trust contacts, the ability to slot into touring exhibitions within medium sized exhibition centres within New Zealand, and a strategic relationship with one or two major organisations such as the Wallace Trust who would lend exhibition material.
- 4.7 The Trust would not be involved in building its own collection but rather would rely on being part of other programmes.
- 4.8 A significant portion of the programmes would be free to the public. There could be some exhibitions where a cover charge applies.

4.9 In November 2012, the Trust commissioned an independent survey of pedestrians within the Takapuna town centre and asked them various questions about the North Shore Exhibition Centre. The key results of this survey were:

- 91% of respondents either strongly supported or supported the establishment of the centre;
- 71% of respondents said it was a good idea and they would visit the centre;
- 69% of people agreed the Council should financially support the centre, although in the survey interviews there was no information given as to what level of funding was being sought or what the implications would be of the Council financially supporting the project.

4.10 The Council's contribution would be to:

- (a) Grant a peppercorn lease.
- (b) Hand the building over in a structurally sound basis. It is not clear what level of work would be required to achieve this aspect.
- (c) Make an annual operational grant to the Trust of at least \$50,000.
- (d) Maintain the exterior of the building.

5.0 COMMUNITY FACILITIES NETWORK PLAN

5.1 The Council has adopted its Community Facilities Network Plan. This is a core needs analysis and strategy for community facilities across the region, including arts facilities.

5.2 The strategy has been developed on the basis that:

- (a) There are finite arts budgets, and hence the Council funding must be targeted at areas of greatest public need and those areas where public good accrues and public funding is necessary.
- (b) There should be an equitable distribution of arts facilities and investment across the region.
- (c) The range of facilities should respond and reflect the diversity of the Auckland community and the full range of art and culture.
- (d) There is targeted support for community based arts facilities.

- 5.3 The provision and investment of arts facilities across the region varies for a variety of reasons including legacy investment in art facilities.
- 5.4 The North Shore exhibition centre does not feature in the regional facilities strategy.
- 5.5 The Devonport Takapuna area is identified as an area currently well serviced by a variety of arts facilities. In terms of an equitable geographic distribution of arts funding, additional investment would be targeted elsewhere than Takapuna.
- 5.6 In terms of a gap analysis of the type of art facilities that would be provided in the region, an exhibition centre would not be seen as the next priority. That is not to say an exhibition centre would not be a significant contributor to the arts offer across the region and would not be of benefit. Clearly it would achieve both those objectives. Rather, the key issue is that in a circumstance of:
- tight regional funding;
 - a region-wide strategy designed to ensure an equitable distribution of arts facilities across the region;
 - the desire to achieve a broad offer culturally across the arts community spectrum;
 - an exhibition centre at Takapuna does not warrant regional investment.

6.0 ARTS FACILITIES ON THE NORTH SHORE

- 6.1 One of the key aspects of the study was a needs analysis for arts facilities on the North Shore and in the Devonport Takapuna ward area in particular.
- 6.2 Devonport Takapuna benefits from a significant number of arts facilities across a broad spectrum of art activity. These include:
- (a) The Depot in Devonport;
 - (b) The Lakehouse in Takapuna;
 - (c) The Bruce Mason Centre in Takapuna.
 - (d) The Pump House in Takapuna.
 - (e) The Rose in Belmont.
 - (f) The Devonport Museum and Historical Society.

(g) The Michael King Writers' Centre in Devonport.

6.3 Other art facilities on the Shore include:

(i) NorthArt in Northcote.

(ii) Mairangi Bay Players.

(iii) Mairangi Arts Centre.

(iv) Estuary Arts Centre in Orewa.

6.4 There is no dedicated exhibition facility, although all the facilities do have space which from time to time they showcase various art exhibitions. The Depot and Lakehouse deliver ongoing exhibitions with a range of artists and workshops. The Bruce Mason Centre offers spaces for hire and often feature art exhibitions which are usually free.

