

**QLDC Council
28 August 2014**

Report for Agenda Item: 1

Department:

Operations

1: Stage 1 of the Wanaka Sports Facility Development and future pool provision

Purpose

- 1 To agree the scope, quality and budget implications for Stage 1 of the Wanaka Sports Facility development to progress through detailed design and tender. To agree the preferred option for future pool provision in Wanaka.

Executive Summary

- 2 Stage 1 of the Wanaka Sports Development has progressed into detailed design enabling both capital costs and operating models to be refined. Three levels of specification have been analysed, with the recommended specification level being one that is fit for purpose, offering the lowest whole of life cost and delivering a quality, community facility. It is proposed to progress the recommended option at an estimated cost of \$13.4m to tender.
- 3 In evaluating the Wanaka Community Pool, the existing structure was found to be substantially under code, necessitating a complete rebuild should the extension go ahead as proposed. Given this, the option to include pools as part of the WSF has been evaluated, at a total cost estimate of \$23.25m.
- 4 As another option, Northlake Investments Limited has offered to work with Council in providing a pool facility. In contrast to the WSF option, this has not been explored in detail, however it presents a potential opportunity to either reduce or defer Council's spend on future pool provision.
- 5 A decision to pursue new pool development now would be significant, and thus require public consultation, given the departure from the Long Term Plan and the level of unbudgeted expenditure proposed. It may also have implications for the level of spend required on the Wanaka Community Pool remediation.
- 6 Given the rating implications for the Wanaka community of proceeding with the pool facility now, officers recommend Council proceed with the Wanaka Sports Facility as proposed for Stage 1, increase the Wanaka Community Pool remediation works and consult on a pool facility to be delivered in 2020/21 as part of the Long Term Plan 2015/2025.

Recommendation

7 That Council:

- a. **Agree** that Stage 1 of the Wanaka Sports Facility comprising two courts, change rooms, storage, outdoor artificial courts be progressed through detailed design to tender documentation based on the recommended specification of Council's design team.
- b. **Agree** that a pool facility comprising a 25m, 6 lane lap pool and learn to swim pool to be delivered in 2020/21 at the Wanaka Sports Facility be included for consultation in the 2015/2025 Long Term Plan.
- c. **Agree** that officers progress with an enhanced remediation of the Wanaka Community Pool at an estimated \$150,000, noting that this will not affect the expected re-opening timeframe.
- d. **Agree** that officers further investigate the potential and implications of an agreement with Northlake Investments Limited for the development of a pool facility comprising 4 lane, 25m lap pool and toddler pool including change rooms for consideration by Council.

Prepared by:



General Manager, Operations

21/08/2014

Reviewed and Authorised by:



Chief Executive

21/08/2014

Background

8 At its 27 March 2014 meeting, Council resolved to:

- a. Endorse the proposal of the Wanaka Sports Facility Steering Group to construct a new indoor sports facility comprising two courts, change rooms, storage, outdoor artificial courts and a refurbishment of the Wanaka Community Pool to include a learn to swim pool, new change rooms, entry and pool plant for consultation in the draft Annual Plan 2014/15;
- b. Endorse officers progressing concept and developed design for the facility mix proposed by the Wanaka Sports Facility Steering Group including detailed benchmarked capital and operating cost estimates to be reported back to Council by 30 June 2014; and
- c. Note that rating options will be included and consulted on in the draft 2014/15 Annual Plan, to be adopted in April 2014.

9 Officers subsequently progressed concept design for the new Wanaka Sports Facility (WSF) such that a revised Quantity Surveyor (QS) estimate was received in May 2014. As progressing to detailed design would incur substantial cost, and

Annual Plan consultation was underway, officers shifted focus to gathering capital cost comparisons of other south island facilities for discussion with councillors that month.

