

## Bay Venues Ltd – FY2021 Annual Plan Submission

### Executive Summary

As Tauranga City Council's largest Council Controlled Organisation (CCO), BVL play a major role in contributing to the wellbeing of Tauranga City. We are the kaitiaki of community facilities. Our facilities and the experiences we provide, enhance the quality of life for the residents and visitors of Tauranga City.

This report from Bay Venues Limited (BVL) provides input to inform the development of the draft Annual Plan for 2020-2021. This input relates to both new capital projects and renewals and is supported by comprehensive business cases in support of these initiatives.

BVL are seeking additional capital and renewals funding in the Annual Plan representing an increase from that which is currently budgeted for in the corresponding year of the LTP by the amounts below:

1. New Capital: increase of \$5,370,724
2. Renewals: increase of \$1,312,375

The major new capital projects requiring Council approval as per the \$200,000 threshold in the Enduring Statement of Expectation are:

| Facility   | Capital Request | New or existing project                                  |
|--|-----------------|--|
| Expansion of the UoW Adams Centre for High Performance | \$5,351,412     | New project - Not currently in LTP                       |
| Operations Hub at Trustpower Baypark                   | \$2,264,589     | New project - Not currently in LTP                       |
| Expansion of Clubfit Baywave                           | \$2,403,000     | New project - Not currently in LTP                       |
| Greerton Aquatics and Leisure Centre                   | \$1,103,666     | Existing project – \$1,142,700 currently budgeted in LTP |

BVL are also seeking to defer the capital funding of \$4,900,000 currently in the LTP for FY21 relating to the Exhibition Centre at Trustpower Baypark.

Business cases for all new capital projects are attached to this report.

The additional \$1,312,375 in renewals requested is made up of a number of variations. Main movements include:

- Greerton Aquatics Centre \$1,253,063
- Mount Hotpools \$1,050,476
- Information Technology \$430,000

In relation to the Community Outcome Subsidy, in FY19 BVL received \$2,767,000 from Council to enable accessibility within community facilities. Whilst operating costs have increased significantly, the subsidy has not increased (other than by CPI) since the inception of BVL.

BVL are currently undertaking a review of pricing in the funded network of community facilities. This work is due early in the New Year and will ascertain the required price increase to mitigate for additional operating costs incurred across this portion of the network. As per the Enduring Statement of Expectations between BLV and TCC, any price increase greater than CPI within the funded network requires Council approval.

BVL are signaling to Council that should the price increases not be approved enabling BVL to recover increased costs from users, it is likely that BVL will seek an increase to the current operating subsidy by way of a submission to the draft Annual Plan in the vicinity of \$450,000 per annum.

The BVL operating budget for FY21 will be presented to TCC in May following approval by the BVL Board in April.

## FY21 Capital Projects

There are a total of 16 capital projects totaling \$11,549,424 for the period 2020-2021 an increase of \$5,370,724 from the LTP submission. Detail of the additional projects are outlined in the table below.

| #  | NEW CAPITAL SUMMARY 2020/21           | LTP Approved     | FY21 Annual Plan Addition | FY Annual Plan Submission | Variance         |
|----|---------------------------------------|------------------|---------------------------|---------------------------|------------------|
| 1  | Adams Centre                          | -                | 5,351,412                 | 5,351,412                 | 5,351,412        |
| 2  | Arataki Community Centre              |                  | -                         | -                         | 0                |
| 3  | Trustpower Baypark Exhibition Centre  | 4,900,000        | -                         | -                         | (4,900,000)      |
| 4  | Trustpower Baypark                    |                  | 2,344,589                 | 2,344,589                 | 2,344,589        |
| 5  | Bay AV                                | 53,000           | -                         | 53,000                    | 0                |
| 6  | Baywave Aquatics                      |                  | 15,000                    | 15,000                    | 15,000           |
| 7  | Baywave Clubfit                       |                  | 2,403,000                 | 2,403,000                 | 2,403,000        |
| 8  | I.T (previously Business Performance) | 60,000           | 100,000                   | 160,000                   | 100,000          |
| 9  | Greerton Aquatics                     | 1,142,700        | - 39,034                  | 1,103,666                 | (39,034)         |
| 10 | Hot Pools                             | 2,000            | 95,757                    | 97,757                    | 95,757           |
| 11 | Mt Sports Centre                      |                  | -                         | -                         | 0                |
| 12 | Otumoetai Pool                        |                  | -                         | -                         | 0                |
| 13 | Papamoa Sport & Rec Centre            |                  | -                         | -                         | 0                |
| 14 | Papamoa Community Centre              |                  | -                         | -                         | 0                |
| 15 | Queen Elizabeth Youth Centre          | 6,000            | -                         | 6,000                     | 0                |
| 16 | Head Office                           | 15,000           | -                         | 15,000                    | 0                |
|    | <b>New Capital Total</b>              | <b>6,178,700</b> | <b>10,270,724</b>         | <b>11,549,424</b>         | <b>5,370,724</b> |

