
Report 3.3.1
(1215/52/IM)

INDOOR COMMUNITY SPORTS CENTRE PROPOSAL – CONSULTATION PROCESS

1. Purpose of Report

To report on the special consultative procedure carried out for the proposal to develop an Indoor Community Sports Centre and to seek agreement to refer the proposal to Council for adoption.

2. Executive Summary

On 8 March 2006, Council agreed to include in the draft Long Term Council Community Plan (LTCCP) a proposal to develop an Indoor Community Sports Centre at Cobham Drive Park. The proposal was for an 8 court facility with the ability to expand the number of courts in the future.

Consultation has now been carried out and 458 submissions were received. 63% (289 out of 458) agreed with the proposal, 24% (109 out of 458) conditionally supported or raised issues about the proposal, and 13% (60 out of 458) did not support the proposal. A large number of the submissions (67 out of 458) said that 12 courts should be built now. The other main issues raised by submitters were concerns about traffic, parking, location, loss of open space and cost.

Following the consultation process it is now proposed that the Indoor Community Sport Centre is constructed with 12 full size courts (instead of 8 courts). A 12 court facility allows greater use by netball and enables a greater number of other sports and users to access the facility. An 8 court facility would only have allowed Netball Wellington to relocate approximately ¼ of its existing Hataitai Park competition to the new facility.

The development of a 12 court facility would give Wellington an even greater chance of securing regional, national and international sports tournaments. It would enhance the ability to have multiple sports groups using the facility at the same time hence allowing greater flexibility of use.

Rising levels of obesity, diabetes and inactivity is of major concern in New Zealand and the rest of the world. The facility would be an ideal base for targeted physical activity programmes catering for a wide range of groups in the community, with particular emphasis on school-aged children, pre-schoolers and older adults. Wellington City Council has a successful history of providing such recreation programmes at its facilities.

Cost efficiencies will also be gained from constructing 12 courts in one stage.

In addition to the 12 courts, the facility would include meeting rooms and seating for approximately 1,000 spectators, a reception area, car parking, kitchen, changing room and toilets and areas for tournament control and administration. It will complement other indoor facilities in the city such as the Events Centre, WCC recreation centres, and the Wellington Academy of Sport. The Indoor Community Sports Centre is estimated to have a capex cost of \$40.4 m over four years.

3. Recommendations

It is recommended that the Committee:

1. *Receive the information.*
2. *Note that Council, at its meeting on 8 March 2006, initiated the special consultative procedure of the Local Government Act 2002 on a proposal to develop an Indoor Community Sports Centre at Cobham Park.*
3. *Note that the proposal to develop an Indoor Community Sports Centre was publicly notified on 12 April 2006 as part of the Draft Long Term Council Community Plan 2006-2016 consultation process.*
4. *Note that 458 submissions were received and that 63% (289 out of 458) agreed with the proposal, 24% (109 out of 458) conditionally supported or raised issues about the proposal, and 13% (60 out of 458) did not support the proposal.*
5. *Recommend to Council that it:*
 - a) *note that special consultative procedure has been carried out for the Indoor Community Sports Centre and that 458 submissions were received*
 - b) *note that oral submissions were heard by the Hearings Subcommittee between 17 and 29 May 2006*
 - c) *note that the Strategy and Policy Committee considered the issues raised in the submissions at its meeting of 21 June 2006*
 - d) *agree that the (approximately) 5800 m² land at the northern end of Cobham Drive Park is retained at this stage to provide space for additional car parking for the Indoor Community Sports Centre*
 - e) *agree to proceed with the proposal to develop a 12 court Indoor Community Sports Centre at Cobham Drive Park.*
 - f) *agree to fund the increased construction cost of a 12 Court Facility initially through borrowings, but introduce a targeted rate to repay the increase in construction costs over a shorter timeframe.*

- g) *agree to refer the project funding to the Revenue and Financing Working Party to further discuss the Revenue and Financing Policy implications this project may have on Activity 6.4.3 – Recreation Centres.*
6. *Note that the estimated capital cost of constructing the proposed 12 court Indoor Community Sports Centre at Cobham Drive Park is approximately \$40 million.*
7. *Note that the average net operating cost of the proposed 12 court Indoor Community Sports Centre over 60 years is estimated to be \$2.089 million per annum including depreciation and interest costs and after a targeted rate has been applied as recommended.*

4. Background

4.1 The Proposal

On 8 March 2006, Council agreed to include in the draft Long Term Council Community Plan (LTCCP) a proposal to develop an Indoor Community Sports Centre at Cobham Drive Park.

The rationale for the proposal was that there is a critical need for additional indoor sports facilities in Wellington. Such a facility would support the Council's strategic vision and outcomes and provide critical social infrastructure in line with the draft Social and Recreational Strategy.

