



**POLISH
ASSOCIATION IN
NEW ZEALAND**

Building Decision Information Pack

For the SGM 20 August 2023



Purpose of this Pack

The purpose of this pack is to provide members of the Polish Association in New Zealand (Stowarzyszenie Polaków w Nowej Zelandii) information on the 'Due Diligence' phase of the campaign to resolve the future of the Wellington Polish House (Dom Polski).

This information should, in turn, help members make an initial decision on the best option for a Wellington Polish House, during the forthcoming Special General Meeting (SGM) on 20 August 2023.

Background /Recap – Part 1

- In 2012 we learned that our Dom Polski had an NBS (New Building Standard) rating of 20%, well below the recognized cutoff point of 34% for buildings requiring mandatory earthquake strengthening.
- Subsequently, the Government gave us until 2027 to remediate or demolish the building.
- This created for us what is known as a ‘burning platform’ (a situation that must be dealt within a limited timeframe).

Background /Recap – Part 2

- At the same time, the Association had also come to realize that the Dom Polski was no longer able to meet the changing needs of our community – the most obvious example being the lack of a lift to convey our seniors to the main floor of the hall. So, while the earthquake rating is forcing us to act in a finite timeframe, even without the earthquake-related issues, we are facing many other - equally important - issues that we urgently need to resolve.
- In many respects this is about the future of our community, as much as the future of our building.
- In the decade following 2012, various attempts were made to gather information that could be used to aid our decision making. This information, while useful, is now out of date.

Background /Recap – Part 3

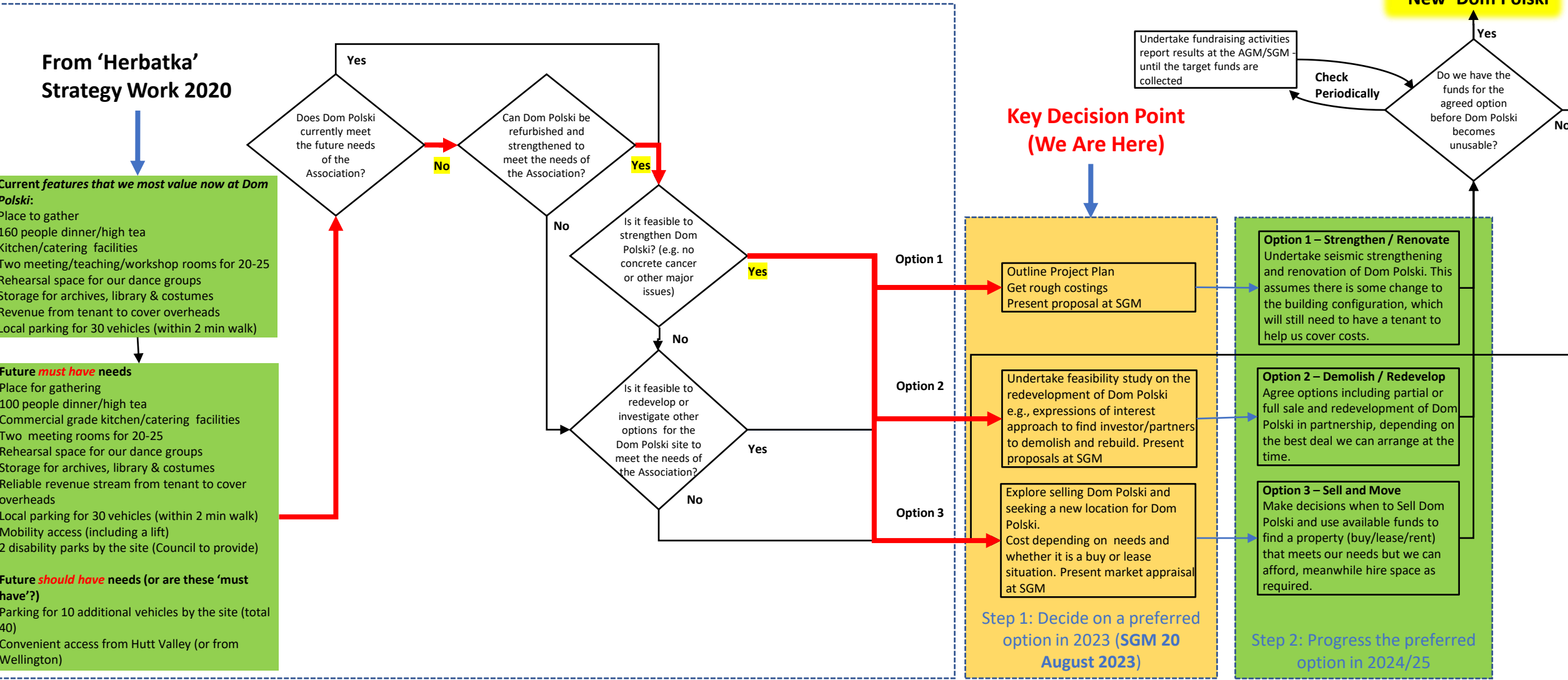
- In 2020, a concerted effort was made to develop a strategy to guide the future of the Polish Association in New Zealand. Part of this work focused on the future needs of the community for a Dom Polski, and it developed a list of three basic options that should be investigated, as well as a framework for coming to a final decision on the future of the Dom Polski.
- In 2022, the Association Executive began another effort to resolve the question of the future of the Dom Polski and has made this a key focus of their tenure.
- Over the last 12 months the Executive's Building Committee has undertaken an extensive due diligence exercise, involving several professional organizations, to gain a better understanding of the options available to us for a future Dom Polski.

