

# ARENA MANAWATU

*PROVIDING EXCELLENCE IN THE PROVISION OF FACILITIES  
FOR THE LOCAL AND NATIONAL COMMUNITY IN THE AREAS  
OF SPORT, RECREATION, ENTERTAINMENT AND EXHIBITION.*

## BUSINESS PLAN, PHASE 1:

### “SPORTS HOUSE”

VERSION 2: AUGUST 2008



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**PROJECT SPONSOR:**

**PROJECT MANAGER: ANDREW HIGGS**

**SIZE OF PROJECT: \$2.2 MILLION PNCC CAPEX**

## SUMMARY OF THE RECOMMENDATIONS:

Arena Manawatu is the major sports and leisure facility serving the lower north island. It is owned and operated by Palmerston North City Council and managed by a Council-appointed Board of Control. Its core business is the provision of multi-purpose, flexible spaces for community sport and a range of commercial events and conventions. In order to remain competitive in the medium and long-term, strategic forward planning is essential. A Strategic Plan 2009-2019 (Appendix A) has been developed by Council officers, including Arena staff and other specialists and agreed between City Council and the Board of Control. The Plan has received widespread input and support from a range of stakeholders.

The first capital development outlined in the Strategic Plan is to build office accommodation at Arena Manawatu to house existing tenants (Arena staff, Manawatu Rugby Union, Speedway, and Ticket Direct) but also to extend to include Sport Manawatu and administration for other sporting codes. Sport Manawatu is the regional foundation responsible for implementing sport and active recreation strategies for a range of stakeholders, including Council. Sport Manawatu currently operates a "Sports House" as an administration hub for a large number of sporting codes. The benefits include economies of scale and scope, better co-ordination of events and developing capability amongst sports organisations. Sport Manawatu are in the process of enlarging "Sports House" to meet growing demand and there is an opportunity to partner with Council to provide these facilities on site at Arena Manawatu. This is equally advantageous to Arena Manawatu because of its role as the region's major sports and leisure facility. Many of the groups involved in "Sports House" are also Arena Manawatu's key users and stakeholders.

This business plan proposes that Council enter into:

1. A formal partnership with Sport Manawatu to commit both parties to a long-term lease agreement, and
2. An Early Contractor Involvement (ECI) arrangement with (a local developer) to guarantee a fit-for-purpose development within the financial envelope available to the project.

**Early Contractor Involvement Case Study: Sheffield City Council**

In the 20 months prior to construction commencing, Sheffield City Council worked in partnership with the main contractor, Birse Civils Limited, on scheme development. The benefits were an input to design, more time for planning and programming the construction works, better quality and value for money and better risk management. £1.5m of net savings were identified during the scheme development stage through value engineering exercises. This partnership arrangement is being carried over into the construction phase, which should ensure that the cost is contained within the funding available.

The idea of ECI came about following Sir John Egan's report in 1998, which sought to improve the performance of the construction industry. The ultimate goal was increased efficiency for both clients and contractors.

Conventional projects in the past have required a contractor to bid, or tender, for major projects within a limited timescale, based on plans and huge amounts of information supplied by the client. Not surprisingly, assimilating all this information during the tender period could be extremely difficult. The winning firm, conventionally the lowest bidder, would take on the project and implement the supplied design, again with very little time during mobilisation for detailed preparation. With so little planning and time, the risks were high.

However, if the experience of both the contractor and the client can be harnessed in a partnership during the scheme development stages, the resultant synergy means that a more cost effective and better product can be achieved.

ECI seeks to reduce the risks involved within a project and to pre-plan from an early stage to such an extent that, in theory, there are no surprises. That is, the scheme requirements and their associated costs are known from the outset and the costs are less likely to increase due to unforeseen circumstances.

Ref:<http://www.sheffield.gov.uk/roads-and-transport/roadworks/major-schemes/irr/eci> (Sheffield City Council website)

## 1. DESCRIPTION OF THE PROPOSAL

Sports House will be a new building on the Arena Manawatu site of approximately 1800 m<sup>2</sup> office space (including shared and circulation spaces) to accommodate 80+ staff. Indicative architectural perspectives and location maps are included as Appendix B. The range of rough order of costs reflects early contractor involvement (\$3.5) to all design work completed prior to tender (\$4.2). This is in line with the Rawlinson's Base Building Costs Index 2007 of \$2,000 per m<sup>2</sup>.

