

Report PE04.362
Date 18 June 2004
File CFO/22/3/1

Committee Policy, Finance and Strategy
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Masterton Accommodation Issues

1. Purpose

To seek approval for the purchase of a property at 24-26 Chapel Street, Masterton.

2. Public Excluded

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

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist, i.e. to enable the Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

3. Background

Report PE04.197 was considered by the Policy, Finance and Strategy Committee on 20th April 2004. The report outlined the current accommodation problems faced by the Wairarapa Division and recommended a course of action to address these problems. The report contained the following recommendations.

“That the Committee recommend to Council that it:

- (1) Receive the report and note its contents.*
- (2) Approve in principle the purchase of land adjoining Council's existing Masterton site situated at 24-26 Chapel Street, with a view to rationalising Council's accommodation requirements on one site (as outlined in section 7.3 of this report).*

- (3) *Approve the commencement of negotiations with the owner of 24-26 Chapel Street, on the basis that officers will seek final approval of the transaction once conditional agreement has been reached.*
- (4) *Request officers to incorporate the financial impact of this proposal within the final 2004/05 Annual Plan to be considered by the Committee in June 2004."*

These recommendations were approved by the Policy, Finance and Strategy Committee, and subsequently by Council.

In respect of recommendations (2) and (3) above we can now advise that:

- i. A due diligence process has been undertaken to ensure the property is appropriately zoned and can physically be developed to meet Council's requirements.
- ii. An assessment of the current market value of the property has been obtained from a registered valuer. The assessed value is \$320,000.
- iii. Negotiations with the owner of 24-26 Chapel have taken place and a conditional agreement to purchase the property at \$320,000 has been reached.

Based on the above the parties have signed an Agreement for Sale and Purchase of Real Estate dated 16th June 2004 with the sole condition of sale being the passing of a resolution by the Wellington Regional Council approving the sale. The Agreement requires the approval (or otherwise) of Council within 28 days of the date of the Agreement.

Settlement/possession date is then 14 days after the date that the Agreement becomes unconditional.

4. Comment

As identified in report PE04.197 the purchase of 24-26 Chapel Street is an important strategic acquisition which will enable the Wairarapa Division's accommodation problems to be fully and cost effectively resolved. It will also enhance the amenity of the total site and give the Council options to expand or contract in the future.

The due diligence investigations confirm that the property will meet Council's requirements. The property is zoned appropriately and there are no inherent problems that would physically prohibit it from being developed and used in a manner consistent with Council's objectives.

The current market value of the property as assessed by a local registered valuer is \$320,000 plus GST (if any) and the purchase price agreed by the parties mirrors this sum. In report PE04.197 we had noted that the owner's asking price in October last year, was \$315,000.

Based on the valuer's report and our own enquiries \$320,000 is considered to be a fair and reasonable purchase price, particularly given the significance of the site in the context of the Council's plans to redevelop the Masterton office.

As the property is currently tenanted, it will be treated by the IRD as the sale of a going concern. Therefore the transaction will be zero rated for GST purposes

5. Communications

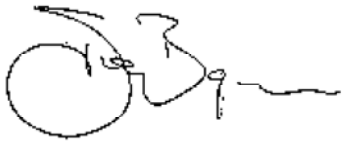
Not applicable at this time.

6. Recommendations

That the Committee recommend to Council that it:

- (1) Receive the report and note its contents.*
- (2) Approve the purchase of the property situated at 24-26 Chapel Street, Masterton at a purchase price of \$320,000 plus GST (if any).*

Report prepared by:



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Report approved by:

Greg Schollum
Chief Financial Officer