

3. QEII PARK MEZZANINE FLOOR – OPTIONS FOR CONSIDERATION

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The purpose of this report is to provide Council with information which will assist in considering the available options and for determining fitout and usage of the new Mezzanine floor at QEII Park.

BACKGROUND

The QEII Park Pools Redevelopment Project is due for completion in April 2002. Included in the redevelopment is the construction of the mezzanine floor, located in the roof space above the new Leisure and Teaching Pool area. This was formerly the area above the 8-lane Commonwealth Games Competition Pool. At the time of design approval the Council strongly supported the inclusion of the mezzanine floor, aware of future opportunities that could be created for QEII, intending that usage be determined later. At that time no additional funding was provided in the project for the fitout as the options for future use had yet to be determined.

The mezzanine floor provides a space of 2,810 sq metres (29,980 sq ft), approximately 30% larger than the sports hall area at Pioneer Stadium. Left undeveloped, the space consists of a concrete floor, timber-framed walls and iron roof with exposed steel trusses below. The height of the lowest point of the trusses to the concrete floor below is 8.4 metres. From a sporting usage perspective, the height of the space is suitable for sports such as volleyball and basketball but not for tennis, which requires a height of 9.4 metres for indoor tennis.

SUMMARY

This report considers options for fitout, comparing costs and revenue implications. The report recommends that the mezzanine floor be developed as a high performance sports training facility. Fitout should be to a minimum level, but should include heating and ventilation, electrical, plumbing, fire sprinklers and sports floor surfacing.

Options considered were:

1. Do nothing and leave area unused – no additional costs
2. Unspecified fitout - \$720,000
3. Further investigate further commercial-type uses that comply with Local Government Act
4. Commit to future use as recommended in the report - capital cost \$1.3M

The alternative of doing nothing would mean that momentum is lost and the space would remain unusable. Cost implications, including depreciation, would be carried by the functional parts of QEII Park.

Preparing the space for any type of usage has a minimum cost implication of approximately \$720,000, allowing for the installation of heating and ventilation, electrical, plumbing and some carpentry work. This work will need to be carried out prior to the floor being used for any purpose on a temporary basis.

Supermarkets, libraries, office space, storage and sporting complexes can be developed and replicated almost anywhere. Here we have a one-off opportunity, for Christchurch, to develop an indoor sports and recreation space, suitable for usage by a wide range of sports and athletes, immediately adjacent to an international aquatic complex and an international athletic facility. Leisure Management believes that an indoor sports training facility at QEII will provide a critical advantage in attracting athletes, coaches, academies and teams to Christchurch for training.

Whatever the eventual usage of the floor, there will an opportunity cost which in itself is very difficult to measure. In recommending that the mezzanine floor be developed as an indoor sports and leisure facility, the report explains the concept, provides a time-line and suggests funding options, which do not require additional funding from the Council. Rather, Christchurch City Leisure recommends that funding by way of substitution brought forward from indicative funding from other projects. Once approved, Leisure sees advantages in completing the fitout in tandem with the QEII Park track replacement due for completion later this year.

This proposal takes advantage of the unique opportunities for sports, recreation and events offered by the mezzanine floor. Rather than focus on any one particular sport, the multiple use emphasis of the design would provide access for a range of sports and user groups. Sporting codes and organisations, including basketball, soccer, volleyball, netball, triathlon, athletics, fencing, bowls, secondary school sport and sporting academies have recognised the potential offered by the Floor.

If the mezzanine floor is developed for any reason other than for sport and recreation, a significant strategic development and the opportunity to make a difference will be lost, unlikely to be replicated elsewhere.

DEVELOPMENT OPTIONS FOR THE MEZZANINE FLOOR

Options available to the Council occur along a broad continuum, ranging from full commercial proposals such as supermarkets, movie theatres and electronic arcades, to developments related to sport and the unique qualities offered by the facilities already existing at QEII Park. Somewhere about the middle of the continuum exists potential for office space, storage facilities and/or a library. The location of QEII Park is such that a number of the options available would be welcome additions to the local community. Movie theatres and the supermarket suggestion would fall into this category. It is unlikely, however, that a library would be considered a prudent option with the New Brighton Library having recently been relocated to the Christchurch Pier building.

