

593 COLOMBO STREET, CHRISTCHURCH

CHRISTOPHER PHILIP CHAPMAN states:

Introduction

1. I am employed as a Property Manager for Grenadier Real Estate which trades in Christchurch as NAI Harcourts. That is the arm of Harcourts which does sales, leasing and management of commercial property. I have been in that role for the last 6 years.
2. Before that I was a property manager with Bayleys (which was brought out by Harcourts) for some 6 years. Previous to that I was the South Island Network Property Manager for Telecom for some 10 years and prior to that a draughtsman with New Zealand Post for approximately 10 years. As at September 2010 NAI Harcourts managed a large number of commercial properties in Christchurch, including approximately 20-30 buildings in the CBD.

General Comments

3. Following the September earthquake we were fortunate to have had a good commercial relationship with structural engineers Holmes Consulting Group. I say fortunately, because from my experience following the September earthquake there was little information given out in a timely manner about the placarding of buildings. Having said that, I accept that the September earthquake and its aftermath was a learning exercise for everyone.
4. We needed to know what the placarding was for our particular buildings but we couldn't get past the CBD cordon once it was established. In the early stages Holmes engineers attended the Civil Defence briefings and were then able to give a briefing to us providing information that we could use to help our clients. We made an early planning decision that we would instruct Holmes to carry out structural assessments to find out if our buildings were safe to occupy. Holmes invariably told us immediately that they decided following from their inspection that a building was not safe to

occupy. They would advise us as the owner's manager on what work was required to make the building safe for occupation. In some cases Holmes even arranged for changes to the placarding. The premises at 124 Lichfield St is an example of a building which had been green stickered on the High Street side immediately after the September earthquake but then had to be changed to a yellow placard after Holmes Consulting Group inspected it. They identified emergency make safe works which they designed, supervised the works and signed off on completion and sought the placard approval change back to green.

5. Following the September earthquake we were under a lot of time pressure to respond to the needs of our building owner clients and their commercial tenants. We worked under a lot of work stress as well as coping with our own personal earthquake issues. We experienced some difficulties in dealing with the assessment of buildings and repairs required. One of the buildings we managed was at 124 Lichfield Street (with frontage at 180 High Street as well). Following the Boxing Day earthquake, in late January 2011 we needed to get a crane onto High St and a crane on to Lichfield Street to fix parapets on the building but could not do so because the Council would not give us a traffic management plan. The reason we could not get a traffic management plan was because the Council were in the process of completing tram lines and this took priority.
6. In some few instances we also had problems with getting insurers and loss adjusters to make progress in relation to some buildings. We were able to undertake emergency works in many situations however in those few instances where the insurer had taken control of the claim our ability to make decisions became limited.
7. Another difficulty I experienced at times was with foreign ownership of buildings where the owner had a lack of understanding of New Zealand compliance requirements.
8. As the result of the February earthquake I understand that CERA are now requiring every remaining property, in the CBD at least, to be thoroughly inspected by an engineer before it can be re-occupied. This did not happen after September and with hindsight this would have been better, I

believe there were time and resource issues associated with this and I do not believe those resources were available following the September quake.

9. My other general comment is that lack of resources came to a head after the Boxing Day aftershock. As well, the fact that it occurred in the holiday period did not help and it was difficult to get engineers and other people necessary in relation to building assessments and repairs.

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10. This was not a building that was ever managed by Harcourts. I understood that the building was owned by the Changs, who were a Chinese family. They had approached me a couple of weeks before the September earthquake to inquire about our management services. I met with them and gave them details of what we could do for them as owners and also our standard terms.
11. I did not hear back from them until shortly after the September 2010 earthquake. On 7 September 2010, I received an email from Joy Chang in which she told me that the building had suffered some damage, made a query about EQC cover and asked for my help as to how they could evaluate the damage. []. I responded by email advising that there was no EQC cover and without insurance they would have to meet the costs. [] Joy Chang responded on the same day asking for how they would get an assessment of damage. I went straight back by email and told her that there was currently no access to the building and recommending an engineering inspection. []
12. On 10 September I received an email from Bowen Chang who I understood was one of the younger family members. [BUI.COL 593.0055.1]. Bowen was asking for our help to have the building assessed, and raised other inquiries about our property management services and insurance/EQC related issues. As it turned out we never entered into any formal management agreement but did try and help them in relation to their building. I responded to Bowen Chang by email on 11 September 2011 [BUI.COL593.0055.2. I told him that I could arrange a building assessment and what the likely cost would be. I also