- 10 Following this, detailed design began on Council's design team's recommended specification for the WSF, and the options of both an increased and reduced specification, including analysis of building performance and investment required over its life, capital and operating cost implications. This was to be the basis of a report to Council in August to confirm the scope, quality and cost of WSF Stage 1.
- 11 In parallel, to confirm costs associated with the extension of the Wanaka Community Pool (WCP), a detailed inspection of the existing facility and its plant was completed. As a result, the structure was determined to be substantially under building code requirements and prioritising public and employee safety, the facility was closed in July pending further investigation of remediation options and costs.
- 12 In late July, Council indicated to officers that its preference was to minimise the investment in repairing the WCP and re-open the facility as soon as practicable.
- 13 In early August, following discussions with councillors on the various WSF specification levels and the implications, officers were asked to include the option of delivering the service level contemplated through the extension of the WCP in WSF Stage 1 in the August report to Council.
- 14 Subsequent to a presentation to councillors in August by Snow Sports New Zealand (SSNZ), officers were also asked to include an SSNZ tenancy at the WSF in the August report.
- 15 As this report was being prepared, the developers of Northlake approached Council regarding the pool complex required as one of its conditions. This is an opportunity to progress a new pool complex at an alternative site with a substantial subsidy, either as an alternative to the WSF site now or enabling a deferral of new pool facilities.
- 16 Given the above, this report discusses:
 - a. the whole of life cost assessment and the recommended level of the specification for the WSF based on the scope consulted on in the draft Annual Plan 2014/15
 - b. the capital cost estimate, rating implications and draft operating models for (1) the Annual Plan scope (2 courts et al); (2) the original scope and two pools; (3) three courts and two pools; (4) the original scope, two pools and gym
 - c. pool development options at Northlake
 - d. the remediation options, cost and lifespan implications for the WCP.

Comment

WSF Whole of Life Cost Assessment

- 17 The purpose of the assessment was to compare the cost of key building materials and components over the life span of the building between three levels of quality, taking into account up front capital expenditure, life cycle replacement and running costs. The report (Attachment A – WSF Whole of Life report) is based on the court facility only and excludes the future pool and other facilities proposed on site.
- 18 Analysing key building elements only was adopted as the most time and cost effective method. Principle findings may have varied slightly if all elements were analysed, however the outcomes will remain fundamentally the same.
- 19 The architects and engineers provided three specification levels for the key building components and equipment:
- Basic:** lower capital cost option, minimum code insulation requirements, reduced asset life, minimum user comfort. Not all selections considered fit for purpose.
 - Recommended:** based on detailed experience with building type. Good practice and fit for purpose reflecting climatic conditions, building orientation, asset life, user comfort, insulation levels, energy consumption, maintenance, replacement and repair.
 - Higher:** increased material quality and finish, low maintenance, best practice insulation levels, high user comfort, noise reduction, efficient plant and equipment.
- 20 The QS analysed the life cycle replacement cost of the options, that is, the costs Council would incur to replace or refurbish materials and equipment at the end of their expected life. The analysis assumes a 50 year lifespan for the facility and is summarised in Table 1.

TABLE 1 CATEGORY	SPECIFICATION LEVEL		
	Basic	Recommended	Higher
Life Cycle Replacement Cost (Years 1 to 50)	\$2,961,000	\$2,831,000	\$3,930,000
Initial Capital Expenditure	\$1,770,000	\$2,286,000	\$4,144,000
Forecast Spend (Years 1 – 25)	\$1,214,000	\$779,000	\$1,177,000

- 21 The primary benefit of the recommended option is that it incurs a much lower spend in the earlier years of the building's life. In contrast, the basic option would result in a greater number of replacement/refurbishment cycles to that of the recommended and higher options.
- 22 Estimated annual running costs for heating, ventilation and water were also calculated based on the three specification levels. These are summarised in Table 2.

TABLE 2 RUNNING COSTS	SPECIFICATION LEVEL		
	Basic	Recommended	Higher
Heating	\$17,000	\$80,700	\$70,500
Ventilation	\$100	\$1,100	\$6,400
Domestic Hot Water	\$9,500	\$9,500	\$9,300
Total cost [Per annum]	\$26,600	\$91,300	\$86,200

23 In summary, the recommended option was found to have a slightly lower spend on renewals. The higher option does not offer significant on-going operating advantages in return for the higher capital investment. This is summarised in Table 3.

TABLE 3 SUMMARY COMPARISON	SPECIFICATION LEVEL		
	Basic	Recommended	Higher
Capital Cost (CAPEX)	\$1,770,000	\$516,000 over basic	\$2,374,000 over basic
Lifecycle Replacement (Over 50 years)	\$130,000 over Recommended	\$2,381,000	\$1,099,000 over recommended

24 Following discussion with councillors on the assessment, LED lighting to the courts and mechanical control of the roof louvres have been included in the recommended specification. Officers recommend proceeding to detailed design for the WSF on the basis of the recommended specification.

