

## **ITEM NUMBER: 17.1**

### **CONFIDENTIAL REPORT**

#### **KAURI PARADE SPORTS COMPLEX – EOI RESULTS**

*Pursuant to Section 83(5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:*

- k. tenders for the supply of goods, the provision of services or the carrying out of works.**

**Recommendation – Exclusion of the Public – Section 90(3)(k) Order**

1. That pursuant to Section 90(2) of the *Local Government Act 1999* Council hereby orders that the public be excluded from attendance at this meeting with the exception of the Chief Executive Officer and Staff in attendance at the meeting in order to consider Report No: 52/18 Kauri Parade Sports Complex – EOI Results in confidence.
  2. That in accordance with Section 90(3) of the *Local Government Act 1999* Council is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 52/18 Kauri Parade Sports Complex – EOI Results on the following grounds:
    - k. pursuant to section 90(3)(k) of the Act, the information to be received, discussed or considered in relation to this Agenda Item are tenders for the provision of services, being the outcome of the Expression of Interest process undertaken for the Kauri Parade Sports Complex.
  3. The Council is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.
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Item No: **17.2**

Subject: **KAURI PARADE SPORTS COMPLEX – EOI RESULTS**

Date: 27 February 2018

Written By: Team Leader, Leasing and Commercial

General Manager: City Assets and Services, Mr S Hodge

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## **SUMMARY**

At its meeting 10 October 2017 Council resolved (Resolution C101017/929) to seek Expressions of Interest (EOI) for the day-to-day operational management of the Kauri Parade Sports Complex. As such, an EOI was advertised through Tenders SA between Tuesday 31 October 2017 and Tuesday 28 November 2017. During this time, Council staff also conducted two (2) site inspections and briefings with various interested parties.

At close of the EOI, three submissions were received; two of which were deemed to be non-complying (as they failed to address some of the critical criteria), and while the third submission addressed all relevant criteria, the proposed costs were deemed to be disproportionate to services proposed by the applicant.

All three submissions required Council to cover all associated operational expenses, rates, taxes and levies during the terms of management: this totals approximately \$91,028 in the first year, \$93,304 in the second, and \$95,637.13 in the third.

Finally, due to various unknowns about the facility, particularly relating to the profitability of the function area, none of the submissions would guarantee a financial return to Council.

With this in mind, it is recommended that Council administration undertake the operational management of the facility, by creating a facility manager position specific to the Kauri Parade Sports Complex, employ a staff member with relevant sporting event and function experience so as to manage the operational day-to-days of the facility, and while working directly with the existing user groups, promote the facility in order to activate the space.

By doing this, it will allow Council in the short term the opportunity to undertake a full assessment of all operational costs, and the potential for building revenue opportunities at the complex. It should be noted that synergies with Partridge House catering can also be explored to create further cost effective opportunities for mutual benefit.

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**RECOMMENDATION**

1. That Council notes Report No: 52/18.
2. That Administration create a specialised role whose focus will primarily be the management and promotion of the Kauri Parade Sports Complex.
3. That the position be classified at Level 4 on a 0.5 FTE basis for a two (2) year period.

**RETAIN IN CONFIDENCE - Section 91(7) Order**

4. That having considered Agenda Item 17.2 52/18 Kauri Parade Sports Complex – EOI Results in confidence under section 90(2) and (3)(k) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the report, attachment and minutes relevant to this item be retained in confidence for a period of 12 months and the Chief Executive Officer is authorised to release the documents when all organisations are informed formally of the council's decision regarding the management arrangements for the Kauri Parade Sports Complex.

This order is subject to section 91(8)(b) of the Act which provides that details of the identity of the successful tenderer must be released once Council has made a selection.