6.5 I considered the application of the overall region-wide strategy to the North Shore and in particular the intention to:

(a) have an equitable distribution of facilities across the different wards;

(b) ensure a breadth or wide spectrum of arts facilities across the region;

(c) provide for the area of greatest need in terms of local community arts facilities.

6.6 Devonport Takapuna in particular has a significant number and range of art facilities. If there is a need for additional arts facilities on the Shore, it is in the northern part of the Shore. Upper Harbour has no Council funded or part funded arts facilities.

6.7 I gave consideration as to whether the Council should try and persuade the Trust to pursue an alternate venue in the northern portion of the North Shore (say Albany or somewhere in the Upper Harbour ward) This is the area which does not have any existing Council funded arts facilities.

6.8 However, having spoken to key stakeholders and considered the situation, a more northern location is in my view not workable for the following reasons:

(a) A significant part of the attraction for the Trust is the combination of the heritage restoration of the 2 The Strand building, and the exhibition centre. The Trusts motivation 's is a commitment to both the building and the arts offer.

- (b) If the building is to be a sub-regional exhibition facility, which is the aspiration of the Trust, then it needs to be physically located where other complementary activities will provide a destination that will attract Aucklanders and visitors to the area. Takapuna offers that with ease of access to the City, good transport linkages to the CBD and elsewhere on the North Shore, the beach, and the nature of the centre.

On balance, there is a greater prospect of success in Takapuna than say in Constellation Drive or the Albany area.

- (c) If the Council is to address the lack of facilities in the Upper Harbour area, then this would be better targeted at a local community based arts facility or activation in placemaking, more than the targeted sub-regional attraction of the exhibition centre.

6.9 I then considered arts budget and funding support for the Trust.

6.10 All arts budgets are fully committed, as is budgets under the long-term plan.

6.11 There is no additional funding at this stage for greater support for arts facilities.

6.12 To fund the exhibition centre/Trust would require either:

- (a) redistribution of existing arts funding within the Devonport Takapuna Local Board area (or elsewhere within the region); or
- (b) reallocation of funding from another activity; or
- (c) significant commitment by the Devonport Takapuna Local Board from their discretionary funding.

6.13 All the existing facilities are operating tightly within their budget envelope and do not have additional discretionary funding. To redistribute funding would have a significant detrimental effect on the existing arts facilities in the Devonport Takapuna Local Board area.

6.14 Furthermore, the Trust has been adamant that they are not seeking to undermine the financial position of their companion arts facilities. Rather, they are looking for additional funding from the Council

6.15 It would obviously be possible for the Governing Body or Devonport Takapuna Local Board to reallocate funding from another activity, e.g. from parks or recreational facilities to arts facilities.

6.16 However, there is no discernible solution for this because:

- (a) all service levels have been set through the long-term plan. There is no simple opportunity to change these levels;
 - (b) full budgets have been allocated and committed in each of these areas, i.e. there is no discretionary funding which could be reallocated;
 - (c) operational budgets and the associated services and facilities are proceeding in accordance with the priorities agreed through the Local Board Plans.
- 6.17 A reallocation of money would require a dropping of service levels in some activity area to free up funding for the Exhibition Centre. This is clearly outside the brief of this report. Furthermore, and even if the Council wanted to consider that option, it would be a clear political decision which would normally be addressed through the Local Board Plan or Annual Plan process.
- 6.18 The conclusion of this report is that if arts funding is to be treated equitably across the region or North Shore, then other Local Board areas would have a higher claim on additional funding.
- 6.19 The exhibition centre would undoubtedly complement the arts offer on the Shore and be a benefit. There is no other dedicated specialist exhibition centre on the North Shore. However, other North Shore facilities are capable of hosting some exhibitions, albeit not in such a specialist space nor a concentrated programme of activities/exhibition.
- 6.20 The final aspect I looked at was the Local Board Plan and the consultation associated with the Plan. The question was posed to Local Board staff as to whether there had been any “ground swell” of support or demand for an exhibition centre within Takapuna that arose through the recent consultation process.
- 6.21 There has been no such community feedback or demand for the exhibition centre in the Local Board Plan.
- 6.22 Because an exhibition centre does not feature in terms of the needs identified under the Community Facilities Network Plan, no work has been done on the preferred form of such a centre or, if one is to be built, its preferred location.
- 6.23 That is not to say that there is not a demand, because only a certain sector of the community actively engage in the Local Board Plan process. However, the Local Board Plan consultation process is an indication for Local Board members and councillors of where the community demand is for additional resource.

