

Grant of lease for the Harbourmasters building at 10 Ocean View Road, Mātiatia, Waiheke Island

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Te take mō te pūrongo

Purpose of the report

1. To seek approval for a new lease to Harbourmasters Limited for the Harbourmasters building and part of the surrounding land at 10 Ocean View Road, Mātiatia on Waiheke Island.

Whakarāpopototanga matua

Executive summary

2. On 25 July 2019, the Waiheke Local Board approved the Stage 1 Mātiatia Plan. The Stage 1 Mātiatia Plan is part of a broader strategy to develop Mātiatia as the gateway to Waiheke.
3. The Waiheke Local Board also requested staff to call for urgent expressions of interest (EOI) to investigate commercial opportunities for uses of the Harbourmasters building and report back to the local board on 26 September 2019, its final business meeting of the respective political term.
4. The EOI was published in the Waiheke Gulf News and on Auckland Council's website in August 2019. The EOI proposed an initial term of approximately six months in order to activate the space over summer and test suitable commercial uses.
5. The local board's September business meeting coincided with the closing date for the EOI. As the next business meeting was only scheduled for December, being the first formal business meeting of the new political term and there was no opportunity for staff to assess the applications. As such, the local board delegated the authority to the Head of Stakeholder and Land Advisory to enter into a lease for the Harbourmasters building (Resolution number WHK/2019/188).
6. Following the EOI process and an assessment of the applications, Harbourmasters Limited was selected as the preferred operator. The assessment was based on weighted criteria including factoring the alignment with the Stage 1 Mātiatia Plan Principles and Outcomes, economic and community benefits.
7. An asset assessment report undertaken in November 2018 assessed the Harbourmasters building as being in poor condition and requiring remediation. Harbourmasters Limited proposed to invest in the building but sought a lease term of more than six months.
8. The proposal for a longer term lease provides a number of benefits including supporting the outcomes envisaged in the Stage 1 Mātiatia Plan. This report recommends that the Waiheke Local Board revoke its delegation to the Head of Stakeholder and Land Advisory to enter into a lease for a six month period and to grant a new lease to Harbourmasters Limited for a term of two years with one three year right of renewal.
9. The recommendations within this report align with the Waiheke Local Board Plan 2017 outcome "Seeking a sustainable economy and positive visitor experience". The recommendations also support the Stage 1 Mātiatia Plan principle of being "an attractive and welcoming gateway to Waiheke with a 'sense of arrival'" and the associated commercial development outcome.

Ngā tūhunga Recommendation/s

That the Waiheke Local Board:

- a) revoke its decision of 26 September 2019 (Resolution number WHK/2019/188) delegating to the Head of Stakeholder and Land Advisory, Community Facilities, authority to enter into a lease or leases for a six month period for the Harbourmasters building at 10 Ocean View Road, Waiheke Island.
- b) grant a new lease to Harbourmasters Limited for the Harbourmasters Building and part of the adjoining land comprising of 3,650 square metres (more or less) at 10 Ocean View Road, Mātiatia (Attachment A), legally described as Lot 8 Deposited Plan 146325 on record of title NA12A/130, on the following terms:
 - i) Term: initial term of two (2) years with one three (3) year right of renewal
 - ii) the renewal is contingent on the Waiheke Local Board being satisfied with the overall use, level of investment in the premises, and the extent to which it informs commercial use decisions under the final Mātiatia Plan
 - iii) inclusion of an early termination clause
 - iv) permit subletting for part of the premises subject to approval by Auckland Council
 - v) all other terms and conditions to be concluded on commercial terms.
- c) grant landlord approval for Harbourmasters Limited to undertake the necessary works to bring the building up to an operational state for its purposes, subject to compliance with the terms of the lease, landlord and regulatory approvals.

Horopaki Context

10. This report considers the proposed new commercial lease for the Harbourmasters building at 10 Ocean View Road, Mātiatia on Waiheke Island.
11. The Waiheke Local Board is the delegated authority with respect to land use and development decision-making over the land at Mātiatia.

Land

12. Part of the land at 10 Ocean View Road, Mātiatia, on which the Harbourmasters building is located, is legally described as Lot 8 Deposited Plan 146325 on record of title NA12A/130. The land is owned in fee simple by Auckland under the Local Government Act 2002.
13. The land was acquired in 2005 by the former Auckland City Council in response to community feedback and an Environment Court decision over the proposed mixed development on the land by the former owner Waitemata Infrastructure Limited. The objective of the purchase was that the council would oversee the development of the land that would reflect the character of Waiheke and provide a gateway to the island.
14. A large part of the site is currently used for parking associated with the ferry terminal and managed by Auckland Transport.

