

8. QEII MEZZANINE FLOOR

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The purpose of this report is to advise the Council of the responses received through the expressions of interest process and provide a recommendation on the future options.

CONTEXT

The mezzanine floor constructed above the leisure pool has been completed to a shell form, and to date utilised for the Athena World Masters, which was held at QEII in May of this year. This shell included limited fit out. As a step in determining the end use for this facility an expression of interest campaign was initiated.

The call for expressions of interest was extensively advertised. A flyer was sent out to 165 registered sports groups, organisations, schools and social organisations who may have had an interest in utilising the area. In addition to this Press advertising was undertaken during the period of 20 March until 6 April 2002. This process resulted in four groups expressing interest in the project.

A team of Council staff were selected to evaluate the expressions of interest. The team comprised Alan Bywater, Allan Johnson, Angus Smith and Jonathan Fletcher.

For your information an expression of interest generally is called for when the Council has identified no final use for a facility. It enables us to test the market and ascertain what demand there may be for an area. An expression of interest is generally followed by a request for proposal process, which is designed to provide the Council with enough information to enter into a contract with the proposer.

In this case the way in which expressions of interest were sought means that the Council has the option of two courses of action as a next stage:

1. That all parties who expressed interest and wish to, be invited to submit a detailed proposal.
2. Set aside all expressions of interest and then investigate management of the facility (or develop its operation) ourselves.

EXECUTIVE SUMMARY

An expression of interest process has been undertaken, calling for parties interested in developing/using the facility. Four groups registered interest. In the course of seeking further information for comparative purposes one withdrew and two could possibly be accommodated within the fourth proposal, which was from the Leisure Unit.

There is no evidence of any external market demand to utilise and operate the space to its full potential and capacity.

RELEVANT CURRENT POLICY

The Council's policy register states that the Council must publicly tender the disposal of all property. The Property Unit has always interpreted disposal as meaning sale or lease. Our process has followed this requirement.

The Local Government Act allows us to lease the premises through Sections 226 and 227 of the Act.

Evaluation of interest received was undertaken in accordance with the Council's Recreation and Sport Policy.

DESCRIPTION OF EXPRESSIONS OF INTEREST

The expressions of interest received are summarised as follows:

Christchurch Inline Hockey Association

The Christchurch Inline Hockey Association represents three clubs and was created to organise and promote the sport of inline hockey in the Canterbury region. They have 450 members, which is predicted to grow to 1,000 within five years. They currently have no long term security of tenure over the building they occupy in Twiggers Street. To compound this the owner is promoting the property for lease or sale they are therefore in an invidious position and could find themselves homeless at any time with limited notice.

They anticipate that their utilisation of the facility would be seven days per week from 3.30-10.30pm daily with the Christchurch Inline Hockey Association funding the fitout of the premises. They are seeking a six year lease with three rights of renewal of three years paying an annual rental of \$38,000.

The group would want exclusive rights to the area and the ability to sublet the facility to other groups, as they consider appropriate, therefore public access to skating and possibly other uses could be catered for.

This proposal, although having a number of meritorious points, including reasonable demand for usage in terms of hours, is considered to be an under utilisation of the space when compared to broader and varied community interests and potential uses.

It is also hoped that their requirements might be met within the Council run and operated proposal, though certainty of this occurring and associated issues are currently unknown and require further investigation.

Canterbury Judo Association

This response seeks to utilise the area for major Judo tournaments, which would generally occur 2-4 days per year.

On its own this is a gross under utilisation of the space and should be able to be accommodated within any other proposals for the space particularly the Council's in-house proposal for operation and management by the leisure unit.

Christchurch City Council Leisure Unit

This response proposes further development of the space by the Council for management of the facility by the Leisure Unit. The intention is that a multi-purpose indoor sports facility could be promoted to provide an opportunity for sports, recreation and educational groups to hire the area on either a casual or more permanent basis. Thus catering for a broad range of community demands and needs. The Leisure Unit lodged a registration of interest to protect in the process the Council's position as a possible operator.

Red Badge Group Limited

Provided a proposal, which again would facilitate the management of the facility. Once Council officers sought further information from Red Badge they withdrew their interest in the facility.

ISSUES FOR CONSIDERATION

The responses from the expression of interest process indicate that interest to utilise the space is weak. Further advertising to call for proposals would be unlikely to develop a greater number of responses let alone any with more merit than those already presented.

A full evaluation of the financial aspects of the submissions has not been undertaken. This would normally occur as part of the request for proposal process. In terms of the information presented the Inline Hockey proposal purports to provide the Council with a better return possibly without the requirement of any further capital expenditure.

In saying this it should however be noted that the panel evaluating the proposals utilised a weighted value attributes analysis that considered a number of features, not just financial merits, ie: in summary:

1.	Relation with Council/Leisure Policy		40%
	• Ability to accommodate significant events	5%	
	• Identified need	10%	
	• Facilitates access and participation	10%	
	• Enable diverse and large participation	10%	

	• Supportive of volunteer contribution`	5%	
2.	Experience and Ability of Operator		25%
	• Capital financial ability	10%	
	• Operational experience	10%	
	• Financial viability	5%	
3.	Operational Approach		35%
	• Hours of utilisation	10%	
	• Management process	5%	
	• Is the fitout universal	10%	
	• Ability to attract people	5%	
	• Integration with QEII	5%	

This process makes it inherently difficult to favourably compare a specific use for a small sector of the population against a multi use proposal catering for a broad spectrum of the community.

However with Red Badge Group Limited withdrawing their interest in the facility. It is possible that both the Canterbury Judo Association and Christchurch Inline Hockey Association could possibly be accommodated within the Leisure Unit's proposal, which provides for Council development and management of the facility to enable utilisation by a wider number of interest groups.

If the Council were to run the facility through the Leisure Unit. The current proposal suggests a need to fund further fitout of the premises. This should be considered if further investigation into this option is pursued.

CONCLUSION

The brief provided to the team requested they evaluate the expression of interests and asked them to decide:

1. Whether the facility should remain undeveloped and be utilised when required for major events on a casual hireage basis.
2. That the Council (by way of the Leisure Unit) develop and operate the facility in order to gain maximum utilisation of the area.
3. That a formal request for proposal process is undertaken (although as previously mentioned it is considered unlikely to attract any more interest).

The Council is therefore faced with three options:

1. Retain the status quo. That is, leaving the area with no further fitout and shut-off from everyday use. The area would then only be utilised on those occasions when a special event had a use for the space with its existing limited fitout.
2. Utilise and operate the space itself through the Leisure Unit.
3. Proceed to a request for proposal.

The expressions of interest campaign has demonstrated that there is not significant latent demand outside the Council for use of the space. In light of this we can comfortably dispense with Option 3 and proceed to evaluate the first two options in detail.

Staff**Recommendation:**

1. That the Council set aside all expressions of interest received for the utilisation of the Mezzanine Floor at QEII Pool Park.
2. That the Council resolve not to proceed to the request for proposal stage as initially provided for in the expression of interest document.
3. That officers develop a detailed fully costed proposal for consideration by the Council alongside the status quo. The detailed proposal to include whether the requirements of Judo Association and the Inline Hockey Association might be provided for.

Chairman's**Recommendation:**

That the above recommendation be adopted.