An Indoor Community Sport Centre would:

- improve the playing and training conditions for indoor sports participants at all skill levels
- encourage growth in indoor sports because of the increased indoor court space and the improved quality of the facility
- attract more regional, national and international sports events to be held in Wellington City and this would bring economic benefit to the City
- be an ideal base for targeted physical activity programmes catering for a wide range of groups in the community, with particular emphasis on school-aged children, pre-schoolers and older adults

In addition, an indoor sports centre would alleviate problems facing, netball, basketball and volleyball in securing usable space for their sports on a regular basis. The predominant use of the facility Monday to Friday during the day (term time) is expected to be schools participating in recreation programmes. In 2005, there were 15,127 school students within a 5km radius of Cobham Drive Park.

¹The proposal was to develop an 8 court facility which included meeting rooms and seating for approximately 1,000 spectators. In addition there would be a reception area, car parking, kitchen, changing room and toilets and an area for tournament control and administration. It would complement other indoor facilities in the city such as the Events Centre, recreation centres, swimming pools and the New Zealand Academy of Sport - Central.

¹ This report recommends that rather than an 8 court facility, a 12 court Indoor Community Sports Centre is built at Cobham Drive Park.

It is estimated that 30,000 to 40,000 people per year would use the facility (based on information from the sporting groups). This would equate to about 200,000 to 300,000 visits per year. Wellington residents would be the major users of the facility.

Further background to the development of an Indoor Community Sports Centre is contained in the 1 March 2006 report to the Strategy and Policy Committee.

4.2 Consultation Processes

Council resolved on 8 March 2006 to include the proposal in the draft Long Term Council Community Plan. As well as being included in the draft LTCCP, consultation documents were prepared and a specific submission form, statement of proposal and summary of information were posted on the Wellington City Council website.

The summary of information (brochure) was made available to the public in Wellington City Council Service Centres, libraries, recreation centres, indoor swimming pools, at Woolworths (Kilbirnie) and the Kilbirnie Community Centre. It was delivered to approximately 900 households near Cobham Drive Park, and to the Kilbirnie/Rongotai/Lyall Bay, Strathmore, Hataitai, and Miramar resident associations.

In addition, information about the proposal was made available by:

- A special feature on the front page of the April APW newspaper outlining the proposal to develop an indoor community sports centre (delivered to every household in Wellington City)
- A special feature outlining the proposal on the “Our Wellington” page of the Dominion Post on 13 April 2006. The proposal was also mentioned on the “Our Wellington” page on 27 April, 4 May and 18 May 2006
- A special Eastern Ward meeting on 4 May 2006 that included a presentation on the proposed Indoor Community Sports Centre
- An LTCCP “Social & Recreation” meeting on 1 May 2006 that included a presentation on the Indoor Community Sports Centre
- Inclusion of the “Statement of Proposal” (pages 400 to 404) in the Draft LTCCP 2006 – 2016
- Public notices in the Dominion Post and in the Cook Strait News.

4.3 Summary of Submissions

A total of 458 submissions were received on the proposal to develop an Indoor Community Sports Centre.

- 63% (289 out of 458) of the submissions agreed with the proposal
- 24% (109 out of 458) conditionally supported the proposal or raised issues about it – but did not disagree with the proposal
- 13% (60 out of 458) disagreed with the proposal.

It is noted that 15% (67 out of 458) of the submissions in support of the Indoor Community Sports Centre said that 12 courts should be built straight away.

Submissions in support of the proposal made comments such as:

- The facility is critically needed if indoor sport is to be successful in Wellington
- Netball needs an indoor facility in Wellington
- Because other sporting facilities are nearby, Cobham Drive Park is a good site.

Submissions that expressed conditional support made the following comments:

- The facility should have 12 courts instead of 8 courts
- There must be adequate car parking
- Having a preference for the Westpac Stadium site
- Handball court markings should be provided

Key issues raised by submitters that opposed the proposal were:

- Car parking and traffic issues
- Location
- That Council can not afford the facility and/or does not need it
- The loss of open space and green area with the loss of Cobham Drive Park.

Other concerns raised were that:

- Council should not sell the land at the northern end of Cobham Drive Park
- noise during facility construction and operation would be unsettling
- the facility would be built in a Tsunami/earthquake risk area
- the concept design plans for the building were not liked.

Copies of the submissions were made available to the Hearings Subcommittee. A number of submitters appeared when submissions were heard by the Hearings Subcommittee between 17 May and 29 May 2006.

5 Discussion

This section discusses the main issues raised during consultation and provides officer's advice in response to those issues.

5.1 Number of courts

A large number of submissions, mostly from the netball sector urged the Council to build 12 courts now rather than 8 courts (and 4 courts at a later date). For example, in their submission the Netball Wellington Centre said that although it supported an 8 court facility "we believe building a 12 court facility immediately would be justified in terms of demand and cost effectiveness". It submitted that eight courts would allow netball to bring only ¼ of the existing Hataitai Park competition to the facility and that a larger facility would not only benefit netball players but would provide the space for significant numbers of people involved in other sports to participate.

