

Bruce Irvine, Chairman, Jade Stadium Limited, reported:

At a special meeting of the Council held on 6 October 1998 a report from the Director of Finance regarding the redevelopment and ongoing management of Jade Stadium was considered.

The Council with some minor amendments approved the recommendations, which enabled the formation of a company, Jade Stadium Limited, with the responsibility for investigation and definition of the development passing to the new Board. Jade Stadium Limited also took over the operational management of the facility on 1 December 1998 under a succession agreement negotiated with the Victory Park Board.

Since that date additional consultants have been engaged and have worked closely with Council officers and the Board to scope and cost the development to ensure it meets Council criteria.

At the 6 October meeting the Council resolved “That the Council confirm its commitment to a redevelopment of Jade Stadium on the basis that the concept design (due March 1999) is aligned with the business case, with funding and revenue sources sufficient to support the redevelopment and if a \$40 million redevelopment cannot be justified the redevelopment will proceed albeit scaled down to match the funding and revenue sources available”.

Jade Stadium Limited is now seeking Council endorsement to proceed with the redevelopment project.

Earlier this week the Board approved and has adopted a concept plan prepared by the consortium of architects engaged on the project. The Board is confident the plan meets all the key criteria that the Board and its advisers set for the project – capacity, cost and financial viability.

The proposed redevelopment, including allowance for inflation and contingency has a total cost of \$39.9 million. The business plan supporting this development cost is aligned to the concept design and the Board is happy that the stadium business can meet all operational costs when completed and also support the required borrowing for the redevelopment. The projected additional income from sponsorship and patronage receipts has been included at a conservative but realistic level and was tested against current figures to validate assumptions made. Borrowing has been budgeted to be repaid over a 15 year period which is less than the 20 years originally provided for. Council officers have reviewed the detailed financial information and are happy with the assumptions made.

The Council as the shareholder has ultimate responsibility for the project and therefore must be assured of the validity of the assumptions contained in the concept and business plans.

The concept plans and overview financials were presented to the Committee by the Chairman of Jade Stadium and the architect to the project, Mr Ian Athfield.

The key points from the two presentations are summarised below:

- **GOVERNANCE**

Since the last report to the Council on the redevelopment Jade Stadium Limited, a Council owned LATE, has been established and directors have been appointed. Jade Stadium Limited assumed management of Jade Stadium and the redevelopment process from 1 December 1998. Architects and other advisers have been appointed.

- **CONCEPT OPTIONS**

A number of concept options have been developed, an estimate of the cost of those concepts calculated and business cases aligned to each concept developed. Ian Athfield presented the three options which had been prepared for the board's consideration as follows:

Option A (the original proposal)

New stands on the west and south sides of the main arena.

Option B

New southern terrace (as opposed to a covered stand). New west stand. Upgrading of Nos 1, 2 and 3 Stands.

Option C(i)

New south terrace and smaller new west stand.

Option C(ii)

New south terrace. New west stand with matching new east stand.

- **KEY BUSINESS CASE ASSUMPTIONS**

A business case has been prepared for the stadium as a whole, including the redevelopment, based on the following assumptions:

- **Inflation** 0%
- **Funding**
 - Christchurch City Council equity \$4 million
 - Sponsorship and grants Negotiated or under negotiation
 - Loan Balance of capital funding will be borrowed
 - Borrowed through CCC
 - Interest rate 6.75% for 5 years, then at 8.5%
 - Term - 15 years

- **Income**

Income to increase to in excess of \$7 million per annum. The increase from current streams to be derived from naming rights, food and beverage royalties, rugby and cricket rental and rental of new corporate facilities.

- **Expenditure**

Forecast for post development period and includes operating expenditure, depreciation and loan repayments.

- **Taxation**

Jade Stadium would be part of the CCC tax group. A tax rate of 33% has been assumed.

- **Other Capital Expenditure**

Allowance has been made for ongoing replacement of plant and equipment, as well as refurbishment of corporate and other areas.

- **Event Schedule**

Income and costs are based on the following minimum event schedule:

- Rugby
 - 3 tests every 4 years
 - 4 or 5 Super 12 games per annum
 - 4 or 5 NPC games per annum
- Cricket
 - 1 test per annum
 - 2 One Day Internationals per annum
 - 5 Shell Cup games per annum
- Other
 - 1 concert or other sport event per annum

- **VIABILITY**

Two tests have been applied to determine the financial viability of the three options as follows:

Operational This is determined by meeting the requirement to provide 40,000 seated capacity (current capacity is 14,000 seated and 18,000 standing)

Financial This is determined by the forecast cashflows from revenue and after expenses being sufficient to meet interest costs on the borrowings required for development, and repay those borrowings over a period of 15 years or less.

