

231 STUART STREET - OPTIONS

Department: Property and Legal Services

EXECUTIVE SUMMARY

- 1 The purpose of this report is to ask Council to consider options for the future of 231 Stuart Street ("the Property"). ccc
- 2 The 9 Year Plan consultation document proposed removing 231 Stuart Street from the Significance and Engagement Policy and asked;
 - Should we remove 231 Stuart Street (formerly the Fortune Theatre) from the list of strategic assets in our Significance and Engagement policy?
- 3 There were 551 responses, 65% (358) stated 'yes, remove 231 Stuart Street from the list of strategic assets and 35% (193) stated 'no, keep 231 Stuart Street as a strategic asset'. A further two responses were neutral.
- 4 Council subsequently resolved to remove the Property at 231 Stuart Street (formerly known as the Fortune Theatre) from Schedule 2 of the Significance and Engagement Policy, and asked staff to report on options for the building, incorporating options presented by submitters and any potential sale.
- 5 This report responds to that resolution and asks Council to direct staff on their preferred option for the future of the Property.

RECOMMENDATIONS

That the Council:

- a) **Directs** staff to prepare the property at 231 Stuart Street legally described as 468 square metres more or less being part Section 16, Block XIV, Town of Dunedin all Record of Title OT287/25, for sale.
- b) **Notes** that staff will provide a further report to Council and records that it will not be making a final decision regarding a potential sale of the Fortune Theatre until it has received the further report from staff.

BACKGROUND

DETAILS ABOUT THE PROPERTY

- 6 The Property is 468 square metres in area, held in fee simple in Record of Title OT287/25 and contains no encumbrances.

Heritage NZ Category Status and District Plan

- 7 231 Stuart Street is identified in the heritage schedule (B574) of Dunedin City Council Second Generation District Plan (2GP). The 'entire external building envelope' of the former church is subject to heritage protection. Additionally, the building is identified by Heritage New Zealand Pouhere Taonga as a Category 1 historic place (List Number 3378).
- 8 The 2GP requires a resource consent prior to any external alterations/additions, restoration (to an earlier known form), earthquake strengthening, or demolition that affects the exterior of the building. Repairs and maintenance, or alterations to the interior, will not require resource consent. Heritage New Zealand Pouhere Taonga will be required to provide 'affected party approval' for any resource consent.
- 9 The Property's location in the CBD zone provides for a wide range of activities including commercial, recreational, residential, community support, large scale retail, licensed premises, and commercial residential activity. It allows for repairs and maintenance and restoration of a scheduled heritage building but any other additions or alterations are a restricted discretionary activity. Demolition is a non-complying activity

Condition of the Building

- 10 The following represents an overview of what is known about the Property, so Council might fully consider the work required if they choose to repurpose the Property.
- 11 A seismic assessment was undertaken in 2011. This determined that the building was 67% of the New Build Standard. New legislation is now in place which includes the assessment of features such as parapets and turrets. If Council were to continue to own the Property a new assessment would be required.
- 12 The structure comprises corbelled brick/stone and concrete slabs and foundations, local solid stone external wall construction, and steel, and timber joinery under a pitched slate and flat copper roofs.
- 13 The building is on three levels, basement, ground floor and a mezzanine area.
- 14 A condition report was undertaken by Flanders Marlow Limited in 2024.
- 15 The building is not fit for occupancy in its current state and the following summarises key areas of concern.
- Roof - leaks have been repaired and there are currently no new leaks. There are various roof types, metal flashings and rainwater disposal systems which need to be managed and some parts need replacement/nearing replacement.
 - Exterior walls - structure and windows have defects and are subject to continual wetting. There is moisture staining and efflorescence to the interior faces.

