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## **EARTHQUAKE STRENGTHENING OF THE CITY GALLERY WELLINGTON**

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### **1. Purpose of Report**

This report asks the Committee to recommend that Council approve funding of \$1.1 million (Capex) to enable earthquake strengthening to be undertaken on the City Gallery Wellington building.

This would combine the seismic strengthening with the planned redevelopment, to enable consolidation of costs and eliminate the risk posed to the operational viability of the City Gallery by its classification as earthquake prone under the Building Act 2004.

### **2. Executive Summary**

The planned \$4.2 million City Gallery redevelopment has been put temporarily on hold, due to the notification that the City Gallery building is earthquake-prone under the Building Act 2004. A report commissioned from Sinclair Knight Mertz (SKM) has estimated that to complete all of the earthquake strengthening required, to 67% of the New Building Standards, will cost \$1.1 million.

Officers' recommendation is to complete all of the earthquake strengthening works now as part of the planned redevelopment, for three key reasons:

- The risk to the viability of the City Gallery by being categorised as an earthquake-prone building. The Gallery is entirely reliant on borrowing art works from other national and international organisations and individuals to secure exhibitions and function as a contemporary art gallery. Until the earthquake strengthening is completed, the Gallery may be unable to secure the exhibitions that make it New Zealand's leading contemporary art gallery
- Efficiency – if the Council does not do the earthquake strengthening now, at some later stage we would have to demolish parts of the redevelopment to do the earthquake strengthening. This could involve as much as \$400,000 of re-work in today's dollar terms

- While the Council will have to programme earthquake strengthening for a number of its buildings over the next 15 years, the City Gallery is the only Council-owned building more or less “ready to go”, barring a few weeks for detailed design.

### **3. Recommendations**

It is recommended that the Committee:

- 1. Receive the information*
- 2. Note that the City Gallery has been assessed as Earthquake Prone under the Building Act 2004*
- 3. Note that the estimated cost of seismic strengthening to the City Gallery to bring the building up to an estimated 67% of the New Building Standard is \$1.1 million*
- 4. Note that a paper outlining a programme for seismic strengthening of Council-owned buildings will be presented to the Strategy and Policy Committee to inform the 2009/10 LTCCP*
- 5. Recommend that Council agree to provide \$1.1 million (Capex) for seismic strengthening of the City Gallery in 2009/10, which will be combined with the planned redevelopment of the City Gallery to eliminate the risk posed to the operations of the gallery by it being classified as earthquake prone, enable consolidation of costs and minimise closure times*
- 6. Note that, if the funding is provided to enable seismic strengthening, the planned timetable for the Gallery redevelopment and earthquake strengthening will see the Gallery redeveloped and compliant with the Building Act 2004 by August 2009.*

### **4. Background**

#### **4.1 City gallery Redevelopment**

The City Gallery is to undergo a \$4.2 million redevelopment, 70% of which is to be funded from non-Council sources (a bequest from the late Mr Hancock; private donors and New Zealand Lotteries<sup>1</sup>). The redevelopment will see the creation of a new Russell Hancock Gallery, a new Auditorium, an upgraded and relocated Michael Hirschfeld Gallery and a new Maori and Pacific Gallery.

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<sup>1</sup> Funding for the Gallery redevelopment consists of \$1.8 million from the bequest of the late Mr Russell Hancock; \$1.3 million from the Council; \$0.6 million from private donors and \$0.5 million from New Zealand Lotteries.

The redevelopment is the culmination of more than 2 years consultation with the arts community in Wellington, and will address concerns relating to access to high quality art exhibitions in Wellington. The support for the redevelopment is evidenced in the donation of \$600,000 from private supporters of City Gallery Wellington.

The creation of the Russell Hancock Gallery will enable the Council to showcase a range of new exhibitions, in particular those owned by private collectors and the Council's own art collection, which was recently re-focused towards artists with a Wellington connection. A new emphasis will be placed on Maori and Pacific art works upon completion of the Maori and Pacific Galleries, while the Michael Hirschfeld Gallery will provide a new, higher quality space for the exhibition of Wellington artist's works.

The tender for the construction of the redevelopment was run in March 2008, but has been put on hold because the Gallery was notified that a desk-top assessment had shown it to be an earthquake-prone building under the Building Act 2004.