WSF scope and cost options

25 Officers have evaluated four options (detailed analysis is included at Attachment B) on the basis of capital cost, operating model and on-going subsidy required and resulting rating impact:

- a. Two court
- b. Two court, two pools
- c. Three court, two pools
- d. Two court, two pools, gym.

26 All options have been evaluated excluding the addition of SSNZ on the basis that this is assumed to be cost neutral to Council. SSNZ has indicated the level of rental it is prepared to pay and officers are working with them to evaluate space requirements and consequential operating cost. SSNZ will be responsible for its own fitout and operating costs associated with the space and the lease will cover Council's capital repayments (interest and principal).

27 Officers have not evaluated the option of naming rights for the facility, however, it is acknowledged that the presence of SSNZ increases the viability of this.

- 28 In developing the models, the amount of capital to be funded by ratepayers is assumed to be less (by between \$6-8m depending on scenario) than the total estimated cost once development contributions are applied, third party support at similar levels obtained previously for major facilities is assumed, and cash in bank from previous land sales is also taken into account.
- 29 Of note, the rating impact of the WSF is higher than previously estimated and consulted on with legislative change confirmed on development contributions. In particular, the impact of including pools in Stage 1 has a substantial impact on the Wanaka ratepayers.

Two court

- 30 The proposed Stage 1 of the WSF is two full sized courts, fixed seating for 250, lobby, change rooms, storage, admin/meeting area, artificial turf and 128 car parks.
- 31 A summary of the estimated capital and operational costs and funding implications is presented below. Court revenue assumptions are based on a proportion of Queenstown Events Centre (QEC) use and consequential revenue applying the Community Pricing Policy. Operating costs are based on sole charge staffing, in-house cleaning, engineers' estimates for energy, and other QEC costs.

<u>Revenue</u>	
Direct Revenue	115,000
<u>Expenditure</u>	
Direct Operating Costs	258,000
Depreciation	161,040
Annual Debt Servicing	503,038
Operating Deficit	-807,078

Rate Funding of Deficit

Area of Benefit will be District wide as for QEC (excluding the aquatic centre)

	<u>District-Wide</u>
Estimated Deficit From above	-807,078
Total chargeable properties:	19,350
Additional Amount to Charge (excl GST)	\$41.71
Additional Amount to Charge (incl GST)	\$47.97
2013/14 Avg Residential Rate (incl GST)	\$2,357
Increase on 2013/14 Total Rates (excl GST)	2.04%

Two court, two pools

- 32 As requested, officers have also assessed the impact of building the pools contemplated at the WCP site as part of WSF Stage 1.
- 33 A summary of the estimated capital and operational costs and funding implications is presented below. As part of the pool operating model, a single in-house swim school, ancillary retail and food and beverage vending machines have been assumed. Court revenue assumptions are as per the two court option

and pool revenue is based on a proportion of Alpine Aqualand (AA) use and the same pricing. Operating costs are based on additional staffing and cleaning requirements for the pool and a proportion of equivalent AA spend in other areas.

SPORTS HALL

Direct Revenue	115,000
<u>Expenditure</u>	
Direct Operating Costs	258,000
Depreciation	161,040
Annual Debt Servicing	570,952
Operating Deficit	-874,992

Rate Funding of Deficit

Area of Benefit will be District wide as for QEC (excluding the aquatic centre)

	<u>District-Wide</u>
Estimated Deficit From above	-874,992
Total chargeable properties:	19,350
Additional Amount to Charge (excl GST)	\$45.22
Additional Amount to Charge (incl GST)	\$52.00
2013/14 Avg Residential Rate (incl GST)	\$2,357
Increase on 2013/14 Total Rates (excl GST)	2.21%

POOLS

<u>Revenue</u>	
Direct Revenue	437,673
<u>Expenditure</u>	
Operating Costs	700,500
Depreciation	155,200
Annual Debt Servicing	492,036
Operating Deficit	-910,064

Rate Funding of Deficit

Funding by way new differential Annual Charge (Ward based)

	<u>Ward based</u>	<u>Total Ward Cost</u>
Estimated Deficit From above	-910,064	
Wanaka ward chargeable properties:	7,350	
Additional Amount to Charge (excl GST)	\$123.82	\$169.04
Additional Amount to Charge (incl GST)	\$142.39	\$194.39
2013/14 Avg Residential Rate (incl GST)	\$2,357	\$2,357
Increase on 2013/14 Total Rates (excl GST)	6.04%	8.25%

Three court, two pools

34 In addition, officers have considered the addition of a third court. A summary of the estimated capital and operational costs and funding implications is presented below.