Professional Organizations Involved in the Due Diligence Exercise

Area of Enquiry	Organization Involved
Structural Engineering	Seismic Solutions (www.seismicsolutions.co.nz)
Architecture	Greenhaus Architects (www.greenhausarchitects.co.nz/)
Quantity Surveying	Monastra Qs Consultants Ltd (https://nz.linkedin.com/in/david-monastra-96057b27)
Commercial Real Estate	Colliers Wellington (https://www.colliers.co.nz/en-nz/new-zealand/cities/wellington#f:location=Wellington)

Decision-Making Framework

- A decision-making framework was proposed in 2020 by the Executive team as a result of their strategy work.
- The current Executive has adopted this Framework, with some modifications:
 - Some of the dates have been brought forward to ensure earlier completion of key activities
 - An initial key decision point (the 20 August SGM) has been added to enable us to narrow down the options to one option that can be further actioned in a focused way.
 - The solid red lines indicate the decisions we have made to date.



Definitions

Needs – a requirement for the Association to operate effectively for the benefit of its membership, may be classified as must, should or could have

Strengthen – Seismic strengthening up to a sufficient standard to meet minimum requirements of the building regulations (70% NBS targeted)

Renovate – Upgrade to meet the minimum building requirements (e.g. accessibility) and our 'must have' needs (e.g. commercial-grade kitchen)

Redevelopment – Changing the site to meet the needs of the building requirements by demolishing (in full or in part) adding floors etc.

Target Funds – an estimate of the minimum fundraising target needed to even consider spending money perusing a particular option.

Why Do We Need to Decide on One Option *Now*?

- It takes a lot of effort and a lot of money to pursue three different options for the future of the Dom Polski.
- In addition, any major fund-raising activity that we undertake will require us to have a single option that we are raising money for.
- For these reasons we need to start focusing on one single option.

Three Options to Consider

In the next slides we will outline the due diligence work that has been done on the three major options that were identified during the 2020 Strategy work:

1. Strengthen and Renovate the existing Dom Polski
2. Demolish the existing Dom Polski and Redevelop on the existing site
3. Sell the existing Dom Polski and move elsewhere