- Internal dampness – known leaks have been repaired and moisture egress is being managed through the use of dehumidifiers. Expert advice is needed to confirm how best to take moisture away from the subterranean rear walls.
- External joinery, windows, doors, and flashings - entrance doors would benefit from easing and checked for weather tightness. The replacement of the double entry doors on Stuart Street should be considered.
- Windows - are single glazed leaded steel and timber in average condition. Corrosion is noted to the steel window frames and putty to some glazing needs replacement and painting. Specialist advice is required.
- Ceilings - to the main theatre are in reasonable condition while those in other areas are in poor condition, there is some damage due to moisture ingress. Some remedial and strengthening works will be required in areas.
- Floor coverings – soft floor coverings have been removed. Floors are level apart from the bar area. Remaining vinyl and tiles will need to be removed and/or replaced.
- Internal walls and partitions - are in average condition, with the interior of the basement being in poor condition. There is peeling paint, efflorescence, defective paint, and plaster to the inside of external brick walls.
- Internal Joinery - in average to poor condition. Some specialist advice is required in terms of the stonework. Moisture ingress needs to be addressed to prevent further deterioration.
- Stairs to the north-western stairwell require reinstatement. The remaining timber balustrading and handrails generally appear in reasonable condition.
- Kitchen – Depending on the future use of the building the kitchen needs to be redesigned and refurbished in accordance with the Food Act and Food Regulation Requirements.
- Toilets and sanitary fittings require upgrades including improvements to the ventilation systems.
- Electrical services - are 'haphazard' in places and need to be checked by a suitably qualified person and likely need upgrading/replacing.
- Heating, Ventilation and Air Conditioning (HVAC) - the installation appears makeshift and requires a specialist to review as to its condition and suitability, it is likely to require replacement.
- Plumbing and drainage - will require inspection and comment from a suitably qualified person.

Building Compliance

- 16 The building has a current Building Warrant of Fitness (BWOFF). Emergency Warning Systems are compliant as is the emergency lighting – *it is compliant based on the building being vacant.*

- 17 If the use of the Property was changed ie it was no longer vacant, or if building consent were required for any reason, the regulatory authority would likely require the compliance systems to be upgraded.
- 18 A building compliance review was undertaken by Logic Group Ltd in 2018. This has been reviewed and remains largely unchanged. The report highlights the following for consideration.
- **BWOF** (Building Warrant of Fitness) this is current and based on a vacant building.
 - **Emergency Warning Systems** Type 5 alarm, compliant but future upgrade (*to the building or use change*) may be required.
 - **Emergency Lighting** Compliant but future upgrade may be required.
 - **Ventilation** Fresh Air supply to the theatre, toilets, and lounge bar but this is missing from the compliance schedule and maintenance regime.
 - **Signage (Evacuation)** complies however if the number of occupants are greater than 50 upgrades should be completed.
 - **Smoke Separations** existing separations to NW/SW stairwells have been compromised – repairs are required prior to adding this to the compliance schedule.
 - **Toilets** there are no accessible toilet facilities, future upgrade will be required dependent on use and numbers.
 - **Access** handrails to stairs are non-graspable and upgrade would be required.
 - **Lifts** there are no passenger lifts in the building, dependent on future use and access to accessible facilities a lift may be required.

DISCUSSION

- 19 The Property has been in a “holding” state since it was vacated. Urgent repairs have been made where necessary and emergency systems are functioning, however it is not suitable for occupation in its current state.

- 20 On 26 May 2025, Council resolved;

Moved (Cr Bill Acklin/Cr Mandy Mayhem):

That the Council:

- a) **Removes** the Property at 231 Stuart Street (formally known as the Fortune Theatre) from Schedule 2 of the Significance and Engagement Policy

Division

The Council voted by division

For: Crs Bill Acklin, David Benson-Pope, Christine Garey, Carmen Houlahan, Marie Laufiso, Cherry Lucas, Mandy Mayhem, Jim O'Malley, Steve Walker, Brent Weatherall, Andrew Whiley and Mayor Jules Radich (12).
Against: Crs Sophie Barker, Kevin Gilbert and Lee Vandervis (3).
Abstained: Nil

The division was declared CARRIED by 12 votes to 3

Motion carried (CNL/2025/107)

Moved (Cr Bill Acklin/Cr Mandy Mayhem):

That the Council:

- b) **Requests** a staff report on options for the building, incorporating any options presented by submitters, and a possible sale.