attempted to answer his various queries. I also sent him a copy of our standard management contract [BUI.COL.593.0055.4]. The Chang's never returned a signed copy of this and never engaged Harcourts as property managers for the building. As I indicated above, Harcourt's took the view that every building they managed needed inspection. We had contact with Holmes Consulting Group and also Spotless building contractors.

13. I have no recollection of what placarding the Council may have placed on the building at 593 Colombo Street.
14. On 17 September I sent an email to the Changs asking for them to at least confirm that they wanted to engage Harcourts to act on their behalf on the earthquake issues. [BUI.COL593.0055.14] Joy Chang responded by email on 18 September confirming that the Changs wanted us to deal with the earthquake issues for them. [BUI.COL593.0055.14] I responded by email on 26 September 2010 where I refer to Matt of Southern Ink – who was a tenant. [BUI.COL593.0055.13/14] On 26 September Joy Chang sought an update by email [BUI.593.0055.13].
15. By then I had arranged for Holmes to carry out an assessment of the building. I have a hand written site report from Holmes dated 24 September 2010 on my file. [BUI.COL.0055.12] I sent this on to the Changs by email on 27 September 2010. BUI.COL593.13]. Holmes also sent a printed report dated 4 October. [BUI.COL593.0055.15]. This report included some photographs with notation about possible damage. [Bui.593.0055.16 -17], and a Holmes engagement agreement for the Changs to sign. [BUI.COL593.0055.18 – 19]. I sent the report and engagement letter on to Joy Chang by email on 11 October 2010 [BUI.COL593.0055.20] Joy Chang sent a signed copy [BUI.COL593.0055.21]back by email on 19 October 2010. [BUI593.0055.20]. I sent this onto Richard Seville of Holmes on 10 November 2010 by email [BUI.COL593.0055.22]-23]
16. As a result of these communications, the Changs had engaged the services of the Holmes Consulting Group to:

- Design temporary shoring
- Liaise with a contractor that would be carrying out those works once designed
- Provide concept drawings for strengthening

(I refer to the written contract dated 19 October 2010)

17. On 24 November 2010, Holmes conducted a site inspection and met with the Changs. Present at the building on 24 November were Richard Seville (Holmes), Scott Thompson (Spotless Facility Services), Mr. Chang (Father), Joy Chang (Daughter) Bowen Chang (Son) and me. When we met at the building we went through the building and inspected damage to the cracks to plaster etc. There was also talk of what could be done with the upstairs in terms of converting it in the future to offices.
18. Following that meeting around 6 December 2010, Holmes engineers with the assistance of Spotless Facility Services undertook an invasive inspection which included cutting holes in the wall linings etc to enable them to complete their inspection/assessment.
19. At that time the only tenancy that was occupied was the Southern Ink Tattoo shop, 593 Colombo Street. The tenancy next door (which had been occupied by Adam & Eve Adult Boutique) was empty, and I believe had been vacated, before the September earthquake. The tenancies on the St Asaph St frontage of the building were not occupied at the time of our inspection on 22 November 2010. On both of the inspections access had to be taken with the cooperation of Southern Ink.
20. I did not receive any engineering reports from Holmes, or further instructions from the Changs before the Boxing Day earthquake. I am not aware of any engineering inspection after the Boxing Day earthquake by the Council. I was not instructed to arrange any further inspection by the Changs, but at that stage I still hadn't received any engineering advice following the earlier Holmes inspections of November and December 2010.
21. On 23 January 2010, I received an email from Joy Chang informing me that they wanted to hold off making any repairs to the property and would

carry out the building management themselves. [BUI.COL593.0057] Of course they had never engaged Harcourts as building managers anyway.