Option 1: Strengthen / Renovate



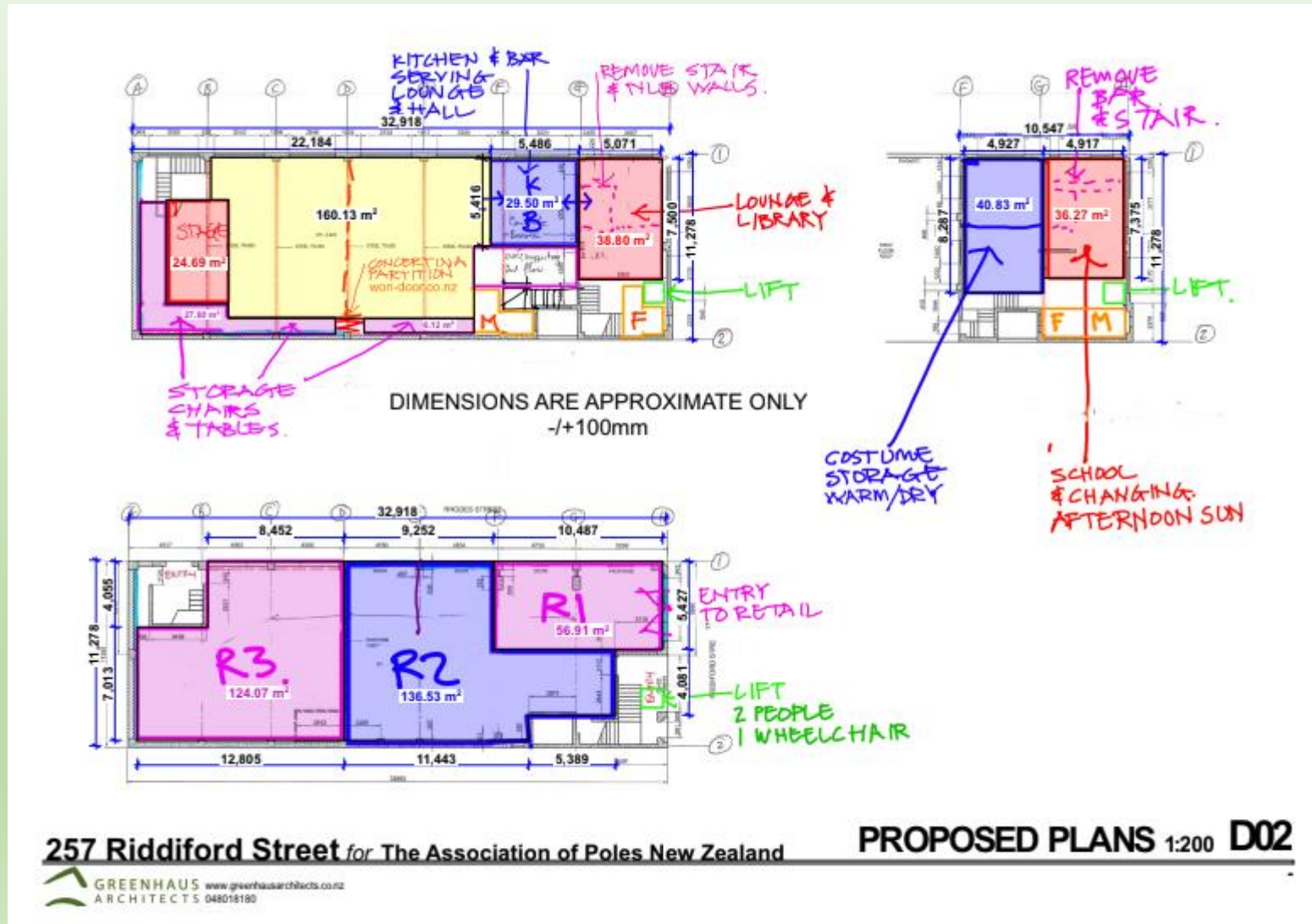
Option 1 – Strengthen / Renovate (Part 1)

What Due Diligence was done?	<ul style="list-style-type: none">• We commissioned a Structural Engineering firm to assess the current NBS rating and to propose a design for strengthening the Dom Polski to an NBS of 70%• We commissioned an Architectural firm to create some rough designs for a renovated Dom Polski• We commissioned a Quantity Surveyor to provide a rough costing estimate based on the Engineering and Architectural designs
What did we find out?	<ul style="list-style-type: none">• The Dom Polski is currently rated at 15% NBS• The building is ‘save-able’ and could be renovated to meet most of our needs• Rental space could be increased, which would increase our passive income
What would this option involve?	<ul style="list-style-type: none">• We would have to go through several design and planning iterations before tender, to get more certainty around costs• We would need to apply for consents and engage in a tendering process• We would need to vacate the premises for the duration of the build phase (this includes our tenants)

Option 1 – Strengthen / Renovate (Part 2)







What are the consequences of this option?	<ul style="list-style-type: none">• Dom Polski would likely be out of action for up to 12 months• We would not have any rental or hall hire revenue during that time• We would need to conduct a large fund-raising campaign• We would be building a modern fit-for-purpose facility in a location and building that we are familiar with• The Dom Polski would be safe and accessible• We would gain a good passive income stream from the increased rental space
What are the costs?	Rough Costing is \$5,495,000 + GST (there will also be other costs to consider like hiring venues for events during the build phase)
How would we pay for it?	<p>We currently have approximately \$400k available (thanks largely to Pan Nowak’s generous bequest). The remaining money we would need to raise through a major fund-raising campaign.</p> <p>A bank loan is unlikely, given our liability situation and the challenge of being saddled with major interest payments.</p>