### # As Above Detail of Additional Capital

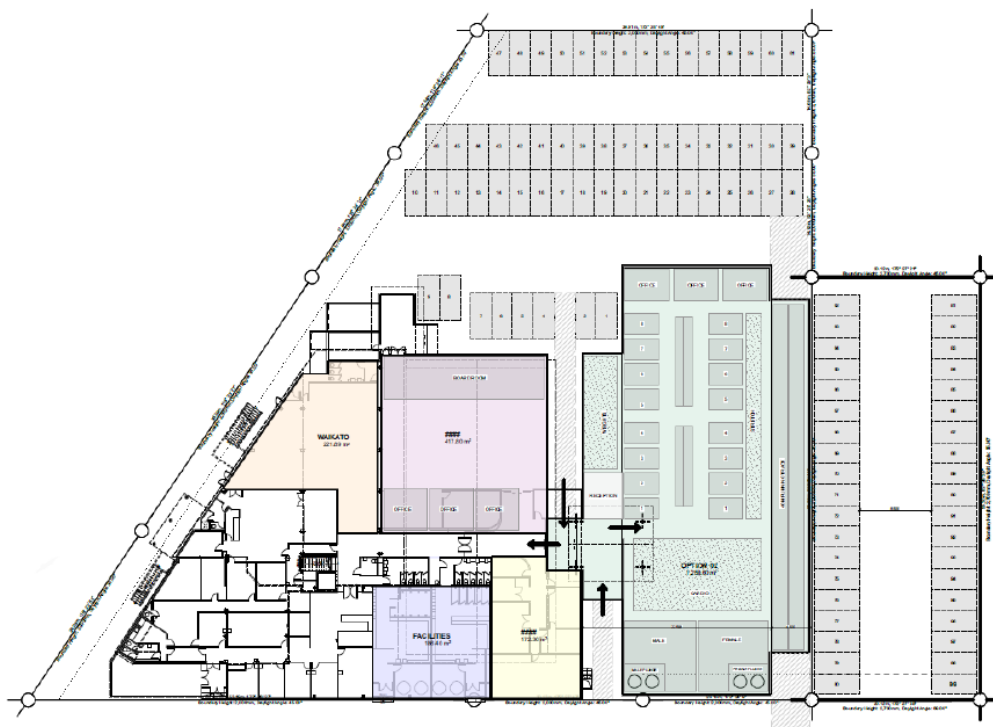
- 1 **UoW Adams Centre Expansion** (Business Case)
- 3 **Trustpower Baypark Event Centre** - Deferred to LTP
- 4 **Trustpower Baypark** - Operational HUB (Business Case)
- 6 **Baywave Aquatics** - Signage at entrance of Facility.
- 7 **Clubfit** - High Intensity Interval Training Studio (Business Case)
- 8 **Information Technology** - BVL App Development
- 9 **Greerton Aquatics & Leisure Centre** - (Business Case)
- 10 **Mount Hot Pools** - Upgrade of Exterior of Building

Four significant capital projects require Council approval as they are over the \$200,000 threshold set out in the Enduring Statement of Expectation (see appendix A). One of these projects (Greerton Aquatics and Leisure Centre) has already been approved through the LTP process but is included here for completeness and due to the significant associated renewals request.

