

231 STUART STREET PUBLIC CONSULTATION

Department: Property

EXECUTIVE SUMMARY

- 1 Council owns the property at 231 Stuart Street (“the Property”), previously known as the Fortune Theatre. The Property sits within the Community portfolio.
- 2 The Property was occupied and run by the Fortune Theatre Trust (“the Trust”) for professional theatre between 1978 to 2018 and has been owned by Dunedin City Council (DCC) since 2000. In mid-2018, the Trust announced the immediate closure of the theatre, and the Property has been vacant since.
- 3 This report is presented in two parts as there are two decisions that need to be made:
 - a) **Part A – Decision 1:** Does Council agree to seek feedback on the removal of the Property from Schedule 2 of the Significance and Engagement Policy / Kaupapa here hirahira whatatutaka (“the Policy”) as part of the 9 Year Plan consultation process?
 - b) **Part B – Decision 2:** Does Council agree to also seek feedback on a proposal to sell the Property as part of the 9 Year Plan consultation process?
- 4 The purpose of this report is to present information to Council so that it can make the above two decisions.

RECOMMENDATIONS

That the Council:

- a) **Agrees** that Council will seek feedback on the removal of the Property at 231 Stuart Street from Schedule 2 of the Significance and Engagement Policy as part of the 9 Year Plan 2025-34 consultation process: and
- b) **Agrees** that Council will seek feedback on a proposal to sell the Property at 231 Stuart Street as part of the 9 Year Plan 2025-34 consultation process.

BACKGROUND

DETAILS ABOUT THE PROPERTY

Land Status

- 5 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

- 6 The Property is protected under its Heritage Category 1 status by the Heritage New Zealand Pouhere Taonga Act 2014. A category 1 rating is an historic place that is of special or outstanding historical or cultural heritage significance or value.
- 7 The protection is for the entire external building envelope and any future work must be done in consultation with Heritage New Zealand to ensure it satisfies the Category 1 listing.

District Plan

- 8 Under the Dunedin City Second Generation District Plan (2GP), the land is zoned Central Business District (CBD) and is within the Moray Place – Dowling Street commercial Heritage Precinct.
- 9 It is listed in Schedule A1.1 Schedule of Protected Heritage Items and Sites, as a Heritage Building (B574) where protection is required for the entire external building envelope. This stipulates the need to accurately return the fabric of a building to a known earlier form by reassembling and reinstating components using new or original materials.
- 10 The 2GP CBD zone provides for a wide range of activities at the Property, 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.

Property History

- 11 The Property was constructed for the former Trinity Methodist Church. It was opened in 1870.
- 12 The Property was owned and operated by the Fortune Theatre Trust for professional theatre between 1978 and 2000. In 2000, the Trust approached the Council to assist with the Property because it was finding it financially difficult to own it. As a result, it was purchased by the Council in 2000 for \$220,000 plus GST (if any) with the Trust leasing the Property from the Council.
- 13 In May 2018, the Trust announced the immediate closure of the Theatre. The operation as a theatre was financially unsustainable. The Trust was wound-up, and the lease of the Property by the Trust was surrendered to Council on 20 July 2018. The Property has been vacant since.
- 14 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).

CONDITION OF THE BUILDING

- 15 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.
- 16 A structural assessment was undertaken in 2011. This determined that the building was 67% of the New Build Standard. Since then, the Building (Earthquake Prone Buildings) Amendment Act 2016 came into effect and is now embedded in the Building Act 2004 (the Act). The change to the legislation means that an updated seismic assessment is required.

Exterior and Condition

- 17 The building generally consists of concrete foundations, stone exterior, plastered capping/surrounds/parapets, metal/timber joinery, slate, and copper roofing with iron flashings.
- 18 The building has suffered from historic water/moisture ingress through the external walls, particularly to the subfloor level. The roof has leaked in places which have now been fixed and moisture levels are maintained at a consistent level by using dehumidifiers.

