

**IN THE MATTER OF** the Resource Management  
Act 1991

**AND**

**IN THE MATTER OF** an application by the  
Church of Jesus Christ of  
Latter-day Saints Trust  
Board to demolish the  
Block Plant Building

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**STATEMENT OF EVIDENCE OF LEONARD ADRIAN GARDNER ON BEHALF OF THE  
CHURCH OF JESUS CHRIST OF LATTER-DAY SAINTS TRUST BOARD**

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**INTRODUCTION**

1. My full name is Leonard Adrian Gardner. I am the CEO and a Director of Foster Construction Group (**Foster**). I have been at Foster since April 2003.
2. Foster is the parent company for Foster Construction – commercial construction company, Foster Develop – property development company, Foster Maintain – property maintenance planning and small construction works company, and Foster Engineering– engineering workshop. Foster operates predominately in the Waikato, and has a history in the Waikato of over 45 years.
3. I hold the Qualifications of Bachelor of Business from Wintec.
4. I am a Fellow Chartered Accountant, and a Chartered Member of the Institute of Directors.

5. I lead the Foster Construction Group, and over the last 17 years have been involved in \$1.2b of construction projects predominantly in the Waikato. In my role I have been involved in many development projects, and currently have various projects underway including office, apartment, mixed use and industrial developments.
6. In 2016 I was part of the Foster Construction team that completed the refurbishment of the Mendenhall Building on the Temple View site, for the Church of Jesus Christ of Latter-day Saints (**LDS**) Trust Board (**Trust Board**).
7. I have been asked by the Trust Board to prepare this brief statement of evidence to provide my expert opinion on the viability of development opportunities that could be undertaken in order to retain the Block Plant building.
8. This evidence is intended to supplement the information contained in the Application and the assessment of environmental effects.
9. I confirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note and that I agree to comply with it. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions that I express, and that this evidence is within my area of expertise.

## **SCOPE OF EVIDENCE**

10. This evidence will address the following matters:
  - (a) Methodology;
  - (b) Location;
  - (c) Response to expert reports;
  - (d) Viability of redevelopment options;
  - (e) Further alternative reuse; and
  - (f) Conclusion.

## **EXECUTIVE SUMMARY**

11. The options presented by the Trust Board's consultant team provide useful options to consider. In my opinion, the potential commercial risk of delivering any of the options far outweighs the potential commercial benefits. As a result, it would not be viable nor feasible to undertake any of the alternative forms of development identified.

## **METHODOLOGY**

12. In providing my opinion, I have applied the following thought process:
- (a) Location; then
  - (b) Target Market; then
  - (c) Facilities.
13. In working through this thought process, I have approached the issue with the following questions in mind:
- (a) Who will be the purchaser/user of the redeveloped Block Plant Building?
  - (b) How many purchasers and users will there be for the redeveloped Block Plant Building?
  - (c) How many of these users will be willing to pay for the redeveloped Block Plant Building?
  - (d) What facilities will provide a feasible return to justify the redevelopment of the Block Plant Building?

## **LOCATION**

14. The Block Plant Building is located in Temple View as part of the former Church College complex. The College was closed at the end of 2009, and parts of the site have undergone or are undergoing redevelopment to support LDS activities including the construction of a new Stake Centre, repurposing of an existing building into an LDS Church History museum, development of new residential dwellings, development of park areas, and an upgrade to the LDS Temple.

15. The Block Plant building is currently situated in the middle of this redevelopment, surrounded on all sides by the works enabled under two Comprehensive Development Plan consents. The area surrounding the Block Plant building has been cleared of all buildings and former school infrastructure and extensively earthworked ready for development. It is located approximately 5 minutes from Dinsdale, and 20 minutes from the Hamilton CBD.
16. There is a perception that the value proposition of the Church College campus site is low due to historic activities and the dilapidated standard of previous housing. It is noted that the Trust Board has already redeveloped a number of residential properties in Temple View to a high standard. These redeveloped houses are on the market for sale, and while there has been some interest, sales have been slow in a strong residential market. This would suggest perceptions around location are holding back value.