Legal Issues

Section 601 of the Local Government Act permits the Council to “ undertake, promote, and encourage the development of such services, facilities, amenities, and programmes as it considers necessary to provide for the recreation, amusement and instruction of the public, and the provision, improvement or development of amenities for the public.” Activities relating to sports, recreation, leisure, community enjoyment and the like would therefore be acceptable under the terms of the Act. It would be difficult to argue successfully that a supermarket or an assembly plant/factory, for example, would fall into an acceptable category.

Cinemas

Adding a multiplex cinema facility to QEII Park appeals as a leisure-type proposal. The closest cinemas to the area are located at Northlands, central Christchurch and Sumner. Discussions with a national cinema chain have indicated that Christchurch currently has enough theatres for the size of the city and for the movie licences available, though the location of the actual cinemas may not be ideal.

If cinemas were to be added to QEII Park though, the mezzanine floor should not be the preferred location. The complex offers better locations than the mezzanine floor for the type and size of theatres most appropriate.

Supermarket

In many ways, QEII Park has become the natural centre of the eastern suburbs district, stretching as it does from the Estuary to North Shore, Queenspark and Burwood. A supermarket in the area would not go amiss, but the mezzanine floor is far from being an ideal location. Customer access, car parking and vehicle movement would have a negative effect on customers and existing facilities at QEII. Design implications could be overcome, but would be relatively expensive and significant.

If a supermarket were to be established at QEII Park, it should be a stand-alone, greenfields development. Whether it would comply with requirements of the Local Government Act is another matter.

Electronic Arcade / Indoor Children’s playground

Real potential exists for the inclusion of electronic games and virtual reality experiences at QEII Park, but the area required should be found elsewhere than the mezzanine floor and would probably not require a significant area in terms of size. These are secondary attractions rather than being the prime focus for the existence of QEII.

Office Space

QEII Park is not suitably situated for development as a commercial office space location.

Library

Limited opportunity. The New Brighton Library has already relocated to the Christchurch Pier Building and a building has been purchased for the Parklands Library.

Storage

This is a short-term solution. Access difficulties would need to be overcome and air handling facilities and load bearing capacity would need to be suitable for the purpose intended.

Ice Rink

The combined weight of the rink, ice and associated facilities would be too heavy for the floor's structure. In addition, a full-sized ice rink requires more space than the area offered by the mezzanine floor. The mechanical layout of the pools being constructed as part of the QEII Park Pools Redevelopment Project has been designed with the future addition of an ice rink in mind, but the mezzanine floor is not part of that consideration.

Commercial Sports Floor

Commercial sports venues traditionally cater for action sports such as indoor cricket, indoor netball, roller hockey and rollerblading. Such use would be in line with core activities appropriate for QEII Park, but perhaps not to the extent that a high performance sports floor would be. Facilities such as these are often located in older halls and sports venues that are not able to cater for full-sized sports courts for mainstream sports such as basketball, volleyball, tennis, netball and the like. If the mezzanine floor is to be used as a sports facility, focus should be upon high performance sport rather than commercial, social sport, which is catered for elsewhere in the city.

High Performance Sport

The potential of the mezzanine floor has aroused considerable interest amongst the sporting fraternity. A number of discussions and consultations have taken place. The preference for use of the space, indicated by these sporting organisations, has been to develop a multi-purpose sports floor. This would link in with what is a unique opportunity to combine an indoor sports training facility and sports hall with the athletic track, competition aquatic facilities, gymnasiums, sports science, sports medicine and other facilities and services already existing at QEII Park.

A conceptual, multi-purpose plan (to be tabled) has been designed to provide training, fitness and competition facilities for individual athletes and teams, ranging from school children to competitive athletes. The plan allows for a generic sports court area, a 4-lane sprint track and a 2-lane jogging track. Fitness equipment would be located outside the track, thus completing an indoor, cross-training and competition facility.

The venue would also cater for holiday, after school, community and third age recreation, fitness, health and sporting programmes. The design would allow for coaches and athletes from different codes to work alongside each other, utilising the track and fitness stations. At the same time, primary school children or third age recreation groups could be using the sports court space inside the track. The proposal caters for a wide range of user groups and athlete profiles.