Sports House is the first phase of a planned programme of works. The second phase involves upgrades to the main outdoor stadium (the FMG Stadium) and the third phase is the development of new indoor facilities to replace Arena 5. The exact nature and timing of phases 2 and 3 have yet to be determined. However, the likely development of these phases **at some point in the future** affects the options for phase 1. This is because the Sports House building can act as a building block for phases 2 and 3, so reducing the costs associated with these projects. This is discussed in more detail in the following sections.

Phase 1 (Sports House) must be started by January 2009 in order to include Sport Manawatu as an anchor tenant. Indeed, since Sport Manawatu will bring over 40 staff with it, it is unlikely to be a viable project within the current concept without their involvement. It is for this reason that a formal agreement is recommended between Sport Manawatu and Palmerston North City Council to ensure that both parties needs and expectations are met by the project.

PNCC has allocated \$2.2 million to the project subject to approval of this business case. Central Energy Trust has approved a grant of \$600,000 and applications are in process for a further \$450,000 from gaming and other trusts. The total budget available to the Project Team is therefore in the order of \$3.25 million with potential for sponsorship still to be pursued through procurement processes.

The project team is proposing that Early Contractor Involvement (ECI) is used at the pre-design stage to incorporate budget considerations and value engineering into the design. ECI has been used to good effect in other projects where it is important to bring projects in on time and on budget. The process proposed is an open Registration of Interest process: the relevant paperwork is attached as Appendix C.

## 2. STRATEGIC ANALYSIS AND PROJECT JUSTIFICATION

Arena Manawatu is the major sports and leisure facility serving the lower north island. It is owned and operated by Palmerston North City Council and managed by a Council appointed Board of Control. Its core business is the provision of multi-purpose, flexible spaces for community sport and a range of commercial events and conventions. In order to remain competitive in the medium and long-term, strategic forward planning is essential. A Strategic Plan 2009-2019 (Appendix A) has been developed by Council officers, including Arena staff and other specialists and agreed between City Council and the Board of Control. The Plan has received widespread input and support from a range of stakeholders.

**The Strategic Plan** provides a blueprint for the capital and operational development at the site into the foreseeable future. It identifies the facility's strengths:

- Its position close to the CBD in a central north island location,
- The extent of use by a wide range of community sports and events, and
- The quality and range of its indoor stadia.

This means that Arena Manawatu is currently the preferred venue for many conventions and sports tournaments, particularly national school-age competitions in the court sports. In addition, the regional outdoor stadium, the FMG Stadium, has become the leading national venue for Speedway and stockcar racing. It is also home to an Air New Zealand Cup team (the Manawatu Turbos) and hosts the occasional Super 14 game (the Hurricanes).

However, the competition from other regions, with newer facilities, is fierce and Arena Manawatu has to develop a growth strategy that will maintain its status as the premier, regional facility. This requires capital investment. The Strategic Plan identifies three immediate, key issues which impact upon the growth strategy:

### **A) Pressure on Indoor court space**

The demand for indoor court space is being felt across all court sports but particularly through the trend for netball and tennis to move indoors or to covered surfaces. An analysis of the growth is presented in Appendix E which also indicates that increasing provision in the future may qualify for development contributions of up to 40% of the capital cost. The analysis states that "if the increase in the (above) court sports were in line with population growth then we should expect accumulated growth of 17.4% since 1990. Actual accumulated growth has been at 42.4% - more than twice our population growth.

**B) Outdoor Stadium capacity and facilities**

Speedway and Super 14 Rugby regularly sell out at 2-3 events per year at the stadium (current capacity 14,000): a situation which would be relieved by the addition of 1,000 more permanent seats. Air New Zealand Cup requirements for changing and media facilities have recently been upgraded meaning that Arena Manawatu must make changes to accommodate these upgrades in order to retain its major rugby games. The changes require that the current offices are moved to a new location.

