

**Redmond Retail Ltd**  
**174 Burnett Street**  
**Ashburton 7700**

28 August 2018

David Harford Consulting Limited  
PO Box 603  
Ashburton 7700

Attention: David Harford

Dear David

**229 West Street, Ashburton – Cates building, section 85 application**

**Introduction**

1. My name is Barry James Redmond. I am a shareholder and director of the applicant company Redmond Retail Ltd (RRL/the company). The other shareholders are my brother Chris and our wives Barbara and Rachael. My father Colin and brothers Graeme Chris and I are shareholders and directors of C J Redmond Ltd. This is our property investment company that has owned and developed more than 25 commercial properties in Ashburton over the last fifty years.
2. In January 2015, RRL lodged an application for resource consent to demolish the Cates Grain building in the name of Cates Grain and Seed Limited and CJ Redmond Limited. The site and building at 229 West Street are owned by RRL. The application was declined by the Council and appealed by RRL. It was hoped that this may have been resolved by an agreement of the parties involving a relocation of the original heritage building but this was unsuccessful. As discussed below, this has resulted in the withdrawal of the appeal an application for consent to relocate and the current application to remove the heritage listing of the building from the District Plan

**Background**

3. Peter Cates Limited approached CJ Redmond Ltd when Guardian Print advised they were relocating from Ashburton to Rolleston.
4. They wanted to purchase the building and convert it for their own use.
5. They advised they had investigated upgrading the property at 229 West Street but as well as trying to remediate the condition of the building that would have been necessary if they applied for a building consent, the location was no longer suitable for their business because of the frequent truck movements on and off the site and on to the state highway. The limitations of the grid of structural posts in the original part of the building limited the use of pallets and forklift movements. The first floor was no longer structurally sound enough or accessible for modern day grain storage. There was also a problem with rats that was difficult to control.
6. C J Redmond Ltd agreed to sell the Guardian Print building but were not interested in buying the Peter Cates building. Chris and I could see the possibility of a future use for the site for our furniture and flooring business if the town centre site we were occupying was redeveloped for more intensive comparative retail. If that wasn't an option, then we saw the site had potential for development under the current district plan classification for Business A use associated with its location on the State Highway
7. RRL purchased the premises from Peter Cates limited on 28th February 2015 and leased it back for ten months while they refitted their new premises. Since then we have contacted various parties to lease the building, have had signage in the windows and advised the real estate agents. We have had a couple of inquiries but once they get inside and see the state of the building and understand the consequences of what is triggered by a building consent and the costs associated with the upgrade and a return on investment they opt for new or more modern premises. Most national and prudent tenants will not now lease premises unless they are at least 70% of NBS code.

**Constraints on the use of the building**

8. It soon became evident after the Peter Cates lease expired that the continued use of the building as a storage warehouse was unlikely.

9. When we started investigating the option to bring the building up to code, which would be a requirement of any change of use, we were astounded at the costs of compliance. In addition to complying with the strengthening requirements for an earthquake prone building, a change of use requires the building to be brought up to standard with the provisions of the building code relating to means of escape from fire, access and facilities for persons with disabilities, and all other relevant aspects of the code. As explained in the updated seismic assessment report of Tim Gwatkins, the change of use removes the ability to apply the Building (Earthquake-prone Buildings) Amendment Act 2016 provisions for earthquake prone buildings whereby buildings with an existing use must now only achieve 34% of the new building standard (NBS). The previous standard was 67%. However, this does not change things because the change of use will require us to achieve as near as reasonably practicable to 100% of the NBS. On top of this the refurbishment costs that a prospective tenant would need would also impact on the commercial viability of the building. These costs are separate from the fit-out costs that would also be required to accommodate a new tenant. In a tight commercial market, it is not unusual for a landlord to be expected to contribute to the fit-out costs as part of a lease agreement, either in whole or in part, depending on the building and demand within the market at the particular time.
10. To understand the full extent of the strengthening and refurbishment works required and the estimated costs to bring the building up to code, we engaged Bill Skews Architect, Tim Gwatkins Engineers, and Stewart Harrison Quantity Surveyors. Bill Skews because of his involvement with the 1980s alterations of the building was familiar with its limitations.
11. The costs to bring the building up to code were quantified at \$2,630,381.00 at the time of the hearing for the original application for demolition consent in February 2015. The basis for this assessment was set out in the evidence of Bill, Tim and Stu respectively before the Council. Their assessments presented as evidence to the Council, have been updated into report form to reflect any changes since the withdrawal of the appeal, and are also attached to this application.