Establishing the mezzanine floor as a sports training centre provides national and international advantages to Christchurch as a sports training destination. The New Zealand Academy of Sport South Island has expressed its keenness to locate part of its programme at QEII Park. The addition of an indoor facility on the mezzanine floor would add significantly to that involvement and contribute to reversing the negative reputation Christchurch gained last year, when missing selection as one of New Zealand's three New Zealand High Performance Sports Centre locations. At that time Auckland, Wellington and Dunedin were preferred ahead of Christchurch.

Officials from a range of sports, including soccer, basketball, volleyball, fencing, athletics, netball, triathlon and Australian rules, have expressed their support for the sports floor proposal. Basketball, volleyball and netball are critically short of quality training space and have indicated their intention to utilise the floor. Fitout costs for each sport can be minimised to the cost of sports-specific items such as goal posts and floor markings. Selection of floor surfacing is key to providing a multi-sport venue attractive to as wide a range of sports as possible.

Higher level seating, formerly part of the Commonwealth Games Pool hall, would be retained. The sports floor could be set up to host mid-sized sports events such as basketball, netball and volleyball, by utilising existing floor services and/or portable seating and flooring on a temporary basis. The mezzanine floor could also be used as a support area for major events at QEII Park. Social functions, merchandising, media facilities and seminar presentations would all add value to the event.

As with other facilities and services available at QEII Park, the mezzanine floor will be fully accessible to disabled athletes, coaches and spectators. QEII Park is to be serviced by a lift to all levels.

Potential exists for further expansion. For example, an area has been retained which would allow for the construction of office and seminar facilities which could be utilised for sports administration, coaching resource areas and presentation facilities. Sports which might not otherwise have the opportunity could benefit from locating to such an area which could have information technology, support services, meeting room space and the like, available on a cost-shared basis. Such expansion has been viewed as a separate project and has not been budgeted for at this time.

A 10-lane pool, athletic track, indoor training centre and accommodation units are being developed at the Millennium Centre on Auckland's North Shore at a cost of \$36M. The mezzanine floor at QEII provides an opportunity to establish an indoor training centre at a fraction of that cost. QEII already has the 10-lane pool, athletic track, sports medicine and sports science facilities so sought after by other cities in New Zealand and around the world.

FINANCIAL COMPARISONS – OPERATIONAL COSTS VERSUS REVENUE

Supermarket

Given that an interested party could be found, the commercial rates for the leasing of building space suitable for supermarket fitout would be in the vicinity of \$80 per square metre per annum. Indicative earning potential for the mezzanine floor leased as a supermarket space would therefore be approximately \$200,000 per annum. The tenant would likely meet fitout costs, though items such as heating and ventilation, fire sprinklers and electrical may impact upon the final negotiated figure. The cost of these items totals approximately \$720,000. Furthermore, access consideration would likely impact upon the attractiveness of the mezzanine floor as a supermarket site.

In supermarket guise, the tenant would meet operational costs and could reasonably be expected to meet all fitout costs. There should be little or no impact on the Council.

Storage

Again, fitout costs would be met by the tenant, although here, the Council would likely be required to complete heating, ventilation, fire sprinkler and electrical installations prior to arranging a lease. These costs total approximately \$720,000. In addition, a commercial lift may need to be installed.

The market rate for storage space is approximately \$3 per square foot per annum which would provide an annual revenue of \$75,000-\$90,000 to the Council.

Commercial Sports Floor

This could be operated in-house or by a third party under either a percentage of turnover agreement, or a space hire arrangement. The rate negotiated would need to be sustainable for the tenant. It is doubtful that such use would provide particularly high return for the Council. Cost-effective alternatives exist elsewhere.

High Performance Sports Floor (preferred option)

Development of the mezzanine space as a multi-purpose sports training facility is the Leisure Unit's preferred option. It is an innovative use of the space, in harmony with the Council's intended use of QEII Park as sports and leisure facility. Christchurch City Council Leisure's Strategic Plan communicates the following Mission Statement for the Unit:

"Promoting healthy, enjoyable lifestyles through the direct and indirect provision of recreation, sport, arts and events".

Leisure's Vision is "Leisure for Life – experience it!"

A sports, recreation and leisure space adjacent to the athletic stadium and pools complex stands to achieve these goals and intentions in a positive manner, particularly when compared to the options available for usage of the floor.