7.0 PROPERTY GIFT

- 7.1 In the late 1950's, the Hellaby family gifted the site at 2 The Strand to Takapuna Borough Council for "municipal purposes" to enable the Council to build a library for the community.
- 7.2 Subsequently there were further gifts towards the construction of the library itself and building up the book collection
- 7.3 The then Takapuna Council built the library which operated from that site through until 1989.
- 7.4 By that stage the library had outgrown the facilities at 2 The Strand. A new purpose-built structure was constructed on the current site where first North Shore City Council and subsequently Auckland Council have operated the Takapuna library facility.
- 7.5 Council has sought advice on the legal position with the gift.
- 7.6 Essentially the land and subsequent donations were given to enable Takapuna to have a library service. Effectively this value proposition has transferred from the site at 2 The Strand to the current library site at 1-7 The Strand. Takapuna has always enjoyed a quality library service since the original gift. The current library is substantially larger and substantially more sophisticated than the original gift.
- 7.7 The gift has been the catalyst for and has permanently secured a library service for the residents of Takapuna. The purpose of the gift still continues.
- 7.8 The Council has received initial legal advice on the subject property. There is no legal obligation for the Council to retain this land at 2 The Strand for Council, community, library or other activity. However either the land or the proceeds from any sale will need to be used for "municipal purposes". "Municipal Purposes" was not defined in the 1940 Municipal Corporations Act 1933, but the Act itself covered a range of Council related public good functions. Given the Council structure and budgets, this is readily achieved. This means that the proceeds from the sale would be spent within the old Council boundaries.
- 7.9 Nor is there a moral obligation in my view for the Council to retain this land.
- 7.10 The original gifts facilitated the creation of a library service. This library service has continued, albeit on a different site. In actual fact, the current site and service is far larger and more sophisticated than the original gift. However, it is also clear that the original generous gift facilitated the then Takapuna Council's ability to provide a library service for its residents.

7.11 In my view, apart from reacknowledging the generosity of the Hellaby Family and others in the support for a library service for Takapuna, there are no relevant aspects for this report in terms of the gift.

7.12 The building is currently held by the Council as a “Corporate Property Asset” with a Council service classification. The long-term use of this building and the various options have not yet been determined by the property department of the Council.

8.0 HERITAGE BUILDING

8.1 The building is not classified by Heritage New Zealand.

8.2 The former Takapuna Library building is a Category B Historic Heritage Place (Built Heritage and Character: Historic Heritage Overlay Extent of Place [rcp/dp] - 1089, former Takapuna Library) in the Unitary Plan and is subject to an extent of place which extends beyond the boundaries of the site (illustrated in the diagram below).

Figure 1: Extent of Place



ID	Place Name and/or Description	Verified Location	Verified Legal Description	Category	Primary Feature	Heritage Values	Extent of Place	Exclusions	Additional Rules for Archaeological Sites or Features	Place of Maori Interest or Significance
01089	Takapuna Library (former)	2 The Strand, Takapuna	Lot 5 DP 20819; road reserve	B		A,B,F,G	Refer to planning maps			

8.3 A Category B building is scheduled for considerable significance to a locality or greater geographic area. The building has been scheduled in relation to the following heritage values:

- A: historical

- B: social
- F: physical attributes
- G: aesthetic

8.4 The primary feature of historic heritage significance for the building are not specifically listed. Not all primary features of Category B places have been identified. Until such time as the primary features of Category B places are identified, all features within the extent of Category B places, where the primary features are not identified, will be considered a primary feature.