It is noted that indoor sport centres in Dunedin (21 courts) and Southland (11 courts) have recently been expanded to meet growing demand from sports groups. Palmerston North has also recently upgraded its sport centre (12 courts). Tauranga and Hamilton are currently considering the construction of 12 court indoor sports centres.

As noted in the report to Strategy and Policy Committee on 1 March 2006, Cobham Drive Park site is large enough to provide 12 courts. The park also has enough area for sufficient off-street car parking.

5.1.1 Utilisation and recreation programmes

Even with 12 courts, there would still be periods from April to September that the facility will not be able to meet peak demand - however, this is also the case with other sport facilities in Wellington City such as swimming pools.

The off-peak period for the facility would be before 3pm Monday to Friday during term time. However, with the development of recreation programmes for schools, pre-schoolers and older adults it is anticipated that this time period would be utilised.

The Wellington Regional Aquatic Centre, Nairnville Recreation Centre and Karori Recreation Centre have been particularly successful in providing recreation programmes for pre-schoolers, schools, and older adults during the above times. Programmes at these recreation centres include:

- gymnastics (many different levels)
- mini-ball / basketball
- soccer
- music
- movement classes for older adults (e.g. table tennis, “Stretch and Flex”)

Nairnville Recreation Centre provides 22 recreation programmes per week for pre-schoolers and school aged children between 9am and 3pm Monday to Friday. There is now no spare capacity at Nairnville and Karori Recreation Centres during this time period.

It is noted that during the LTCCP submission process Athletics Wellington gave a presentation of a very successful athletics programme in the United Kingdom called “sports hall” that it wishes to introduce at the proposed Indoor Community Sports Centre. The programme targets 4 year olds to 18 year olds and develops speed, agility and encourages physical activity. Tournaments are also held between schools and one such event featured students from Liverpool, Toronto and Cardiff.

The proposed facility will also enable Council’s “outreach” recreation programme to be extended. This programme involves providing physical education activities for primary school children (5 years to 11 years). It is noted that there are a large number of low decile areas close to Cobham Drive Park (see “Appendix 3”).

There will be great potential to provide “wet and dry” recreation activity packages to schools involving use of the Wellington Regional Aquatic Centre and the Indoor Community Sports Centre.

Physical Activity / Obesity

Rising levels of obesity, diabetes and inactivity is of major concern in New Zealand and the rest of the world.

The health benefits of physical activity are beyond question. There is a wealth of evidence that clearly indicates physical activity as both a protective and mitigating factor against a range of health disorders. It is well accepted that physical activity and sport can play an important role in furthering personal and social development for individuals and communities.

The proposed Indoor Community Sports Centre would be an ideal base for a large range of recreation activities and programmes that will deliver significant community health benefits.

5.1.2 Increased access for other sports

A 12 court facility would enable a greater number of different sports groups to be able to use the Indoor Community Sports Centre because more courts would be available. It would also enhance the ability to have multiple sports groups using the facility at the same time (e.g. basketball and netball) hence allowing greater flexibility of use.

5.1.3 Tournaments

As outlined in previous reports to Council the Indoor Community Sports Centre will have potential for regional, national and international tournaments. There is little doubt that the development of a 12 court facility, coupled with Wellington's central location, would greatly enhance the chances of attracting sports tournaments.

A larger 12 court facility would also minimise the interruption that tournaments would have on regular user groups – this is because it would be possible to run some tournaments concurrent with regular sport leagues/training.

5.1.4 Cost / Construction efficiencies

A 12 court Indoor Community Sports Centre is estimated to have a capex cost of \$40.43 million over four years (excluding the 2005/06 cost of purchasing the land at Cobham Drive Park - \$3.325m).

Savings will eventuate from building 12 courts now rather than constructing in several stages. It is estimated that savings of approximately 10% will accrue from building the facility in one stage.

It is recommended that the proposal proceeds on the basis of a 12 court facility.

5.2 Car parking and traffic issues

A number of submitters (especially residents that live close to Cobham Drive Park) expressed concern about traffic congestion, and the lack of off-street car parking in the vicinity of Cobham Drive Park. Submitters were particularly concerned about car-parking issues on Saturday mornings during the netball season, and during events at the adjacent Indian culture and sports centre. Submitters noted traffic congestion that occurs at the Troy Street/Cobham Drive roundabout during peak times and some noted that the increased traffic will impede access for the Rongotai Fire Station and Kilbirnie Police Station (both of these organisations recommended that traffic improvements are made to the Troy Street roundabout).