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**COMMUNITY**

Placemaking: Creating lively and safe places

Community: Providing welcoming and accessible facilities

Culture: Providing customer-centred services

**COUNCIL POLICY**

*Commercial Leasing Policy.*

**STATUTORY PROVISIONS**

*Local Government Act 1999.*

*Retail and Commercial Lease Act 1995.*

## BACKGROUND

### *Previous Relevant Reports and Decisions*

- Council Report No.: 453/10; Item No.: 14.7, '*New Lease Agreement – Holdfast Bay Music Centre*, 12 December 2017 (Resolution No.: C121217/1003);
- Council Report No.: 455/17; Item No.: 14.9, '*New Lease Agreement – Seacliff Tennis Club*, 12 December 2017 (Resolution No.: C121217/1002);
- Council Report No.: 454/17; Item No.: 14.8, '*New Lease Agreement – Seacliff Hockey Club*, 12 December 2017 (Resolution No.: C121217/1001);
- Council Report No.: 349/17; Item No.: 14.6, '*Kauri Community and Sporting Complex - EOI for Operational Management*', 10 October 2017 (Resolution No.: C101017/929);

## REPORT

### *Expressions of Interest*

In accordance with Council Resolution C101017/929, on 31 October 2018 Administration launched an Expressions of Interest (EOI) campaign for the Kauri Parade Sports Complex. The EOI stated that Council was seeking:

1. *To engage a professional Facilities Manager / Venue Operator with specific experience in the management of commercial and community sporting facilities to undertake the management of the Kauri Parade Sports Centre on behalf of the Council;*
2. *Who will:*
  - a. *coordinate the day-to-day maintenance of the venue's common areas,*
  - b. *operate and manage the function centre;*
  - c. *actively promote and develop the facility to establish it as a viable and recognised function center within Holdfast Bay; and*
  - d. *act as a general liaison point between Council and the tenants.*

The Tender specifically stated that the facility was home to the Holdfast Music Centre, Seacliff Uniting Church Netball Club, Seacliff Tennis Club and Seacliff Hockey Club; all of whom hold individual leases over specific portions of the premises for their exclusive use (including the tennis courts and hockey pitch). An itemised Site Plan of the leased areas was made available as part of the Tender.

*Refer Attachment 1*

The EOI requested that applicants submit key information about the following:

1. Price – requiring the applicant to submit their proposed fee arrangements including assumptions and exclusions;
2. Capability – requiring the applicant to submit their industry and business experience, insurance(s), financials, registrations and all governance practices that would deem them as capable to operate the facility.

Upon close of the EOI, Administration received three (3) submissions, one (1) from each:

1. Belgravia Health and Leisure Group Pty Ltd (“Belgravia”);
2. Kauri Community and Sport Centre Inc. (“KCSC”); and
3. Young Men’s Christian Association of South Australia (“YMCA”).

### ***Submission Assessment***

An assessment panel was established to review the submissions. The panel members included:

- Manager, City Activation;
- Manager, Active Communities; and
- Team Leader, Leasing and Commercial.

Upon review and assessment of the three (3) submissions, two (2) of the applications (YMCA and KCSC) were deemed to be non-complying as they failed to address one (1) of required critical criteria, while the third submission proposed costs that were deemed to be disproportionate to services proposed by the applicant.

### YMCA

The YMCA’s submission failed to propose any fee-for-service to manage the facility. The submission also failed to acknowledge management of only the common areas of the premises, instead inferring management of all of the premises, despite the EOI clearly stating that council sought management for the common area only, and that these areas were leased to tenants.

The YMCA also stated that Council would be responsible for covering all operational expenses, rates, taxes and levies should they be appointed as managers of the facility.

While the YMCA’s submission did state that Council would receive 100% of profits received, they affirmed that profits were unknown and not guaranteed.

### KCSC

Similarly, KCSC failed to propose any fee-for-service to manage the facility, and that Council would be responsible for subsidising all operational expenses, rates, taxes and levies during the term of their management. KCSC neither estimated nor guaranteed a financial return to Council.

**Belgravia**

While Belgravia's submission addressed all relevant criteria, they also assumed management of the entire premises. Additionally, the annual fee-for-service proposed by Belgravia (\$58,400 plus GST) for the first two years was deemed to be disproportionate to the service they would provide.

Comparatively to the other two (2) submissions, Belgravia did however estimate an annual return to Council, totalling approximately \$50,000 per year. However, the submission stated that this figure was not guaranteed.