8.5 Resource consent is required for the following works:

Activity	Status
Demolition or destruction of 30% cent or more by volume or footprint (whichever is the greater) of any feature	Discretionary
Maintenance and repair of features including buildings and structures	Permitted
Modifications to, or restoration of, buildings, structures, fabric or features of a scheduled historic heritage place	Restricted discretionary

8.6 The building is yet to be assessed for seismic code compliance by the Council. The Trust undertook a seismic engineering review which suggests the building does not meet current seismic code requirements.

8.7 For heritage buildings to be successfully preserved, they need an economically sustainable adaptive reuse.

8.8 Being a heritage Council-owned building, the Council also has a commitment to conserve the building and set it up on a sound footing to ensure its long-term heritage sustainability. To achieve this the Council needs an economically sustainable use for the building.

8.9 The Council has an extensive portfolio of heritage buildings. The mechanisms to achieve economic sustainability of heritage buildings have varied widely depending on the nature of the building and the circumstances of the adaptive reuse.

8.10 Solutions have included:

- (a) Sale of the heritage building with contractual arrangements to ensure preservation of the building and adaptive reuse. An example of this would be the Britomart buildings.
- (b) Heritage restoration of the building and then leasing it to a community use to maintain the building. Sometimes this maintenance obligation is the full building and sometimes it is the interior only. The Pa Homestead would be an example of this.

- (c) Partnering with a community trust and allowing the trust to raise funds for the heritage restoration of the building and ongoing operation. Lopdell House would be an example of this where the Lopdell Trust raised a third of the restoration budgets.
- (d) Retaining the building in Council ownership and the Council using it for its own purposes of adaptive reuse and operating the building. The Auckland Art Gallery would be an example.

8.11 The Strand building is somewhat constrained in terms of Council options because it occupies 100% of the site and has an unusual triangular shape. There is no prospect to expand the building to add economic activity (such as a shop or café). This does impact the options available to the Council.

8.12 Being in the heart of Takapuna, there are a range of prospective adaptive reuse of the building that could be considered. This could include a range of straight commercial/business uses, food and beverage, community use, or potentially Council usage.

8.13 Undoubtedly an exhibition centre would make a suitable adaptive reuse of this building. However the building will require upgrading for:

- Seismic upgrade
- fire, particularly fire egress;
- universal accessibility which is a particular issue for the upper floor;
- climate control;
- window joinery.

In addition, the building may require:

- hazardous material treatment. The building is of an era when asbestos products were used in construction. As part of any retrofit or upgrade of the building, current building codes will require removal of this hazardous material.

Ideally, the building would also require a service lift sized to carry artwork, and a loading dock for the safe handling of exhibit items. The loading dock is impractical on the current site without very significant building intervention, which compromises heritage objectives.

8.14 There would be a number of other appropriate activities that would achieve the Council's adaptive reuse objectives. Some of those objectives would offer a commercial return on the

building which would help offset the conservation costs and assist in the ongoing maintenance and renewals of a heritage building.

