
REPORT 1
(1215/53/IM)

GRANTING OF GROUND LEASE TO WELLINGTON TENNIS INCORPORATED

1. Purpose of Report

To recommend the Committee approves a fresh 10-year lease to Wellington Tennis Incorporated at Central Park, Brooklyn.

2. Executive Summary

Wellington Tennis Incorporated built the Tennis Centre known as the Renouf Tennis Centre at Central Park in 1948 on Town Belt land.

The Lessee has had a strong relationship with the Council and the community for over a century since it was first established in Miramar in 1908. The Renouf Tennis Centre contributes extensively to local tennis, being the largest indoor/outdoor location in Wellington, and hosts many national and international tournaments.

The Lessee has historically met all of its obligations under the lease, however in recent years it has experienced difficulty keeping up with building maintenance responsibilities. Quarterly reporting to Council officers will monitor progress in this regard.

While the Lessee has suffered financial difficulties over recent years, new management under Tennis Central Region Incorporated has improved the Lessee's financial position significantly in the last 18 months. New governance structures and reporting procedures have been implemented to ensure a robust organisation is established and maintained.

3. Recommendations

Officers recommend that the Committee:

- 1. Receive the information.*
- 2. Approve, subject to the terms and conditions noted in recommendations 3 and 4, the granting of a new ground lease to Wellington Tennis Incorporated in accordance with the Reserves Act 1977.*

3. *Note that the terms of the lease are:*

Location:	<i>Central Park, Brooklyn</i>
Term:	<i>10 years</i>
Annual Rental:	<i>\$9,775 + GST, reviewed in 3 years</i>
Sub-leases to:	<i>Tennis Central Region Incorporated</i>
Sub-sub-leases to:	<i>Kaizen Academy NZ Ltd [martial arts] KGC Tennis Ltd [canteen] Strike Sports Wellington Limited [pro shop]</i>

4. *Note that any approval to grant the lease is conditional on:*

- (i) The lease being publicly notified in accordance with section 119 and 120 of the Reserves Act 1977.*
- (ii) There being no sustained objections resulting from the abovementioned consultation or notification.*
- (iii) The legal and advertising costs associated with preparing the lease are met by the Lessee.*

4. Background

The Council leases land and buildings to a wide range of Lessees undertaking various activities. Leases are important to provide certainty for the Council and Lessees in regard to their property obligations and to provide a framework for asset management.

The ground lease is on Town Belt land situated at Central Park on Brooklyn Road. The leased area is marked in red on the aerial photograph in Appendix 1.

Wellington Tennis Incorporated (the Lessee) has held several prior leases with the Council dating back to 1909 when its tennis courts were located in Miramar. The lessee built the Tennis Centre at Central Park in 1948.

4.1 The Lessee

The Lessee was known as The Wellington Lawn Tennis Association Inc until 1996 when it changed its name to Wellington Tennis Incorporated.

The previous 21-year lease held by the lessee expired in November 2008. The lessee will continue to occupy the land under the same terms and conditions until a fresh lease is granted.

4.2 The Lessee's Buildings and Other Structures

The lessee approached the Council in 1945 requesting permission to build a new tennis centre at Central Park. Its existing courts were in Miramar at that time. A new lease was entered into in 1948, and the Council contributed £5,000 to the initial construction of several courts.

In 1987 several indoor tennis courts were constructed at a cost of \$6,000,000, which was raised by the lessee; the Council contributed \$400,000 to this project. Two additional indoor courts were constructed in 2006 at a cost of \$1,400,000; the Council contributed \$200,000 at this time.

There are a number of structures situated on the site, including indoor and outdoor tennis courts, a pro shop, a canteen, offices, a grandstand (with meeting rooms and a gym located underneath the seating), and car parking.

4.3 Subleases

The lessee is the asset owner, and subleases the land to Tennis Central Region Incorporated. Under this management, the building is used extensively year-round for coaching, training, and casual play.

A sub-sub-lease between Tennis Central Region Incorporated and Kaizen Academy NZ Limited (a martial arts group) is in place for the rooms under the grandstand. This group uses the area for approximately 55 hours a week. Use by Kaizen Academy NZ will enable better utilisation of the building, and is consistent with the Leases Policy and the Town Belt Management Plan. This will also assist the lessee to generate revenue, which will be applied to asset maintenance.

Sub-sub-leases are also held between Tennis Central Region Incorporated and KGC Tennis Ltd and Strike Sports Wellington Ltd; they are currently being re-negotiated so that they are subject to the terms and conditions of the head lease.

4.4 The Site

The land is designated Open Space C, and is managed under the Town Belt Management Plan (Management Plan). The land is subject to the Town Belt Deed and the Reserves Act 1977 (Reserves Act).

5. Considerations when assessing a fresh lease

5.1 Leases Policy

The assessment has been made under the Council's Leases Policy for Community and Recreational Groups 2001 (Leases Policy). Under the Leases Policy the existing tenant has applied for a fresh lease. Notes on the assessment criteria are set out in Appendix One of the Leases Policy.

5.2 Legislation

The land at Central Park is held subject to the Town Belt Deed and managed in accordance with the Reserves Act and therefore the lease will be governed by these statutes.

Sections 119 and 120 of the Reserves Act set out the requirement for public consultation. The granting of the ground lease is subject to there being no sustained objections from any party.

6. Discussion

6.1 Wellington Tennis Incorporated

The lessee has played a lead role in the provision of tennis to the Wellington region as an accessible recreation activity for over a century. Its multi-million dollar facility is a major asset to Wellington and for tennis nationally, hosting major national and international events every year.