- **ASSESSMENT OF OPTIONS**

The options were tested for both operational and financial viability and the results are detailed below:

	Current	Option A	Option B*	Option C/ Stage 2	Option C/ Stage 3
Capital Cost \$M		\$43.5	\$39.9	\$30.2	\$49.3
New Suites (16 seats)		28	28	14	28 (-10 in No 3)
New Club Seats		1,500	1,500	750	1,500
New Reserve Seats		1,000	1,000	500	1,000
Capacity:					
• Seated	14,000	40,000	40,000	35,500	40,000
• Standing	18,000				
• Total	32,000	40,000	40,000	35,500	40,000
Operationally Viable		Yes	Yes	No	Yes
Financially Viable		No	Yes	Yes	No

* Stages I and II only

- **TIME FRAME**

In the event of Council consent being given, the development will proceed in three stages as follows:

	Completion Date
Stage I - Southern Terrace	June 2000
Stage II - West Stand	June 2001
Stage III - Refurbishment of East Stands	To be determined

- **COSTINGS**

The costings for the options had been based on preliminary concept drawings. The Board was confident that the costings of \$39.9M was a reasonable estimate of current costs. The budget includes a contingency sum of \$2.25M. It was confirmed that no provision has been made in the financial projections for the Stage III work ie upgrading of Nos 1, 2 and 3 stands.

An assurance was also given that in estimating future revenue streams and forward bookings for major sport fixtures the board has taken a conservative approach to ensure the future viability of the operation of the stadium.

- **RECOMMENDATION**

The Committee's support for the following recommendation was then sought:

1. That the Council confirm that the Jade Stadium development plan and business case (Option B) as presented meet the criteria adopted at its 6 October 1998 meeting.
2. That the Council agree to the project proceeding subject to:
 - (a) Confirmation that prices received for the development as shown in the concept plan are no more than the agreed figure of \$40M.
 - (b) Confirmation that the key assumptions relating to revenue streams identified in the business case supporting the development are finalised prior to the redevelopment starting.

The Director of Finance comments:

I have reviewed the summary of financial projections prepared by Jade Stadium Limited. I have also discussed the underlying parameters and assumptions with the Chairman of Jade Stadium and I am satisfied that they are prepared on a sufficiently conservative basis to ensure that provided project costs are held within in the \$39.9M proposed, that there will be sufficient flexibility.

The structure of Jade Stadium Limited will have a high debt equity level but this will be tenable through the Christchurch City Council providing backing for the fund raising as was intended in the earlier reports.

I believe that it is important that negotiations are completed and the income projections from the major users are tied down before the contract is let. This is envisaged in the recommendation of the Committee.

The Major Projects Co-ordinator comments:

I have studied the breakdown of the estimate for the preferred option and am satisfied that both the new west stand and new south plaza can be designed and constructed for \$39.9M provided stringent cost control is exercised throughout the project.

COMMITTEE'S COMMENT

In light of the assurances given by the Director of Finance and the Major Projects Co-ordinator the Committee considered that the Council should now grant the approvals sought by Jade Stadium Limited to proceed with the project.

In the course of the presentations the Committee noted assurances given by Mr Athfield regarding the enhancement of the park frontages to Wilsons Road. The Committee believes that this is an important element in the redevelopment plan and supports the initiative being taken by the Board in this regard.

In terms of project monitoring, the Committee believes this should be done by way of quarterly monitoring reports to the Strategy and Resources Committee.

- Recommendation:**
1. That the Council confirm that the Jade Stadium development plan and business case as presented meet the criteria adopted at its 6 October 1998 meeting.
 2. That the Council agree to the project proceeding subject to:
 - (a) Confirmation that prices received for the development as shown in the concept plan are no more than the agreed figure of \$40M.
 - (b) Confirmation that the key assumptions relating to revenue streams identified in the business case supporting the physical development (major users, grants, naming rights etc) are finalised prior to the redevelopment starting.
 3. That Jade Stadium Limited be informed that the Council considers it of paramount importance that the frontage to Wilsons Road presents an attractive appearance.
 4. That the company report to the Council via the Strategy and Resources Committee on a quarterly basis.