Officers commissioned Sinclair Knight Mertz (SKM) to undertake an earthquake assessment of the City Gallery. The assessment has confirmed that the building is earthquake-prone, as defined by the Act – it is currently only 10% of the New Building Standard (NBS).

Under the Council's current Earthquake-Prone Buildings Policy, upon receiving official notification of the Gallery's earthquake-prone status the architectural building consent for the redevelopment cannot be granted until a commitment and plan to undertake earthquake strengthening is provided. Section 5.2 outlines this in more detail.

#### **4.2 City Gallery Building**

Located in Wellington's Civic Square, the Gallery is a popular landmark for the city. It occupies the north-west frontage of the Square and as a key public amenity encourages public access to and enjoyment of the Square.

City Gallery Wellington is a Historic Places Trust Category 2 Heritage Building. This places a responsibility on the Council to preserve the building structurally and aesthetically. As the Gallery is poised for a \$4 million redevelopment, there is an opportunity to combine earthquake strengthening with the redevelopment to minimise closure times and enable consolidation of costs.

#### **4.3 Building Act 2004 and Earthquake Prone Buildings**

Under the Building Act 2004, buildings are required over time to become compliant with modern standards of earthquake resilience, or may ultimately be demolished. All local authorities are required to develop and maintain a Policy that puts the new standards into a policy framework that outlines how and when buildings must be strengthened. The Council adopted its Earthquake-Prone

Buildings Policy in May 2006, and is considering consulting on amendments to the Policy at this meeting.

To meet the new standards of the Building Act 2004, a building generally must be at least 34% of NBS. The amount of time a property owner has to strengthen an earthquake-prone building depends on a number of factors, such as the use of the building, whether it contains crowds or is of high value to the community, the building's age and condition etc. Generally speaking, owners of earthquake prone buildings will have between 5 and 15 years to undertake strengthening work, depending on the category of the building.

Under the current Policy, the timeframe a building owner has to undertake the strengthening of their building may also be shortened if a sufficiently-sized upgrade of the building is being undertaken – the Policy defines this as an upgrade valued at 33% or more of the value of the building. This is the case for the City Gallery redevelopment, where the \$4 million redevelopment represents significantly more than 33% of the value of the City Gallery building. In situations such as these, the Council's consents arm works with building owners to ensure that a commitment to undertake the strengthening work is provided before building consent is granted.

## **5. Discussion**

### **5.1 Council-owned Earthquake-Prone Buildings**

A number of Council-owned buildings are likely to be earthquake prone under the Building Act. The Council is undertaking 3,000 – 4,000 desktop assessments of buildings in Wellington to ascertain whether they are likely to be earthquake prone; a small number of these will be Council-owned buildings.

At present, no funding has been set aside to earthquake strengthen the Council's property portfolio. With that in mind, officers are preparing a report on earthquake prone Council-owned buildings for consideration by the Strategy and Policy Committee to inform the 2009/10 LTCCP. The report will identify a proposed programme for earthquake strengthening, including prioritising all of the earthquake strengthening works that will be required over the next 15 years.

### **5.2 Review of the Earthquake-Prone Buildings Policy 2006**

The Strategy and Policy Committee is considering amendments to the Council's Earthquake-Prone Buildings Policy. Subject to consultation with the public, the review may have two key effects on the City Gallery redevelopment.

The first is that it may remove the requirement to undertake some earthquake strengthening as part of the building consent requirements for the redevelopment – by removing the current 'upgrade trigger' in the Policy. Secondly, the revised Policy proposes extending the timeframes within which buildings must be earthquake strengthened.

In combination, these changes would provide the Council with the option of electing not to undertake any earthquake strengthening on the City Gallery in the short term, and to continue with the redevelopment. This approach would mean keeping the redevelopment on hold until the review of the Policy has been consulted on and a revised Policy approved in September 2008.

### **5.3 Levels of Earthquake Strengthening for the City Gallery**

The assessment of the City Gallery undertaken by SKM sets out 3 broad options for the level of strengthening that can be undertaken – to 34%, 67% or 100% of the NBS.