#### **VIABILITY OF REDEVELOPMENT OPTIONS**

17. The documentation provided by the Trust Board in response to the initial request from Hamilton City Council refers to two redevelopment options or alternatives for the Block Plant building being:
  - (a) Residential; and
  - (b) Commercial.
18. The scope of my opinion is to comment on the viability of the two redevelopment options presented, taking into account my experience in construction and redevelopment in the Waikato. I have also drawn on my view of the Waikato market now and likely future market movements.
19. I begin this analysis by making some general comments in relation to the desirability of the two options, before referring in more detail to the expert reports I have been referred to in undertaking my assessment and reaching my conclusions.

#### **Residential**

20. Currently there appears to be a market perception that Temple View is home only to LDS Church members. This is only a perception and from our discussions with the Trust Board all people are welcome to own or rent property for sale in Temple View.

21. Based on this perception, the target market for the residential option reduces to LDS church members. LDS Church members are likely to be the main purchasers/users of residential units. The number of Church members in a position to purchase the residential units is unknown, but would be a percentage of the LDS total church membership in the area. Over time this market perception and the number and type of people who may be attracted to the area may change as more non-LDS members purchase houses in Temple View, but in my opinion it will remain a factor in the foreseeable future impacting adversely on prices likely to be achieved in the area.
22. The alternative residential design for the Block Plant Building is for six apartments of between 91m<sup>2</sup> and 220m<sup>2</sup>, with the largest apartment being split over two floors and the rest at ground level. Off-street car parking has been provided for.
23. There is currently no sales evidence in Temple View for apartments of this nature. In that sense, the product would be unique with possible appeal to some potential purchasers or renters. However, in light of the lack of any real sales data demonstrating an uptake of similar housing options in that location, there would also be significant risk involved in progressing this in order to 'find out'.

## **Commercial**

24. The alternative commercial office option provides for three office spaces of between 210m<sup>2</sup> and 382m<sup>2</sup>, with the largest space again split over two floors. There could be a range of potential users for offices of this size (catering for between 10 – 15 staff each), predominantly in the professional fields.
25. However, while the proposed size is good, the location may be challenging compared to a similar offer in the Central Business District, which is often where professional tenants look to locate. I have serious doubts as to whether there would be any demand for space of the type provided by the Commercial option.
26. I now go on to assess the viability of these options by reference to the expert reports I have been provided with, especially those in relation to market value and development cost.

## **RESPONSE TO EXPERT REPORTS**

27. In order to determine the viability of development opportunities for the Block Plant Building, I have read the following reports which were provided to me:
- (a) Architectural Concept Plans from Walker Architects dated 7 November 2018;
  - (b) Structural Mark Up Plans dated 30 April 2020, and Seismic Assessment dated 6 March 2020 both from Beca;
  - (c) Budget Cost Estimate from CJM Consultants dated 30 April 2020; and
  - (d) Market Valuation from Telfer Young dated 29 April 2020.
28. I also conducted a physical inspection of the Block Plant Building on 25 August 2020.

### **Walker Architects**

29. The Walker Architect options provide for / require extensive external envelope and internal demolition and structure changes. From my inspection of the property, and knowledge of being involved with other redevelopment projects on the College site where the original buildings were constructed with volunteer labour, there would be significant risk in delivering any of the options within the existing structure. This is because the nature of the structure carries inherent uncertainty with the type, quality and methodologies used at the time of the original construction. An example of a challenge would be achieving the required fire standards during construction in order to create fire cells required for the commercial or residential options.

### **Telfer Young**

30. I have reviewed the analysis by Telfer Young regarding market rental rates for the Commercial option (\$250.50/m<sup>2</sup>), and current market values for the apartments under Residential option (between \$410,000 and \$630,000), and agree that the values adopted would appear reasonable to a developer.