- 8.15 Panuku Development Auckland is looking at Takapuna as a significant growth centre and the opportunities to leverage quality development and a significant contribution to the Council's growth strategy relevant to a metropolitan centre.
- 8.16 The Strand Council sites are outside the study area but obviously have some impact and consideration for the Takapuna regeneration project.
- 8.17 The analysis of required Council facilities on the North Shore and of the Panuku review of Takapuna has not yet reached the stage to have a definitive view of the future of the 2 The Strand property.
- 8.18 Equally, the building has not been earmarked for a particular Council function. Its current usage as a base for the parking wardens is a suitable interim use but an under-utilisation of the building and only an interim use.
- 8.19 Whatever the final outcome, the Council will need to find an economically sustainable adaptive reuse of the building. This is the only strategy that will assure the ongoing protection of this building.
- 8.20 An ideal adaptive reuse of a heritage building is one that:
- (a) reflects the original use of the building;
 - (b) is able to be accommodated within the building with a minimal of external and internal alteration from the original fabric;
 - (c) enables the public to view and use both the exterior and interior of the building;
 - (d) generates sufficient income to cover the activity costs and to ensure the ongoing economic sustainability of the heritage building through a sustainable maintenance and renewals programme;
 - (e) funds the capital for the initial conservation and restoration of the building.
- 8.21 In terms of this proposal:
- (a) An exhibition centre within a purpose designed library building) is a good compatible use.
 - (b) The exhibition centre activity will require only minor alteration to the original fabric of the building. This is tempered by the degree of modification that will be required for fire

egress, universal accessibility and whether an arts lift is put in the building. With the exception of the size of the arts lift, which is an option rather than a requirement, the building will need to be brought up to standard in terms of seismic codes, fire egress and universal access. In this sense it is a very good adaptive reuse of the building.

- (c) The nature of the exhibition centre will give significant access to the public to the exterior and importantly the interior of the building.
- (d) The activity will not generate sufficient operational money for the ongoing sustainable maintenance and funding of renewals of the building. It will generate sufficient funds for a basic maintenance regime focused on the interior of the building, but rely on Council funding of the exterior maintenance of the building.
- (e) The Trust is effectively relying on the Council to do the core works on the building to bring it to a sound state, and then the Trust contributing \$2.5 million for the adaptive reuse of the building for an exhibition centre. There is a significant risk to the Council given the building has not yet had a detailed structural, seismic and potential hazardous material review. These factors could trigger significant costs which are unbudgeted and under this proposal would fall to the Council.

8.22 Consequently, in terms of an adaptive reuse, this proposal would make a significant contribution to heritage in terms of:

- the intrinsic compatibility of the use;
- its impact on the heritage fabric of the building, and public access, enjoyment; and
- appreciation of this important heritage building.

8.23 It makes some, but only some, contribution to the sustainable operation of the building. It will still require Council financial support. It also makes a moderate contribution to the capital cost of the heritage restoration of the building.

9.0 FEASIBILITIES

9.1 A key part of this review has been to look at the feasibilities for this development.

9.2 The feasibilities have been examined in two parts. The first is the capital cost to restore the building and upgrade it for adaptive reuse as an exhibition centre. The second component is the operational funding for the Trust.

Capital Budgets

- 9.3 The Trust has examined three options for heritage restoration of the building.
- 9.4 For costs and other reasons, it has settled on a project which will essentially provide heritage restoration of the existing building with effectively no external alterations to the building (other than a machinery room associated with the lift to connect the first and ground floor), and only internal heritage restoration.
- 9.5 This includes proper fire suppression and climate control appropriate for a significant arts facility.
- 9.6 The Trust retained WT Partners, a highly respected quantity survey company, to cost the project.
- 9.7 These costings were at a high level commensurate with a preliminary design only.
- 9.8 The project was costed in October 2012. It must be recognised that construction prices have escalated significantly since then. The costing was also based on option 2 which saw the raising of the roof within the existing facility.
- 9.9 The WT Partners 2012 estimate was \$3.43 million. This included raising the roof to create greater height on the upper floor and the seismic upgrade of the building.
- 9.10 This cost excluded:
- any issues with asbestos;
 - any required piling foundation or underpinning work;
 - escalation and fluctuating costs;
 - finance costs;
 - GST.

There are a range of other exclusions, but less critical to the overall viability of the building.

- 9.11 Even retaining the roof in its current form only reduces this cost in the order of \$300,000 making the WT Partners' estimate in 2012 dollars a \$3.1 million. This was updated by WT Partners in 2016 to \$4.3 million. This would be \$4.6 million in 2017 dollars.
- 9.12 The \$4.6 million includes the estimated costs for seismic strengthening of the building, but excludes an allowance for issues like asbestos.

