

## 8. JADE STADIUM REDEVELOPMENT; COUNCIL SUPPORT



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### PURPOSE OF REPORT

1. The purpose of this report is to consider the request from Vbase Ltd for Council support, and provision of funding facilities, for the redevelopment of Jade Stadium.

### EXECUTIVE SUMMARY

2. The attached submission from Vbase, outlines the proposal for the next stage in the development of Jade Stadium.
3. The basis for the required upgrade is set out in detail in the attachment and was also discussed at the seminar with Councillors on 13 February 2007.
4. To recap, Jade Stadium and Christchurch are faced with the replacement issues surrounding the east side of Jade Stadium, with the existing stands being between 30 and 50 years old. It is fortunate that this replacement issue can be undertaken in the wider economic and social context that the Rugby World Cup 2011 provides.
5. The upgrade is estimated to cost in the order of \$60m of which \$40m can be funded by the business itself. Jade Stadium will, however, need to borrow the \$40m from the Council at commercial rates.
6. There currently is a \$20m funding gap that needs to be addressed and Council support is sought to actively work with Jade in securing funding from Central Government, the Lotteries Commission and other sources.
7. Vbase has indicated that resolution of the debt funding and current funding gap is required by 30 April 2007 for the project to proceed to the final design and tendering stages. The issue for the Council is that this matter would require an amendment to our LTCCP (refer legal section below) and therefore is a matter that the Council will need to consult upon. As such it is not until the Annual Plan/amended LTCCP consultation process has been completed and the Council has considered the matter in the light of the feedback, and until the Annual Plan/LTCCP is approved by the Council at its meeting on 28 June, that a definite commitment could be made.
8. The Council can, however, support the proposal in principle subject to the outcome of consultation resulting from the Annual Plan process.

### FINANCIAL AND LEGAL CONSIDERATIONS

9. The submission seeks Council support in a number of ways and these are listed below:
  - Access to \$40m debt through the Council borrowing group at the normal margin above CCHL borrowing rate.
  - Work with Jade Stadium Ltd (JSL) to secure \$20m of other limited recourse, no interest funding from Central Government, and Lotteries Commission or other sources.
  - Provision of underwriting for the \$20m current funding shortfall so that the development can proceed as per the critical path leading up to the Rugby World Cup 2011.
  - Key partner support regarding the Canterbury Rugby Football Union (CRFU) and Canterbury Cricket Association (CCA).
  - Match allocation support.
  - Landscaping the surrounding area.
  - The Stadium Walk.
10. The \$60m upgrade, as set out, will have basically no impact upon rates. This is because with regards to the \$40m debt through Council borrowing, Council would have both a cost (being the money it borrowed from the market or CCHL and on-lent to Jade), and off-set by a revenue stream from Jade (being the interest it would pay on the \$40m we advanced them).

11. As we anticipate the current \$20m funding gap to be met from Central Government, the Lotteries Commission or other sources, then there will be no financial and hence rating impact on Council. Please note, however, that should Council's underwrite be called upon for any shortfall of the \$20m, then there would be a rating impact. The projected cash flow requirements see \$4m of the \$20m being required for the 2007/08 year. Should the Council be required to contribute this amount, then the rate impact would be in the order of 0.1 per cent. Please note, however, as we do not anticipate this underwrite being exercised then no "provision" for this will be made in either the Annual Plan or the amended LTCCP.
12. With regards to the key partner support, and in particular the CRFU which is required to relocate from the current administrative headquarter premises as a result of the development, we are currently in discussions with both CRFU and Vbase regarding some options, which include the possibility of relocating CRFU administration and training headquarters and facilities to QEII Park. Such a move would strongly support and endorse the positioning of QEII as a regional (and potentially national) high performance training centre. However, it is too early to consider any firm options regarding this and, from a Council perspective, we would be looking to ensure that it was as rates neutral as possible. We expect to bring a separate proposal to Council in the near future with regard to CRFU and its relocation from Jade. We do not believe that this particular aspect of the submission from Vbase is either a prerequisite or determinate for Council to consider the \$60m upgrade request.
13. With regard to landscaping the surrounding area, and the Stadium Walk, while we do not have specific details or costings on these items, we believe that with reprioritisation of current work programmes in both these areas that we should be able to accommodate what substitution is needed within the existing budgets and therefore minimise any impact on rates.
14. The issue of Development Contribution levies on the redevelopment also needs to be recognised. The Stadium has some unique characteristics which suggest that a Private Development Agreement (PDA) would be an appropriate course of action. This is currently being explored with Jade consultants.
15. Some Development Contributions will be required if a redevelopment goes ahead. These cannot be confirmed at this time and no allowance for these has been made in the Jade proposal. The cost of these may, depending on their impact, need to be factored into any final financial support settled on by the Council.
16. Match allocation support revolves primarily around the Council supporting RWC 2011 as a New Zealand event while also maximising Christchurch's involvement and the economic benefits for Christchurch.

## **Legal**

17. As indicated, the request for funding will effectively have no impact on rates (the \$40m being fully met by Jade and the \$20m shortfall covered by Central Government). However, agreeing to the Council borrowing group raising this level of funding is a decision that can only be made by the Council following adoption of the special consultative procedure. This is because the significance of the decision is such that it has to be provided for in the LTCCP.
18. It is intended that the proposal be included in the process that has already commenced for adoption of the Annual Plan which will also include amendments to the LTCCP. This process will be completed by 28 June 2007. Although the Council cannot commit itself to the Jade Stadium Redevelopment at this stage, it can indicate support in principle for the project including the Council's underwriting of the \$20m shortfall for which funding will be sought from Central Government.
19. As stated in the report from Vbase, it was decided some time ago that the Victory Park Board be wound up and the Board's assets transferred to the Council. Council staff are working with Vbase on the provisions of the Christchurch City Council (Lancaster Park) Land Vesting Bill that will go to Parliament. A report on this will come to the Council shortly. The process of getting the Bill passed will not restrict the Jade Redevelopment Project.

## **STAFF RECOMMENDATIONS**

It is recommended that the Council:

- (a) Receive the report.
- (b) Support the further development of Jade Stadium as outlined.
- (c) Note that the funding requirements for the further development of Jade Stadium will require amendment of the LTCCP.
- (d) Support, in principle, the funding proposals identified by Vbase, subject to the outcome of the special consultative procedure.