

12. AMI STADIUM REDEVELOPMENT: BORROWING AND INVESTMENT AUTHORITY

General Manager responsible:	General Manager Corporate Services, DDI 941-8540
Officer responsible:	Corporate Finance Manager
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PURPOSE OF REPORT

1. The purpose of this report is to seek Council approval to borrow \$40m and advance this to Vbase No 2 Ltd, the new name of the previously named CCTO 'Jade Stadium Ltd' to fund the construction of the new stadium.

EXECUTIVE SUMMARY

2. The LTCCP amendment adopted on 28 June 2007 together with the 2007/08 Annual Plan included a proposal by Vbase No 2 Ltd to redevelop the stadium at a capital cost of \$60m. It is expected that Vbase No 2 Ltd will receive additional funding by way of grants of \$20m from Government sources with the Council lending \$40m on normal commercial terms, repayable by annual instalments scheduled to commence 2011. The final repayment is scheduled by 2030.
3. The new loan to Vbase No 2 Ltd will be in addition to the current loan which had a balance of \$30.723m as at 30 June 2007. The total consolidated loan and advance will be for \$70.723m. The current loan is funded by the Council borrowing from CCHL and advanced to Vbase No 2 Ltd under an authority approved by Council in April 2000. It is intended that this be repaid and refinanced as part of the consolidated debt to \$70.723m. The only change to the 2000 resolution is that the repayment term of the current loan will be changed from the original 20 year term to reflect the single consolidated loan term of 30 years. Refinancing of existing loans is authorised by the Liability Management Policy Clause 4.1.1(i) .
4. The Liability Management Policy and the Investment Policy outline the borrowing and investment principles. This resolution seeks specific authority to borrow and invest, within the terms of both policies, and seeks delegated authority for staff to put in place the necessary agreements and detail of the terms.

FINANCIAL IMPLICATIONS

5. The new consolidated loan will be advanced to Vbase No 2 Ltd on similar terms to the Council borrowings, plus a small margin, currently 0.10 per cent to cover administrative costs. These are the same terms as the current loan. Vbase No 2 Ltd's projections demonstrate an ability to service the total loan, both interest and annual principal repayments.
6. As with the current loan, in the unlikely event that Vbase No 2 Ltd fails to service the loan, the Council must meet this cost. Should they fail to meet the payments, the debt servicing cost would be a risk to the Council. Security for the advance to Vbase No 2 Ltd is a first priority registered debenture and mortgages over land. Vbase No 2 Ltd is a wholly owned subsidiary of the Council.
7. The Christchurch City Council (Lancaster Park) Land Vesting Bill, to be introduced to Parliament shortly, will ensure ownership of the site lies with the Council.
8. The consolidated loan will be raised by the Council under its Liability Management Policy and advanced under the Investment Policy. The terms are being developed now with the assistance of external consultants. Delegated authority is sought to allow the General Manager Corporate Services to determine the terms of the Council loan and to approve the loan agreement with Vbase No 2 Ltd (together with the Board of Vbase No 2 Ltd). Approval is being sought to repay the loan within the maximum term of the Liability Management Policy, 30 years. The draft loan agreement with Vbase No 2 Ltd will repay the loan in a shorter period, 23 years.

Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

9. The borrowing and investment cash flows have been included in the amended LTCCP and Annual Plan. There is a minor positive cash flow benefiting the Council, being the margin on interest rates.

LEGAL CONSIDERATIONS

10. The proposal to advance an additional \$40m was the subject of the last LTCCP amendment and was adopted by the Council on 28 June 2007.
11. The Amended LTCCP included the following statement on page 10:

*“Jade Stadium development:
The Council supports in principle the funding proposals for the redevelopment of Jade Stadium.
These are:*

 - *Jade Stadium borrowing \$40m from the Council;*
 - *The Council underwriting a further \$20m which is being sought from Government sources.”*
12. The proposal was fully debated by the Council as part of the LTCCP. A resolution to adopt the LTCCP is not, however, a decision to act on any specific matter in the plan. This report completes the legislative requirements of granting approval to the borrowing and the advance of the additional \$40m together with the current debt.
13. The inclusion of the proposal in the 2007 LTCCP amendment followed a report to the Council on 8 March 2007 when the Council resolved to *“support the further development of Jade Stadium as outlined.”*
14. The current loan (balance \$30.723m) was originally approved by the Council on 19 April 2000.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

15. The proposal is outlined in the LTCCP and 2007/08 Annual Plan. It is expected that Vbase No 2 Ltd will meet all loan servicing commitments over the life of the loan.
16. The proposal was:
 - Specifically included in the 2007 LTCCP amendments;
 - Agreed to by the Council when the LTCCP was adopted;
 - Was consulted on as part of the LTCCP adoption.
17. This report and the resolutions of the Council that are being sought merely give effect to that proposal. They are also consistent with the Council's Liability Management and Investment Policies.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Approve new Council borrowing of \$40m, to fund the advance to Vbase No 2 Ltd with a maximum repayment term of 30 years, in line with the Liability Management Policy.
- (b) Approve the restructuring of the current loan of \$30.723m to bring the loan terms in line with the new consolidated loan.
- (c) Approve the loan advance of a total of \$70.723m (made up of the current loan and the new \$40m loan) to Vbase No 2 Ltd in terms of clause 6.3 of the Investment Policy, under terms which match, as far as is practicable, the same terms as which the Council borrows funds for this purpose, plus the Council margin. The security for this loan is the Vbase No 2 Ltd debenture and land mortgages. The detailed terms to be determined by the General Manager Corporate Services.
- (d) Authorise the General Manager Corporate Services to enter into any borrowing, lending and interest rate hedging agreements necessary to implement the proposal in accordance with the Liability Management Policy and the Investment Policy.