- 9.13 Finally, there does not appear to be a contingency sum provided in the estimates. With the uncertainty over seismic and asbestos issues, a reasonable contingency is appropriate. Based on the quantity survey analysis commissioned by the Trust, the contemplated works are \$4.6 million which, even with only a 5% contingency, would sit at \$4.8 million and if a more normal 15% contingency, as you would apply to a heritage building project, would sit at \$5.2 million.
- 9.14 However if the Trust was able to raise \$4 million (rather than the \$2.5 million the Trust contemplates) then a credible heritage restoration could be achieved but with some reduction and compromise on functionality. The level of climate control and the lift access between the ground and first floor are two examples. If the Trust is to have the opportunity to receive major exhibitions, and if the building is being promoted as a major arts facility, then full climate control and full accessibility is a critical component of the capital programme.
- 9.15 The Council has renewals of \$60,000 largely targeted and repairs to windows. While a minimal amount in the overall capex programme, if this project did proceed it would be appropriate for the Council to commit this funding to the upgrade concurrent with the Trust works.
- 9.16 It must also be recognised that if the Council retains this building, it will inevitably have to commit additional funding to the renewals on the budget.
- 9.17 The Trust has the ambitious task of raising \$4m-\$4.5m to fund the building. The Trust believes that it could do a credible heritage restoration and adaptive reuse of the building for \$2.5 million. There has been no cost management exercise on the WT Partners figures to justify a \$2.5million scheme. Undoubtedly there could be some savings. However, the only factual based information available is the WT Partners' figures. Furthermore, given the nature of seismic upgrade and adaptive reuse of heritage buildings, the WT Partners' figures resonate.
- 9.18 The potential sources of money include:
- The Council.
 - The major funding trusts and organisations like ASB Trust, Lotteries and Lion Foundation.
 - Private philanthropists (this is the current source of the half million dollar capital fund).
 - The community.
- 9.19 Apart from relatively minor maintenance and renewal budgets, the Council does not have any significant funding within the LTP for the heritage restoration of this building. In fact, the current Council approach is to manage the building in such a way that either:

- (a) it will be used for a core council function which would enable the reallocation of “property rental” budgets to the building to enable it to be brought up to standard; or
 - (b) the building be sold conditional on heritage restoration or retention of the building or long-term leased to a commercial operator who would undertake heritage restoration of the building and adaptive reuse.
- 9.20 There are no Council budgets available to make a substantial grant to the Trust for the heritage restoration of this building.
- 9.21 Traditionally major funding trusts such as ASB Trust and Lotteries have been reluctant to fund major upgrades to Council assets, believing their core funding should instead focus on community groups and projects. There is one category which can be an exception to this, namely heritage buildings. The Trust could possibly meet the criteria as a modern heritage building. There is also plenty of examples where small and more modest grants have been made to community groups operating out of Council buildings.
- 9.22 The Lopdell Trust is a relevant example for comparison purposes. Here the Council gave a long-term lease to the Lopdell House Development Trust of the site and building, and the Trust itself undertook the full heritage restoration of the building and operated the building. Because of the independence of the Trust, they received funding from the major trusts including the Licensing Trust, ASB and Lotteries. However, even then, two thirds of the capital budget came from the Council and one third through the Trust’s significant fundraising efforts (in that case the Trust actually raised \$7 million).
- 9.23 The other factor with these sort of funding approaches is the organisation needs a critical up-front donor or donors to demonstrate that the project is realistic. Demonstrably funded and successful projects attract support from other funders.
- 9.24 I do not envisage that the Trust would be successful in raising the capital without:
 - (a) the Council making a substantial grant; and
 - (b) the Trust being given a long-term lease and independent management of the building so that they can leverage the opportunity to raise funds from other organisations.
- 9.25 The Council can obviously set the lease up to protect its interests through oversight of design and works. The Council can also get assurance of the quality of the heritage restoration. However, in my view this will require the Council to commit capital budget to the project, which is currently not in the LTP. Because of the Council’s debt sealing issues and fully committed

capex budgets, a major contribution to The Strand restoration would require a reallocation of other budgets. This is contrary to the current model the Council is pursuing of enabling heritage restoration through a self-funding process.