In relation to traffic congestion, officers engaged consultants, Traffic Design Group, to undertake a Transportation Assessment. The report examined the traffic related aspects

of the proposal, including an assessment of the features and characteristics of the surrounding environs and the expected effects arising from the added traffic and parking demands. The report made a number of findings/recommendations:

- That improvements are made to the Troy Street/Cobham Drive roundabout. The report noted that improvements to the roundabout are warranted irrespective of whether the proposed development goes ahead
- Re-design of the existing turn-around in Troy Street
- Introduction of traffic calming improvements along Kemp Street
- Erection of route signage to encourage users to travel via established primary roads
- Provision of around 225 car parks for eight courts
- Provision of around 325 car parks for twelve courts (N.B. To meet this level of parking provision this requires the land at the northern end of the park to be retained)

These issues and recommendations will be addressed within the resource consent process and costings will be established within the detailed design.

To address parking issues, the Kilbirnie Lyall Bay Rongotai Progressive Association suggested introducing residents only parking on Kemp Street during prime opening hours of the Indoor Community Sports Centre, and a number of other traffic and parking improvements. This will be investigated further within the detailed design process and in the context of the resource consent process.

It had been proposed to sell an area of land at the northern end of Cobham Drive Park of approximately 5,800 square metres. The area of land had been valued at around \$4 million. A number of submitters opposed the proposed disposal of land at the northern end of Cobham Drive Park because of the loss of off-street car parking area, and because they did not think Council should sell an area of park.

The land at the northern end of Cobham Drive Park is needed for off-street car parking for the provision of 12 courts. It is therefore recommended that the land at the northern end is not disposed of.

It is noted that positive submissions were received from both Stagecoach and Infratil Limited towards developing public transport links to the proposed Indoor Community Sports Centre.

5.3 Location

Some submitters were concerned that the proposed facility should be more central to the region and city and/or expressed a preference for the Westpac Stadium concourse site.

The Westpac Stadium concourse was the preferred site for an Indoor Stadium and the 2005/06 Annual Plan included information about the proposal to build the stadium at that site. However with the purchase of land at Cobham Drive Park and further analysis the Council agreed in March 2006 that the site at Cobham Drive Park was the preferred site for the Indoor Community Sports Centre. Major reasons for that decision were that the site at Cobham Drive Park has:

- lower construction cost (\$40m versus \$51m at the Westpac Stadium concourse for twelve courts, and \$29m versus \$36m for eight courts)
- lower operating costs than for the Westpac Stadium concourse site (the Cobham Drive Park site is potentially \$450,000 cheaper per annum, excluding depreciation and interest costs)
- has greater potential for future expansion than the Westpac Stadium site (the Westpac Stadium site is smaller and would not provide sufficient space between courts if 12 courts were built)
- has free car parking
- has close proximity to more schools
- has potential for naming rights sponsorship
- better vehicle access than the Westpac Stadium concourse
- less conflict with neighbouring facilities than the Westpac Stadium concourse site (particularly during events at Westpac Stadium)
- less construction complexity than the Westpac Stadium concourse site

The main disadvantages are that it is not as central to the City and region as the Westpac Stadium site, and there is a loss of open space amenity.

It is also noted that in the vicinity of Cobham Drive Park there are a number of suburbs with high levels of deprivation. An Indoor Community Sports Centre will provide recreation communities for these communities. A deprivation index is attached as Appendix 3.

5.3.1 Schools

The projected off-peak use time for the Indoor Community Sports Centre is before 3pm Monday to Friday during school term time. Cobham Drive Park's proximity to more schools will increase the potential use of the facility.

Of schools (surveyed in October 2005) within a 5km radius of Cobham Drive Park, 88% indicated that they would use an Indoor Community Sport Centre in the Rongotai / Kilbirnie area². Of schools within a 5km radius of Westpac Stadium site 67% indicated they would use a facility if it was situated on the Westpac Stadium concourse (the main reason for this lower figure was because a number of schools in this area already had good sport facilities).

It is recommended that Cobham Drive Park is the preferred site.

5.4 Loss of open space

Some submitters were concerned about the loss of open space amenity. Cobham Drive Park is mainly used for structured/formal sport by rugby, soccer and cricket. A range of Council and school grounds have been identified where these sports could take place if the Indoor Community Sports Centre proceeds. The Council will continue to work with the sports codes to minimise impact.

²There are a larger number of schools and students close to the Cobham Drive Park site (compared to the Westpac Stadium site). The 1 March 2006 report to SPC, said there were 14 schools within a 2km radius and 40 schools within a 5km radius of Cobham Drive Park. The correct figure is 15 schools within a 2km radius and 47 schools within a 5km radius.

Anecdotal evidence from Council staff and surveying of the park have identified that casual use of Cobham Drive Park is low. A summary of the survey results is attached as Appendix 1. It is noted that a number of casual users use the park to walk through.

One of the reasons for this low casual use is considered to be the windy and exposed nature of the park. There are also a number of other open areas in the vicinity of Cobham Drive Park such as reserves and school land. A map showing open space areas in proximity to Cobham Drive Park is attached as Appendix 2.

5.5 Noise during construction and operation

The rules controlling noise during construction and operation are contained in the District Plan. The proposed facility and its construction will be required to comply with the District Plan.