Internal Division and Condition

- 19 The building is on three levels, basement, ground floor and a mezzanine area.
- 20 The décor is in poor condition and there are numerous signs of historic water damage to internal wall linings, dampness and mould.
- 21 Anything that retains moisture, some wall linings and flooring and rotten wood in the stairways, have been removed.
- 22 The dampness is currently being managed by dehumidifiers together with sensors that remotely record the humidity within the building.
- 23 The building's heating, ventilation and air conditioning systems are in poor condition, the system is not operating and requires replacement.
- 24 There have been many alterations and changes to the electrical systems over the years. It is likely to need significant upgrades or replacement if the building was to be occupied.

Building Compliance

- 25 The building has a current Building Warrant of Fitness (BWOFF). Emergency Warning Systems are compliant as is the emergency lighting, future upgrades will be required.
- 26 There are a number of repairs and upgrades needed for ventilation, signage, final exits, smoke separations, toilets and accessibility.

Estimate of Costs

- 27 A high-level estimate of costs just to bring the top floor (main stage area) of the building up to a useable standard is somewhere between \$100,000 - \$150,000. However, a full condition report and scope of works would allow for a more accurate estimate and the costings are likely to be much higher to enable full use of the property. This estimate does not cover the entire building.

DISCUSSION

Proposed Removal of the Property from the Significance and Engagement Policy

- 28 The Policy establishes a general approach for determining the significance of Council decisions and sets out when and how the Council will engage the community in its decision-making relative to the significance of the decision.
- 29 The Policy sets out the criteria for significance as follows:

- a) The importance to Dunedin
 - b) Community interest
 - c) Consistency with existing policy and strategy
 - d) Impact on Council's finances, capacity, and capability
- 30 The Property is listed in Schedule 2 of the Policy as a Strategic Council Owned Asset.
- 31 While the Property was considered significant when operating as the Fortune Theatre, now that it is no longer used for this purpose the importance to Dunedin has declined and there is currently no identified future purpose for holding it.
- 32 The building has deteriorated and improving it to a useable state would require a high level of financial input. Following the closure of the Fortune Theatre, the DCC and Creative NZ jointly commissioned a study into the future provision for Performing Arts in the city. Phase two of this work considered viable options for a flexible, mid-sized venue.
- 33 The Property was considered as part of this work, but later discounted largely because of its small size and inability to accommodate the desired amount of seating.
- 34 This report recommends that Council consult through the 9 Year Plan process on the removal of the Property from Schedule 2 in the Policy. If the Property was removed from Schedule 2 then Council would not necessarily need to use the special consultative procedure when considering matters relating to the Property. Staff are however recommending that if Council is wanting to sell the Property, then this be consulted on through the 9 Year Plan process (which is a special consultative procedure).

Proposal to consult on a sale

- 35 Staff consider that the Property is surplus to Council requirements for the following reasons:
- The Property is no longer fit for the purpose as a theatre.
 - The Property no longer contributes to the strategic goals of the Council or any growth strategy, structure plan, asset management plan or similar.
 - The Property is no longer required for its intended purpose.
 - The Property is not required for any alternative purpose identified to date.
 - There are ongoing costs of maintaining the Property.
 - Disposing of the Property will be of financial benefit to the Council.
- 36 There are no restrictions on an open market sale of the Property, and it is protected via its Heritage Category 1 rating whether it is owned by Council or not. Under the 2GP it is listed in Schedule A1.1 Schedule of Protected Heritage Items and Sites, as a Heritage Building (B574) where protection is required for the entire external building envelope. The operative District Plan provides for a wide range of uses.
- 37 The Property has significant exterior, interior and compliance issues that would require a major financial input should the Property be retained by the Council. If Council retains the Property there will be ongoing repair and maintenance costs given the age, exterior make-up of the building and dampness issues.
- 38 Because of the Property's historic character there may be a purchaser that is able to capture the historic nature of the building for their own commercial or private use.

- 39 The financial benefits of disposing of the Property outweigh the financial costs of holding on to the Property, including consideration of:
- a) The cost of the disposal
 - b) Any alternative use for the Property.
 - c) Income generated by the Property.
 - d) The ongoing maintenance costs to the community and the ratepayers of Dunedin.
- 40 A disposal could allow the private sector to transform the property into an asset that Dunedin can be proud of. 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.
- 41 A building not used naturally deteriorates. The private sector is potentially in the best position to reposition the Property for the highest and best use in the Dunedin market.