Option 1 – Strengthen / Renovate (Part 3)



Architect's
rough concept
designs

Option 1 – Pros and Cons

Pros		Cons	
	A safe and accessible Dom Polski in a familiar location		Large costs
	A building that meets most of our community's needs for years to come		Dom Polski out of action for a considerable amount of time
	A good source of passive income		Some uncertainty around final costs



Option 2: Demolish / Rebuild



Option 2 – Demolish / Rebuild (Part 1)

What Due Diligence was done?	<ul style="list-style-type: none">• We commissioned the Architect to run a Return on Investment exercise that investigated the costs and return involved in building a new four-story building on the current site.• We conducted some preliminary discussions with Kainga Ora and Stratum Consultants on the possibility of partnering on Rebuilding on the current site.
What did we find out?	<ul style="list-style-type: none">• Due to ground stability concerns, we are likely restricted to a new building of no more than four-stories.• A rebuild is likely considerably more expensive than a strengthen/rebuild, however it does mean that we would have a new, state of the art building.• Redevelopment partnerships are an option and have worked at other locations.
What would this option involve?	<ul style="list-style-type: none">• We would have to go through several design and planning iterations before tender, to get more certainty around costs• We would need to apply for consents and engage in a tendering process• We would have no premises for the duration of the build phase• The existing building would be demolished

Option 2 – Demolish / Rebuild (Part 2)

What are the consequences of this option?	<ul style="list-style-type: none">• Dom Polski would likely be out of action for 12 months or more• We would not have any rental or hall hire revenue during that time• We would most likely need a development partner• We would be building a modern fit-for-purpose facility in a location that we are familiar with• The Dom Polski would be safe and accessible
What are the costs?	Rough Costing is \$15,160,000 (there will also be other costs to consider like hiring venues for events during the build phase)
How would we pay for it?	<p>We currently have approximately \$400k available (thanks largely to Pan Nowak's bequest).</p> <p>It is unlikely that the remaining money could be raised through fund-raising. A bank loan is unlikely, given our liability situation and the challenge of being saddled with major interest payments.</p> <p>Therefore, the likely solution is that we would need to go into partnership with a developer (e.g., Stratum Consultants) or a government agency (e.g., Kainga Ora).</p>

Option 2 – Demolish / Rebuild (Part 3)

Polish Association				
REDEVELOPMENT OPTION for 257 Riddiford Street				
Mixed use commercial/residential				
SITE	Development cost	Number of floors	\$10,000.00	\$/SQM
	379	4	\$15,160,000.00	Total Cost






Total area	1516			
			Interest rate	
P&I per week	\$23,000.00		7%	
Residential Renting				
2x bed	6	\$650.00	\$3,900.00	
1x bed	3	\$400.00	\$1,200.00	wk
TOTAL RENTAL			\$5,100.00	
Residential Selling				
2 FLOORS	Apartments per floor	Sale price		
2x bed	6	\$800,000.00		
1x bed	3	\$500,000.00	\$6,300,000.00	

High-level assessment of the Rebuild Option (if the Association were to take on the project themselves).

Bottomline:

- Building and selling all nine apartments would result in a shortfall of approx. \$9M
- Renting the apartments would leave us with weekly loan repayments of \$18k

Option 2 – Pros and Cons

Pros		Cons	
	A safe and accessible Dom Polski		Very large costs
	A low maintenance building that meets most of our community's needs for years to come		Dom Polski out of action for a considerable amount of time
			Some uncertainty around final costs



Option 3: Sell / Move



Option 3 – Sell / Move (Part 1)

What Due Diligence was done?	<ul style="list-style-type: none">• We asked a commercial realtor from Colliers to perform a market appraisal and sales proposal.• We conducted discussions with other community groups (e.g., the Garibaldi (Italian) club) who had sold their premises.• We carried out a review of leasing and purchase options.
What did we find out?	<ul style="list-style-type: none">• There has been a decline in the Wellington real estate market – the market is quite ‘cool’ at the moment. A sale may take some time.• The seismic rating of the Dom Polski considerably diminishes its value and desirability.• Most purchase options in the same price range as the value of the current Dom Polski will either be quite small or have the same seismic/refit concerns as our current Dom Polski.
What would this option involve?	<ul style="list-style-type: none">• Colliers has provided a Marketing Proposal with a fee of 3.5% of the sale price.• We would need legal opinions and Association input on what to do with funds following the sale.