## **Project 1: University of Waikato Adams Centre for High Performance**

The full business case and supporting rationale is attached as appendix B.

This proposal seeks to expand the University of Waikato Adams Centre for High Performance (the Adams Centre) by creating a new purpose-built gym adjacent to the Centre, repurposing the existing gym into office space and replacing lost car-parks on the neighbouring property also owned by BVL.



This proposal represents the culmination of planning for the future expansion of the Centre which began in 2016 when the neighbouring property (50 Miro Street) was purchased as a strategic holding. Over the last 3 years BVL have been testing and refining the options for future expansion to ensure that the final proposal represents the optimal outcome for the Centre and the City by being the best possible use of the additional land purchased in 2016.

The Adams Centre which opened in January 2016, resulting from the extensive renovation of the original Cosmopolitan Club, and has been a success for both BVL and the City, putting Tauranga on the map as a centre of excellence for high performance sport and reaching capacity earlier than initially anticipated. In 2017 the success of the facility was consolidated with the decision by NZ Rugby to centralise their programme here, relocating their entire Rugby Sevens programme including 60 full-time staff and athletes to Mount Maunganui and making Tauranga the official 'Home of Sevens'. The Centre now has close to 50 Olympic athletes training at the Centre on a daily basis, putting us on par with other national high performance centres such as the Avantidrome in Cambridge.

In addition to the growth at the elite athlete level, we have also experienced exponential growth of our local aspiring athlete development programme – the Adams Academy which has grown to 85 members in the space of one year and is nearing full capacity. Through the Adams Academy programme we are able to provide the same level of support to young Tauranga based athletes as athletes in larger Cities received though High Performance Sport NZ (HPSNZ) centres such as the Millennium Institute and the Avantidrome. A naming rights sponsorship deal enables us to heavily subsidise the cost of this programme meaning that this high quality support programme is significantly more accessible for our young local athletes.

Because of this success the Centre is now at full capacity and expansion is required to accommodate the current and future needs of existing tenants and to grow our ability to cater for aspiring young athletes from within our local community.

This proposal will solve the immediate and urgent issues around capacity by providing 638m<sup>2</sup> of additional office space including two additional large meeting rooms within the existing Centre. Two of our four permanent tenants (NZ Rugby and UoW) are currently in located in substandard office environments with a lack of natural light and staff numbers in excess of desired floor area ratios. Expansion of staff numbers to enable the growth of their organisations is not currently possible for these tenants. Both organisations have communicated their concerns about the current working arrangements for their staff/students and their desire to take more space in the centre should it become available. In the case of NZ Rugby the concern about current space restrictions will factor heavily into their decision to recommit to the centre following the Tokyo Olympics.

As well as creating additional office space this proposal envisions a new purpose-built gym of 1258m<sup>2</sup> to be developed on the northern boundary of the property. This will provide double the floor area of the existing gym enabling us to expand our Adams Academy programme for developing community athletes and build our training camp offering.

Building a new gym also has the advantage of being more cost effective way of achieving the expansion objectives than developing a new office building. It also ensures the Centre has a gym with a higher level of functionality than the current space which has been retrofitted from an old building. From a financial perspective the total cost of the development is estimated at \$5.3m with a potential return of 7.52%, (which improves to 8.36% adjusting for the cost of land which was purchased in 2017). Advice from Veros Property Partners suggests that this level of return is comparable and favourable in the current market and that the project is worthy (from a financial perspective) of proceeding to a more detailed design to identify opportunities for savings to be value engineered through a design-build procurement process.

The proposal also has significant non-financial returns. The vision of BVL is to enrich Tauranga for everyone. We do this by caring for and optimising community facilities to create value for Tauranga City and enhance the quality of life of its people.

The Adams Centre has enriched our City and enhanced the quality of life for many – not only the 85 local emerging athletes training with the Adams Academy 3 times every week but also indirectly, through the benefits to the City associated with the 47 Olympic athletes training at the Centre daily. The presence of this high performance level of sport has major positive benefits for a range of other people in the community from the young kids inspired to pick up sport to the community pride felt when the teams perform on the international stage.

