

ASSET MANAGEMENT PLAN
PROPERTY



OVERVIEW

ASSET MANAGEMENT PLAN EXECUTIVE SUMMARY **PROPERTY**

Manaaki whenua, manaaki tangata, haere whakamua.
Tihei mauri ora!

No reira, e te haukainga Rangitāne, nei rā te mihi nui ki a koutou e pupuri nei i te mauri o te whenua me ngā wai e rere atu e rere mai.

Tēnā koutou, tēnā koutou, tēnā tātou katoa.

With a growing population, one of the most diverse communities in the country, and ever-changing building standards - our buildings portfolio is undergoing some major changes and will continue to do so for some time yet.

Our buildings portfolio is quite diverse. The Property Division supports other Council divisions to deliver various services from our buildings.

The Property Division is responsible for tenancy and contract management, building facilities maintenance, building compliance. The capital projects team work with various Council divisions to ensure we deliver our building capital projects on time and in the right locations.

The purpose of the Property Asset Management Plan (AMP) is to support the goals of the various activities by ensuring that building assets are operated and maintained so that they provide the required level of service for present and future customers sustainably and cost-effectively.

Scope of this plan

The AMP outlines how we plan on investing in our facilities over the next 30 years.

The Asset Management Plan highlights:

- how we ensure that our asset management decisions are aligned to strategic goals and plans
- how we want to improve asset knowledge, facilities maintenance and monitor performance
- key upgrade, renewal and maintenance work programmes
- how we can minimise risk

This Plan informs our 10 Year Plan, Financial Strategy and 30 Year Infrastructure Strategy.

Our buildings portfolio supports council goals

The buildings we own, each support services being provided from them to contribute to our vision of ‘He iti rā, he iti pounamu’- ‘Small city benefits, big city ambition’! We have five strategic goals that support the direction of our vision - which are to have a:

GOAL 1 an innovative and growing city	GOAL 2 a creative and exciting city	GOAL 3 a connected and safe community	GOAL 4 an eco-city	GOAL 5 a driven and enabling council
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The five goals support the well-being of our communities to thrive economically, socially, environmentally, and culturally for now and into the future.

Our investment and strategic buildings at George Street, Main Street, Rangitikei Street, and Broadway Avenue support 23 local businesses to grow, be innovative, and contribute to our local economy – which supports goal 1.

The Central Energy Trust Arena and our cultural facilities - Globe Theatre, Creative Sounds, Square Edge, Te Manawa, and Regent Theatre provide spaces for our communities to be creative and host exciting shows and events – which supports goal 2.

We provide spaces for our communities to be connected and active through providing spaces in our community centres, community agency facilities, and sportsfield buildings, supporting us to achieve goal 3.