As a general rule, officers' view is that Council-owned buildings should be strengthened to 67% of NBS unless good reason exists to strengthen to a higher or lower level. It is a widely-held view that the current 34% minimum level is likely to rise over time, meaning that strengthening undertaken to the minimum level may become redundant within a short period of time and therefore be an inefficient use of funds. Possible reasons for diverting from a preference for strengthening to 67% may include:

- Cost – e.g. if the cost of going from 67% to 100% of the NBS is relatively small
- Building type – there may be reason to want a building to be 100% of NBS because of its significance.

The estimated costs and associated construction timeframes for the 3 levels of strengthening for the *whole* of the City Gallery building are<sup>2</sup>:

- 34% of NBS - \$0.6 million; 2 – 4 months
- 67% of NBS - \$1.1 million; 6 – 9 months
- 100% of NBS - \$2.0 million; 10 – 12 months.

Officers' recommendation is that the City Gallery is strengthened to 67% of NBS, taking into account the relative importance of the City Gallery Building, its public use, and the cost differential of nearly \$1 million to raise the standard of strengthening from 67% to 100% of NBS.

### **5.4 Options**

There are three basic options available to the Council for strengthening the City Gallery. The options assume that earthquake strengthening would be undertaken to 67% of NBS. The key issues for the Committee to consider in weighing up which option to pursue are:

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<sup>2</sup> The cost estimates outlined in this paper are Rough Order of Cost (ROC) only. The costs are currently being peer reviewed, but refined costings will not be available until detailed design is completed.

- *Ability of the City Gallery to function* – the City Gallery is not a collections Gallery: it is entirely reliant on the willingness of lending institutions and individuals in New Zealand and overseas to secure exhibitions and function as a contemporary art gallery. There is uncertainty as to what impact the building's official Earthquake Prone status will have on lending institutions and individuals, but it represents a significant operational risk to the Gallery
- *Efficiency* – undertaking earthquake strengthening at the same time as the redevelopment will mean that the total cost would be some \$400,000 lower than doing the earthquake strengthening at another time, because doing the seismic strengthening later would require demolishing some parts of the redevelopment. In addition, the City Gallery would only need to close once (for the redevelopment) rather than twice
- *Cost/Affordability* – the Capex programme for 2008/09 and 2009/10 is reasonably tight. From a pure affordability point of view, the less funding required in the short term the better
- *Priority* – as not all of the Council's buildings have been assessed, it is not possible to determine what priority would be afforded to the City Gallery vis-à-vis other Council-owned buildings. Those housing significant numbers of people are likely to be highest priority
- *Public safety* - Occupancy of an earthquake prone public building poses a potential risk for both the public and staff members. There is also the very real danger of a public perception that the Gallery is an unsafe building to visit or work in, and this could reflect negatively on Wellington City Council, in terms of its duty of care towards its citizens and its assets
- *External funding for the redevelopment* – some \$1 million of funding for the Gallery redevelopment is sourced from private donors and New Zealand Lotteries. Should the redevelopment be significantly delayed, this funding may not be available to complete the planned redevelopment at a later date. In addition, there is a commitment to the family of the late Mr Russell Hancock to use the Hancock Bequest to facilitate the redevelopment of the Gallery.

The three viable options available to the Council are outlined and assessed below<sup>3</sup>:

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<sup>3</sup> The Council does have the option of putting the redevelopment on hold more permanently, however this would place at least \$1 million of external funding at risk, and delay the commitment to the Hancock Family to use the Hancock bequest to facilitate the redevelopment of the Gallery. It would also fail to address the concerns over the viability of the City Gallery operations.

### **Option 1 – Await the review of the Policy/do no Seismic work now**

Delay the redevelopment of the City Gallery until the review of the Policy is considered by Council in late September 2008, following public consultation. At that stage, earthquake strengthening may not be immediately required. The Council would still need to fund earthquake strengthening within either 10 or 15 years.

Cost:	None in the short term
Construction:	N/A
Advantages:	No funding required in the short term Have 10 to 15 years to prioritise the work in the LTCCP.
Disadvantages:	Risk to the viability of the ongoing operation the Gallery. Will cost an estimated \$400,000 of 're-work' to demolish some parts of the redevelopment at a later date to do the earthquake strengthening The Gallery will still need to be closed twice – once for the redevelopment, and again within 10 - 15 years Likely to involve a two month delay to the redevelopment timetable, as the tender for the redevelopment could not be let until the Council had adopted it's amended Policy. This would likely mean the cancellation of a major exhibition planned for the post-redevelopment opening of the Gallery.