Option 3 – Sell / Move (Part 2)

What are the consequences of this option?	<ul style="list-style-type: none">• We would have no physical Dom Polski until such time as we organized a temporary (rent or lease) or permanent (purchase/build elsewhere) option.• We would at least need a temporary location for current Association assets (e.g., Dance costumes).
What are the costs?	<ul style="list-style-type: none">• Market appraisal is in the range of \$860,000 to \$1,200,000• Real estate agent fees would be 3.5% of sale price• Temporary storage costs as mentioned above
How would we pay for it?	<p>Costs would be comparatively negligible and easily covered by existing funds. However, costs of a new location could be anything from net zero to extremely high depending on the subsequent option we choose and hence we might still need to do considerable fund-raising.</p>

Option 3 – Sell / Move (Part 3)

Value Assessment

Prepared for: **The Association Of Poles New Zealand (Incorporated)**

Assessing the potential market value for properties like 257 Riddiford Street is a challenging exercise. Given the tightly held nature of this area, recent comparable sales are relatively limited.

However, we have seen notable premiums paid for properties in Newtown when they have been formally marketed. Colliers has sold the majority of buildings that have transacted in Newtown over recent years and can draw from our experience to provide a qualified guide to potential value.

The nature of the building, current configuration and seismic status create difficulties when accessing the value. In our assessment, we have to assess the value of the building in comparison to buildings that have recently sold with similar issues by comparing the square metre rates for the building.





Based on the comparable sales provided, we see the value range per square metre to be \$1,000 - \$1,400.

Appraisal Range

\$860,000 - \$1,200,000

Summary of
Colliers appraisal

Option 3 – Pros and Cons

Pros		Cons	
	Initially at least, the cheapest option.		We will be left without a permanent home until a solution can be found.
	Gives us the opportunity to 'start again' in terms of new location, new premises etc..		Uncertainty about what to do with the funds upon sale (will require more consultation and decision-making).



Addendum



Questions and Answers

Question	Answer
What if we can't decide now?	It is preferable that we decide now as we need as much time as possible to formulate and execute on a plan. We also don't want to lose the momentum we have now. However, it is also important that most, if not all, members are comfortable with the way forward. Hence if more information and time is required to enable a decision to be made then we must take that time.
What if we can't decide before 2027?	If we don't act by 2027, we will theoretically be 'forced' to do so by the Wellington City Council, but it is not clear what those forcing actions might be. Most likely we will be forced to vacate and sell the building as is.
Is fund-raising feasible? How would we do it?	Without a doubt fund-raising will be a major undertaking and will need a dedicated and skilled team. However, we have already identified many potential sources of funding, most of which require a clear financial goal and objective (hence the need to agree on a single option).

Questions and Answers (continued)

Question	Answer
What will be the voting rules around decision making?	Basically, according to the Rules of the Polish Association in New Zealand, one option needs to gain a simple majority of the voting members attending the SGM. Hence this will be the main objective of the SGM. There are more rules to consider, but these will be sent in different documents.
Can I get any more information on the due diligence that was carried out?	All information is available to all eligible Association members. We will either provide a link to our shared drive containing this information, or, in some circumstances we can send you printed copies of this information as time and resources permit. Please send your request via email to association@polishcommunity.org.nz or contact any one of the Executive Committee.

Potential Fund-raising Options

The following potential sources of funding have been identified so far:

Potential Source of Funding	Potential Yield	Difficulty (1=easy, 5=a lot of work)
Polish Government Grants	\$10k - \$100k+	3-4
Bequests	\$10k - \$100k+	2
Donations from other communities (e.g., Czech/Slovak)	\$10k+	2-3
Public donations (e.g., Gold/Silver/Bronze tiers)	\$10k - \$100k+	3
Crowd-funding (e.g. Givealittle)	\$10k+	1-2
Government Grants	\$1k+	3-4
Public Organisation Grants (e.g., Lotteries Commission)	\$10k+	3-4
Philanthropic donations (i.e., from wealthy individuals)	\$10k - \$100k+	2-3
Large raffles (e.g., trip to Poland, car)	\$10k - \$100k+	3-4

Potential Fund-raising Options (continued)

The following potential sources of funding have been identified so far:

Potential Source of Funding	Potential Yield	Difficulty (1=easy, 5=a lot of work)
Aid from other Polish Associations abroad	\$10k+	2-3
Foundation donations	\$10k - \$100k+	3-4
Tournaments (golf tournaments, walkthons etc..)	\$10k - \$100k+	4-5
Food sales (pierogi etc..)	\$1k+	3-4