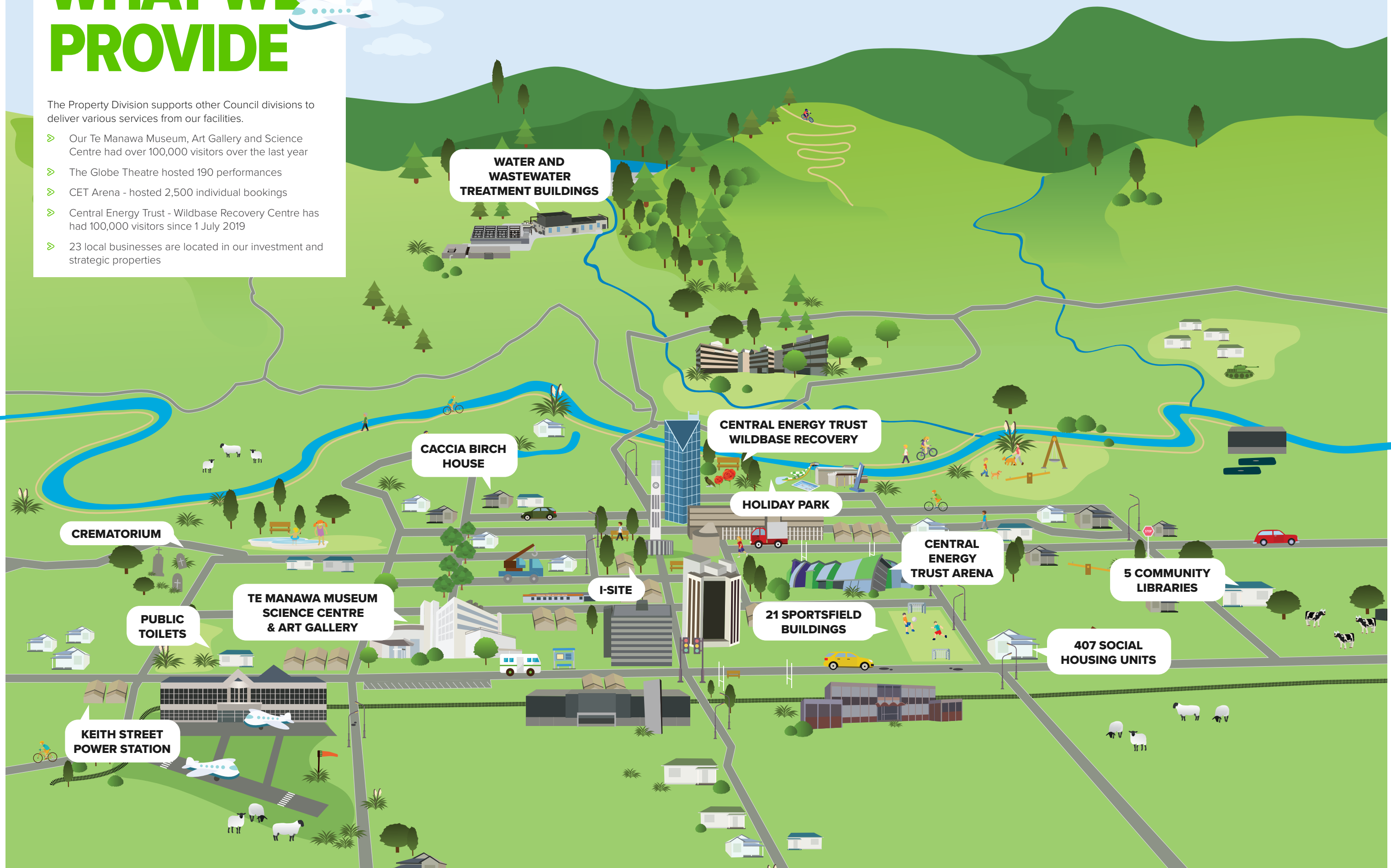
Our warm, dry and safe 407 housing units are a home for families and senior residents that are on a low income and experience barriers to renting in the private market – which supports us to achieve goal 3 for our communities.

Operational buildings, such as the water treatment plant, enable us to treat and deliver quality water to our residents. Our Awapuni Materials Recovery Centre ensures that we are contributing to recycling and minimising waste within our city, supporting us to achieve goal 4.

WHAT WE PROVIDE

The Property Division supports other Council divisions to deliver various services from our facilities.

- Our Te Manawa Museum, Art Gallery and Science Centre had over 100,000 visitors over the last year
- The Globe Theatre hosted 190 performances
- CET Arena - hosted 2,500 individual bookings
- Central Energy Trust - Wildbase Recovery Centre has had 100,000 visitors since 1 July 2019
- 23 local businesses are located in our investment and strategic properties



EVERYONE IS A CUSTOMER



Our buildings cater to a wide variety of people, including our residents, small business owners, community groups, families and senior citizens, schools, council departments, event and sports organisers, as well as tourists passing through our city.

We engage with our partner Rangitāne o Manawātū – early in our projects for the planning, and development of community facilities.

We work alongside our partners within our Council Controlled Organisations (CCOs) board committees, to ensure that our facilities are fit for purpose. We continue working with community trusts and organisations, and other key stakeholders such as Central Energy Trust, Department of Conservation and Massey University.

Our levels of service

Although all our buildings portfolio is varied, our customers usually expect that all our buildings to be well maintained, clean, accessible, safe, warm and dry.

We have found it challenging to have consistent levels of service across all our varied property portfolio. In the past, we have acted reactively regarding building maintenance. We are now working to improve our planned maintenance so we can provide better levels of service to our communities.

WE HAVE SOME CHALLENGES + RISKS

We have earthquake-prone buildings

Our earthquake-prone buildings are the most vulnerable. If the buildings are not seismically strengthened, they will continue to pose a risk to people’s safety. Major seismic strengthening work will need to be completed at Civic Administration Building (CAB), Square Edge, the Kelvin Grove Crematorium, Wastewater Treatment Plant, Regent Theatre, Keith Street Power Station. The affordability of this work is a challenge for us, as we try to strengthen our buildings to the required National Building Standards (NBS) while ensuring we spend in a financially sustainable way. The change in building standards means there is a chance that there may be more earthquake-prone buildings identified in the future.

