

Before Wellington City Council

Under the Resource Management Act 1991

In the matter of Plan Change 81: Rezoning 320 The Terrace and de-listing the Gordon Wilson Flats

**STATEMENT OF EVIDENCE OF ANDREW BLAIR CROSKERY
BUILDING CONDITION & OPTIONS ASSESSMENT**

1 December 2015

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INTRODUCTION

1. My full name is Andrew Blair Croskery.

Qualifications and Experience

2. I am a property consultant and have been employed by Wareham Cameron + Co for 16 years. My expertise is in financial modelling, property portfolio reviews for acquisition and disposal, and delivering large scale projects.
3. I have particular expertise in university student accommodation. My clients include The University of Auckland, Victoria University of Wellington, Canterbury University, and previously Waikato University.
4. In addition to providing student accommodation strategies for each of the universities mentioned above I have been involved in the leasing, and/or design, development, and delivery of circa 4,250 student beds in New Zealand.
5. I have twice travelled to the USA to study student accommodation and attend conferences on the same subject. I have also travelled to Australia for the same purpose.
6. Wareham Cameron + Co is a corporate member of the Association of College and Housing Officers – International (ACUHO-I) organisation. I am Wareham Cameron + Co's representative.
7. In 2015 I have undertaken work for City Housing, Wellington City Council, with respect to its social housing portfolio.
8. I have a Postgraduate Diploma in Business Administration (Finance) from Massey University.
9. I have a Bachelor of Business Studies (Valuation and Property Management) from Massey University.

Code of Conduct

10. I confirm that I have read the Code of Conduct for expert witnesses in the Environment Court Practice Note 2014 and that I have complied

with it when preparing this evidence. Other than when I state that I am relying on the advice of another person, this evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Scope of Evidence

11. I was initially engaged by Victoria University of Wellington to assist with its early review of the property and its negotiations with Housing New Zealand Corporation to acquire 320 The Terrace.
12. My engagement was extended to include managing the building condition and options assessment. This involved engagement of the team of expert professional advisors, project coordination, and the financial analysis of the options to retain the Gordon Wilson Building as described at Section 3 of my report.
13. The output of my engagement was the report titled “320 The Terrace, Wellington – Gordon Wilson Building – Building Condition & Options Assessment”, and dated 6 July 2015.
14. I have read the Council officers' report dated 25 November 2015, which recommends a decision confirming the proposed Plan Change, and I support that recommendation. I have been asked by Victoria University of Wellington to provide this statement of evidence covering:
 - (a) A summary of my report, previously referred; and
 - (b) Responses to issues raised by submitters relevant to my area of expertise.

EXECUTIVE SUMMARY OF “320 THE TERRACE, WELLINGTON – GORDON WILSON BUILDING – BUILDING CONDITION & OPTIONS ASSESSMENT”

15. The purpose of the report was to explore the feasibility of options to retain the Gordon Wilson Building, covering all practicable options both for Victoria and for potential other parties.

16. The report findings include input from eight technical experts (or organisations), and one local developer and construction expert, in addition to my input. These experts are:
 - (a) Archifact Architecture and Conservation Limited on matters of heritage;
 - (b) Beca Group Limited on building structure and façade condition, and building services;
 - (c) All Asbestos and Insulation Limited on hazardous materials;
 - (d) Athfield Architects Limited on building design;
 - (e) Rider Levett Bucknall Limited on cost;
 - (f) Urban Perspectives Limited on building fit for future residential housing (social or private);
 - (g) Maurice Clark on desirability of development utilising the existing building; and
 - (h) Pricewaterhouse Coopers on GST issues.
17. The report considers five refurbishment uses for the building being:
 - (a) Student accommodation (current configuration);
 - (b) Student accommodation (with additional bedrooms added)
 - (c) University office or academic use;
 - (d) Private residential rental; and
 - (e) Social housing.
18. The first three are suitable for Victoria and the last two are suitable for the private investment market. The options were determined following extensive discussions with Victoria, and in my view they cover all practicable use for the building.
19. The key findings of the report include:
 - (a) The building is earthquake prone.

- (b) The façade is failing and requires replacement. A curtain wall façade is the most feasible option however this would materially affect the heritage significance of the building, and is unlikely to fully remove the safety risks of elements of the façade falling from the building.
- (c) The quality of the building's piles is unknown, testing is difficult and costly, and the integrity of the piles will be difficult to determine without testing all piles.
- (d) The building's services require replacement.
- (e) Existing use rights under the Resource Management Act for intensive residential accommodation have been lost.
- (f) The building does not meet modern design requirements for student accommodation, private residential or social housing, nor can it be converted for University academic or office use.
- (g) Changing, or intensifying the use of the building for university purposes, social housing or residential letting is not practically or economically feasible.
- (h) Refurbishment costs are significantly higher than replacement cost. The cost estimate to refurbish the building ranges between \$32.50m and \$40.50m (\$4,550/m² to \$5,680/m²), with an additional \$2.0m to \$3.0m if converted to private residential use.
- (i) Victoria's residential style demand is for an additional first year (student) catered dorm-style hall; the Gordon Wilson Building cannot meet that requirement.
- (j) The private market is unlikely to take on the significant risks associated with refurbishing the building.
- (k) The overall heritage significance of the building is moderate.