Harbourmasters building

15. The Harbourmasters building was constructed in the 1850's and was initially located on North Head in Devonport. It became the home of Auckland's second harbour master, Captain IJ Burgess, hence the association as the "Harbourmasters building". The building was re-located to Mātiatia to become the homestead for the farm of the Alison Family.
16. In 2010, Panuku Development Auckland (Panuku), formerly Auckland Council Property Limited took over the management of the site on behalf of Auckland Council. Panuku commercially leased the building initially for the operation of a bar and restaurant and later, a car rental business.

Mātiatia Plan

17. The Waiheke Local Board Plan 2014 led a comprehensive strategic plan for Mātiatia in partnership with the community and mana whenua. In 2016 the local board commissioned

the development of a comprehensive strategic plan from Direction Mātiatia Incorporated (Resolution number WHK/2016/31).

18. In 2018, the Waiheke Local Board sought the delegation from the Governing Body to make land use and development decisions over the land at 10 Ocean View Road, Mātiatia. The Governing Body, on 24 May 2018, resolved to delegate non-regulatory land use and development decision-making over the land to the Waiheke Local Board (Resolution number GB/2018/83). The delegation was conditional on the land being transferred from Panuku Development Auckland's non-service portfolio into the service portfolio managed by Community Facilities.
19. The Mātiatia Plan is being led by the Waiheke Local Board as decision-maker over non-Auckland Transport land at Mātiatia. Each Auckland Council local board has identified one priority project for regional funding, known as its One Local Initiative (OLI). The Waiheke Local Board has selected Mātiatia as its OLI.
20. The Waiheke Local Board approved Stage 1 of the Mātiatia Plan in July 2019 (Resolution number WHK/2019/146). The Stage 1 Mātiatia Plan is part of broader strategy to develop Mātiatia as the gateway to Waiheke. The plan seeks to embrace the area's cultural significance, heritage and environmental values and provide for future infrastructure needs. The plan has largely been guided by the comprehensive survey undertaken by Direction Mātiatia Incorporated of Waiheke community views on Mātiatia.
21. Stage 1 Mātiatia Plan consists of key principles and outcomes which give effect to the broad land use plan which demarcates the transport, movement and conservation areas. The principles and outcomes recognise Mātiatia primarily as a transport hub and includes provision for non-transport initiatives, including the commercial development which supports the outcomes envisaged in the plan.
22. Following the formal adoption of the plan, the Waiheke Local Board requested that Community Facilities call for urgent expressions of interest to investigate commercial opportunities for uses of the Harbourmaster building and report back to the 26 September 2019 local board business meeting.

Tātaritanga me ngā tohutohu

Analysis and advice

Expressions of Interest (EOI)

23. At the Waiheke Local Board's workshop on 9 August 2019, staff informed the local board of the timing of the expressions of interest process which allowed for a 20 working day submission window. As such, it was not possible, given the time constraints to report back to the local board within the requested time.
24. An expression of interest process calling for interest to activate commercial use of the Harbourmasters building was published in the Waiheke Gulf News on 29 August 2019. In addition, the notice was also published on Auckland Council's website.
25. At the closing of submissions on 26 September 2019, council had received five submissions.
26. An evaluation panel comprising staff from Community Facilities, Parks Services and Governance units, reviewed and assessed the submissions. Based on weighted criteria factoring the alignment with the Stage 1 Mātiatia Plan Principles and Outcomes, economic and community benefits, Harbourmasters Limited was selected as the preferred operator.
27. The submission expressed the desire to create a diverse retail offering including:
 - a garden café supported by local food trucks;
 - a tourist information and booking kiosk;
 - a sustainability focused retail store that sells Waiheke produced products including honey, wine, pottery and art works of local artisans;
 - establishment of a retail theatre experience offering visitors an opportunity to view the production of wool, possum and other types of knitwear fibres.

Building condition

28. An asset condition assessment of the Harbourmasters building was undertaken on 13 November 2018. The Harbourmasters building was assessed as being in poor condition and requiring remediation.
29. The report recommended, among other aspects, that the entire interior be renewed. It also noted that the building was at risk of further deterioration, should remedial works not be undertaken. The estimated cost of repairs was estimated at more \$300,000.
30. All participants that expressed an interest in the building were provided with an EOI information pack which included a copy of the asset assessment report.
31. During discussions with the preferred operator the proposed term of six months became a constraint in progressing with the lease. The operator requested a longer term given the level of investment that is required on its part in order to bring the building up to a standard suitable for its purpose.
32. As part of the development proposal, Harbourmasters Limited proposes to fit out the existing kitchen converting it into a bespoke knitting mill to showcase the manufacturing of its knitwear. The former restaurant will be converted into a retail area offering Waiheke produced products with the adjoining space offering tourist information and booking services. The garden area will be maintained as an open space café/eating area.