22. On 11 February 2011 I received an email from Richard Seville of Holmes attaching engineering drawings intended to repair and increase the earthquake standard for the building. [BUI.COL593.0057.2] I do not recall receiving any other report at that time. In an email to Joy and Bowen Chang dated 15 February 2011 I passed on the Holmes drawings. [BUI.COL593.0057.7]

23. I also forwarded these on to Scott Thompson of Spotless for pricing in an email dated 15 February ~~2010~~ [BUI.COL593.0057.12].

24. I did not receive any further instructions from the Changs prior to the earthquake on 22 February 2011. The Changs did not have the building insured so I did not have to deal with any insurer or loss adjuster. I believe that the building was demolished by Civil Defence following the February earthquake,

Southern Ink

25. I did have some communication with Matt from Southern Ink. I think that he was the business owner and the Chang's tenant. It was a common after the September earthquake for commercial tenants to seek information from building managers and landlords, and in particular to express some despair over their loss of business and problems with paying the rent.

26. Matt sent me an email dated 20 September ~~2010~~ asking for some repairs to his ceiling. [BUI.COL593.0056.1] He incorrectly thought that I was the property manager. I responded on the same day by email advising him that we were arranging for structural engineers to check the building structure. [BUI.COL593.0056.1]. He responded by email – expressing his appreciation that I had got back to him. [BUI.COL.0056.1] It was my experience at this time that tenants were feeling starved of information so they were as a rule grateful to hear that there might be some progress.

27. On 30 September 2010 Matt emailed me to let me know that they were having trouble paying the rent due to the affect of the earthquake on their business. [BUI.COL0056.2] Once again he referred to the ceiling which appeared to be a hygiene problem for them.
28. On 8 October 2010, I let Matt know that we were still waiting for structural engineering advice. I also pointed out that it might be some time before the building could "...be tenanted legally..." I asked for a copy of his lease. [BUI.COL593.0056.3]. He sent me a copy by email 11 October 2010. [BUI.COL0056.3-4]
29. Harcourts were not managing this property so I must have assumed that Southern Ink was still in the building with the permission of the Changs and presumably as allowed by the Christchurch City Council building assessment following the September earthquake. Matt never asked me if it was alright for him to be in his shop. I never had any discussion about this with the Changs or with Holmes Consulting. Everyone involved knew that Southern Ink was there. I recall that they might have been the only tenants in the building at the time of the September earthquake. They were afterwards. I did not have any direct knowledge. I was engaged in arranging the engineering assessment.
30. On 18 November 2010 I received an email from Matt in which he once again complained about the ceiling. [BUI.COL593.0056.22]. I responded by email on 19 November 2010 in which I advised Matt that the engineering inspection would take place on "Monday" (which actually took place on 24 November 2010) and asking for access. [BUI.COL593.0056.22] He emailed me again on 21 January 2011 referring to repairs to the ceiling that he had carried out and also wanting to know about his lease. [BUI.COL593.0056.23] I responded on 24 January 2011, [BUI.COL.0056.23] I told him that the owners (Changs) were going to hold off repairs and manage the building themselves. I also told him about progress on the engineering issues. In respect of the rent issues I advised him that the Chang's had agreed to a 30% rent reduction, and that he was now a monthly tenant and could vacate on one months notice.

31. He expressed some concern about the safety of the building in an email 28 January 2011 [BUI.COL593.0054.24]. I got back to him by email on 16 February 2011 where once again I updated him on the progress of the engineering and building works, confirming that repairs would be up to the owners.[BUI.COL593.0056.24] In respect of the building earthquake strength standard required by Council, I understood that this was as a result of the proposed repair works requiring a building consent. The Council had by then indicated that it would be increasing the earthquake standard on new building consents for existing buildings.
32. Harcourts was instructed by the Changs to help them work through the issues which arose after the September earthquake. After Joy Chang's email of 23 January 2011 [BUI.COL593.0057.1], Harcourts had no further instructions. Despite this I did still field emails from Matt and received the engineering information from Holmes. Harcourts did not receive any payment ~~from~~ the Changs for this.

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Philip Chapman

CHRISTOPHER PHILIP CHAPMAN

12 December 2011