5.6 Tsunami /earthquake risk

A geotechnical report has been completed and has not identified any major issues. The facility would be required to comply with the District Plan and building code in respect to construction. Because of its size the facility could provide a useful community venue in the event of an emergency event.

5.7 Handball

A number of submissions were received advocating for court markings to be provided for handball. Estimates range from 18 to 25 million people playing handball around the world. There are currently about 50 handball players in Wellington. The only indoor court area that is large enough to play handball is at the Events Centre and submitters said this facility was too expensive to hire or unavailable. Players currently play mostly at Kilbirnie Recreation Centre but this court is not full size.

It is recommended that Council officers look at the option of placing handball court markings on one of the courts during the detailed design phase.

5.8 Design process

A few submitters noted that they were not impressed with the proposed design of the facility. As outlined in the 1 March 2006 report, the concept design for the proposed Indoor Community Sport Centre is a preliminary concept drawing only (and was for only 8 courts). It is intended that design proposals are requested early in the new financial year.

5.9 Resource consent

A number of submitters were concerned that the development of an Indoor Community Sports Centre at Cobham Drive Park would not require resource consent.

The Traffic Design Group has recommended that more than 120 off-street car parks are required and this will trigger the need for resource consent. A decision would be made by Council in its regulatory capacity after the resource consent application is lodged as to whether the application would be publicly notified or non-notified.

It is noted that Cobham Drive Park is zoned “suburban centre”, and is part of a broader suburban centre area broadly defined by Kemp Street and Cobham Drive. Suburban

Centre zoning is a relatively permissive land use category, one key objective being to “*encourage a wide range of activities*” provided that specified conditions are met.

However, Council officers would address local community concerns expressed in the LTCCP submissions in regards to parking, traffic, and design of the facility during the detailed design process.

6. Funding Options and Financials

In accordance with the Council’s Revenue and Financing Policy the draft LTCCP proposed that the construction of the ICSC be funded through borrowings. Users of the ICSC and ratepayers generally would effectively fund the repayment of the underlying borrowings over the life of the asset.

In preparing the draft LTCCP Councillors agreed in principle to adopt an overall Borrowing Management Strategy (BMS). One of the principal objectives of the BMS was to provide comfort and assurance that the Council’s current and future borrowing levels remain within prudentially acceptable levels. As part of the BMS the Council agreed to introduce an annual cap on new borrowings of \$20million. It was further agreed that there may be circumstances that necessitate the Council having to fund large one-off investment (such as the ICSC) through borrowings outside of the annual borrowings cap. These would be considered on a case by case basis with a decision made after due consideration had been given to reprioritising other planned investment.

Following consultation this report recommends that the Council review the original decision to construct an 8 court indoor facility and instead increase capacity to 12 courts. In the event that the Council agrees to proceed with a 12 court facility the total estimated construction cost would increase from \$29.1million to \$40.4million. The issue for Council to then consider is how best to fund an increase in the cost of construction where the construction of the base case investment (an 8 court facility) was already being funded by borrowings outside of the annual borrowings cap.

Capital Expenditure Funding Options

In reviewing the submissions on the ICSC some respondents were concerned at the impact of construction on the Council’s overall level of borrowings. The presentation of the original BMS in February 2006 recognised that there were alternative funding mechanisms that could be used to fund capital investment, including the use of targeted or general rates. In general, the following options are available to Council to fund the increased cost of construction of a 12 court facility:

- Option 1: Increase the proposed level of borrowings for funding new asset investment outside of the annual borrowings cap.
- Option 2: Reprioritise planned capital expenditure funded through borrowings from within the annual borrowings cap.
- Option 3: Fund the increase in construction cost for a 12 court facility initially through borrowings but introduce a targeted rate to repay the additional borrowings over a shorter timeframe (for example, over 10 years) than the repayment of the underlying borrowings on an 8 court facility.

The Revenue and Financing Policy working party has considered, in general, the option of using rates as a funding tool for all or part of the cost of construction of new assets. Although the current Policy recommends that borrowings are the most effective funding tool for the construction of new assets – as it spreads the cost of the asset over the life of the asset and ensures that those who benefit from the asset’s use pay for it – the Working Party has acknowledged that there may be individual circumstances where it is considered appropriate to depart from the underlying policy.

In introducing its Borrowing Management Strategy the Council is reflecting its obligation under the Local Government Act to manage its affairs in a financially prudent manner. Through the BMS the Council has considered an appropriate level of borrowings and put in place a borrowing cap as a means of managing within its prudential guidelines.

When including an 8 court Indoor Community Sports Centre in its draft LTCCP the Council recognised that the unique nature of this project proposal meant it was prudent to fund such a large one off investment outside the borrowing cap. It was also recognised that there was a ceiling on the level of borrowings for this investment given the impact on overall prudential borrowing levels.

Officers therefore consider that where, following public consultation, the Council recommends an increase in the construction cost of the underlying asset (e.g. the increase from an 8 to a 12 court facility) that this increase be funded either through the reprioritisation of capital expenditure funded within the annual borrowings cap (option 2) or through the introduction of a targeted rate (option 3).