Local board delegation

33. At its final business meeting of the last political term (26 September 2019), the Waiheke Local Board received an update on the Harbourmasters leasing process via a formal report.
34. The closing of the EOI notice period coincided with the local board's final business meeting of the term. As the Waiheke Local Board's first formal business meeting of the new political term was scheduled for December 2019, the local board resolved to delegate authority to the Head of Stakeholder and Land Advisory, Community Facilities to enter into a lease or leases for the Harbourmasters building (Resolution WHK/2019/188).
35. As a consequence of the proposed lease, the delegation is unable to be exercised for more than six months and the local board is requested to revoke the delegation and consider a lease for a term of more than six months.

Options

36. Staff assessed three options for consideration:
 - **Option one:** Grant a lease for a term of two years with one three year right of renewal
 - **Option two:** Continue negotiations for a lease term of approximately six months
 - **Option three:** Do nothing – maintain the status quo

Option one: Grant a lease for a term of two years with one three year right of renewal

37. The six-month term of lease is a significant impediment to gaining agreement from the preferred operator given the level of investment that is required considering the asset assessment report. The proposed term of two years with one three year right of renewal aligns with the anticipated timeline for the development of Stage 2 Mātiatia Plan.
38. Staff propose making the renewal of the lease conditional on the local board being satisfied with the use of the premises and alignment with the overall development of Stage 2 Mātiatia Plan to ensure that the objectives envisage under the Principles and Outcomes of Stage 1 Mātiatia Plan are preserved and maintained.
39. The lease term proposed under Option A is recommended because it will create several benefits, namely:
 - The diverse and unique retail offering creates a retail hub which is likely to attract visitors to Waiheke and supplement the options offered at the ferry terminal. It supports the Stage 1 Mātiatia Plan Principles and Outcomes, particularly creating a

unique visitor attraction while enhancing Mātiatia as a welcoming gateway to Waiheke.

- The occupation will activate the space that is and has historically been otherwise underutilised.
- The activation can occur almost immediately and will be possible over the approaching summer season which will serve as a good indicator to test the commercial uses that might fit with the Mātiatia Plan approach.
- The proposed investment into building by Harbourmasters Limited will improve the asset condition and enhance the Harbourmasters building.

Option two: Continue negotiations for a lease term of approximately six months

40. Should a decision be made to pursue a lease for a term of no more than six months, it is unlikely that there will be any substantial investment made into the building. As such, over the short term, it is likely that the council will need to make an investment into the building to maintain its current state. In addition, the potential to activate the space over the summer period might be lost.
41. Alternatively, a six-month term will provide the local board with greater flexibility in its governance oversight regarding the use and activation of the space. Staff are of the opinion that this flexibility can be achieved under Option one with the inclusion of a conditional renewal provision as outlined in paragraph 27.

Option three: Do nothing – maintain the status quo

42. Option three proposes that the local board defer having to make a decision regarding the lease and maintain the current status.
43. The Harbourmasters building is largely unoccupied and option three will require the council to continue to allocate funding for the ongoing costs associated with the building. The local board can request that staff undertake an entirely new EOI round seeking interest for a longer term lease. As such, until a new EOI is completed there will be no commercial activation of the space or support for outcomes envisaged under the Stage 1 Mātiatia Plan.

Tauākī whakaaweawe āhuarangi Climate impact statement

44. The designated impact level of the recommended decision on Green House Gas emissions falls within the “no impact” category. The proposal expects only a minor change to the use of the building, however this is not expected to result in increased transport emissions. The anticipated activities will support and enhance the existing transport network and outcomes, offering users and visitors of the adjacent ferry terminal alternative options to enhance their Waiheke experience.
45. Climate change impacts will need to be considered in any future planning for the site as a whole. While the Harbourmasters building does not sit directly within a flood plain, or flooding zone of a 1-in-100 years rainstorm event, other areas within the locality are within the zones (Attachment B).