12. Ingress and egress is a problem because of the size of trucks required, along with loading bay and onsite maneuvering/parking requirements, and the close proximity of the vehicle access to the intersections of West and Havelock Streets. These traffic constraints were discussed in the evidence of Nick Fuller presented to the Council hearing of the demolition application.
13. The bracing required to strengthen the building further restricts its efficient use of available floor space. The heritage elements of the building have in my view been sadly compromised and diminished over the years and really if those additions and alterations were removed then only a skeletal structure of the original building remains. This will be made worse by the required strengthening and building code compliance works which will require some of the original elements of the building to be covered or altered. The effects of the required works on the building are discussed far more eloquently in Bill Skew's updated condition report.
14. It should also be noted that, at the time RRL took possession of the building, we could not get insurance through our broker from our usual insurance company Vero, which otherwise insures all of our group properties because of the age, condition and risk factors associated with insuring a heritage building. They advised us that they would not consider insuring us unless it was bought up to code and, even then, because of its age it would attract a premium. We were however able to carry over the existing policy of Peter Cates Limited. This is a very limited indemnity policy which is very expensive for the limitations and cover provided. In addition, we have had to notify the insurer that the building is now vacant so there is no guarantee that it will be renewed in the event of a change of use.

#### **Potential uses and redevelopment of the building**

15. Given that we purchased the building with a 10-month lease to Peter Cates to enable the company to relocate, we have actively pursued a permanent tenant since the company took possession.
16. As a major commercial property owner and developer in Ashburton and the wider Canterbury area, I have a wide range of contacts in the business and commercial property fields. I have been directly involved

in leasing the company's commercial buildings for over 45 years. I have been able to do this very successfully through an established network of business contacts and commercial real estate agents. The Cates building is the first time I have been unable to find a tenant after over a year of actively searching.

17. Over this time, I have had discussions with Peter Gluyas when they were contemplating relocating their motor vehicle business, but they opted to rebuild on their existing site. They were not interested in a reuse of an old building. I have also had discussions with Ross Murdoch, who along with his son James is a respected hotelier from Christchurch. They run Coasters, The Carlton and Casa Publica in Christchurch. They have had extensive experience dealing with the establishment costs of these types of premises but believed the strengthening costs, fire and mobility upgrade costs, and fit out costs would make the project uneconomic.
18. In discussion with our consultants<sup>1</sup> we looked at the building as it stands. We also made enquiries about the avenues of heritage funding that may be available to us to offset the costs of retaining the building and bringing it up to code. We came to the same conclusion as the Peter Cates Group that the building was not suited to its existing use as a grain or agricultural related storage warehouse because of the change of methods of handling the products and the bigger equipment required for efficient use in handling those products. It would be a more economic solution to build a new building in an appropriate zone such as the Council business park for this type of activity.
19. We then investigated removing the rear extension to the building of the 1960s/1970s and using the original building for a hospitality type of business. However, when the re-engineering, fire and mobility costs were considered as well as a fit out for the hospitality industry the conclusion after consultation with Ross Murdoch was that it was another uneconomic option.
20. When you consider other options such as gallery space, artist collective, markets, and so on it is my view as a long-time commercial property owner in Ashburton that either the town hasn't sufficient

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<sup>1</sup> Bill Skews, Tim Gwatkins and Stu Harrison

population, the type of business activity doesn't generate sufficient cash flow, and/or the underlying cost of compliance for a change of use makes all these options uneconomic

