

1. JADE STADIUM LIMITED – POSSIBLE INVESTMENT BY SELWYN DISTRICT COUNCIL RR 9510

Officer responsible Director of Finance	Author Bob Lineham
Corporate Plan Output: Public Accountability – Policy Advice	

The purpose of this report is to respond to an enquiry from Selwyn District Council regarding an investment in Jade Stadium Limited. The following letter has been received from Selwyn District Council:

“The Council has received a presentation from the Red and Black Trust regarding the redevelopment of Jade Stadium. This presentation related to the purchase of naming rights to a stand.

A further option identified is the possibility of an investment in Jade Stadium Limited, a company established by the Christchurch City Council to operate and manage the stadium. Could you please advise whether an opportunity exists for this Council to consider this investment opportunity.

The Council will be adopting its draft Annual Plan on 14 April and therefore I would appreciate your comments by 1 April to allow the Council to consult with the Selwyn community on any possible investment as part of the public consultation phase.”

This Council has made a commitment to make an equity investment of \$4 million in Jade Stadium Limited. The Council has also agreed to underwrite the debt of the operation subject to a number of constraints.

While the governance of the company is simpler if there is one shareholder, the issues raised by having two shareholders are not significant. It would however be sensible to require a reasonable size contribution to move from 100% ownership. My suggestion would be that an equity contribution of no less than 10% and no greater than 20% would be appropriate. This would require a sum ranging from \$450,000 to \$1 million.

It is expected that Jade Stadium Limited will produce a business plan in the near future which will define the viability and intended way forward on this project. Until this is received the exact impact of further equity could not be fully evaluated. However, any equity contributed to the company would be less capital to be borrowed and thus would reduce the immediate need for debt servicing in the establishment period of the company.

There would be issues to be worked through relating to such an investment such as whether there was to be an entitlement to board representation as a result of such an investment. It would be reasonable to expect that a 20%

investor would be entitled to appoint one director on the board of the company but it would be preferable that the existing board was not changed during its first establishment year. The details could be worked out by negotiation once Selwyn District Council confirmed that they would be prepared to make an investment of this amount. It is understood that at this stage they are dealing with the matter in principle only.

Recommendation: That the Selwyn District Council be thanked for its offer and be advised that the Council would welcome an investment in Jade Stadium Limited of 20% of the total equity as well as further discussions on this or other options.