SPORTS HALL

Direct Revenue	138,000
----------------	---------

Expenditure

Direct Operating Costs	258,000
------------------------	---------

Depreciation	191,280
--------------	---------

Annual Debt Servicing	716,424
-----------------------	---------

Operating Deficit	-1,027,704
--------------------------	-------------------

Rate Funding of Deficit

Area of Benefit will be District wide as for QEC (excluding the aquatic centre)

District-Wide

Estimated Deficit From above	-1,027,704
------------------------------	------------

Total chargeable properties:	19,350
------------------------------	--------

Additional Amount to Charge (excl GST)	\$53.11
--	---------

Additional Amount to Charge (incl GST)	\$61.08
--	---------

2013/14 Avg Residential Rate (incl GST)	\$2,357
---	---------

Increase on 2013/14 Total Rates (excl GST)	2.59%
--	-------

POOLSRevenue

Direct Revenue	434,673
----------------	---------

Expenditure

Operating Costs	702,500
-----------------	---------

Depreciation	155,200
--------------	---------

Annual Debt Servicing	492,036
-----------------------	---------

Operating Deficit	-915,064
--------------------------	-----------------

Rate Funding of Deficit

Funding by way new differential Annual Charge (Ward based)

Ward basedTotal Ward Cost

Estimated Deficit From above	-915,064
------------------------------	----------

Wanaka ward chargeable properties:	7,350
------------------------------------	-------

Additional Amount to Charge (excl GST)	\$124.50	\$177.61
--	----------	----------

Additional Amount to Charge (incl GST)	\$143.17	\$204.25
--	----------	----------

2013/14 Avg Residential Rate (incl GST)	\$2,357	\$2,357
---	---------	---------

Increase on 2013/14 Total Rates (excl GST)	6.08%	8.67%
--	-------	-------

35 As can be noted from the scenarios above, all options result in a direct operating deficit. As with the Queenstown Events Centre and many other council recreation facilities in New Zealand, the inclusion of a gym with pools provides an opportunity to result in a direct operating surplus and contribute towards the capital funding subsidy required from ratepayers, noting that an additional capital investment in floor space and fit out at an estimated \$1.3m would be required.

Two court, two pools, gym

36 A summary of the estimated capital and operational costs and funding implications of including a gym with the two courts and pools is presented below.

SPORTS HALL

Direct Revenue	115,000
----------------	---------

Expenditure

Direct Operating Costs	258,000
------------------------	---------

Depreciation	161,040
--------------	---------

Annual Debt Servicing	570,952
-----------------------	---------

Operating Deficit	-874,992
--------------------------	-----------------

Rate Funding of Deficit

Area of Benefit will be District wide as for the Events Centre (excluding the aquatic centre)

District-Wide

Estimated Deficit From above	-874,992
------------------------------	----------

District wide chargeable properties:	19,350
--------------------------------------	--------

Additional Amount to Charge (excl GST)	\$45.22
--	---------

Additional Amount to Charge (incl GST)	\$52.00
--	---------

2013/14 Avg Residential Rate (incl GST)	\$2,357
---	---------

Increase on 2013/14 Total Rates (excl GST)	2.21%
--	-------

POOLS + GYMRevenue

Direct Revenue	1,137,673
----------------	-----------

Expenditure

Operating Costs	845,500
-----------------	---------

	845,500
--	---------

Depreciation	155,200
--------------	---------

Annual Debt Servicing	581,004
-----------------------	---------

Operating Deficit	-444,031
--------------------------	-----------------

Rate Funding of Deficit

Funding by way new differential Annual Charge (Ward based)

Ward basedTotal Ward Cost

Estimated Deficit From above	-444,031
------------------------------	----------

Wanaka ward chargeable properties:	7,350
------------------------------------	-------