21. These opinions are based on my personal experience as a major commercial building developer and owner in Ashburton over the last 45 years. However, I believe that they are supported by the independent expert assessment of Mr Clark McLeod, who is a leading Ashburton valuer and commercial land agent with particular knowledge of the Ashburton commercial market.
22. Once we understood the issues with the existing structure we looked at the option of demolition of the building and redevelopment of the site. The reasons, costings, and processes that lead to the application for demolition of the building have been described in the section 85 application and were also summarised in the Council decision that declined the application to demolish. On appeal, and through the mediation process, we explored an option to relocate the original heritage building to the "Plains Museum/Heritage Village" site in Ashburton. We lodged an application for resource consent to relocate the building to enable this to occur. Because of its heritage listing, the relocation of the building was automatically classified as a non-complying activity under the District Plan. The Council assessed the relocation application and then issued a notification decision, which I believe is attached to the current application, which concluded that the proposed relocation of the original heritage building would have a more than minor adverse effect on the environment.
23. On receipt of the notification decision and having taken advice from my consultants and listened to discussions with Council officers, I accepted that given the notification decision, there was really no realistic chance of obtaining resource consent to relocate the building unless the Council did a complete about turn on its initial conclusions that the adverse effects of relocation would be more than minor. The Council discussions that I either attended or were made aware of made it clear to me that this was very unlikely to happen.

24. I therefore concluded that there was nothing more that the company could reasonably do to find a reasonable use for the building. It was for this reason that we withdrew the appeal and the relocation application and instead instructed our consultants to prepare the current application under section 85. This was because of our conclusion that because of the heritage listing of the building, the very restrictive wording of the heritage objective in the District Plan, the requirements for earthquake strengthening, and the commercial reality that the cost of achieving this strengthening would require a change of use (which would in turn require us to achieve something as close as possible to 100% of the NBS), there was really no reasonable use that we could possibly make of the building. Again, I say this on the basis of my 45 years of dealing with commercial property developments, commercial land ownership, and commercial property leasing in Ashburton.
27. As already noted, our assessment, based on experience, is supported by the report of Mr Clark McLeod who is a valuer and commercial property agent very experienced in the Ashburton commercial property market.
28. Along with the other directors/shareholders of RRL, I therefore believe that the heritage listing of the Cates building in the District Plan is unfair and it places an unreasonable burden on the company. Either we spend millions of dollars to bring the building up to code to make it tenable in circumstances where the local commercial market cannot come close to providing a commercial return, or we try and make use of the building in its "as is" condition which will immediately bring us into conflict with the Council which requires earthquake strengthening for the existing use and as close as possible to full compliance with the NBS for any change of use.

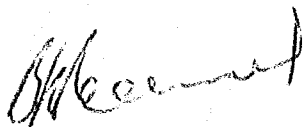
**Financial summary and conclusion.**

29. We purchased the land and buildings for \$800,000.00. The rates and Glasgow lease payments are \$15,643.00. The ten months' income from Peter Cates was \$58,333.00. We have had no income since November 2015.
30. With the purchase price outlay of \$800,000 and the (original) estimated cost of bringing the building up to code of \$2.6m, we would

require a rental return of \$340,000.00pa plus any contribution to fit out to achieve an economic return. Our bank would not be prepared to invest that sort of funding to finance the refurbishment of an old building with the constraints that I have discussed but it would consider funding a new building.

31. In conclusion, based on my experience as a commercial property owner and developer of over 45 years and having owned in excess of 25 commercial properties in the Ashburton district over that time, the other directors and I are firmly of the view that the present structure and use has been effectively aged, legislated and rezoned out of practical and economic use. Unfortunately, it has come to the end of its useful life as a maintainable, safe, and economically viable commercial building.
32. We have investigated the options to bring it up to code, but these costs are unrealistic and unrecoverable from a rental return basis. Because of the basic agricultural design, the building has deteriorated to a point that even the remedial work will disguise the original form. Without installing a sprinkler system, the type of fire protection required to meet code will encase the items of the structure that may have some historic appeal and will be hidden from view. We have considered the alternative uses but as above there are no viable options.
33. We conclude that the best solution is to protect the memories with a photographic record and relocate the essential recoverable elements to the Plains Museum Complex.
34. The District Council has recognised the future benefit of the site with a rezoning to Business A in the last district plan review. Our company asks that you favourably consider approving the application for demolition and allow us to redevelop the site as you know our family can do extremely well for the future generations of Ashburton.

**Yours faithfully**



**Barry Redmond**