Unknown future costs of asbestos management

Asbestos is commonly found in building products in properties that were built, altered, or refurbished between the 1940s and 1990s. Most asbestos in our buildings is non – hazardous while it is intact and undisturbed. However, it poses a risk when building work needs to be carried out that makes asbestos friable. Friable asbestos is a high risk to human health. Asbestos remediation is high-cost work, as it needs specialist removal. However, due to the variation in the property portfolio, it presents a challenge in determining the true future cost of any remedial work that could be needed to remove the asbestos.

We are learning more about our buildings

We are learning more about our buildings through the way we have been managing them. We are still investigating the true condition of some of our building asset components – such as our roofs. We don’t fully understand the condition of the underground pipes (water, wastewater, and stormwater) at our facilities. In the past, stormwater pipes have been overloaded or blocked due to severe storm weather events. An example of this was at Arena 2 where stormwater pipes were blocked. This caused significant water damage to Arena 2 and consequent disruption, which affected community use of the building and created an unexpected cost to our budgets.

Deferred maintenance work needs to be addressed

We are still catching up to deferred maintenance and renewals due to historical underfunding of maintenance and renewals work. We now have a dedicated facilities and maintenance team and capital projects team that ensures we are on the right track with investing at adequate levels for our renewals and maintenance work programmes. However, it will take many years to achieve the right balance with funding as we are still maturing in our asset management practices.



Our new buildings need operational budgets

We are building new assets and have not had operational maintenance budgets set aside – due to new builds requiring minimal maintenance in the first few years. However, this has meant that as these assets age, they start to require maintenance or renewal. We need to ensure we have sufficient budgets to maintain our new buildings and facilities. In the past, this has led to historical underfunding for some of our buildings. In some areas, this has led to surprise budget increases during the year for our renewals and upgrade work programmes. This may end up costing us more in the long run to do any remedial work and have an impact on agreed levels of service.

Our approach to maintenance has been too reactive

In the past, some of our facilities maintenance has had a run to failure maintenance strategy. With this strategy, we let some of our buildings keep running until they were about to fail – at which point we responded with reactive maintenance. We did carry out some planned maintenance, but it was planned to respond to the anticipated failure of assets. This was due to the lack of condition data-driven decision making. In the past, our budgets have been roughly 30% planned maintenance and 70% reactive maintenance. We now have a dedicated facilities maintenance team that is trying to change this. It will take some time to get the right budget balance for reactive and planned maintenance.

Unaffordability of housing for local residents is an issue

Housing demand is an ever-growing issue due to the undersupply of suitable and affordable housing locally in Palmerston North. Housing unaffordability of rent and home ownership has increased in the last four years. There is an increased demand for one to two-bedroom homes within the city. Private and public agencies provide the majority of social housing to residents. Council’s strategic direction is to increase social housing supply to ensure that we can provide homes for people with the greatest needs. Council supplies 407 social housing homes.

We are rescoping our direction for cultural facilities and community centres

The Civic Cultural Precinct Masterplan aims to create better connectivity between the four key civic areas in the central business district - the CAB, Central Library, Te Manawa Museum and the Art Gallery. The masterplan work actions are on hold, due to seismic strengthening work programmes to be completed at the Central Library and the Te Manawa Complex. A feasibility study is being undertaken to understand the potential future use of the facilities to ensure that the buildings are fit for purpose to meet the future needs of the wider community.

If we are to build any new community centres, we need to understand what a community centre needs to entail –i.e., a library, a gym, a community centre all into one. We won’t be able to invest in creating new community centres until there is clear strategic direction. In the meantime, we need to continue to maintain our buildings to the agreed levels of service.

Climate change will have an impact on how we invest in our property

We aim to adapt our building designs to account for higher temperatures and more frequent, extreme weather events, and changes in rainfall patterns. This will mean there will be greater demand for ventilation and cooling systems. Lowering our carbon footprint has been one of Council’s main priorities, and energy use was an area we have been trying to tackle through implementing a lighting upgrade programme. Each time a building needs new lighting, we opt-in for the more sustainable LED lighting. While this requires a greater up-front cost, the use of longer-lasting and more efficient fixtures will minimise the whole of life costs and be more energy-efficient.