**C) Accommodation for Arena staff (offices) and for the Rugby Referees (club room and bar)**

The requirement to re-house Arena staff and existing tenants (Manawatu Rugby Union, Ticket Direct and Speedway) is urgent. At the same time, an opportunity to include Sport Manawatu as an anchor tenant in the development gives scope to develop the “critical mass” of activity that the facility needs to get maximum use.

The last two priorities are linked: the changing facilities cannot be upgraded until staff and the Rugby Referees have been re-housed. They are also time dependent: the office accommodation to take advantage of Sport Manawatu’s required move and the stadium upgrades to take advantage of New Zealand’s hosting of the Rugby World Cup in 2011.

Capital and renewal developments at Arena Manawatu during 2007/08 have maximised the use of existing indoor stadium by ensuring that all court spaces work for several sporting codes. Improvements to Arena 5 and a new floor in the B&M Centre have greatly increased the capacity of Arena. It is expected that this will meet demand for indoor court space for 5-6 years.

**A Master Plan** was commissioned by Palmerston North City Council in April 2007 to act as a site guide for 25-30 years. There has been a united view about the need for a more co-ordinated, long-term approach to the site that avoids the piecemeal development of the past. The resulting Master Plan is a major piece of work undertaken by specialists with input from a wide range of stakeholders. The feedback has been extremely positive.

In essence, the Master Plan does not dictate what work needs to be done or when. Rather, it provides a framework for work as and when Council deems it necessary. For example, strategic and business considerations have demonstrated that three key developments are needed to support the growth strategy: the Master Plan should guide these developments within the overall site plan.

The Master Plan recommends that any developments should:

- Create flexible, multi-use facilities to encourage maximum participation that does not exclude particular user groups,
- Progressively re-designs to make sense of the site and contribute to sustainable, urban design principles,
- Anticipates and caters for future growth and trends.

In line with these principles, the current proposal is to:

- Use the office accommodation as a building block or catalyst for future upgrades to the FMG Stadium and a new indoor stadium,
- Focus developments on the Cuba Street side of the site to make immediate progress on street presence and appropriate entranceways.
- The precise location is discussed in more detail in the review of options.

The design concepts and scale of capital investment of the Master Plan have been reworked to ensure that developments are affordable and fit-for-purpose. These developments are proposed to take place over three phases:

- Sports House (2008/09)
- Upgrades to FMG Stadium (2009/2010)
- Development of new indoor facilities (2014/15)



### 3. ALTERNATIVE OPTION REVIEW

#### **A) Do nothing**

There are several likely consequences of the “do-nothing” option. Firstly, Sport Manawatu is strategically committed to developing Sports House and it is likely to go ahead at a different site. In this case it is likely that Manawatu Rugby Union will relocate to the Sports House since their current accommodation at Arena Manawatu is sub-standard. The opportunity to harness synergies of the “critical mass” of sports professionals working on the site will be lost.

Secondly, the City and region may lose the opportunity to be home to an Air New Zealand Cup team (the Turbos) or at least to host their matches in the City. The facility would not meet the minimum requirements. These requirements include improved changing facilities, officials’ spaces and media facilities.

Thirdly, if Speedway continues as a growth sport, as is likely, the sponsors will want to move the sport to a venue that is more accommodating in terms of capacity, media and corporate facilities.

Finally, whether or not these first three outcomes impact on demand for the venue for conventions, sporting tournaments and other events, and therefore the requirement for a new indoor sports stadium in due course, is difficult to determine but can be foreseen as a probable outcome.

A decision to “do-nothing” would jeopardise the ability of the site to continue to deliver the current benefits to the City and wider region.

#### **B) No Sports House**

The immediate need is to re-house Arena staff and other tenants from their offices on the ground floor of the FMG Stadium. It is sub-standard accommodation and the staff have outgrown it. It was only considered a temporary measure. There is still an option to accommodate staff and existing tenants in another location. This would enable future developments at the FMG Stadium to safeguard the future of its key users: Speedway and rugby. However, it would not accrue the benefits of “critical mass” for the site.