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

46. During the evaluation process council staff from Governance, Parks Services and Community Facilities comprising Land Advisory, Business Growth and Development, and Property reviewed and assessed the submissions based on the prescribed criteria.
47. Additionally, there has been discussions with Auckland Transport regarding the potential lease and outcomes envisaged as part of Stage 2 Mātiatia Plan. The feedback generally has been supportive with Healthy Waters noting some constraint regarding the capacity of waste water system should usage volumes increase significantly.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe

Local impacts and local board views

48. The results of the survey undertaken by Direction Matiatia Incorporated in August 2017 showed strong support (70 percent +) for, among others, an improved keyhole at Mātiatia, better facilities to handle tourism and a visitor centre. There was some support (30 percent +) for light commercial activity.
49. The Waiheke Local Board received an update on the Harbourmasters leasing process via a formal report on 26 September 2019. The local board was supportive of the activation of the space over the forthcoming summer.
50. The recommendations within this report support the Waiheke Local Board Plan 2017 outcomes for:
 - a) Outcome 2: A sustainable economy and positive visitor experience. It recognises Waiheke as a desirable tourist destination and brings a new opportunity to improve an existing asset.
 - b) Outcome 6: Transport and infrastructure. The recommendation supports the provision of safe and accessible connections to key amenities and services. The proposed activity seeks to attract people passing through Mātiatia, improving user experience through this important transport corridor.
51. Additionally, the proposed activity supports the Stage 1 Mātiatia Plan Principles and Outcomes by creating a 'sense of arrival' and promoting Mātiatia as the gateway to Waiheke while recognising the commercial outcomes needed for sustainable economic development.

Tauākī whakaaweawe Māori

Māori impact statement

52. The Waiheke Local Board and the Mātiatia Plan Project Team have worked with both Ngāti Paoa Trust Board and the Ngāti Paoa Iwi Trust on the development of the Mātiatia Stage 1 Plan.
53. Ngāti Paoa representatives have been involved in the plan development since late 2017 and have provided feedback on their aspirations for Mātiatia against the Stage 1 plan. The feedback from mana whenua sought to protect and recognise the adjacent area to the west of the Harbourmasters building as being of Wāhi Tapu or cultural value to Ngāti Paoa and other mana whenua.
54. The proposed lease area remains outside of the area of cultural significance to mana whenua.

Ngā ritenga ā-pūtea

Financial implications

55. The Harbourmasters building has largely been underutilised. Although there have been periods where parts of the building were occupied, the infrequency of occupation has led to the building generally falling into a state of disrepair due to underutilisation. The cost to remediate or redevelop the building with a more attractive and purposed configuration is estimated at between \$300,000 and \$1 million. Harbourmasters Limited has indicated a commitment to activating the space and is prepared to invest in the building to bring it up to a standard suitable for its purpose.

Ngā raru tūpono me ngā whakamaurutanga

Risks and mitigations

56. There is a moderate level of risk in granting a lease for a term of more than six months. This is because the EOI notice stipulated an initial term of six months with a second round for a longer term expected in 2020.
57. The risk needs to be considered against the potential investment into the building. The potential investment into the building can reduce the cost that Auckland Council will need to

invest into the building to bring it up to a state fit for occupancy. Additionally, the potential revenue generated will offset any other costs currently incurred and associated with the Harbourmasters building, such as rates and maintenance costs. The broader benefit is that this will contribute to cost savings for rate payers.

58. Decision-making in relation to non-regulatory activities are allocated to the local board under the Local Government Act 2002. The Act provides a framework and principles for decision-making. In the course of decision-making the local board is required to conduct its business in a transparent and accountable manner and giving effect to its priorities and desired outcomes in an efficient and effective manner (section 12(1)(a)).
59. The Waiheke Local Board Plan 2017 reaffirms that Mātiatia continues to be a priority for the local board. This is reflected in the Mātiatia Strategic Plan and the outcomes envisaged under Stage 1 Mātiatia Plan. The opportunity to enter into a partnership, under a lease, supports the plan outcomes and it is highly likely that the opportunity may be lost should a decision for a term of no more than six months be made.
60. Additionally, the risks are mitigated under the operative terms and conditions of the EOI. The terms were contained in the EOI Information Pack provided to every submitter. Participation in the EOI process constituted acceptance of the EOI Terms and Conditions. The terms expressly provide that Auckland Council reserves the right to
 - a. amend the EOI process; and
 - b. proceed to the next process of it's choosing or not proceed to a competitive process at all.

Ngā koringa ā-muri

Next steps

61. Should the local board grant approval for the recommended term, Auckland Council will enter into a lease for the stipulated period with Harbourmasters Limited subject to the terms outlined in the recommendation above.
62. In order to activate the space over the approaching summer season the operator intends to do a staged activation of the space.

Ngā tāpirihanga

Attachments

There are no attachments for this report.

No.	Title	Page
A	Attachment A – Site Plan	
B	Attachment B - Climate change impacts	

Ngā kaihaina

Signatories

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