Levels of service not always clear

The levels of service that we are supposed to deliver throughout the building portfolio has not always been clear. This is due to a combination of old service agreements and overlooked performance targets. We need to understand the levels of service for each facility. Not all assets and components can or need to be maintained at the same level. More work is still yet to be completed in this area. Clear levels of service and performance targets, will enable us to ensure we maintain, renew, and even refurbish our buildings to the required level. Our revised approach is to maintain facilities at the asset component level. This approach reflects that some areas within a facility may need to be kept at a higher standard than others. An example of this could be maintaining the carpet in a reception or public-fronting area in good condition, whereas carpet in a back office of a building may not be replaced until it is in poor condition.

WHAT'S OUR PLAN?

We have prioritised our seismic strengthening

We have undertaken detailed seismic investigations. This will help us to understand what the future cost is to complete seismic strengthening for our buildings. We now have an Earthquake Prone Buildings Policy. Our 'Seismic Strengthening Roadmap for Council Owned Earthquake Prone Buildings' has helped us to identify the priority order for seismic strengthening.

A majority of the seismic strengthening budget is going towards the Central Library and Te Manawa. Seismic strengthening designs will be developed on a building by building basis. As we progressively seismically strengthen our key buildings – it is likely that more work programmes could be triggered, such as roof replacements, fire upgrades, or asbestos remediation.

Our approach to this is that any of our buildings that are due to be refurbished or demolished must be first surveyed to determine the presence of asbestos. No demolition or refurbishment can start until a survey is complete.

Increased staff resource

For work to be completed well and change to occur, we also need a good team of people to coordinate all facilities maintenance, renewals, and compliance work. The Property Division has had a recent expansion in people resource in the last 12 months. There is now a dedicated Facilities Management team, capital projects team, and a compliance officer. They ensure that our buildings are well maintained, renewed, building projects meet regulatory requirements within legislated timeframes. The expansion of the Property Division has set a foundation for better planned facilities management and forward work programmes planning for all our buildings. This will also enable:

- Better contractor engagement, robust KPIs, and expectations
- Condition reporting
- Health and safety accountability
- Better risk mitigation

We are investing in more asset condition assessments

We will be developing a Condition Assessment Strategy that defines what condition assessments should be conducted, by whom, their frequency, and why. Our facilities maintenance team will be an integral part of this – they have already completed condition assessments for most of our property portfolio at a component level. However, we also plan on being able to understand the structural condition of our assets; for example, our roofs need structural assessments. We have also created programmes to understand the condition of our underground pipes (water, wastewater and stormwater).

Using better data to inform decision making

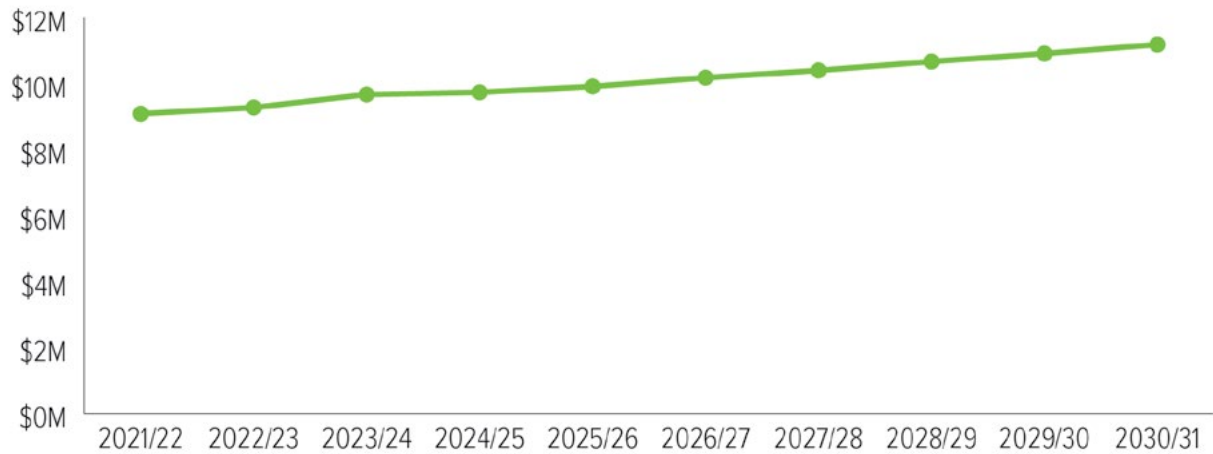
We are aiming to use accurate data to drive better long-term investment decision making across our property portfolio. We are working on finding ways to integrate our asset data system, SPM, and our facilities maintenance system. This will create ease in identifying repeat faults and repairs. It will help us to understand our historical maintenance and ensure that maintenance work is completed on time.