Officers approached the lessee in mid-2008 to begin negotiations for a fresh lease, and at this time the lessee's financial situation was discussed. It became clear that the lessee had experienced some recent financial difficulties.

Discussions with the lessee continued and monthly financial reports were provided to officers to enable an ongoing assessment of the lessee. Council's business analysts have reviewed the monthly reports, and consider that the lessee is moving steadily toward reaching a sound financial position.

The Renouf Tennis Centre is now managed by Tennis Central Region Incorporated, and forecasts indicate that by year ended April 2010 the lessee will have reached a position of financial viability. This will be achieved through reducing expenditure and rebuilding relationships with community funding organisations and sponsors to stimulate income. Monthly reports indicate a steady increase of cash flow and significant improvements from the last financial year. Quarterly reporting back to officers will ensure that the lessee remains on course to achieve this outcome.

The lessee is in the process of developing a 10-year asset management plan. While the buildings and other structures are in a good condition, it is clear that some general maintenance has been deferred and requires attention in the near future. The lessee has submitted to officers its maintenance schedule for the next 3 years, and schedule of grant applications that will assist with this maintenance. Any shortfalls will be made up by cash reserves set aside for this purpose.

6.2 Assessment

The proposed fresh lease has been assessed according to the criteria set out in the Leases Policy.

Criteria		Assessment
1. Strategic Fit	Social and Recreation Strategy	<p>Nationally, tennis features in the top 20 list of participation activities highlighted in the 2007/08 SPARC NZ Active Survey. Tennis ranked 11th in participation levels nationally, with a total of 304,675 people participating in the sport. A recent Tennis NZ national review identified Wellington as a strategic centre and membership in the region has increased in recent years.</p> <p>The lessee's activities focus on tennis, however a range of other users utilise the buildings that provide additional recreation opportunities to the community. These activities are consistent with the Social and Recreation Strategy which aims to build strong, safe and healthy communities for a better quality of life.</p> <p>The lessee's members span the wider Wellington and Hutt region and hosts national and international tournaments. This demonstrates a need for tennis facilities within the community.</p>

	Town Belt Management Plan	This lease and its sub-leases are consistent with the requirements of the Town Belt Management Plan.
2. Activity Sustainability	Membership	The lessee has a membership of 5,670. This represents members from all 17 affiliated tennis clubs in Wellington and casual players. Membership has increased steadily over the last 2 years, and remained constant over the preceding 5 years.
	Financial Position	In the past, the lessee's position has been very strong and it is committed to regaining this situation. The lessee's financial position currently shows a loss. However the lessee is on budget to break-even by April 2010.
3. Terms and Conditions of Lease Met	Reliability	The lessee has consistently met its obligations to the Council under its leases for 100 years.

6.3 Lease Rental

The lease rental has been assessed in accordance with the rental framework outlined in the Leases Policy. The annual rent has been assessed as \$9,775 excluding GST per annum.

In previous years, the lessee has been charged a higher rental than that set by the Leases Policy, in light of the fact that commercial sub-tenants used part of the lessee's building. While the lessee currently has a sub-sub-tenant occupying the rooms under the grandstand, it is a recreational tenant. This is consistent with the Town Belt Management Plan, and the Social and Recreational Strategy. It will assist in improving the lessee's financial position. Revenue generated from the sublease will be applied to current and deferred maintenance.

The reduced rental reflects the Council's support and intention to have the lessee achieve a position of financial viability.

6.4 Lease Tenure

Under Town Belt Management Plan (TBMP) 1995, the maximum term of a fresh lease is 10 years, with no right of renewal. Officers consider that the standard 10-year term is suitable given the lessee has a long history of being an excellent tenant for many years, its extensive asset investment, and its commitment to returning to a viable and sustainable position.

A 10-year term will also assist the lessee in obtaining funding from sponsors and other funding providers.

7. Conclusion

Wellington Tennis Incorporated has demonstrated a good fit with the Council's strategic direction and existing policies, and a community need for its services and activities. The lessee has undertaken an extensive review of its services, outgoings, and revenue to stabilise its financial viability. In terms of

membership, the Lessee is in a very sustainable position. Therefore a standard lease is considered appropriate.

Contact Officer: *Heather Cotton, Property Advisor; Amber Bill, Manager, Community Engagement and Reserves.*

Supporting Information

1) Strategic Fit / Strategic Outcome

The provision of this lease is consistent with the Council's Social and Recreation Strategy which aims to build strong, safe and healthy communities.

The facilitation, provision and funding of community participation and support contributes to the Council's long term outcomes of a city that is:

- *more liveable*
- *more inclusive*
- *more actively engaged*
- *better connected.*

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

The building is owned by the Club and they are responsible for maintaining the building and all outgoings. Therefore there is no impact on the LTCCP.

3) Treaty of Waitangi considerations

Iwi have been consulted and no concerns have been raised about the granting of the lease over Central Park.

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

Public consultation will be undertaken as required by the Reserves Act 1977. Specific consultation with the Brooklyn Residents' Association and the Friends of the Town Belt will also be undertaken.

b) Consultation with Maori

Iwi have been consulted, and no concerns were raised.

6) Legal Implications

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

7) Consistency with existing policy

The provision of this lease is consistent with the Leases Policy for Community and Recreation Groups.

APPENDIX 1

Aerial Photograph of Lease Site