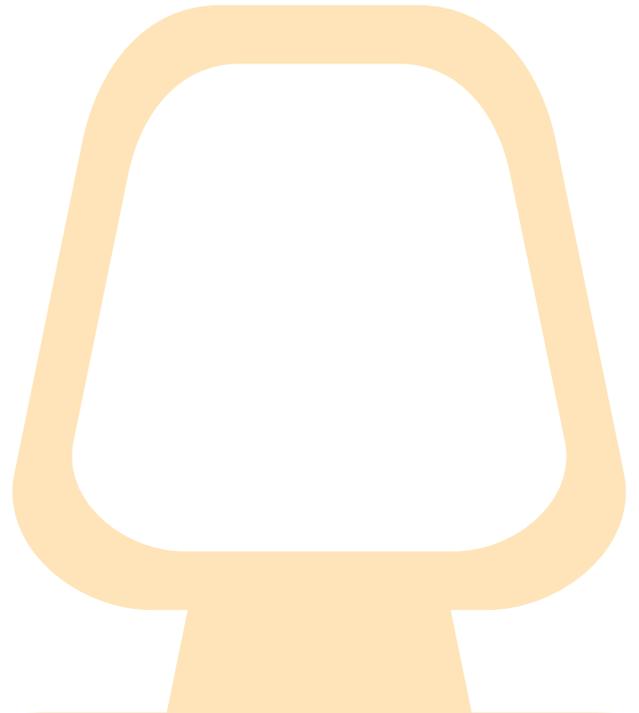




Invercargill
CITY COUNCIL



**PUBLIC CONSULTATION
FEBRUARY 2015**

**THE
SOUTHLAND
OUTDOOR
STADIUM**

(RUGBY PARK)

BACKGROUND TO PROPOSAL

For a number of months Council has been meeting with representatives from the Southland Outdoor Stadium Trust, the Community Trust of Southland (Community Trust), and other key parties in an attempt to secure the future of the Southland Outdoor Stadium (Rugby Park).

The Southland Outdoor Stadium Trust is facing cash flow difficulties due to the impending repayment of a loan to the Community Trust and the upcoming maintenance requirements on the stadium. The debt owed by the Southland Outdoor Stadium Trust includes \$750,000 to the Community Trust (which the Community Trust has resolved to reduce to \$400,000) and a debt to Rugby Southland of approximately \$740,000 which has been incurred under the Management Contract. If the Southland Outdoor Stadium Trust is unable to meet its expenditure requirements and folds, and the debt owing to Rugby Southland is removed from Rugby Southland's balance sheet, Rugby Southland itself will become insolvent.

If Council were to agree to take over ownership of Rugby Park, then it is critical that Rugby Southland, as the 'anchor tenant', remains financially viable in the long term. The Community Trust has assisted with this by informing Council that it has no current intention to discontinue its annual financial grant to Rugby Southland.

Without an acceptable solution to secure the future it is likely that not only will the Southland Outdoor Stadium Trust be wound up, but also Rugby Southland. If Rugby Southland becomes insolvent, it would cease to exist.

This would mean that there would be no Southland team in the ITM Cup or in the Heartland Competition. This would also mean that there would be no community rugby in Southland and we would be reliant on the New Zealand Rugby Union to reinstate community rugby in Southland. If Rugby Southland and the Southland Outdoor Stadium Trust cease to exist, ownership of Rugby Park will pass to the Community Trust. This is because the Community Trust have their loan registered as a first mortgage over Rugby Park.

Council is of the belief that Rugby Park is an important Southland regional facility. At present the stadium and grounds are utilised by rugby, rugby league and football. It is also used for the 'Relay for Life' and the Kids Try-athalon. At Southland provincial rugby matches, public attendance averages around 4,500, but for Highlanders' games this can increase to approximately 7,000. Council recognises the importance that rugby has played in Southland's history and notes that we have one of the best records of any provincial union in New Zealand.

The parties to the negotiations are of the belief that the most appropriate and effective solution would be to transfer ownership of Rugby Park to the Invercargill City Council. In New Zealand, the majority of outdoor stadiums are either owned or funded by local councils. Council is considering three different options for addressing the future of Rugby Park. Before making a decision on this matter, Council would like public input.

OPTIONS CONSIDERED BY THE COUNCIL

The three options being considered by Council are:

Option 1 - Status Quo – no Council involvement in the Southland Outdoor Stadium.

Option 2 - Council offers Southland Outdoor Stadium Trust \$400,000 who will then on pay the Community Trust of Southland \$400,000 in full and final settlement of the debt owing by the Southland Outdoor Stadium Trust. The Southland Outdoor Stadium Trust transfers ownership of the stadium to the Council in exchange for Council taking over the debt of approximately \$740,000 currently owing to Rugby Southland under the management contract.

Option 3 - Council makes a one-off grant of \$400,000 to the Southland Outdoor Stadium Trust to settle the Community Trust debt. Council also makes an ongoing grant of \$290,000 per year to Rugby Southland for the ongoing running and maintenance costs of Rugby Park. Rugby Southland would take over ownership of the stadium.

The Council has considered what, if any, other options it might have to address this issue. Council believes that Rugby Park and Rugby Southland are important for the province and that there should be a significant regional contribution. At this time, no solution has been reached with any of the other local councils. Council is therefore satisfied that there are no other reasonably practicable options available to Council in the circumstances.