Additional Amount to Charge (excl GST)	\$60.41	\$105.63
--	---------	----------

Additional Amount to Charge (incl GST)	\$69.47	\$121.48
--	---------	----------

2013/14 Avg Residential Rate (incl GST)	\$2,357	\$2,357
---	---------	---------

Increase on 2013/14 Total Rates (excl GST)	2.95%	5.15%
--	-------	-------

Northlake pool development

- 37 Whilst the Northlake plan change is still in its appeal period, Northlake Investments Limited (NIL) has approached Council in respect of a planned pool facility (Attachment C). A four lane 25m2 lap pool and 32m2 toddler pool is contemplated within a 974m2 footprint, on a 3,270m2 site with 33 car parks at the entrance to the development.
- 38 Council has been offered the opportunity to build the new pool facility being considered as part of WSF on the site, with the cost equivalent of delivering the pool planned by NIL, being offered towards this cost.
- 39 A high level estimate of what was to be spent on the facility is being prepared by NIL, however specification, code compliance, water treatment options etc have yet to be considered. At this time, NIL indicates this will be a minimum of \$2.5m.
- 40 NIL is also offering to transfer the land required for the planned facility at no cost to Council and to sell any additional land required for a larger development. Based on the footprint contemplated at the WSF, this would be an estimated \$550,000 cost to Council.
- 41 Council's QS has estimated the additional cost of constructing the pool component of the WSF as a standalone facility at Northlake to be in the range of \$400,000-\$2m, with a number of cost unknowns including additional services capacity required, location of existing infrastructure and ease of connection, ground conditions, earthworks requirements, additional car parking, additional external wall, any impact on roading infrastructure arising from increased use.
- 42 Council has previously resolved that future pool development will be at the WSF site. There are a number of advantages with colocation of facilities, such as the sharing of reception staff, minimising maintenance costs with reduced travel and requirements across multiple sites, minimising travel requirements for the community, with a number of activities happening at the one site.
- 43 In addition, the location of public facilities with residential areas without provision of adequate parking regularly results in conflict with local demands for parking.

Wanaka Community Pool remediation options

- 44 Since the closure of the WCP, options to repair the building to enable re-opening have been further investigated and design is underway to reach 34% of code, just outside the statutory definition of "earthquake prone". This option, at an estimated cost of \$115,000 was recommended by Council's consulting engineers to be pursued on the basis of a re-open WCP and close on opening of pool development in Stage 1 WSF.
- 45 Alternatively, for an estimated spend of \$145,000 and no further plant or building investment, the WCP could achieve 67% of code and remain open for another 5 years.

- 46 To achieve 67%+ and a 10-15 year life, would require \$200,000 on remediation, and minimums of \$50,000 on building improvements and \$120,000 on plant.
- 47 All options, with the exception of complete structural replacement, require a decision on an alternative location for a learn to swim pool. Only on the basis of completely new build at the WCP site would it be sensible to provide a new learn to swim facility at this location.
- 48 A final decision on the WCP remediation option is therefore reliant on decisions in respect of the WSF and potentially Northlake.

Options for consideration

- 49 If the proposed WSF is supported at the recommended specification, the primary pressure (and therefore decision required) on pool provision is in learn to swim. The WCP can be repaired and operated for the next 5-10 years, however this does not address the user conflicts over temperature and space.
- 50 The options available are:
- a. progress with a pool component at part of Stage 1 WSF (noting that the report received in March 2014 from the WSF Steering Group supported the development of pools as part of Stage 1 WSF)
 - b. construct a standalone pool facility at Northlake
 - c. increase the spend at the WCP and rely on the Northlake facility to address the learn to swim market in the near term and plan for a pool component at the WSF in 2020/21.
- 51 The timing, development, operation, cost and rating implications are well understood for the WSF, whereas all these elements are as yet unknown for Northlake.
- 52 Whilst building the pools as part of Stage 1 increases the ratepayer burden in the next couple of years, there are benefits to a single construction process. There will be no building elements that require subsequent demolition. The earthworks costs are leveraging Willowridge Development Limited's own machinery and the need for fill in immediately adjacent properties. Infrastructure is able to be optimised for both facilities.
- 53 Construction cost escalation (particularly driven by Christchurch, but also other major development areas) is expected to be significant in coming years and the industry is forecasting challenges with availability of construction resource.
- 54 As discussed earlier, there are also a number of benefits associated with operating a combined facility, both for Council and the community. Overall operating costs will be lower than across two sites.
- 55 However, the advantages of building the combined facility now need to be considered in light of the significant additional rate burden that will be imposed on the Wanaka community.