**Operation Expenses**

The following table outlines the estimated annual operational expenses for the Kauri Parade Sports Complex common areas over a three (3) year period:

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<i>Security</i>	\$ 1,500.00	\$ 1,537.50	\$ 1,575.94
<i>Mechanical Services</i>	\$ 6,500.00	\$ 6,662.50	\$ 6,829.06
<i>Electrical Services</i>	\$ 5,000.00	\$ 5,125.00	\$ 5,253.13
<i>Hydraulic Services</i>	\$ 5,000.00	\$ 5,125.00	\$ 5,253.13
<i>Fire Services</i>	\$ 3,500.00	\$ 3,587.50	\$ 3,677.19
<i>Lift</i>	\$ 3,000.00	\$ 3,075.00	\$ 3,151.88
<i>Cleaning</i>	\$ 18,000.00	\$ 18,450.00	\$ 18,911.25
<i>Grounds Maintenance</i>	\$ 25,000.00	\$ 25,625.00	\$ 26,265.63
<i>Building Insurance</i>	\$ 4,968.00	\$ 5,092.20	\$ 5,219.51
	<b>\$ 72,468.00</b>	<b>\$ 74,279.70</b>	<b>\$ 76,136.69</b>

In accordance with all three (3) submission, Council would absorb these annual costs.

**Rates, Levies and Taxes**

Similarly, the estimated annual rates, levies and taxes for the Kauri Parade Sports Complex total approximately:

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
General Differential Rate	\$ 17,880.20	\$ 18,327.21	\$ 18,785.39
NRM Levy	\$ 680.60	\$ 697.62	\$ 715.06
	<b>\$ 18,560.80</b>	<b>\$ 19,024.82</b>	<b>\$ 19,500.44</b>

In accordance with all three (3) submission, Council would absorb these annual costs.

### ***Submission and Costings Overview***

The following table outlines a basic comparative analysis of the three (3) submissions and total cost to Council.

	<b>Belgravia</b>	<b>KCSC</b>	<b>YMCA</b>
<b>Managed Area</b>	Whole of premises	Common areas	Whole of premises
<b>Primary Focus</b>	Broader community	User groups	Broader community
<b>Price (ex GST)</b>	<b>\$ 58,400.00</b>	<b>To be negotiated</b>	<b>To be negotiated</b>
<b>Operating Expenses</b>	met by Council	met by Council	met by Council
<b>Fees, Taxes, Levies</b>	met by Council	met by Council	met by Council
<b>Projected Annual Revenue to Council</b>	<b>\$ 50,000.00</b> <i>*Not Guaranteed</i>	<b>Unknown</b> <i>* Not estimated or guaranteed.</i>	<b>100% of profits</b> <i>*Unknown, not estimated or guaranteed.</i>
<b>TOTAL COST TO COUNCIL (YEAR 1)</b>	<b>\$149,428.80</b>	<b><i>\$91,028.80 + fee-for-service</i></b>	<b><i>\$91,028.80 + fee-for-service</i></b>

*\*\*\*The itemised figures include operational expenses, rates, taxes, levies and fee-for-service.*

### ***Business Case Discussion***

As the playing surfaces and areas within the building are leased to various sporting clubs, it is expected that the function area and meeting room would serve as the primary hireable spaces for any community, private and corporate functions. Additionally, as these areas allow the hirers access to both kitchen and beverage facilities, it is expected that the hiring of the complex would likely operate akin to Partridge House.

With this in mind, due to the fee-for-service costs outlined in the EOI (to simply open the facility), the additional annual expenses to be absorbed by council under the three (3) proposals, and lack of guaranteed return, it is deemed that a more cost effective and prudent solution for the management of the Kauri Parade Sporting Complex would be to bring it in-house for an initial period to enable Council greater control over the operation, promotion and marketing of the complex and to gain a sense of a market appraisal of the types of service the end users may be looking to utilise i.e. meetings, weddings, birthdays etc.

### ***Appointment of Council Facility Manager Position***

The position will be classified at Level 4, working at a 0.5 FTE. Commencing as of 1 July 2018, the costs associated with this role would include up to \$40,656 in wages and approximately an additional 12% in relevant on costs; totalling \$45,535.

The incumbent will:

- be responsible for managing the day-to-days operation of the facility;
- be required to significantly promote the function area of the complex;



- work directly with user groups of Kauri Parade and Council's Active Communities to establish relationships with external sporting stakeholder groups on a State and National level in order to activate the space; and
- proactively identify new business development opportunities.