A sports floor of the nature proposed would be particularly cost-effective in comparison to a stand-alone facility. Advantage can be taken of the infrastructural operational costs already incurred at QEII. Cashiering, cleaning, security, energy and the like certainly have applicable costs, but not of the magnitude which would occur at a stand-alone stadium.

The Christchurch City Council's "Review of QEII Proposed Mezzanine floor" (July 1999) found that "there were operating costs already incurred at QEII that would not increase, or would increase marginally, as a result of including the mezzanine floor". The authors of the review, Deloitte Touche Tohmatsu, estimated that operating costs at QEII Park would increase by \$30,000 per annum, compared to total operating costs of \$210,000 for an equivalent stand-alone stadium.

The review conservatively estimated that additional revenue of at least \$200,000 per annum could be generated by the mezzanine floor. Revenue sources would include hire from sporting bodies, schools, events and recreation programmes. These are seen as new activities and should not impact upon existing facilities.

QEII Park management has undertaken a costing exercise using comparisons with Pioneer and Cowles Stadium, and Dunedin's Edgar Centre, as an information base. Rather than additional costs of \$30,000 per annum as indicated by the consultants, we believe operational expenditure of approximately \$306,000 per annum including depreciation and cost of capital to be more realistic.

From a revenue perspective, we believe that \$360,000 plus per annum would be achievable by the second year of operation. We have deliberately erred on the side of conservatism in arriving at these figures. We have based our findings on the following:

Budgeted Expenditure and Income for a full year's operation

Expenditure	\$	Revenue	\$
ACC	1,000	Court hire charges	
Uniforms	1,000	* see below	150,000
Miscellaneous Office	2,000		
Phone	4,000	Membership Sales	
Depreciation	65,000	500 x \$400	200,000
Energy	20,000	Venue Hires	10,000
Insurance	7,000		
Building Maintenance	10,000		
Equipment Maintenance	10,000		
Floor Maintenance	10,000		
Cleaning Materials	5,000		
Wages			
Cleaning	18,000		
Supervision/Instructors	65,000		
Sub-total	218,000		

Expenditure	\$	Revenue	\$
Additional Debt Servicing Costs (due to bringing the project forward)	88,400		
Total Operating Cost	306,400	Total Income	\$360,000
		Operating Surplus	\$53,600

Court Hire Charges	Per Annum
Schools or equivalent	
32 children @ \$2 per hour	\$64,000
Mon – Fri 9am to 3pm	
After School Programmes	
Mon –Fri 3.30pm to 5.30pm	
32 children @\$2 per hour	\$25,600

Holiday Programmes	
Mon – Fri 9am to 3pm	
32 children @ \$2 per hour	\$16,000
Sports Training – adults	
Mon – Fri 6pm to 10pm	
32 adults @ \$4 per hour	\$76,800
Annual income	\$182,400
Assessed Income	\$150,000

These calculations show that a sports floor configuration is capable of returning an operational profit of \$50,000 per annum.

These costs and revenue figures would be factored into the 2002-03 financial year.

It should be noted that these figures are indicative only and are subject to influence by a number of factors and the actual range and type of activities which will take place on the floor, with charges and the charging base yet to be arrived at.

Recreation and sports coaching programmes would be arranged on a cost-recovery basis.

These findings indicate that the high performance sports floor proposal is likely to provide a positive income stream to QEII Park. In addition, usage of this nature is in keeping with the core activity of QEII Park. Further, the floor would be available for discretionary usage when demand from important events warranted. The opportunity cost of not using the mezzanine floor for activities of a sports and leisure variety would be significant, such is the potential offered by a high performance multi-purpose sports floor situated at QEII Park.

SPORTS FLOOR FACTORS

The Deloitte Review identified “other matters that should be taken into consideration:

1. There is no substantial court area in close proximity to QEII.
2. If QEII is to attract sporting academies, it must be able to provide for alternative training during times of inclement weather. A significant court area would meet this requirement.
3. The inclusion of the floor allows efficient use of the existing available space and better utilisation of the management, administration and operational functions.
4. The floor will allow for future expansion and will provide the flexibility to respond to changes in recreational activities.
5. The addition of the floor would provide the opportunity to have a true, multi-purpose training, recreational and entertainment complex well suited to both families and various sporting codes.
6. If national sporting academies are attracted to QEII, there will be indirect economic benefits to the city in terms of additional spending and enhanced city profile.”