Motion carried (CNL/2025/108)

- 21 The Property has now been removed from the Significance and Engagement Policy and staff have considered options for the future of the Property.
- 22 As part of the 9 Year Plan consultation feedback, submitters made suggestions for the future reuse of the Property. 62 submissions explicitly supported the sale of the Property, 15 supported its revitalisation as a theatre and others suggested it could be used as a community space for youth or the arts. One submitter requested Council support a member of the public to return the Property to a theatre and operate it. [
- 23 The following discussion considers three broad options for the future of the Property.
1. Continue to hold the Property in its current state,
 2. Establish a community use for the Property,
 3. Prepare the Property for sale.

Option One – Continue to hold the Property in its current state (status quo).

- 24 The Property has significant exterior, interior and compliance issues that would require continued financial input if it was retained in its current state.
- 25 The Property has not generated revenue since closure in 2018 and has an annual operating budget of \$122,000 for rates, electricity, insurance, depreciation, and maintenance (dehumidifiers and ventilation to prevent mould growth).
- 26 There is also an ongoing cost of staff resource. The building needs regular attention, in particular managing water ingress/dampness issues.
- 27 Staff view is that leaving it in its current state is not financially sustainable and will contribute to the deterioration of the building. Therefore, this option has not been considered further in this report.

Option Two – Establish a community use for the Property.

- 28 As part of the 9 Year Plan consultation feedback, 15 submissions specifically supported the idea that the Property be revitalised for the purpose of a theatre and one member of the public has requested Council support a member of the community to return the Property to a theatre. Other submissions suggested the Property could be used as a community space for youth or the arts.
- 29 Staff have considered options for the building, incorporating options raised by the submitters.
- 30 If Council leased the Property to a theatre or community-based group, then Council as landlord would be responsible for ongoing exterior maintenance, and for the work to return the Property to an occupied and compliant state.
- 31 The improvements that are needed to address building compliance issues and return the Property to a basic tenantable state are extensive. Work is likely to involve;
- heating and ventilation,
 - Installation of a passenger lift,
 - electrical,
 - plumbing,
 - waterproofing to foundation walls and floors,
 - detailed seismic assessment,
 - roof, spouting and downpipe repairs,
 - exterior walls, windows and door repairs,
 - internal wall reinstatement,
 - bathroom facilities,
 - external scaffolding,
 - and kitchen replacement.
- 32 And improvements to the fire and safety systems would be likely to involve;
- emergency warning system,
 - emergency lighting,
 - installation of fire separations particularly to exits/stairs and between the floors,
 - installation of smoke separations

- Nothing that since the 'final exit' doors opens inwardly, a new building consent may reduce the total allowed occupancy.
- 33 This work has been estimated by a quantity surveyor, with experience working with heritage properties, at \$2.4 million including contingency. This estimate excludes professional fees and tenant fit out ie theatre requirements or office spaces (Attachment A).
- 34 This is an estimate and would require more detailed planning, which would be dependent on the tenants intended use.
- 35 One submitted requested Council support a member of the public to return the Property to a theatre and operate it.
- 36 The structural features of the building restrict its use as a theatre in that there is a lack of wing space and foyer/bar space. Poor availability for drop off parking, poor accessibility, and access for production staff. In addition, there is sound leakage from Stuart Street, and within the building.

Option Three – prepare the Property for sale.

- 37 62 submitters commented in support of selling the Property as part of the 9 Year plan.
- 38 The Property is well located, with a strong presence on the corner of Moray Place and Stuart Street. The Heritage design elements of the building provide an instant iconic branding opportunity for businesses looking to create a truly unique experience in terms of food, entertainment, retail, accommodation, or commercial office.
- 39 Feedback from the 9 Year plan recognised the heritage value of the Property and submitters expressed a desire to protect the Property from neglect.
- 40 Staff have considered this feedback and if Council directs staff to prepare the Property for sale, staff will seek a report on whether there is any offer back obligation under the Public Works Act 1981. This is considered highly unlikely, but nevertheless it is an important step in progressing towards a potential sale.
- 41 Staff would appoint an appropriate agent to market the Property and would return to Council with a further report detailing any options for a potential sale, any Public Works Act implications, a discussion on use of the proceeds of sale, any consultation requirements and any further information that may be required so that Council can decide whether it wants to declare the Property surplus and sell the Property.
- 42 The Property is protected via its Heritage Category 1 rating and the District Plan whether it is owned by the Council or not. Staff would work with potential purchasers to further protect the heritage values of the Property through either proposed terms of sale, or a proposed covenant to be registered on the Record of Title.
- 43 Preparing the Property for sale would not prevent a community led organisation from approaching Council to purchase the Property for community use.
- 44 A recent valuation has been received from Colliers. The valuation is included as a separate attachment in the non-public section of the meeting.