Opex budgets

9.26 I also examined the operational budgets of the Trust.

9.27 The key aspects of the operational budget are that:

- (a) It is knowingly being put forward by the Trust as a minimalist budget.
- (b) It is based on an actual small gallery operation in Wellington, i.e. the Trust is adamant it is a very tight but realistic budget. (That is not a view I share for the reasons set out below).
- (c) Essentially it is a \$245,000 operational budget.
- (d) It is based on the gallery opening Wednesday through Sunday inclusive and being shut Monday and Tuesday.
- (e) It has a salaried staff of 1.6 FTEs.
- (f) The Trust relies on volunteer workers to complement permanent staff.
- (g) The budget relies on the different exhibitions being self-funding, i.e. they are either lent at no charge to the Trust, or are self-funding through some form of cover charge. There is a \$75,000 budget to deal with handling and insurance of exhibits.
- (h) There are minimal marketing, maintenance, and other associated overhead costs.

9.28 The revenue for the Trust comprises:

Gallery rental (for functions etc)	\$35,000
5 year grant of \$100,000 p.a. (no longer available)	\$100,000
Local Board	\$50,000
Philanthropy and donations	\$25,000
Other trusts and foundations	\$25,000
Interest	\$2,500

Retail and other commercial activities including sponsorship	\$7,500
Total	\$245,000

9.29 In my view, this budget is unrealistic. The budget is too tight and the staff resource too low to make a facility like this work.

9.30 Total staff costs are \$107,500. This is to employ a full time manager and a part time coordinator.

9.31 The manager is expected to:

- run the centre;
- recruit and manage the volunteers;
- secure and change out the exhibitions;
- market the facility to attract visitors and pull back repeat visitations;
- coordinate the raising of \$50,000 in philanthropy and donations.

9.32 This is not a realistic job description for one person. Furthermore, the breadth of skillsets is extensive and will limit the number of people who would quality for this position.

9.33 In my opinion, the budget is short one additional FTE. If the organisation is to run on the basis of constantly raising sponsorship, and marketing the exhibition on a minimalist budget, then there is almost a full-time position in working through that side of the business. This leaves this manager to secure the exhibitions, undertake the extensive curatorial duties associated with shipping, displaying and returning exhibitions and to manage the facility.

9.34 I also think that the salary budgets seem low for the calibre of person the Trust will need to recruit and retain.

9.35 There is no marketing budget. The centre will only be successful if it is well used by the community. Furthermore, it is seeking to be a sub-regional or regional attraction. Undoubtedly there will be a small core of people who will constantly visit the gallery because they will know of the refreshing of exhibitions. However, to position the exhibition centre in a sub-regional or regional basis, a realistic marketing budget is required.

- 9.36 A centre like this would ideally operate seven days a week. Certainly it should operate six days a week. Most similar galleries in Auckland operate seven or six days a week.
- 9.37 The conclusion I have come to is that the minimum operational expenditure budget is \$350,000. I have allowed an additional \$70,000 for salaries and associated employment costs recognising that I have increased the staff from 1.6 FTEs to 2.6 FTEs, and I have allowed a \$30,000 marketing budget.
- 9.38 I have based this sum on other similar arts and community facilities including staff costs.
- 9.39 In my view, this is a tight still minimal budget, but more realistic than the current suggestion by the Trust. I restate, the Trust are confident they can operate within a \$245,000 budget.