Costs

The costs of fitting out the mezzanine floor as a high performance sports training centre have been identified as follows:

	\$
Mechanical Services	420,000
Plumbing and Drainage	10,000
Electrical	180,000
Security	25,000
Public Address	35,000
Voice/data	10,000
Flooring:	
Mondo Sportflex and MondoFlex	265,000
Total exclusive of GST	945,000

These figures have been determined by quantity surveyors and pricing from product suppliers. It would be prudent to allow \$1M to complete the fitout to a reasonable standard.

In addition, it would be prudent to allow for the following:

Changing Rooms and toilets at mezzanine floor level	30,000	
Making good the gondola area (formerly the press gallery for the Commonwealth Games)	20,000	
Carpet & floor coverings to areas beyond sports floor	55,000	
Sports equipment (goals, nets, scoreboards, etc)	40,000	145,000
Total		1,090,000

Taking consultants' fees and sundry items into account, it would seem prudent to allow an overall total of \$1.3M to complete the fitout to reasonable standard.

Cost Comparison With New Building

As expected, the mezzanine floor represents extremely good value when compared with the cost of constructing a comparable building for a similar purpose on a clean site.

Cost comparisons are as follows:

	Mezzanine Floor Development		New Building Development	
	\$	Square Metre	\$	Square Metre
2,810 sq metre concrete floor shell	\$1.0M*	\$356	\$2.1M	\$747
Sports floor fitout	\$1.3M	\$463	\$1.3M	\$463
Car parking and landscaping	nil		\$0.5M	
	\$2.3M	\$819	\$3.9M**	\$1,388

These figures have been discussed and agreed with Ross Maguire Architects Ltd.

* Mezzanine floor concrete floor shell almost completed as part of QEII Pools redevelopment Project.

** In addition, a new building would have the additional cost of land provision which has not been included here, the value of which would be extremely dependant upon location.

Timing

Proposals are currently being sought for the design and build of the replacement athletic track in QEII Park's main stadium. Clearly, advantages may be gained for the Council if the floor surfacing of the mezzanine floor were provided by the same supplier as the athletic track surface. The companies invited to forward proposals are all capable of providing high quality surfacing for an indoor installation. It is planned to complete the athletic track installation by 1 November. The mezzanine floor will be ready for fitout following 3 September 2001. Floor installation could thus be carried out at the same time as the relaying of the athletic track surfacing.

Funding

It is proposed that funding for the mezzanine floor fitout be brought forward from within Leisure's 10-year Capital Plan, such is the importance and the significance of this opportunity.

The QEII Park Pools redevelopment project is not expected to have significant funds available at completion.

However, in 2004/05 provision of \$8.16M has been made for a new leisure pool complex. In addition, \$700,000 has been provided in 2003/04 for seating and embankment refurbishment in the main stadium.

The budgeted \$8.16M is a provisional amount. No detailed analysis has taken place to confirm this as an appropriate figure. A benchmark is the \$7M for Centennial Leisure Centre. This amount included \$400,000 for a park and parking. The need for or location of a new leisure pool in the north-east will be the subject of a comprehensive report to the Council in early 2002. The report will also consider the redevelopment of Jellie Park Pool and partnership options. If the mezzanine floor is to proceed as recommended, QEII Park Management means that by efficient and effective design, what is envisaged for stadium enhancement can still be achieved. The remaining \$400,000 will be sufficient to provide a new embankment and seating in that section of the stadium.

Leisure Management has proposed that \$1.3M should be brought forward from:

2003-04	QEII Main Stadium	300,000
2004/05	Leisure Pool Complex	<u>1,000,000</u>
		1,300,000

- Recommendation:**
1. That, to fund the sports fitout of QEII Park's mezzanine floor:
 - (a) The funding provided in 2004/05 for a new Leisure Centre be reduced by \$1M and this sum be brought forward to 2001/02; and
 - (b) The funding provided in 2003/04 for QEII Park main stadium improvements be reduced by \$300,000 and this sum be brought forward to 2001/02.
 2. That the fitout installation be completed at the same time as the QEII Park Athletic Track replacement project due for completion before 1 November 2001.

Chairman's

Recommendation: That the above recommendation be adopted.