20. Drawing on these and other factors, I recommended in the report that Victoria University does not upgrade the Gordon Wilson Building for any purpose.

FURTHER INFORMATION SINCE JULY 2015 REPORT

21. Subsequent to issuing the report on 6 July 2015 there have been a number of developments of relevance to the subject matter of the report, as follows:
- (a) Beca has confirmed that if the existing façade was fully removed, and façade / slab junctures adequately remediated, a new façade could be installed with no remaining safety risk. Rider Levett Bucknall has estimated that the cost of this work (\$1.25m to \$1.70m) would fit within the current upgrade estimate of \$32.50m to \$40.50m.
 - (b) Rider Levett Bucknall has estimated the cost of a new curtain wall façade at \$5.50m, significantly higher than the remediation option (above).
 - (c) Beca has undertaken more in-depth investigation into the building piles, which is described in Mr Wood's evidence. No further conclusive evidence as to methodology could be found and therefore an excavation adjacent to one pile was undertaken on 23 November 2015. Beca has confirmed that the pile is not a driven octagonal pile as is shown on the drawings. It is a bored pile; either dry mix and grout, or traditionally constructed.
 - (d) Victoria University has forecast demand for 120 non-first year student accommodation beds, and potentially up to 300.
22. None of these developments alter the conclusions stated in the report. In particular, whilst there is less uncertainty about the pile types (as distinct from pile performance):
- (a) that does not affect the building's seismic assessment, as the determinative factor for that assessment is not the piling but the deterioration of the façade;
 - (b) that does not affect any of the costs assessments, as the calculations (by Rider Levett Bucknall) had not included any costs associated with pile remediation, and

- (c) that does not alter the lack of attractiveness of the building for private development, because the other attributes of the building are sufficient to make it unattractive even if the piles do not add an additional risk.

MATTERS RAISED IN SUBMISSIONS

Submission # 3 – The Architecture Centre

23. The submitter states that there is an identified need to increase social and affordable housing. I address social and affordable housing in turn.

Social housing

24. The two largest suppliers of social housing in Wellington city are Housing New Zealand (HNZ) and Wellington City Council (City Housing).
25. HNZ sold the property in 2014 to Victoria because it did not meet its requirements. This is confirmed in a letter from HNZ to Victoria dated 25 June 2015, provided at Appendix 7 of my report.
26. The Ministry of Social Development (MSD) has managed the Crown requirement for social housing since April 2014. MSD purchases housing¹ from HNZ or others. HNZ responds to MSD's demand requirements.
27. In April 2015 MSD issued the following purchasing intention for Wellington City.

Wellington City	<ul style="list-style-type: none"> • an estimated 70 additional one-bedroom places • an estimated 20 additional four-bedroom and larger places
https://www.msd.govt.nz/about-msd-and-our-work/work-programmes/housing/purchasing-intentions/social-housing-purchasing-intentions/additional-places-locations.html	

¹ MSD references to "purchasing" relates to the housing requirement MSD has to satisfy. It does not legally purchase houses from HNZ.

28. MSD intends to update its purchasing intention annually².
29. MSD³ advises that it does not impose design guidelines on its housing providers, but it does require cost effective housing.
30. A January 2013 Briefing for the Incoming Minister of Housing⁴ prepared by HNZ states that all HNZ buildings with a seismic rating of 33% or less are to be strengthened within 12 months. Buildings between 34% and 67% require strengthening within five years, and buildings with a rating 67% or higher meet HNZ's standard.
31. The Beca report at Appendix 2 of my report confirms the superstructure of the building achieves less than 34%NBS and is therefore considered Earthquake Prone.
32. For the reasons detailed above, it is clear that HNZ would view the building as unsuitable for social housing.
33. Wellington City Council (City Housing) is the other major supplier of social housing in Wellington City.
34. City Housing, Wellington City Council, has targeted a seismic rating of 70% NBS for its Housing Upgrade Programme projects⁵. See **Appendix 1**.
35. City Housing manages approximately 2,200 housing units (4,000 beds) for people on low income. The portfolio is spread across Wellington City, from Strathmore and the coastal suburbs to the south of the city, to the northern suburbs of Tawa and Grenada.
36. In 2007, Wellington City Council entered an agreement with the Crown whereby the Crown injected \$220,000,000 into the City Housing portfolio. In return, City Housing has committed to remaining in social housing at approximately the same level as at 2007 (2,300 units) until 2037.