The Council has already undertaken an extensive capital reprioritisation exercise in developing the Draft Long Term Financial Strategy. Officers consider the opportunities to reprioritise further, without having considerable impact on service levels are limited.

It is therefore proposed that in this instance the Council make a departure from its principle of funding all new assets through borrowings, based on the intergenerational equity principle. This departure is proposed on the basis that in terms of hierarchy the fundamental principle of financial prudence – as reflected in the Council’s Borrowing Management Strategy takes precedence over the principle of intergenerational equity.

In the case of the proposed increase in the construction cost of a 12 court facility it is recommended that the Council adopt funding option 3 and introduce a targeted rate to fund the increased capital investment required to increase the capacity of the facility to 12 courts. This will have a twofold impact – firstly borrowings will be repaid at a faster rate – this is considered financially prudent and in line with the overarching principles contained in the Council’s BMS – and secondly operational costs will be reduced over the life of the asset as lower average borrowing levels will result in lower interest costs.

Option 2 is not considered desirable in this particular situation given the extent of reprioritisation that would be required to fund the increased borrowing requirement and the detrimental impact that this reprioritisation will have on the upgrade programme set out in the current Asset Management Plans.

The estimated construction costs for the project are detailed in the following table:

Table 6.1 - Capex Construction Cost Comparison between 8 and 12 Court Facility:

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
Construction Cost	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
8 Court Facility	582	8,735	18,344	1,456	0	0	0	0	0	0	29,118
12 Court Facility	809	12,130	25,473	2,022	0	0	0	0	0	0	40,434
Cost Increase: 8 to 12 Courts	226	3,395	7,129	566	0	0	0	0	0	0	11,316

Key assumptions:

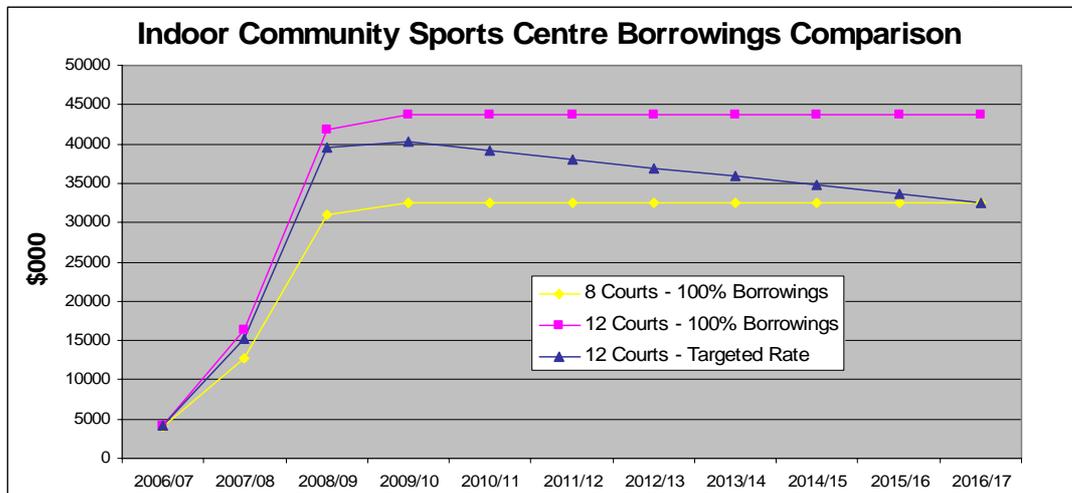
- Construction costs are based on QS estimates on concept drawings, inflated by 15% to account for cost of construction changes between QS estimate and proposed construction timeline.
- No renewal capex has been factored into the total project cost.

The following financial and funding analysis shows the impact of a targeted rate to fund the repayment of the increased \$11.316m borrowings required for a 12 court facility over an 8 court facility.

Table 6.2 - Borrowings Requirement Comparison

Borrowings Requirement	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	...	Total Borrowings Requirement
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		\$000
8 Court Facility:													
Capex Requirement - land	3,325	0	0	0	0	0	0	0	0	0	0		3,325
Capex Requirement - construction	0	582	8,735	18,344	1,456	0	0	0	0	0	0		29,118
Uniform Targeted Rate	0	0	0	0	0	0	0	0	0	0	0		0
Net Borrowings	3,325	582	8,735	18,344	1,456	0	0	0	0	0	0		32,443
12 Court Facility:													
Capex Requirement - land	3,325	0	0	0	0	0	0	0	0	0	0		3,325
Capex Requirement - construction	0	809	12,130	25,473	2,022	0	0	0	0	0	0		40,434
Uniform Targeted Rate	0	0	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)		(11,316)
Net Borrowings	3,325	809	10,999	24,342	890	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)		32,443

The graph below illustrates the impact of the targeted rate funding recommendation on project borrowing over the duration of the 2006 – 2016 LTCCP and shows that by 2016/17 project borrowing levels will have reduced to that of the 100% borrowings funded 8 court option.