ANALYSIS OF THE COUNCIL'S OPTIONS

Option 1 - The advantage of the status quo (Option 1) is that Council does not incur any costs in relation to Rugby Park. The disadvantage of the status quo is that the future of Rugby Southland is jeopardised and it is likely that it will become insolvent. This will have an impact on rugby in the Southland region. Ownership of Rugby Park will be transferred to the Community Trust and it is not yet known if the Community Trust would run Rugby Park or if it would be sold to recover the outstanding loan.

Option 2 - Under Option 2, Council offers Southland Outdoor Stadium Trust \$400,000 who will then on pay the Community Trust of Southland \$400,000 in full and final settlement of the debt owing by the Southland Outdoor Stadium Trust. The Southland Outdoor Stadium Trust transfers ownership of the stadium to the Council in exchange for Council taking over the debt of approximately \$740,000 currently owing to Rugby Southland under the management contract. In exchange for free office rental, Rugby Southland would reduce the \$740,000 debt owing at the rate of \$35,000 per annum. Attached to this would be the provision that should Rugby Southland cease to exist in the future, any remaining debt would be written off.

The advantage of Option 2 is that Council will secure a community facility for future generations. Under Council ownership it is likely that Rugby Park would be marketed to a new group of users for additional corporate and entertainment events. There is an opportunity to expand on the current use of the venue and have the facility available to more members of the community.

The disadvantage of Option 2 is that Council will incur an initial expense of \$400,000 to settle the debt owed to the Community Trust. Council will also assume the debt of \$740,000 owed to Rugby Southland, which will be reduced at the rate of \$35,000 each year. In reducing the debt, Council will not be receiving any rental from Rugby Southland for their use of the stadium. Council

would still charge a game day rental for the use of the grounds and facilities. Council will also then assume the ongoing costs of the administration and operation of the stadium. The cost of operating the stadium, including capital maintenance, will be approximately \$290,000 each year. Council already collects a rate for regional facilities (\$100,000 per year) that could be utilised for Rugby Park. This means that an additional \$190,000 would be required each year.

A further disadvantage of Option 2 is that it requires the agreement of third parties. The Community Trust has already resolved that it would be willing to accept the \$400,000 offered as full and final payment of the debt owed to it. The decision of Council to take over ownership of Rugby Park is also contingent on the Invercargill Licensing Trust agreeing to provide a grant to extinguish the debt (owed by the Southland Outdoor Stadium Trust) of Pacific Dawn Limited which is estimated at \$130,000 and, if necessary, the debt owing to the Southland Amateur Sports' Trust of \$19,500. The Council will also expect agreement from the Invercargill Licensing Trust that it will consider any future application from Council for a grant toward the capital maintenance requirements of the stadium.

Option 3 - The advantage of Option 3 is that Rugby Park remains out of public ownership.

A disadvantage of Option 3 is that the cost to Council is the same as under Option 2, but it does not acquire a further asset. As Rugby Southland will be the owner of the stadium, there is no long term security for the stadium and there is no guarantee that they would permit the same level of community use. A further disadvantage to this option is that it is not Rugby Southland's preferred option.

COUNCIL'S SUGGESTED OPTION

The suggested option to most effectively address the current and future interests of the community is Option 2. Council believes that the initial and ongoing cost of ownership and maintenance of the stadium is outweighed by the community good that will arise from securing the stadium for future use and enabling a greater use of the stadium by different groups.

In summary, Council is consulting on taking over ownership of Rugby Park to secure its future.

This will mean that:

- Council will pay \$400,000 to Southland Outdoor Stadium Trust who will then on pay \$400,000 to the Community Trust of Southland in full and final settlement of the debt owed to it by the Southland Outdoor Stadium Trust.
- Council will assume responsibility for the ongoing running and maintenance costs of Rugby Park at approximately \$290,000 per year.
- Council will assume responsibility for the debt owed to Rugby Southland. This debt is approximately \$740,000 and will be reduced in exchange for free office rental at a rate of \$35,000 per year.
- Council will be the owner of the Southland Outdoor Stadium.

If Council determines to follow Option 2, the annual contribution from your rates is as below:

Property worth	Rate for Rugby Park
\$100,000	\$5.14
\$200,000	\$10.28
\$300,000	\$15.42
\$400,000	\$20.56

CONSULTATION PERIOD

Community Consultation Clinic

Council staff will be available to answer questions and explain the proposal at a community consultation clinic to be held on Wednesday, 4 February, between 4.00 pm and 6.00 pm at Rugby Park, Invercargill. Submission forms will be available at this meeting and Council staff will be available to assist you with completing a submission.

Making a Submission

Submissions are invited on this proposal. Submissions must be received by Council no later than 5.00 pm on Friday 13 February 2015.

Submissions should clearly show the submitter's name, address and contact phone number. (Submission forms may be obtained from all Council offices and libraries and on the Council's website www.icc.govt.nz). Submissions can be:

Posted to: Invercargill City Council
Submission – Rugby Park
Private Bag 90104
INVERCARGILL 9840

Delivered to: Help Desk,
Invercargill City Council,
101 Esk Street, Invercargill

Emailed to: policy@icc.govt.nz

If you do not wish to make a formal submission, but would still like to comment on the proposal, you may post a comment on the Invercargill City Council's Facebook page. Please note if you choose to make a comment via our Facebook page, you will not receive the opportunity to speak to the Mayor and Councillors and you will not receive formal notification of the decision on this proposal.

Hearing of submissions

Council intends to hear those submitters who indicate that they wish to speak to their submission on Tuesday, 24 February 2014. Please ensure that if you wish to be heard in support of your submission you clearly indicate this on the submission form and give a daytime phone number. Providing Council with an email address gives us another way of ensuring we can contact you with the time that you will be heard.