² Hannah O'Donnell, Senior Policy Analyst, Social Housing Purchasing Team, Ministry of Social Development, 12 November 2015.

³ Kelvin Moffatt, General Manager Contracts, 23 November 2015

⁴ Briefing for the Incoming Minister of Housing – Housing New Zealand, January 2013.

⁵ Carol Gould, Strategic Projects Manager, City Housing, Wellington City Council, 3 November 2015.

37. Council's current policy is to provide homes at a rental that is 70% of market rental. Council does not benefit from MSD's income related rent subsidy (IRRS) that is available to registered social housing providers.

38. The following table illustrates City Housing's preferred mix of units.

Type	Percentage
Studio and 1-bedroom*	63%
2-bedroom	23%
3-bedroom	11%
4+ bedroom	3%
TOTAL	100%

* Assume 1-bedroom for new developments, not studios

39. City Housing has recently appointed a contractor to redevelop its Arlington, site 2. This will see an increase in accommodation from 57 units to 105 units (166 bed current capacity increasing to 324 beds)

40. City Housing is also considering further social housing at the Arlington site (site 1), however is not intending to increase its portfolio, in terms of beds, beyond its requirement to the Crown to remaining in social housing at approximately the same level as at 2007.

41. For the reasons detailed above, it is clear that City Housing would view the building as unsuitable for social housing.

Affordable Housing

42. Option 4 of my report provides an analysis of private residential housing under two scenarios; firstly unit titled and individual sale of units, and secondly held in one title for long term rental. Even if it is assumed that the loss of existing use rights for residential use is resolvable, the advice from Urban Perspectives Ltd is that the building is unsuitable for private residential living in a design sense. Further, a financial analysis of the two options (unit titled and sold, and held for long term income), provides respective net present values of approximately -\$17.6m, and -\$48.2m.

43. My Option 4 analysis may not be considered “affordable housing” as it assumes market based rentals are charged to tenants.
44. However, HNZ's 2012 analysis confirmed an indicative cost per bed⁶ (with many exclusions) of \$131,000. Inflated at 5% per annum for construction cost escalation (as recommended by Rider Levett Bucknall) this would translate to a cost per bed in 2015 of \$152,500.
45. Rider Levett Bucknall's more detailed advice to Victoria in May 2015 indicates an upgrade cost of \$197,000 to \$246,000 per bed (paragraph 47 of my report)
46. These cost estimates compare to City Housing's actual upgrade costs for six significant properties as part of its Housing Upgrade Programme presented at Table 13 of my report. City Housing's upgrade costs range between \$23,254 and \$83,580 per bed.
47. Rider Levett Bucknall has, as at November 2015, estimated the cost to provide a new social housing complex of similar size to Gordon Wilson Building at between \$145,000 and \$180,000 per bed for an efficient low rise facility. This advice is provided at **Appendix 2**.
48. Based on these figures, and in addition to the lack of suitability from a design perspective (as identified by Urban Perspectives in Appendix 6 of my report) I do not believe a private developer would undertake a refurbishment of the building to provide affordable housing.

Other University Uses

49. The submitter states “*we find it difficult to believe the existing plan is inappropriate for staff offices, and some teaching spaces. It appears to us that the current plan would be able to accommodate staff offices postgraduate and other research clusters, tutorial teaching and study spaces.*”
50. I am not an expert in the design or use of such academic spaces therefore have sought technical advice from Mr Alcock of Space Logic. Mr Alcock is an experienced educational sector space planner and strategist, having worked in New Zealand for the

⁶ 163 beds.

University of Otago and Victoria University of Wellington. He has also worked for a number of New Zealand Councils' and government. Mr Alcock has considerable experience in Australia where he is based.

51. Chris' advice is included as **Appendix 3**. Chris' summary concludes:

"... in its current configuration the building is capable only of supporting staff offices, and these would be disconnected from the occupiers' relevant department. Modifying the building for the other nominated uses would require the structure of the building to be substantially modified, and/or the construction of significant adjunct facilities and even then the outcomes would be highly unsatisfactory. Accordingly, in our opinion for these reasons an adaptive reuse proposal cannot be supported."

Submission # 21 – Kenneth Davis

52. The submitter states that the building could be adaptively reused for student accommodation in the form of larger five bedroom student flats. The submitter provides a concept to provide 35 five bedroom flats in the building.

53. It is my experience that five bedroom student accommodation apartments are not preferred by universities. Recently this is reflected in the following projects:

- (a) The University of Auckland:

- (i) Carlaw Park Student Village; a 697 bed, 213 apartment complex part opened in 2014, and part (due) in 2016. A non-first year hall with no five bedroom apartments.
- (ii) 55 Symonds Street – Under construction, opening in 2017. No five bedroom apartments. Comprises 343 studio units.