For example, as above, Option A, it is likely that Sport Manawatu would continue to develop Sports House and could accommodate Manawatu Rugby Union. In this instance, Arena staff could be accommodated either alongside the Rugby Referees on Level 2 of the FMG Stadium or in the building currently occupied by the New Zealand Rugby Museum.

A financial comparison of this option has been undertaken in order to assess the cost of the additional benefits that Sports House will accrue.

### C) Sports House

Within the Sports House option, there are variables associated with location, scope, functionality and timing.

**Location: On- or Off-Site?** The options regarding the location of Sports House are either to include one on site at Arena Manawatu or at any other site in the City. There are clear benefits to the Council and the City to creating a “critical mass” of sports and recreation activity on its premier sports and recreation site. These are described in Section 4 below.

**Location: Where On-Site?** The Master Plan has suggested that the office accommodation block should be sited as part of a development on the Cuba Street frontage to address issues of site access and way-finding. There is no reason to question this.

**Scope:** The Master Plan envisaged a development with a range of functions and a definite architectural presence. Such a development is unrealistic within the financial envelope available and the scope has been trimmed to deliver a building that meets current demand and is fit-for purpose but is also a minimum development that is purely functional.

**Functionality:** Sports House will function to deliver the benefits of a “hub” for all sporting codes. The development can deliver added value if it is functionally capable of acting as a catalyst for phases 2 and 3 i.e. it is designed to enable tiered seating to be “hung-off” on the Oval side and to provide flexible services for a new indoor arena in due course.

**Timing:** There are costs associated with phasing developments i.e. Sports House, followed by upgrades to the FMG Stadium, followed by a new indoor stadium, including opportunity costs.

There are also costs associated with building in one development either sooner or later and not just the operating impact of capital borrowing:

- i) The opportunity to involve Sport Manawatu in a Sports House initiative will be lost if the development is not guaranteed a start date by January 2009,
- ii) The opportunity to capitalise on the Rugby World Cup will be lost if the upgrades to the FMG Stadium are not completed by September 2010, and
- iii) The opportunity to use development contributions to contribute up to 40% of the costs of new indoor court space will be lost if the building takes place before demand exceeds current facilities.

#### 4. SUMMARY OF NON FINANCIAL ANALYSIS

**Sport Manawatu:**

The Sport Manawatu Board has indicated its preferred option is for a Sports House at Arena Manawatu. This requires a tight agreement and partnership arrangement. This is discussed in Section 7.

**Community Identity/Visibility/Pride:**

There is potential for a more coherent and connected sporting community with the benefits similar to those for a “business cluster”. This includes tangible benefits such as economies of scale and also more intangible benefits that arise from sharing a coffee break! The potential cost is that in-house hierarchies develop and the Sports House community becomes inward looking and cliquy. Building capacity on the sporting community is part of the remit of Sport Manawatu and it already successfully runs a Sports House from its current premises. Sport Manawatu should be given a lead role in developing stakeholder engagement and involvement in running Sports House – probably as Anchor Tenant.

**Support for or disconnection from Development Logic:**

Currently the development logic is for a multi-use facility and therefore having the administration for all sporting codes on one site fits well with the logic. However, many large cities are increasingly moving towards developing centres/facilities that specialise in a few complimentary sports. This has been identified as a potential issue in the triggers for new indoor court space, but is not likely to be the development logic in Palmerston North within the foreseeable future. Specialist facilities become feasible where there is a “critical mass” sufficient to support that sports code. If a sports code develops to the point where it is competent enough to develop a specialist facility, then it would be right for it to move to dedicated premises and enable an emerging sport to take advantage of the synergies of being part of a Sports House.

**Potential for Political Conflict/Political Capital Gained or Expended:**

The co-operation between the various organisations that would be required to develop a successful Sports House may bring political capital to Council. Conversely, if the development is not successful, it will be important to ensure that no blame attaches to any party.