OPTIONS

Option One – Recommended Option, prepare the Property for sale

Impact assessment

- 45 The Property generates no revenue and has an annual operating budget of \$122,000 for rates, electricity, insurance, depreciation, and maintenance (dehumidifiers and ventilation to prevent mould growth).
- 46 A sale of the Property would mean no further impact, costs, or staff time for Council.

Debt

- No debt funding is required for this option.

Rates

- Under the option, Council would receive the proceeds from any sale. A subsequent report to Council would consider the use of any sale proceeds.

Zero carbon

Emissions considerations are not applicable to this report.

Advantages

- The Property no longer contributes to the strategic goals of the Council or any growth strategy, structure plan, asset management plan or similar,
- ongoing costs to maintain the Property are removed from operating budgets,
- disposing of the Property could be of financial benefit to the Council,
- heritage values could be enhanced by sympathetic redevelopment/reuse of the building by a private owner,
- staff resource would no longer be required for the Property,
- the building will no longer be vacant,
- community groups are not excluded from approaching Council with an option to purchase.

Disadvantages

- the Property would not be available to the Council for community use or any other use.

Option Two – Establish a community use for the Property Impact assessment

- 47 Council as landlord would be responsible for ongoing exterior maintenance, and for the work to return the Property to a tenantable and compliant state.
- 48 The cost for renovation work would be debt funded. Interest, depreciation and ongoing maintenance would be rates funded.

Debt

- Capital costs of between \$3 - \$4 million would be debt funded, dependant on the tenants intended use and final scope of work.

Rates

- Interest, depreciation, and ongoing maintenance would be rates funded.

Zero carbon

Emissions considerations are not considered part of this report.

Advantages

- a community group would benefit from reduced rental and central city, dedicated community space.

Disadvantages

- there will be an increase to rates and Council debt.
- additional staff resource to manage the tenancy and building.

NEXT STEPS

49 Staff will either:

- a) prepare the Property for sale and appoint an appropriate agent to market the Property. Staff would return to Council with options for a potential sale, and a report that considers proceeds of sale and any Public Works Act implications.
- b) OR consider how the Property could best be reused as a community Property. Staff would work with Community and Creative Partnerships to identify potential community tenants and return to Council with options to consider. Options would consider potential tenants, their purpose, potential scope of work and potential to contribute rental.

Signatories

Author:	Maria Sleeman - Property Officer - Community and Civic Anna Nilsen -
Authoriser:	Robert West - General Manager Corporate Services

Attachments

	Title	Page
A	231 Stuart Street Estimate	

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Future Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Other strategic projects/policies/plans	<input type="checkbox"/>	<input type="checkbox"/>	✓

The Property no longer supports Council strategy.

Māori Impact Statement

The impact on Māori is dependent on Council’s decision and will be considered more fully as part of next steps.

Sustainability

The sale of the Property will allow for sustainable investment in other assets for the future and limit any further unknown consequences and expenses.

Zero carbon

There is no known impact for city-wide and DCC emissions.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

The Property is currently vacant and there are no known implications on current levels of service.

Financial considerations

The cost of the recommended option is likely to be an unbudgeted net benefit to Council. Option two will require increases to the capital and operating budgets.

Significance

The Property has been removed from the Significance and Engagement Policy and this decision is considered low in terms of the Council’s Significance and Engagement Policy as there will be a subsequent report to Council based on what direction Council provides under this report.

Engagement – external

This report presents options for consideration that were first raised through the 9 year plan consultation document.

SUMMARY OF CONSIDERATIONS

Engagement - internal

Engagement has been undertaken with Ara Toi, Property, Legal and Heritage Advisory teams.

Risks: Legal / Health and Safety etc.

There are no identified risks arising from the recommendation in this report.

Conflict of Interest

There are no identified conflicts of interest.

Community Boards

The Property does not fall within a Community Board area.