***Conclusion***

Based on the aforementioned, it is recommended that Council take on the operational management of the facility for an initial two (2) year period. By doing so, it will allow Council the opportunity to undertake a full assessment of both the ongoing operational costs of the complex, and its potential revenue opportunities.

**BUDGET**

New Budget Initiative.

**LIFE CYCLE COSTS**

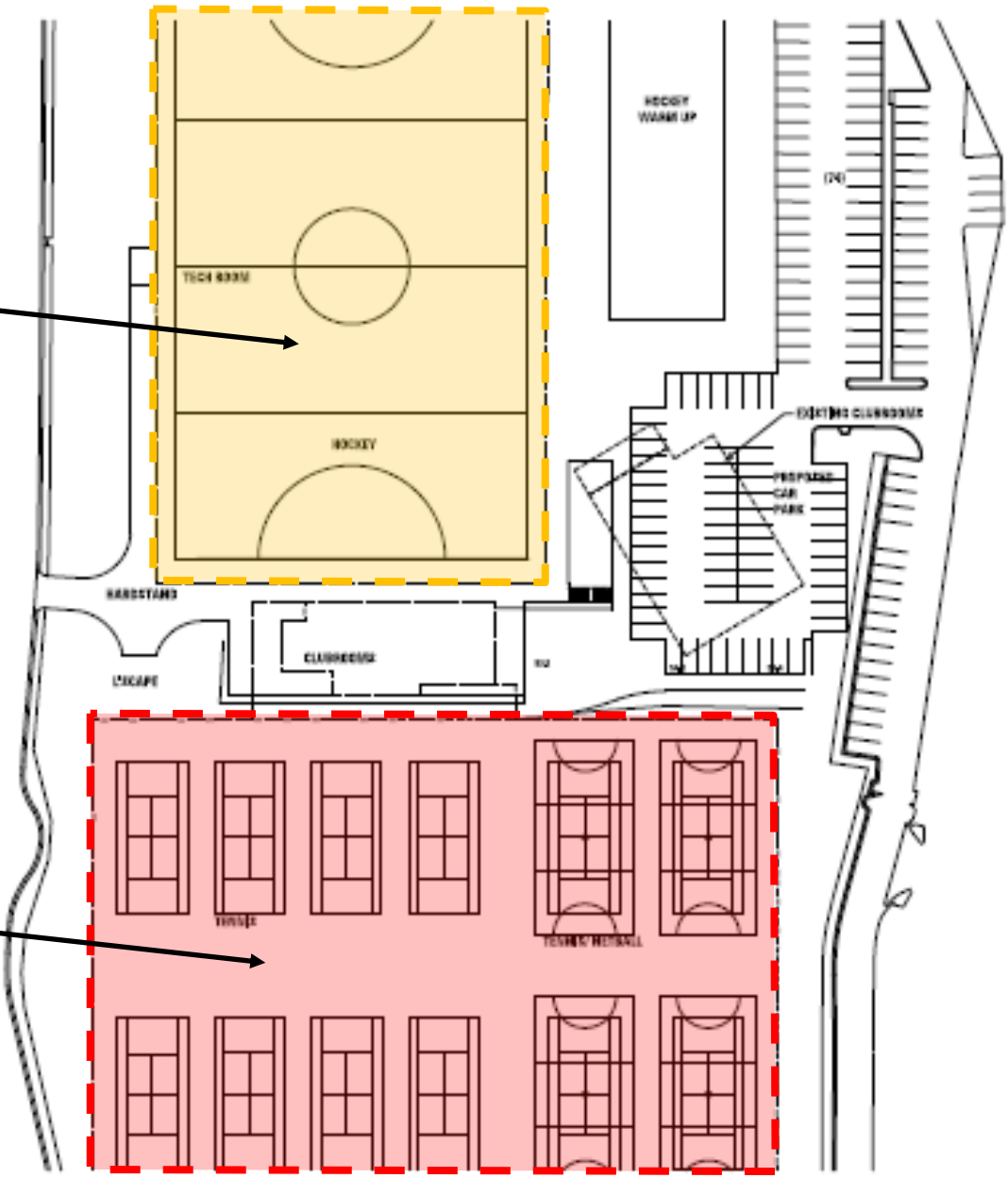
Full life cycle costs will be apparent in the subsequent report.