10.0 OPTIONS

- 10.1 In my view, there are two clear options for the Council.
- 10.2 The first is to grant the long-term lease for the Trust and provide capital funding at least towards the repair of the exterior of the building and realistic annual operational grant for the centre. This would set the Trust up from a point of strength to move forward with this project.
- 10.3 The second option is to advise the Trust that the Council is not in a position to support the proposal because of other competing priorities and fully committed budgets, and see the project be terminated.
- 10.4 The third theoretical option, but one which is not wanted by either the Trust or the Council staff, and will only further exacerbate the lack of momentum on this project, is to defer the decision.
- 10.5 Deferment is not warranted because:
- (a) Enough information is known about the project and what is required from the Council to make it successful.
 - (b) The situation with Council budgets and issues with discretionary funding will be the reality for the next considerable time period.
 - (c) If the Council does have additional discretionary money for arts funding, then there are other priorities rather than this facility. Furthermore the Council's priority is to fund multi-purpose community buildings to maximise the community's return from Council investment in community assets.

11.0 LEGACY FUNDING

- 11.1 At the time of establishment of Auckland Council, there were a number of legacy funds from the North Shore Council (and other councils) that were targeted to particular projects. Catalyst funding for those projects was provided. The Auckland Transition Committee agreed that \$300,000 should be provided to the Trust to enable the Trust to develop the business case to determine whether or not the exhibition centre is viable.
- 11.2 The Trust has spent \$30,000 in terms of the business case. The remaining funds are of the order of \$270,000. If this project is not to proceed, then this money will return to the Council.
- 11.3 The Council will need to give careful consideration to the allocation of this money. Seeing the money was legacy money from North Shore City Council targeted for arts and culture functions, in my view it would be appropriate for the Council to use this remaining money to support arts and cultural activity within the former North Shore area, i.e. Devonport Takapuna, Kaipatiki, and part of Upper Harbour and Hibiscus and Bays Local Boards.
- 11.4 In my view, this would be appropriate in terms of the original source and targeting of this funding. It would also be an appropriate recognition of the significant energy and commitment of the existing Trust. Obviously the Trust will be very disappointed if the Council does not support the ongoing activity. However, at least the money would go to the advancement of arts facilities within the North Shore area.

12.0 CONCLUSION

- 12.1 The conclusion of this report is that the exhibition centre is:
- (a) A good adaptive reuse of the building at 2 The Strand, but one of several possible adaptive reuses which could achieve the Council's heritage objectives.
 - (b) Would complement the arts offer on the North Shore and would be of benefit to the community.
 - (c) Is not a priority in terms of the Council's limited budgets for arts funding.
 - (d) Devonport Takapuna is well serviced by a broad spectrum of arts facilities. If there is to be additional Council funding, it would likely be targeted elsewhere or to reinforce existing facilities.
 - (e) The Trust has underestimated the operational costs of this facility in the view of the report writer, and there is not a sustainable funding model.

- (f) The funding gap in both capital funds for the heritage restoration and adaptive reuse, and operational funds are significant. If this proposal is to proceed, then Council funding support will be required. The difficulty is the Council budgets are already fully committed and stretched. The Council does not have available discretionary funding. Any funding it could generate should go to other priorities if an equitable distribution of arts resource across wards is to be followed.
- (g) There is very significant capital cost and contingent risk for the Council in the seismic upgrade and bringing this building up to code.
- (h) The work of the Arts Culture & Events Department has identified that if there was additional discretionary money for arts (it is recognised that the Council budget constraints make this highly unlikely) then there would be other aspects of the art spectrum that would be a priority, and there would be other geographic areas within the region that should get preference over a further facility at Devonport Takapuna Local Board area.
- (i) Because an exhibition centre does not feature as a priority under the Community Facilities Network Plan, no work has been done to identify the nature of any such exhibition centre and the preferred location.
- (j) The Council needs to make a decision on whether it will support this project. The current uncertainty is not helpful to either the Trust or staff. Both the Trust and staff agreed that a final decision needs to be made whichever way it goes.