CONCLUSIONS

- 42 Staff recommend seeking feedback through the 9 Year Plan process on the removal of the Property from Schedule 2 of the Policy and the disposal of the Property.

OPTIONS

Part A – Decision 1:

- 43 Does Council agree to seek feedback on the removal of the Property from Schedule 2 of the Policy as part of the 9 Year Plan consultation process?

Option One – Recommended Option

- 44 Seek feedback through the 9 Year Plan consultation process on the removal of the Property from Schedule 2 in the Policy.

Advantages

- The Property is no longer being used as a theatre and does not carry the significance it once had in terms of the Policy.
- The Property no longer fits the criteria set out in the Policy.
- The Property no longer contributes to the strategic goals of Council and is not required for any alternative purpose.
- Removal from the Policy means a Special Consultative Procedure is not required for engagement.

Disadvantages

- There are no identified disadvantages.

Option Two – Status Quo

45 Do not remove the Property from the Policy

Advantages

- The Special Consultative Procedure is required for engagement.

Disadvantages

- The Property remains in the Policy even though it does not carry the significance it once had in terms of the Policy.
- The Property remains in the Policy even though it no longer fits the criteria set out in the Policy.
- The Property remains in the Policy even though it no longer contributes to the strategic goals of Council and is not required for any alternative purpose.
- A Special Consultative Procedure is still required even though the Property no longer fits the requirements of the Policy.

Part B – Decision 2:

46 Does Council agree to seek feedback on the disposal of the Property as part of the 9 Year Plan consultation document?

Option One – Recommended Option

47 Council agrees to seek feedback on the disposal of the Property as part of the 9 Year Plan consultation document.

Advantages

- The proposal to dispose of the Property as part of the Council 9 Year Plan is an effective form of consultation given the wide range of publicity the property has had.
- Consultation provides an opportunity for the public to provide feedback on the proposal.

Disadvantages

- There are no disadvantages to consulting on the disposal of the Property.

Option Two – Status Quo

48 Council does not seek feedback on the disposal of the Property as part of the 9 Year Plan consultation document.

Advantages

- Council retains the Property and can decide on the future purpose of the Property.

Disadvantages

- There is no opportunity available for the public to provide feedback on the proposal to dispose.
- A decision on how to manage the Property will need to be considered as it no longer contributes to the strategic goals of Council and is not required for any alternative purpose.
- While the building remains empty, there will be ongoing costs.

NEXT STEPS

- 49 If Council agrees to seek feedback on the removal of the Property from Schedule 2 of the Policy and/or to seek feedback on the proposal to sell the Property then the consultation document for the 9 Year Plan will be prepared accordingly.
- 50 Feedback received on the removal of the Property from Schedule 2 of the Policy and the proposal to sell the Property will be the subject of a further report to Council.

Signatories

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

Attachments

There are no attachments for this report.

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 any Council strategy.

Māori Impact Statement

There are no known impacts for tangata whenua.

Sustainability

A sale of the Property would will allow for sustainable investment in other assets for the future and limit any further unknown consequences and expenses for Council by holding on to the Property.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

The proposal will be consulted on as part of the 9 Year Plan 2025-34.

Financial considerations

If the Council was to sell the Property then this is likely to be an unbudgeted net benefit to Council.

Significance

The recommendations are to consult through the 9 Year Plan 2025-34.

Engagement – external

Over the last six years there have been two parties interested in the Property.

Engagement - internal

Engagement has been undertaken with the Property and Legal Teams.

Risks: Legal / Health and Safety etc.

There are no identified risks arising from the recommendations as the recommendations are to consult the public through the 9 Year Plan consultation process.

Conflict of Interest

There are no identified conflicts of interest.

SUMMARY OF CONSIDERATIONS

Community Boards

The Property does not fall within a Community Board area. There are no identified implications for Community Boards