CONFIDENTIAL


Area Leased to  
Hockey Club



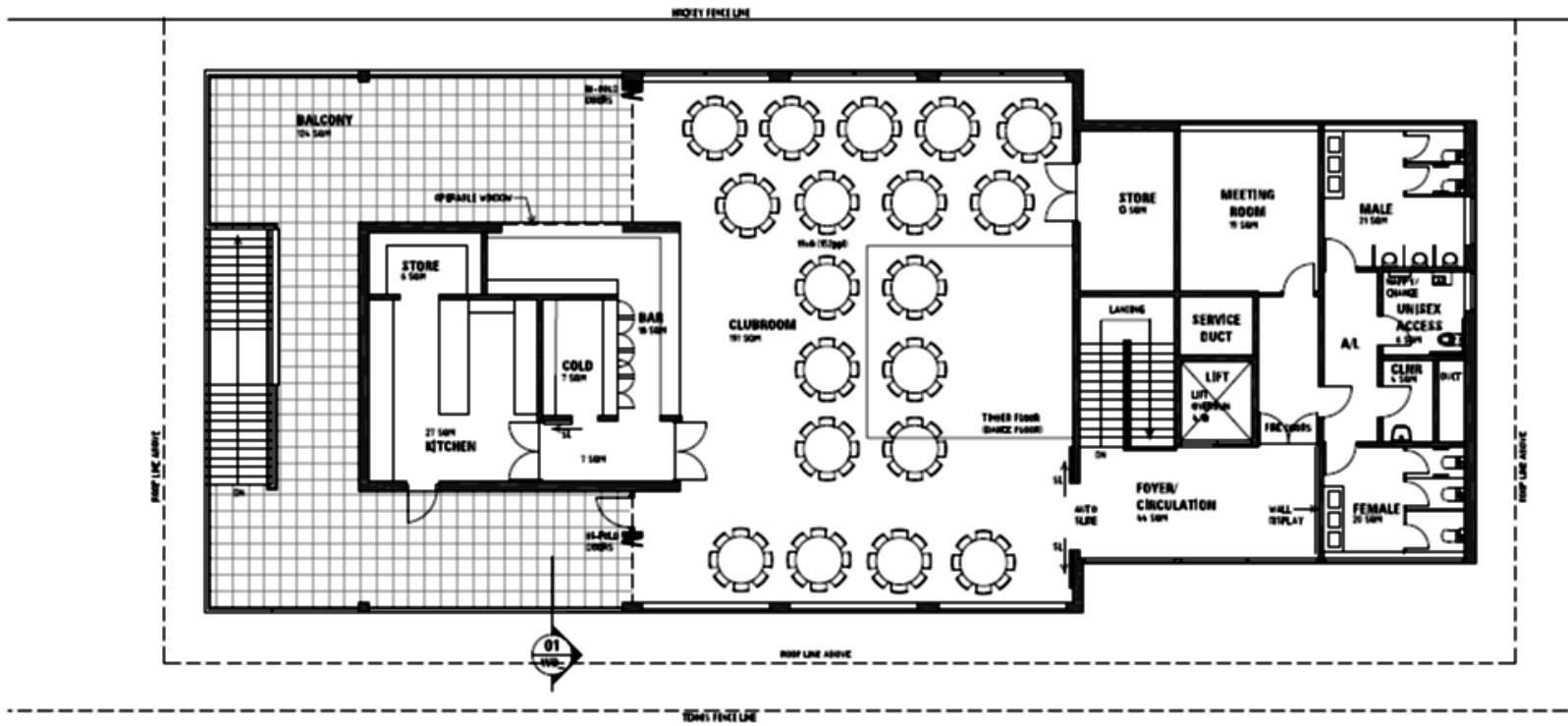
Area Leased to  
Tennis Club



**SITE PLAN**  
**CITY OF HOLDFAST BAY - SEACLIFF SPORTING CLUBROOMS**


 DWG SK 00  
 SCALE 1:500  
 DATE 29.09.2014