### **Option 2 – Do only the minimum works necessary**

Undertake the minimum earthquake strengthening required to enable the redevelopment to receive building consent, and programme in the remaining earthquake strengthening over the next 10 - 15 years. There are variations on this option available. For example, the bare minimum work to achieve consent for the redevelopment may be relatively small, but would mean duplicating several areas of finishing and some structural work when, in future, the remaining earthquake strengthening is undertaken.

Cost:	\$0.3 - \$0.6 million
Construction:	3 – 6 months
Advantages:	Less impact on 09/10 Capex than doing all the works now Will allow the redevelopment to continue as planned.
Disadvantages:	Has an impact on 2009/10 Capex, without having removed the risk to the viability of the Gallery Not very cost-effective – some areas of the redevelopment will need to be re-worked The Gallery will need to be closed down twice.

### **Option 3 – Do all of the EQ strengthening now**

Do all of the earthquake strengthening required, at the same time as the redevelopment. At the completion of the works and the opening of the redeveloped Gallery, the building would be fully compliant with the NBS. Officers will work with the Nikau café to attempt to minimise the impact on its operations.

Cost:	\$1.1 million
Construction:	7 – 9 months
Advantages:	Removes the risk that the City Gallery is unable to function with its earthquake prone classification  Most cost-effective option, as all the works are done at the same time  The City Gallery only needs to close once  Strengthening works are done within the redevelopment timetable.
Disadvantages:	Requires \$1.1 million funding in 2009/10  Decision is made without reference to seismic requirements for other Council-owned buildings.

Officers' advice is to approve Option 3 - to undertake the earthquake strengthening as part of the planned redevelopment. This option removes the risk of being classified as earthquake-prone from the City Gallery's core business operations; the City Gallery would only need to close once; and it is the most cost-effective option because no parts of the redevelopment would need to be demolished for earthquake strengthening later.

#### **5.5 Redevelopment Timetable**

If the Committee agrees to recommend that Council do some or all of the earthquake strengthening work now, the detailed design for the seismic works and the tender for the total redevelopment will be completed before the amendments to the Earthquake Prone Buildings Policy will be considered by SPC Committee in September 2008.

The following would be the timetable for the completion of the redevelopment under options 2 and 3 (Option 1 would involve a two month delay to the start and completion of the redevelopment):

- August 2008 - Re-tender the construction contract, including seismic works
- September 2008 - Assign a construction contract, including seismic strengthening

- Mid-late September 2008 - Construction starts
- August 2009 - Redevelopment and seismic strengthening completed
- September 2009 - City Gallery re-opens (time is needed following the redevelopment completion to install the opening exhibitions).

## **6. Conclusion**

The planned \$4.2 million City Gallery redevelopment has been put temporarily on hold, due to the notification that the City Gallery building is earthquake-prone under the Building Act 2004.

The estimated cost to complete the earthquake strengthening to approximately 67% of the New Building Standard is \$1.1 million. While a review of the Council's Earthquake Prone Buildings Policy is being considered, officers' advice is to undertake the earthquake strengthening as part of the redevelopment. This is more cost-effective than doing the work in segments, and eliminates the risk posed to the operations of the gallery by it being classified as earthquake prone.

It will also allow the redevelopment to continue, securing the \$1 million of funds donated for that purpose and meeting the commitment to the Hancock Family to honour the bequest of Mr Hancock.

Contact Officer: *Allan Prangnell, Manager - Council Controlled Organisations*

## Supporting information

### a) **Strategic fit**

The City Gallery Wellington is operated by the Wellington Museums Trust. It contributes significantly to the City's cultural and economic vitality, and complements Te Papa to provide Wellington with a great offering of exhibitions to Wellingtonians and visitors to the City.

### b) **Annual Plan reference**

C102 - Wellington Museums Trust Annual Funding

CX500 – City Gallery redevelopment

### c) **Annual Plan and LTCCP implications**

The recommendations in this paper require \$1.1 million of Capex in 2009/10, which is the first year of the new 2009/10 LTCCP

### d) **Treaty of Waitangi implications**

There are none.

### e) **Consultation**

Consultation has taken place with the Chief Executive and Chair of the Wellington Museums Trust, the Director of the City gallery, engineers from SKM and Dunning Thornton, and relevant Council officers.

### f) **Legal implications**

There are none.