We are increasing our maintenance budgets

We are increasing our maintenance budgets across the portfolio to ensure we can provide better levels of maintenance. Increasing our maintenance budgets will help us to catch-up to deferred maintenance. In the long run, having a planned maintenance approach will mean that we can push out renewing our assets until later in their lifecycle, potentially minimising whole of life costs. In response to building new assets, we recognise that we need to have robust operational maintenance plans and budgets in place

HOW MUCH WILL IT COST?

OPERATIONS + MAINTENANCE PROPERTY ACTIVITY



Our operational and maintenance budgets have increased. The Property Division now undertakes most facilities management of our Council buildings. As a result of this, we have created new operational and maintenance budgets for buildings that didn't have an allocated maintenance budget. We have had to consolidate several budgets from other divisions of Council to reflect the new approach.

We found that in some situations our current operational and maintenance budgets are not enough to provide the agreed levels of service. Additional funding to address this 'gap' is required. We are planning to achieve this by creating operational programmes to respond to these gaps.

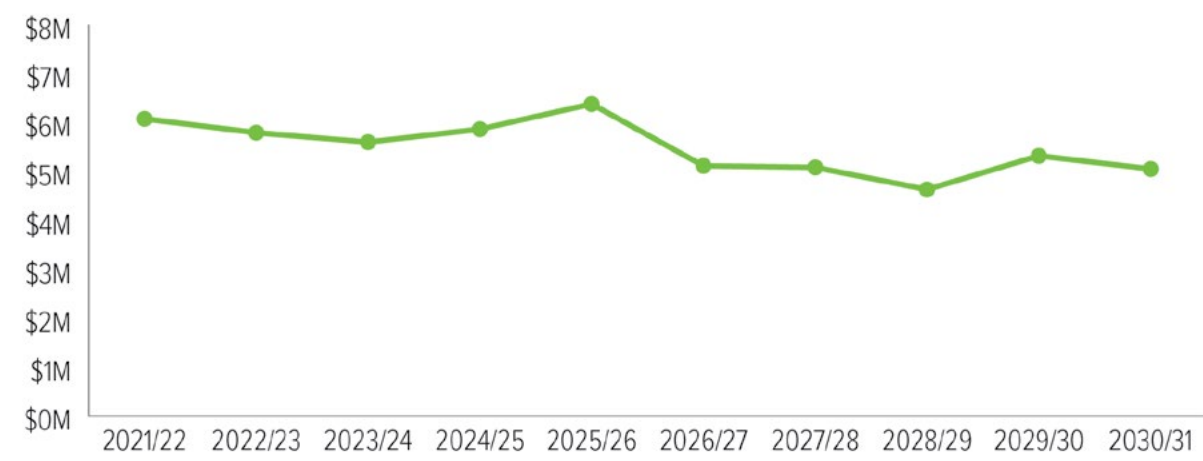
Our Operations and maintenance budgets cover all buildings from our libraries, our water treatment plants, public toilets and even our social housing. Most of our operational budgets ensure that buildings can meet

compliance requirements such as having a Building Warrant of Fitness. Our operational and maintenance budgets cover things such as interior cleaning, exterior washdowns and general maintenance of our buildings and facilities.

We have set clear lines for maintenance responsibilities for our cultural facilities. We are working on setting clear maintenance responsibilities across our other asset categories. In some cases, the occupants will need to plan and fund works they may not have undertaken in the past. Equally so, some works that they have historically undertaken will now become our responsibility.

As we build more or carry out an extensive upgrade to our buildings, we have also had to account for operational and maintenance costs related to the new builds and upgrades. These costs were not always captured in the past and that is one of the reasons why there are now gaps in the budget.

RENEWAL
PROPERTY ACTIVITY



Our capital renewals budgets have increased substantially. We are proposing to spend \$54 million on renewals over the next 10 years. The increase in our renewals can be attributed to:

- Expansion of the buildings and facilities portfolio to include renewal planning for all Council-owned buildings.
- Better condition data informing our renewals planning means that we understand where renewals will need to be targeted.