- (b) The University of Canterbury: Waimari Village – Opened in 2014. No five bedroom apartments / houses. Comprises 15 four-bedroom houses.

54. I am aware that Massey University has 15 new four or five bedroom apartments at its Albany Campus.
55. The General Manager of Accommodation⁷ at The University of Auckland has provided the following additional comments with respect to student accommodation:
- (a) *“The point of difference between just an apartment building and a university residence is in the amenities offered in the building.*
 - (b) *When planning number of rooms—even numbers (2, 4 or 6 bedrooms) is better than odd (3 or 5 bedrooms).”*
56. The submitter does not address the range of design requirements discussed within my report (Option 1 – Student Accommodation, page 22).
57. The submitter states that at a sustainability level the demolition of a building that could be retained presents a negative outcome as it is a waste of existing building resources.
58. My report demonstrates that the cost to refurbish the building exceeds the cost to build the equivalent number of new beds to a modern standard and purpose-built design. Refurbishing the building is arguably a waste of economic resource.

Submission # 25 – MANA Newtown

59. The submitter states that rental income from the flats will pay for the cost of repairing the building in a few years.
60. The Option 4 analysis in my report assesses the financial viability of the building for private residential purposes under two scenarios; unit titled and individually sold, and held for long term rental income. Both analyses indicate significantly negative net present values.
61. My analysis indicates, for example, year 1 net revenue of \$1.261m against a capital cost of \$51.209m. This equates to a return of 2.5%.

⁷ Micheal Rengers.

62. Accordingly I do not concur with the submitter's statement.

Submission # 26 – Dr Ben Schrader

63. The submitter states that "*The building can be repaired and restored and used as student accommodation.*"

64. I disagree with this statement and believe my report, and further advice in this Statement of Evidence explains the shortcomings of the building for university student accommodation use.

Further Submission # 1 – Cara Francesco

65. The submitter states that she considers "*the building could be restored and consider its (sic) possible it could serve a use relating to student accommodation for the university.*"

66. I disagree with this statement for the reasons already given in my report and in this statement.



Andrew Croskery
1 December 2015

Appendix 1
City Housing Seismic Requirement

Hi – we don't have a minimum rating as HNZN do . For prone buildings we assess how the building would perform in a moderate EQ & as a result assess life safety risk. That was why we did the work on the Arlington Tower staircases, even though it didn't improve NBS. We had the continued occupation of the building signed off Greg Orchard.

For our HUP programme we have a target of 70% NBS

Regards

Carol Gould

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Appendix 2

Rider Levett Bucknall Advice - November 2015

Estimated Cost to Provide New Social Housing



Fri 20/11/2015 11:27 a.m.

Tony Sutherland <tony.sutherland@nz.rlb.com>

RE: 320 The Terrace

To Andrew Croskery

Hi Andrew,

We have been and are involved in a number of social housing projects locally and from a new build point of view as a guide current rates would be as follows:-

Construction Costs (excluding Demolition & Major Landscaping)

Typically Two Bedroom Units

For Composite Steel/Timber Frame with Concrete Floors \$3,600 - \$3,800 per m2 GFA including contingencies

Assume say 160 Bedrooms

Efficient Low Rise (approx. 35-40m2 GFA per Bedroom) = 5,600 - 6,400 m2 GFA = \$20.16m - \$24.32m = \$126,000 - \$152,000 per Bedroom

Non Efficient Tower (approx. 45-55m2 GFA per Bedroom) = 7,200 - 8,800 m2 GFA = \$25.92m - \$33.44m = \$162,000 - \$209,000 per Bedroom

Professional Fees, Development Levies, Consent Costs and Minimal FF&E (i.e. Stove, Washing Machine, Blinds/Curtains)

For budgeting purposes we would expect these to equate to something in the order of 15% - 18% of construction costs depending on procurement and delivery strategies, so this would be as follows:-

Efficient Low Rise \$126,000 - \$152,000 per Bedroom x 15% - 18% = \$19,000 - \$28,000 per Bedroom

Non Efficient Tower \$162,000 - \$209,000 per Bedroom x 15% - 18% = \$24,000 - \$38,000 per Bedroom

Please note we've provided values for what we've indicated as Efficient Low Rise and Non Efficient Tower as it is important to understand the large tower buildings similar to the existing building on the site require large circulation areas and additional plant and duct areas compare to low rise buildings.

Please also note a full concrete structure building may also have an additional construction premium of 5-10% depending of the form of construction including foundations and any basic damage avoidance design (excluding base isolation, dampers and other major damage avoidance systems).

Hopefully this provides the sort of information required, however if you need to discuss further please contact me.

Regards

Tony Sutherland
Managing Director

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Appendix 3

Advice of Chris Alcock, Space Logic