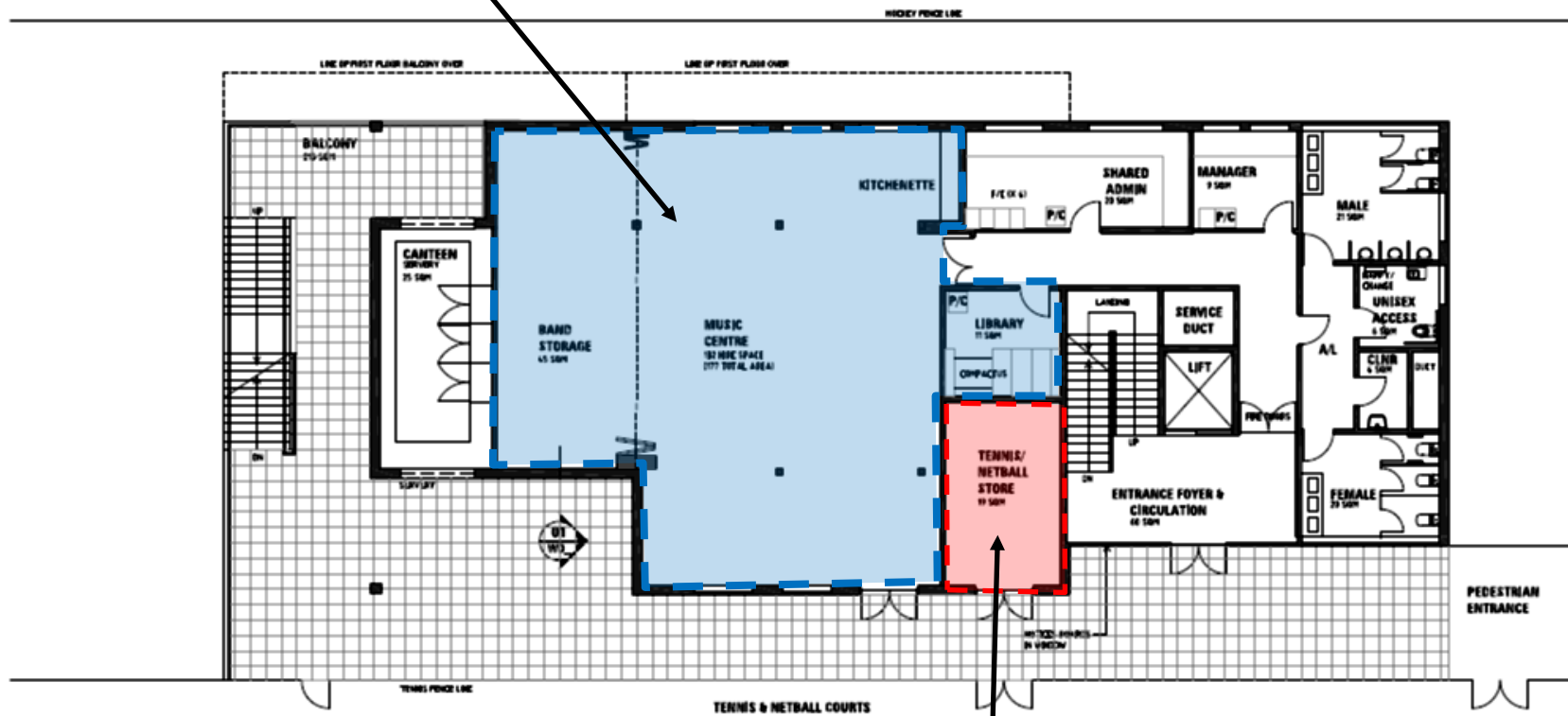
**FIRST FLOOR PLAN**  
**CITY OF HOLDFAST BAY - SEACLIFF SPORTING CLUBROOMS**



DWG SK 03  
 SCALE 1:100  
 DATE 05.09.2014



Area Leased to Music Club




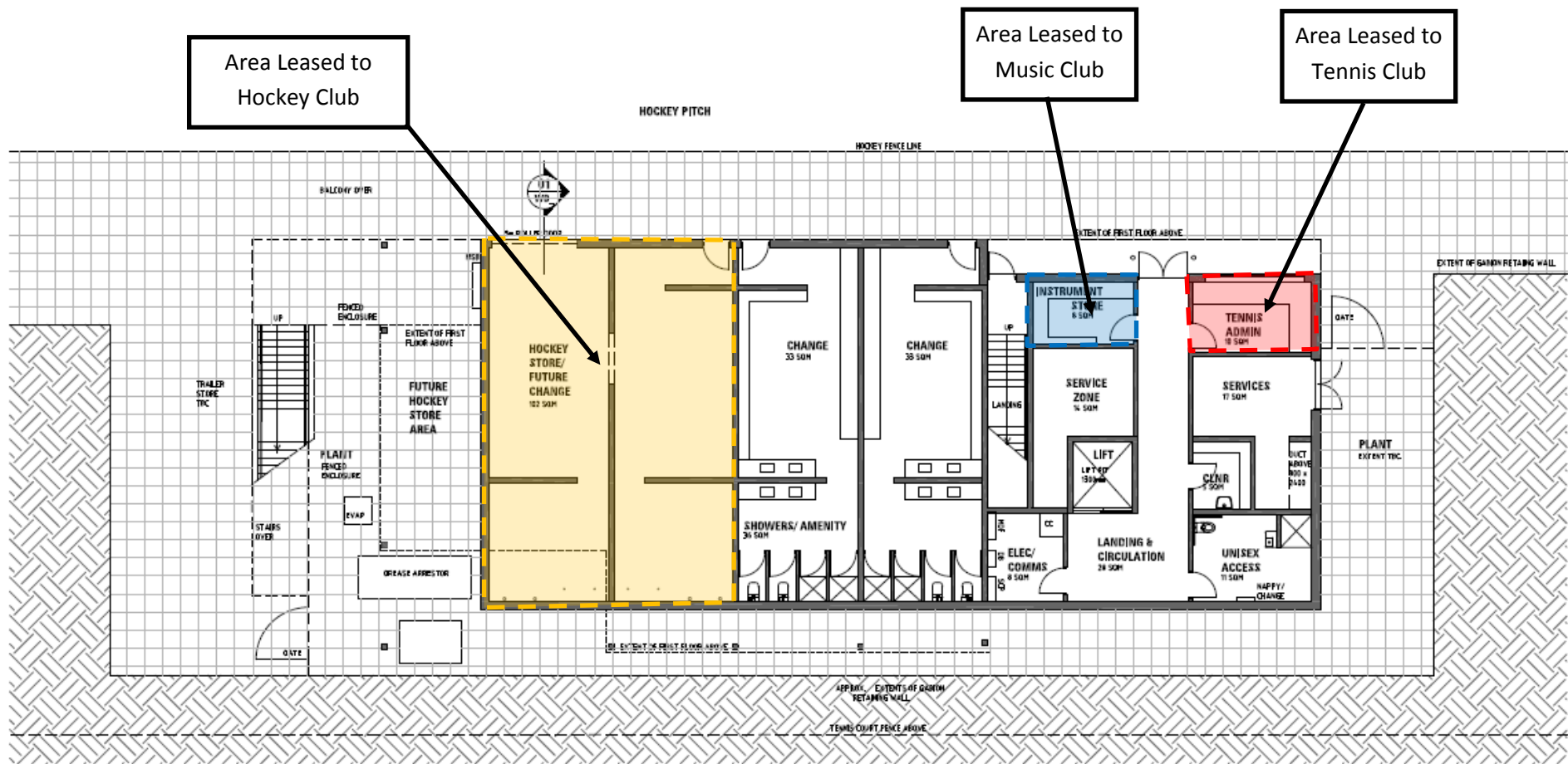
Area Leased to Tennis Club

# GROUND FLOOR PLAN

## CITY OF HOLDFAST BAY - SEACLIFF SPORTING CLUBROOMS

DWG SK 02  
SCALE 1:100  
DATE 05.09.2014





**UNDERCROFT FLOOR PLAN**  
**CITY OF HOLDFAST BAY - SEACLIFF SPORTING CLUBROOMS**

DWG SK 01  
 SCALE 1:100  
 DATE 15.09.2014