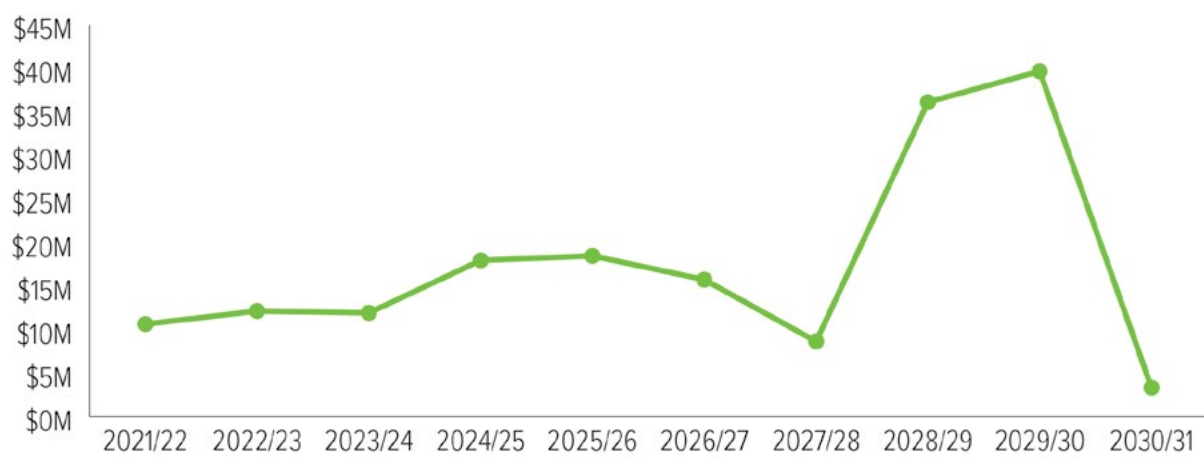
We're planning to spend \$5.5 million on renewing The Civic Administration Building (CAB) over the next 10 years. We have flagged to complete fire safety upgrades, replace ceiling tiles and carpets. Service and pipe renewals and making weather tightness improvement are also proposed. We will renew our lights to LED over the next 10 years.

Some of our social housing complexes are ageing. We will be refurbishing these units to ensure they continue to function as expected and meet the compliance requirements of the Healthy Homes Standards. Some complexes need roof replacements – our renewal budgets account for this as well. We have budgeted about \$5 million for all our social housing renewals over the next 10 years.

The Central Energy Trust Arena also requires extensive renewals. We are budgeting around \$14 million for renewals over the next 10 years. Most of this will be targeted towards roof replacements, electrical renewals as well as underground services renewals.

Our cultural facilities are so diverse in size and in activity function we have budgeted at least \$4.1 million over the next 10 years. Renewals will be undertaken throughout this part of the portfolio and include works such as roof replacements at Te Manawa, amenities upgrade at The Globe Theatre and functional improvements at Caccia Birch House.

CAPITAL NEW EXPENDITURE
PROPERTY ACTIVITY



Seismic Strengthening

The majority of the capital new budget is proposed to go towards the strengthening of our earthquake-prone cultural and operational buildings over the next 15 years. We anticipate that we will spend between \$150 - \$200 million on seismic strengthening our buildings over the next 15 years.

Social housing

Over the next 10 years, we are planning to build more social housing at a cost of more than \$16 million. Initially, we are planning to build more social housing units at Papaioea Place as part of the Stage 3 redevelopment project. After that, we will be investigating the next site to be developed. This will either be on a greenfield site or redeveloping and increasing the density of one of our Council's existing social housing complexes. We have proposed to start a feasibility study on the later years of our 10-Year Plan.

Animal Shelter

Our current Animal Shelter does not meet the regulatory requirements for the temporary housing of animals. The most appropriate option is for us to build a new one rather than attempting to upgrade the existing one to meet compliance standards. Building work is proposed to start in 2021/22.

Central Energy Trust Arena

The CET Arena Masterplan identified an opportunity to construct a new grandstand on the southern side of Arena 1 This would cover the embankment opposite the existing grandstand and increase the seating at the Arena. The total cost is estimated to be around \$13.5 million. We are budgeting for \$9 million of this coming from external fundraising while we fund the remaining \$4.5 million.

Awapuni Materials Recovery Facility

Our current staff administration building at Awapuni Materials Recovery Facility needs an extension. Staff numbers have increased over the last few years, and the current administration building does not have adequate capacity to house all staff on site. We are planning to start work in 2021/22 and spend \$0.3 million.

Future community centres

We are proposing to develop a Community Facilities Stocktake and Needs Assessment to provide a city-wide view on where and what facilities Council should help fund.