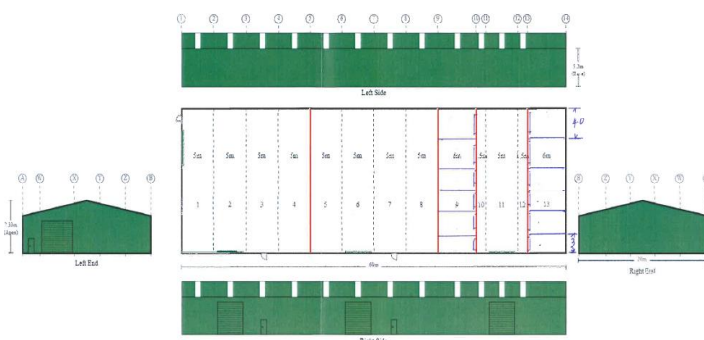
Our most successful athletes act as role models and their performances add fuel to the dreams of others. They also inspire other New Zealanders to be successful, whether this is in sport or other endeavours. The Adams Centre has created an environment where young local emerging athletes from our community can literally rub shoulders with Olympic medallists and World Champions – this proposal will enable us to significantly expand the positive contribution the Centre has made to the wellbeing of our community.

In summary, this proposal represents the optimal development option from all perspectives:

- It is the most financially feasible development option and maximises the available development footprint
- It enables the Centre to grow the commercial aspects of our operation through tenancy revenue and training camps
- It enables the Centre to triple the capacity of the Adams Academy, a subsidised community athlete development programme which provides essential support services for aspiring young local athletes to develop their potential and compete on the national and international stage
- It mitigates the weaknesses of the current facility including the capacity issues currently faced by existing users, functionality issues in the current gym and the risk of losing NZ Rugby as a key tenant
- It will provide flexibility to attract new tenants to contribute to further revenue generation and enhance Tauranga’s reputation as a centre of excellence for high performance sport
- It aligns well with (and also stands independently of) Bay of Plenty Rugby’s development aspirations for their property at 48 Miro Street, which is to be developed for the purposes of sporting accommodation.

## **Project 2: Trustpower Baypark Operational HUB**

The full business case and supporting rationale is attached as appendix C.



The project seeks to replace the open storage compound adjacent to the entrance to the pits area, with five connected 20m x 20m square buildings. The objective is to provide a fit for purpose operating base for the Trustpower Baypark Venue Operations team including storage of their equipment, and secure storage areas for equipment for both Speedway, Bay Audio Visual team and other Bay Venues Ltd (BVL) teams located at Trustpower Baypark along with community/commercial organisations. This project will also result in the release of space in Pavilion 2, providing options for use by community/sports groups regularly operating on site, or a commercially structured lease to improve revenues generated from BVL assets.

The project fits squarely within the BVL strategic framework given the stated purpose in the strategic plan is to care for and optimise the facilities that BVL are “kaitiaki” for. Trustpower Baypark is a large and pivotal site for Tauranga city in its provision of areas for sport, leisure and recreation. Ensuring its full utilisation for a variety of uses plays a part in enhancing the quality of life for the people of Tauranga now and into the future.

This project has positive financial outcomes in addition to several important non-financial benefits to the organisation. It delivers increased operational efficiency and effectiveness, and considerable reduction of risk issues in public spaces and in the provision of services to BVL clients, as well as increased staff satisfaction and engagement.

The financial benefits through the leasing of three buildings plus Pavilion 2 along with the ability to bring offsite Bay Audio Visual equipment out of external storage and back on site to the area vacated by the Operations Team. These financial benefits in turn allow BVL to increase its service and programme offerings back into the community.

The investment required for this project is \$2,264,589. Baypark is part of the BVL non-funded network, therefore we are requesting this capital funding by way of TCC loan funding. The investment delivers a reasonable commercial return with IRR of 7%, NPV \$896k and a payback period of 11 years. Net profit before tax (NPBT) in year 1 is \$57k.



across the wider network. Clubfit must continue to evolve and innovate to remain relevant in industry and to maintain high value returns to BVL.