The table below shows that by applying a targeted rate of \$11.316 million over 10 years to assist in funding the 12 court option, Council borrowings costs over the life of the asset will reduce by an estimated \$14.933 million.

Table 6.3 - Funding Option Comparison

Number of Courts	8 Court		12 Court	
Funding Option Comparison	100% Borrowings	100% Borrowings	Targeted Rate of \$11.3m over 10 years (Total cost over 60 ys)	Cost of Funding Difference for 12 Court
Borrowings Requirement:	\$000	\$000	\$000	\$000
Capex Requirement - land	3,325	3,325	3,325	0
Capex Requirement - construction	29,118	40,434	40,434	0
Targeted Rate	0	0	(11,316)	11,316
Net Borrowings	32,443	43,759	32,443	11,316
Cost of Borrowings:	\$000	\$000	\$000	\$000
Interest	60,929	78,863	63,931	14,933
Depreciation	29,118	40,434	40,434	0
Total Cost of Borrowings	90,047	119,297	104,365	14,933

Operating statement / rates impact

The anticipated operating costs of the 8 and 12 court options, and the 12 court option with \$11.316 of borrowings funded through a targeted rate are summarised in the following tables for the duration of the 2006 - 2016 LTCCP.

The tables show that over the period of the 2006-2016 LTCCP the Net Funding Requirement difference between the 8 and 12 court options is \$8.095 million. However this can be reduced to a difference of \$3.115 million through the imposition of a fixed target rate of approximately \$17.50 (excl. GST) per year for ten years starting in 2007/08, on each rating unit incorporated in the Council's Base (residential) differential. This targeted rate is equivalent to a 1% increase on current 2007/08 average residential rate forecasts.

Table 6.4 - Opex Statements

Opex Statement	2006/07 \$000	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000
8 Court Facility - 100% Borrowings:										
Operating Income	0	0	0	466	466	466	466	466	466	466
Operating Expenditure	0	0	0	902	902	902	902	902	902	902
Net Operating Expenditure	0	0	0	(436)						
Interest	253	579	1,527	2,190	2,180	2,120	2,060	1,999	1,939	1,878
Depreciation	0	0	0	863	863	863	863	863	863	863
Total Interest and Depreciation	253	579	1,527	3,053	3,043	2,983	2,922	2,862	2,802	2,741
Total Operating Deficit	(253)	(579)	(1,527)	(3,489)	(3,479)	(3,419)	(3,359)	(3,298)	(3,238)	(3,177)
Non Funded Depreciation	0	0	0	0	0	0	0	0	0	0
Net Funding Requirement	(253)	(579)	(1,527)	(3,489)	(3,479)	(3,419)	(3,359)	(3,298)	(3,238)	(3,177)
12 Court Facility - 100% Borrowings:										
Operating Income	0	0	0	580	580	580	580	580	580	580
Operating Expenditure	0	0	0	1,038	1,038	1,038	1,038	1,038	1,038	1,038
Net Operating Expenditure	0	0	0	(458)						
Interest	261	714	2,030	2,950	2,937	2,853	2,770	2,686	2,602	2,518
Depreciation	0	0	0	1,198	1,198	1,198	1,198	1,198	1,198	1,198
Total Interest and Depreciation	261	714	2,030	4,148	4,135	4,051	3,968	3,884	3,800	3,716
Total Operating Deficit	(261)	(714)	(2,030)	(4,606)	(4,593)	(4,510)	(4,426)	(4,342)	(4,258)	(4,174)
Non Funded Depreciation	0	0	0	0	0	0	0	0	0	0
Net Funding Requirement	(261)	(714)	(2,030)	(4,606)	(4,593)	(4,510)	(4,426)	(4,342)	(4,258)	(4,174)
12 Court Facility - \$11.3m Targeted Rate:										
Operating Income	0	0	0	580	580	580	580	580	580	580
Operating Expenditure	0	0	0	1,038	1,038	1,038	1,038	1,038	1,038	1,038
Net Operating Expenditure	0	0	0	(458)						
Interest	261	674	1,911	2,764	2,695	2,556	2,416	2,277	2,137	1,997
Depreciation	0	0	0	1,198	1,198	1,198	1,198	1,198	1,198	1,198
Total Interest and Depreciation	261	674	1,911	3,962	3,893	3,754	3,614	3,474	3,335	3,195
Total Operating Deficit	(261)	(674)	(1,911)	(4,420)	(4,351)	(4,212)	(4,072)	(3,933)	(3,793)	(3,653)
Non Funded Depreciation	0	0	0	335	335	335	335	335	335	335
Net Funding Requirement	(261)	(674)	(1,911)	(4,085)	(4,016)	(3,876)	(3,737)	(3,597)	(3,458)	(3,318)

Key forecast assumptions:

- No inflationary adjustments have been made to income or expenditure.
- The interest rate applied to borrowings is 7% per annum.
- Interest costs are based on average annual borrowings after depreciation.
- Depreciation is based on componentised useful lives averaging 40 years.
- \$150k per annum has been included in operating income for external sponsorship/naming rights.
- Operating costs exclude any reallocation of organisational costs.