### **Beca**

31. I have also reviewed the Structural Mark Ups provided by Beca and agree from a developer's perspective that they identify the work required to make the structure safe.

The Beca plans provide a scheme to achieve 67% NBS, and we believe this is a realistic requirement for an office tenant looking to pay \$250/m<sup>2</sup> rent. Potential lessees of the commercial space may insist on 100% NBS due to the nature of the building. This is likely to be costly to achieve, and the improved commercial rental rate would not add to a business case in my opinion. Our expectation is that residential users would need to have a 100% NBS outcome. From the Beca report, this would appear to be achievable, although there is a risk around geotechnical conditions limiting the ability to achieve 100%.

### **CJM Consultants**

- 32.** The costs provided by CJM Consultants are comprehensive and, in respect of both the Commercial and Residential options, reflect the work required to deliver the design in accordance with the constraints identified in the above Beca analysis regarding safety.
- 33.** In respect of the Commercial option, I note that the estimate I have been provided with does not include design and consent costs, which would add a further 12-15% on top of those costs. I would also increase the contingency in the estimate from 10% to 20% to reflect the inherent risk in repurposing a building of this age and construction. This takes the square meterage rate for project costs from \$4,224 to around \$5,150. For a new build, we would normally allow a build cost of \$3,200 plus 20% for the same matters, so say a comparable rate of \$3,840. This demonstrates that the build cost for this project would be substantially higher than for a brownfields development. In order to achieve a margin on the new build, we would normally set a market rental of \$325/m<sup>2</sup>. In this case, not only are the project costs substantially higher than that for a new build, but the estimated market rental is also substantially lower, making the project uneconomic.
- 34.** The same would apply in respect of the Residential option, adding a further 22%. If the apartments were to be unit titled to enable them to be on-sold, this would also involve further consenting and legal and surveying costs, which we estimate to be a further 3% of the project value, coming to a total of 25%. This would take the project cost on a square meterage basis from \$5,320 to around \$6,420. By comparison, a new build on a brownfields site would normally attract an end project cost of \$4,800. In order to make the project feasible from an economic perspective, a developer would need to sell the apartments for approximately double the current market value, say between \$800,000 and \$1.2m). On current market value, \$1m would buy a new four-bedroom standalone dwelling in Rototuna. The sale prices in the Telfer Young report, when balanced against the cost of developing, would render the project uneconomic as well.

35. In summary, and in both cases, the costs to redevelop the Residential and Commercial options as existing (even without the costs I have added, which would only make the outcome more difficult) would in my opinion exceed the return that could be obtained. As an experienced developer I cannot see anyone taking the risk of developing apartments in the Block Plant building at a cost equivalent to building a larger, standalone house elsewhere. That is also not even taking account of the current market perception about Temple View I referred to earlier which would make the proposition more risky. The commercial risks with the office option would also outweigh any potential commercial benefits that might be derived from it.

#### **FURTHER ALTERNATIVE REUSE – GYMNASIUM / MENS' SHED**

36. I have also reviewed the material put forward to address the further alternative reuse option for a Place of Assembly in the form of a gymnasium / mens' shed in the response dated 9 October 2020. On a similar analysis, the costs provided by CJM Consultants appear within reason, as do the likely market rental rates provided by Telfer Young. There is little to no market demand for these sorts of activities in this location, and from a developer's perspective, such an option would never be a commercial one.

#### **CONCLUSION**

37. In reviewing the information provided and applying my experience to this information, I conclude that none of the alternatives put forward will provide any return. Considered on a risk reward basis, there is a lot of risk in working within the existing structure, and the numbers demonstrate that there is no reward to be gained. Even if I as developer were gifted the land and \$1 million towards the development cost, I would not take on the risk in developing this project due to those issues.

Leonard Adrian Gardner

9 November 2020