**Opportunity Costs for the funds:**

The use of these funds gains little in terms of increased level of service or contribution to Arena's KPIs. The public good element of the expenditure is in terms of increased visibility and pride, and a community that works more closely together. There will always be calls on capital funds: the decision about which projects provide better ratepayer value should be taken with a city- and region-wide overview. In these terms, investment in Arena Manawatu which currently delivers to the city's strengths would seem reasonable.

**Community Views:**

No specific consultation has been undertaken with the wider community although extensive input has been received from interested parties.

- Stakeholder consultations were held in April 2007 to identify strategic and master planning priorities and used to inform the scope of the reports subsequently commissioned.
- Stakeholders have had further opportunity to contribute comments and feedback at interim stages of the Master Plan in August and November 2007 and of the Strategic Plan in September 2007 and January 2008. The final results from both were reported to stakeholders at a meeting in May 2008.
- Key stakeholders (Sport Manawatu, Destination Manawatu and Manawatu Rugby Union) were involved in developing the Strategic Plan 2009-19.

## 5. SUMMARY OF FINANCIAL ANALYSIS

### Project Cost:

The project has been roughly costed as follows:

Figure 6.1:		
Project Element	\$'000s	Cumulative \$'000s
Office accommodation (basic)	3,540	3,540
Additional costs to enable future phases:		
a) Raise by one storey	318	3,858
b) Elongate along bank of Oval stadium	339	4,197

### Funding available:

Figure 6.2:		
Funder	Amount \$'000s	Status
Palmerston North City Council	2,200	Annual Plan 2008/09
Central Energy Trust	600	Confirmed
Eastern and Central Community Trust	150	Application to be submitted for 15 <sup>th</sup> August
New Zealand Community Trust	200	Expression of Interest to be submitted for 19 <sup>th</sup> August
Lion Foundation	100	Monthly
Naming rights, sponsorship, Early Contractor Involvement	950	to be confirmed
<b>Total:</b>	<b>4,200</b>	

Confirmed funding as at 11<sup>th</sup> August is therefore \$2.8 million (PNCC and Central Energy Trust). The outcome of applications in situ will be known within a couple of months. Negotiations following the Registration of Interest for Early Contractor Involvement will need to be concluded as soon as possible to enable detailed designs to be completed. Given the shortfall, it is anticipated that the final building design will be somewhat modified from those presented as concept drawings in this business plan but the basic building block for future phasing will be in place. In any event, Council contribution will be capped at \$2.2 million.

### **Calculation of Net Present Value (NPV):**

NPV calculations use discounted cashflow (DCF) to determine the timeframe within which a development will generate a positive return. NPV calculations have been undertaken for various scenarios within a 10-year timeframe, using the following general assumptions:

- No capital repayment occurs; interest on capital borrowed is calculated at 8.1%.
- Cleaning and maintenance costs have been worked from costs for the CAB, taking into account the age and additional lifts.
- A rental income is assigned to the spaces used by Arena Manawatu staff.
- Current rental rates are assumed to be the rates currently applied at Arena Manawatu (\$90 per square metre).
- Market rental rates are assumed to be \$120 per square metre.

The following scenarios have been worked through and are presented in Appendix E:

#### **Option 1: No Sports House**

This option assumes that existing tenants move to a new Sports House developed independently by Sport Manawatu, and that Arena Manawatu staff are rehoused in the existing Rugby Museum building. A discounted rental rate is applied. A refurbishment cost of \$890 per square metre has been used to calculate capital investment.

#### **Option 2: Sports House: Market Rentals**

This option assumes a capital investment of \$4.2 million with \$2 million being contributed by third parties in cash or in kind. The increase in rental revenue is calculated using the market rental rate.

#### **Option 3: Sports House: Current Rental**

Sport Manawatu have indicated that they will require and their tenants may struggle to pay market rents (see section 7 below). Therefore a third option has been calculated as above, using the current rental rate.

#### **Option 4: Discounted Sports House: Current Rental**

A further option should be considered: a stand-alone Sports House i.e. it is not built as a building block for future phases (which adds an initial cost to the project as above in Figure 6.1). It should also be assumed that third party funding has been raised on the basis of the Sports House concept and therefore should in large part be allocated to these expenses. Under this option, the

capital investment is assumed to be \$3.54 million, of which \$1.5 has been contributed in grants and/or sponsorship.