Clubfit is part of the BVL non-funded network, therefore we are requesting this capital funding by way of TCC loan funding. The investment delivers a strong commercial return with IRR of 9%, NPV \$1.25m and a payback period of 11 years. Net profit before tax (NPBT) in year 1 is -\$115k, becoming breakeven in year 3.

#### **Project 4: Greerton Aquatic & Leisure Centre rejuvenation project**

The full business case and supporting rationale is attached as appendix E.

The Greerton Aquatic & Leisure Centre (Greerton) is now 48-years old and over this period very little has been done to the facility besides roofing the complex over 20-years ago to enable this to be an all year-round facility and raising the temperature in the learners' pool.

The recent TCC City Wide Needs Analysis Report has identified Greerton (along with Baywave) will experience proportionally the greatest increase in demand due to its proximity to the City's growth areas. Until other aquatic facilities are developed and to cater for the increase in demand, the complex requires more amenities to adequately cater for all ages – from babies to mature adults. These improvements will enable Greerton to continue servicing the local community for many years to come.

The project aligns with independent customer research which confirms that whilst Greerton is a valued community facility with its own charm (small, simple, personable and accommodating), there are several negative issues with the facility. These include changing rooms and carparking which do not cater for the volume and diversity of users during peak times and the front of house is a wind-tunnel which makes it unpleasant for patrons, particularly young families and older adults (*Delve Research, 2017*).

In addition to the shortcomings existing customers have identified, the facility is also lacking recreation and leisure amenities which is an important component of any aquatic facility. Nationally and internationally, a typical aquatic market is made up of 60-70% recreation and leisure users (*Sport NZ, 2018*). At Greerton, recreation and leisure users make up only 16% of visit use.

To address these shortcomings, a rejuvenation of the facility is scheduled for August 2021 and forms part of the TCC Long Term Plan 2018-2028, which anticipates a budget of \$1.1m of capital along with \$776k of renewals. The rejuvenation project will ensure Greerton is equipped to accommodate growing demand and increase its attractiveness to the wider community.

Since the original business case was developed in 2017 for the LTP, a review has been undertaken to ensure the improvements will satisfy users, gain operational and space efficiencies and factor in any renewals work that should be undertaken at the same time. As a result, an additional \$1.128m of renewal funding is requested through the FY21 annual plan process.



The Greerton rejuvenation project will remedy several key issues at the facility:

- Provide adequate changing room space to cater for the diverse range of customers
- Upgrade the front entrance to address the cold air which permeates through the building in the colder months and when it is windy
- Upgrade the reception and offices to improve functionality
- Increase the recreation and leisure amenities to attract more youth and families
- Provide more parking to accommodate the shortfall during peak times
- Reconfigure lanes in the lap pool and hydrotherapy pool to increase capacity
- Address health and safety concerns eg slippery pool concourse and replacement ramp handrail
- Replace dated and non-compliant equipment eg grandstand seating
- Water tight sections of the building cladding
- Allow provision to strengthen the fitness centre floor if a requirement to obtain a building consent.

The project is scheduled to commence 17 August 2020 with an 8-week full aquatic closure plus 4-weeks of further disruptions once the pool opens to the public.

Despite the venue being closed for 8-weeks, the impact on EBITDA is low at \$28,000.

The business case supporting this project identifies both the new capital and renewals components of the project. In summary:

- All new capital works have already been approved by TCC and the amount requested through the Annual Plan is \$39,034 less than currently in the 2018-28 LTP budget
- An additional \$1.128m of renewal funding is requested through the FY21 annual plan process.