Revenue and Financing Policy Implications

This project has tentatively been incorporated under the Recreation Centres activity (6.4.3) which has a 70% general rates 30% user charges funding split. Based on existing revenue forecasts for the 12 court facility user charge revenue is expected to range between 12% and 14% of expenditure between 2008 and 2016. This is well short of the 30% target for this activity.

To resolve this issue the Council could consider:-

- The opportunity to access additional user generated funding for the facility and/or attract additional external funding.
- Revisit the funding rationale for the Recreation Centres Activity.
- Whether this facility warrants a differing funding rationale from other recreation centre activity.

It is recommended that the Strategy and Policy Committee delegate to the Revenue and Financing Policy Working Party the task of reviewing the operational funding alternatives for this project and provide recommendations back to the Committee.

7. Conclusion

Following the special consultative process, a total of 458 submissions were received on the proposal to develop an indoor community sports centre.

- 63% (289 out of 458) of the submissions agreed with the proposal
- 24% (109 out of 458) either conditionally supported or commented on the proposal.
- 13% (60 out of 458) disagreed with the proposal

The biggest issue raised by submitters was that 12 courts should be built now, rather than constructing the facility in several stages.

Parking and traffic concerns were the next biggest issue. Provided the recommendations in section 5.2 of this report are implemented it is considered that a large number of these objections would be alleviated.

The overall preference of the main sports codes is for a large 12 court multi-sport facility at Cobham Drive Park. A 12 court facility will increase the amount of netball and the number of other sports that can be played at the facility. It will also enhance Wellington's ability to secure sports tournaments, provide construction cost efficiencies, and enable greater provision of targeted recreation programmes.

Contact Officers: Derek Fry, Director – Recreation and Events and Garry Poole, Chief Executive Officer

Supporting Information

1) Strategic Fit / Strategic Outcome

The aims of the proposal are consistent with the following long-term outcomes of the Draft Social and Recreation Strategy:

6.1 More liveable – Wellington will be a great place to live, work and play, offering a stimulating and high quality range of community amenities and services.

6.3 More actively engaged – Wellington residents will be actively engaged in their communities, and in recreation and leisure activities.

6.4 Better connected – Wellington will offer excellent access to a sound social infrastructure that supports high levels of social cohesion.

6.5 Healthier – Wellington's population will enjoy a healthy lifestyle and high standards of public health.

2) LTCCP/Annual Plan reference and long term financial impact

The financial implications are as outlined in section 6 of this report. Note that the change in recommendations following the LTCCP consultation process and contained in this report result in financial changes from the report considered by the Committee 1 March 2006.

3) Treaty of Waitangi considerations

Not applicable

4) Decision-Making

This is a significant decision and has been consulted upon within the draft LTCCP.

5) Consultation

The special consultative procedure has been completed for this proposal

6) Legal Implications

Council's lawyers have been consulted during the development of this report

7) Consistency with existing policy

This report is consistent with existing policy

Casual use of Cobham Drive Park - 2006

Date/Time	Weather conditions	Casual Activity / Use
Saturday 18 February: 8.00am to 6.00pm (10 hours)	Fine	<ul style="list-style-type: none"> - 4 walkers and 1 runner passed through park - 2 people walked their dog around park - 3 people walked dog through the park
Sunday 19 February: 8.00am to 2.00pm (6 hours)	Fine	<ul style="list-style-type: none"> - *41 people walked through park (*note: most of these people were involved in the “Round the Bays” event) - 2 people walked dog
Monday 20 February: 12noon to 6.00pm (6 hours)	Fine	<ul style="list-style-type: none"> - 2 people walked through park - 1 person walked dog through park - 1 person walked dog around the park
Tuesday 21 February: 8.00am to 11.00am (3 hours)	Windy	No casual use
Wednesday 22 February: 12 noon to 8.00pm (8 hours)	Windy	<ul style="list-style-type: none"> - 2 people had picnic - 9 boys played informal game of soccer - 3 walkers passed through park - 1 person walked around park
Friday 24 February: 11.00am to 2.00pm (3 hours)	Cloudy	No casual use
Saturday 25 February: 9.00am to 2.00pm (5 hours)	Fine	<ul style="list-style-type: none"> - 2 walkers passed through park - 1 person walked dog around park
Saturday 3 June: 2.30pm to 5.00pm (2.5 hours)	Fine	- No casual use
Wednesday 7 June: 2.45pm to 5.00pm (2.25 hours)	Fine	- 1 person (teenager) practiced rugby goal kicking
Thursday 8 June: 2.45pm to 5.00pm (2.25 hours)	Fine	No casual use