### Option 5: Discounted Sports House: Market Rental

This option calculates the NPV for the final combination of scenarios i.e. capital investment as above with an income calculated on the market rental rate.

The outcome of these calculations is:

- NPV is negative for all options over the first 10 years.
- To achieve a return within 10 years, the investment must be \$600,000 or the rental charged \$314 /sqm.

Figure 6.3: Summary of Options		PNCC capital investment	Rental rate	NPV after 10 years	Council investment to achieve NPV = 0	Rental rate required to achieve NPV= 0
1	Build the Sports House later/somewhere else and shift staff into the rugby museum building. MRU to go offsite	\$248,000	\$90	-\$471,818	N/A: rental income is negative	\$342
2	Build the Sports House now in the right place, charge market rents	\$2,197,000	\$120	- \$2,459,799	\$605,000	\$314
3	Build the Sports House now in the right place, charge discounted rents	\$2,197,000	\$90	- \$2,841,674	\$357,000	\$313
4	Build a stand alone Sports House, charge discounted rents	\$2,040,000	\$90	- \$2,599,204	\$357,000	\$294
5	Build a stand alone Sports House, charge market rents	\$2,040,000	\$120	- \$2,217,328	\$605,000	\$294

6. RISK ANALYSIS				
No.	Identified risk: Capital Project	Gross risk	Mitigation Strategies (Who is responsible)	Residual Risk
1	Cost: the project over-runs its budget, or income is not secured as planned.	C	Transfer risk to contractor: require evidence of adequate insurance, draw up contract to include incentives and disincentives to run over time (Project Manager). Provide adequate pre-planning time and resource to minimise costly amendments later (Project Manager).	L
2	Duration: the project over-runs on time.	C	Transfer risk to contractor: require evidence of adequate insurance, draw up contract to include incentives and disincentives to run over budget (Project Manager). Provide adequate pre-planning time and resource to minimise time consuming amendments later (Project Manager).	L
3	Scope: the project doesn't deliver a "fit-for-purpose" building.	C	Develop design brief in consultation with stakeholders (Project Manager, Stakeholder Manager). Provide adequate pre-planning time and resource to minimise time consuming amendments later (Project Manager).	L
4	Partnership/stakeholder management: the project does not meet all stakeholder and partner expectations and relationships are weakened.	C	Appoint a Stakeholder Manager (Project Team). Expectations of each party are identified, agreed, recorded and managed (Stakeholder Manager). Process to engage and communicate with stakeholders is agreed (Stakeholder Manager).	M
5	Support for the development logic does not last: phases 2 and 3 etc. do not proceed, the Master Plan is superseded, and market developments do not turn out as expected.	H	Develop design brief to ensure that each phase makes sense as a stand alone project (Project Manager).	L



No.	Identified risk: Project Risks	Gross risk	Mitigation Strategies (Who is responsible)	Residual Risk
6	Community capacity building: a less coherent and connected sporting community does not deliver the benefits usually associated with a successful “business cluster”.	H	Sport Manawatu has a successful track record in capacity building of sporting community. Sport Manawatu to be assigned responsibility through Anchor Tenancy agreement (PNCC Property Officers/Sport Manawatu)	L
7	Operational Impact: the net operating cost of the facility is higher than anticipated.	H	Rigorous budget appraisal: peer reviewed within City Corporate (Management Accountant, City Corporate).	L
8	Community identity/visibility/pride: the project does not generate pride from residents and users or contribute to a positive City image.	H	Communications planning and implementation (Project Manager/Project Team).	L

Key:

	Critical
	High
	Medium
	Low

Likelihood	Impact				
	Insignificant	Minor	Moderate	Major	Extreme
A. Almost certain	7			1	
B. Likely			5	4 2	
C. Moderate	2 5	3		3	
D. Unlikely	1		4 6	6 8	
E. Rare	7				