## FY2021 Renewal Projects

The renewals budget has been prepared in conjunction with TCC staff based on the Accela Asset Management system. The total 2020/2021 renewals budget is \$5,822,826 which is an increase of \$1,312,375 on the Long Term Plan submission.

| #  | RENEWALS SUMMARY 2020/21                           | LTP Approved     | FY21 Annual Plan Addition | FY Annual Plan Submission |
|----|--|------------------|---------------------------|---------------------------|
| 1  | Adams Centre                                       | 300,000          | (150,000)                 | 150,000                   |
| 2  | Arataki Community Centre                           | 54,848           | 0                         | 54,848                    |
| 3  | Bay AV (\$96,900 in stadium budget)                |                  | 0                         | 0                         |
| 4  | Baywave Aquatic Centre                             | 1,097,304        | (849,797)                 | 247,507                   |
| 5  | Bethlehem Hall                                     | 15,414           | 0                         | 15,414                    |
| 6  | Greerton Detailed Seismic Assessment Remedial work | 140,000          | 42,000                    | 182,000                   |
| 7  | Greerton Aquatics                                  | 650,706          | 1,253,063                 | 1,903,769                 |
| 8  | Greerton Hall                                      | 3,438            | 0                         | 3,438                     |
| 9  | Hot Pools  | 727,651          | 1,050,476                 | 1,778,127                 |
| 10 | Information Technology                             | 92,500           | 430,000                   | 522,500                   |
| 11 | Matua Hall   | 18,791           | 0                         | 18,791                    |
| 12 | Memorial Hall (attached to QEYC)                   | 67,266           | 0                         | 67,266                    |
| 13 | Memorial Pool                                      | 12,889           | 0                         | 12,889                    |
| 14 | Mt Sports Centre                                   | 1,644            | 0                         | 1,644                     |
| 15 | Otumoetai Pool                                     | 111,709          | 0                         | 111,709                   |
| 16 | Papamoa Sport & Rec Centre                         | 24,533           | 0                         | 24,533                    |
| 17 | Queen Elizabeth Youth Centre                       | 139,489          | 0                         | 139,489                   |
| 18 | Tauriko Hall                                       | 6,665            | 0                         | 6,665                     |
| 19 | Trustpower Arena                                   | 246,341          | 0                         | 246,341                   |
| 20 | Trustpower Baypark                                 | 708,492          | (501,591)                 | 206,901                   |
| 21 | Welcome Bay Hall                                   | 18,132           | 0                         | 18,132                    |
|    | Renewals Total                                     | 4,437,814        | 1,274,151                 | 5,711,965                 |
| 23 | Design and fees 3%                                 | 72,636           | 38,225                    | 110,861                   |
|    | <b>RENEWALS TOTAL</b>                              | <b>4,510,450</b> | <b>1,312,375</b>          | <b>5,822,826</b>          |

### # As Above Detail of Additional Renewals

- 1 **UoW Adams Centre** - Gym Equipment Renewals Reduction
- 4 **Baywave** - HVAC, Pool Heating, Painting
- 7 **Greerton Aquatics** - Renewal works will trigger detailed seismic consultancy work
- 8 **Greerton Aquatics** - Front of House, Gym Floor Strengthening, Weather Tightness, Tiling, Retractable Seating, FY20 Delayed Renewal Items, Non Slip Floor replacement
- 9 **Mount Hot Pools** - Deferral from FY20, Pool Tiling, Overflow Channel Replacement, Defender Filters, Roof Brackets
- 10 **Information Technology** - Finance System Replacement, Customer Portal Replacement
- 20 **Trustpower Baypark** - Manitou Equipment Replacement
- 23 **Design Fees 3%** - Increase as per increase in renewal budget

Business cases are not required for replacement of existing assets.

## **Operating Subsidy**

BVL are currently undertaking a review of pricing in the funded network. The work will ascertain what prices are required to increase by in order to mitigate for additional costs incurred across this portion of the network over recent years. Initial estimates are that the total increase required to offset additional operating costs is in the vicinity of \$450,000. This figure will be confirmed early in the New Year.

As price increases in the funded network greater than CPI require Council approval, BVL will then bring the price increases to Council for approval as per the Enduring Statement of Expectation.

BVL are signalling to Council that should the price increases not be approved enabling BVL to recover increased costs from users, it is likely that BVL will seek an increase to the current operating subsidy by way of a submission to the draft Annual Plan in the vicinity of \$450,000 per annum.