- 56 Alternatively, a new facility at Northlake, whilst attracting a subsidy from NIL this may be offset by the additional costs incurred in developing a standalone site and the purchase of the additional land required to replicate what has been designed for the WSF. Further NIL proposes to pay the subsidy to Council on completion and opening of the facility, a cashflow advantage to NIL and disadvantage to Council.
- 57 NIL is required to construct the pool and make it operational before the 51st residential lot is created within Northlake. Should NIL proceed with the construction, this will be informed by the pace of residential lot sales, whereas should Council proceed with the construction, this is likely to enhance the pace of residential lot sales.
- 58 NIL is also seeking that Council accept another area of 6,600m² of land as a credit for development contributions as part of an agreement in respect of a pool facility. Officers have yet to analyse this request.
- 59 If Council supports either new facility option now, it will be a significant decision, as it is a departure from the Long Term Plan, the investment required is in excess of \$2m, there is no budget available for pools beyond the proposal to allocate some of the WSF budget towards the WCP extension, and given the substantial community interest in future aquatic facilities and their locations.
- 60 Alternatively, if Council wishes to minimise or defer the substantial capital expenditure required for new pool facilities, the NIL facility operating at around 31 degrees (providing for learn to swim) in conjunction with the WCP at 28 degrees, may be considered to address pool provision in Wanaka for another 5-10 years.
- 61 The key issues with relying on the Northlake pool to meet the perceived learn to swim gap is timing, outside the risk of appeal potentially resulting in substantial delay, the construction and opening will be dictated by sales demand. Council may also need to consider an operating agreement with NIL to ensure the facility is available at the preferred temperature for learn to swim, accessible to providers and affordable for the community.
- 62 On balance, officers consider that the proposed WSF, at the recommended specification, should proceed to detailed design and tender documentation, the WCP remediated to 67% and pool development at the WSF in 2020/21 be included for consultation as part of the Long Term Plan 2015/2025.
- 63 In addition, officers consider discussions should proceed with NIL to determine the best option for the proposed Northlake facility to meet learn to swim demand in the next few years.

Financial Implications

- 64 Council needs to determine whether its preference is to incur a greater spend over the next two financial years or defer investment realising the level required in future will be higher. Escalation for a pool component at the WSF deferred to mid-2020 is estimated at \$2m.

65 Consideration should also be given to the on-going additional operating cost that would be incurred should facility development be split over two sites. Whilst this quantum has not been analysed, there will be a requirement for at least one additional staff member, increased maintenance, travel and administration costs.

66 Finally, the impact on the Wanaka ratepayers is substantial should both courts and pools proceed as part of Stage 1.

Local Government Act 2002 Purpose Provisions

67 The decision to proceed with the WSF as proposed is consistent with ss10 of the Local Government Act 2002 as it enables the delivery of good quality local infrastructure that is fit for purpose and supported by the Wanaka community.

68 Consulting on future pool provision supports local democratic decision making on the delivery of local infrastructure at a cost and quality supported by the community.

Council Policies

69 The following Council Policies were considered:

- Policy on Significance to determine whether the decision to proceed with additional investment in pool provision is significant.
- Annual Plan to confirm the scope of WSF Stage 1 to progress to detailed design and tender.
- Long Term Plan to confirm budget previously consulted on for WSF Stage 1.

Consultation

70 The WSF and its development stages have been the subject of a number of public consultation and engagement processes, most recently the draft Annual Plan 2014/15 to confirm the scope of Stage 1.

71 The decision on future pool provision will be subject to public consultation.

Publicity

72 A media statement and public communication on the decisions relating to the WSF, WCP and future pool provision will be made immediately following the Council meeting.

Attachments

- A Wanaka Sports Facility – Whole of Life Report
- B Operating cost models and assumptions
- C Various WSF floor plans
- D Northlake pool plan