## 7. PARTNERSHIP ARRANGEMENT WITH SPORT MANAWATU

The Sport Manawatu Board agreed to the following recommendation from its Chief Executive Officer, Andrea Durie, at its meeting in July 2008:

“...that Sport Manawatu partners the Palmerston North City Council development of the \$4.2 million Arena admin hub project as part of the Arena Master Plan implementation, with the intention of becoming a tenant, subject to:

1. City Council making a decision on the project at the August 27 full Council meeting. Deferment will force Sport Manawatu’s withdrawal from the project.
2. Reaching satisfactory agreement with City Council on securing the right people (including project manager) that will enable the build to reach completion on time and within budget.
3. Agreement with City Council that the build must start by January 2009, which includes having all necessary funding and consents in place.
4. Agreement on the lease agreement terms and expectations, including lease costs and Sport Manawatu as head tenant.
5. Sport Manawatu providing a lead role on the project, in partnership with City Council.”

These recommendations formed part of a Business Case which outlined the issues for Sport Manawatu in regard of this option. Sport Manawatu are committed to a Sports House because “the Regional Sport and Active Recreation Strategy tasks Sport Manawatu with the development of capability and capacity within sport and active recreation in our region. Sports House is one tool that assists Sport Manawatu to do that”.

Sport Manawatu currently runs a Sports House from its building in Queen Street. This is owned by Sport Manawatu and valued at about \$1 million. In addition, it leases additional space: this lease expires at the end of June 2009 but there is some potential to extend the lease on a short-term basis. The building currently houses Sport Manawatu staff and the following groups:

Manawatu Wanganui Golf Association  
 Netball Manawatu  
 Manawatu Rugby League  
 Central Soccer  
 Tennis Manawatu  
 Central Squash  
 Special Olympics  
 SportsMed  
 Manawatu Car Club

Sport Manawatu supports the groups which take office space as part of its remit in Sports House through hidden subsidies to their operating costs (use of facilities, very low rental rates etc). Other groups would be interested in taking office space but there is currently no room. Sport Manawatu estimate their future requirements could be up to 1200 square metres. It is on this basis that the floor space for the Sports House options has been calculated.

### **Issue 1: Funding/Rental**

Sport Manawatu would sell their building in Queen Street as the basis for their investment in a new Sports House. The City Council's expressed preference to build and own the building at Arena Manawatu and have Sport Manawatu as a tenant, requires that Sport Manawatu makes a decision about how it can best use the asset that it has. It has a requirement to protect the value of the asset against inflation but does not see itself as a property investor i.e. to keep the existing building and rent it out. Sport Manawatu will need to cover its rental costs at Sports House from within its existing budget plus the return on the capital asset that it has, after inflation proofing. In other words, to keep its accommodation costs within its existing budgets. Council has indicated that the rental income should cover the interest repayments on the capital investment made by ratepayers. These figures have still to be finalised and negotiated to reach an agreement that suits both parties.

### **Issue 2: Lead Role for Sport Manawatu**

Discussions between Council officers and staff at Sport Manawatu indicate that a mutually beneficial lead role would be for Sport Manawatu to lead on the "Sports House" operations and processes, including managing stakeholder input into the project and relationships as the project progresses. Sport Manawatu have a remit and experience in building capability of sporting organisations. Council's role at Arena Manawatu is purely operational and event management.

## 8. RECOMMENDATIONS

Council has committed in principal to the Arena Manawatu Strategic Plan with its growth strategy to maintain the facility as the preferred venue for a range of appropriate sporting tournaments and conventions/events. It has also committed to a Sports House development. The proposal will only proceed if

- a) a partnership agreement is reached with Sport Manawatu, to the mutual benefit of both parties and the wider City and regional community,
- b) Early Contractor Involvement is used to ensure that a functional, fit for purpose building is achieved within the available budget (\$2.2 million of Council investment).

It is recommended that Council takes these next steps to develop Sports House as part of the Arena Manawatu Strategic Plan.

Appendix A: Arena Manawatu Strategic Plan 2009-2019

(Previously circulated – available in the Councillors Lounge)