



BRIEFING

Te Hiku Sports Hub Complex proposal

Date:	25 June 2018	Priority:	High
Security classification:	In Confidence	Tracking number:	3859 17 -18

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Note the contents of this briefing in preparation for your meeting on 2 July 2018.</p> <p>Note that a commitment was made by the Labour Party in September 2017 to provide \$2.8 million funding to the Te Hiku Sports Hub complex.</p> <p>Approve or decline a \$2.8 million based on the original commitment or the \$3.0 million sought for the Te Hiku Sports Hub complex.</p>	2 July 2018
Hon Phil Twyford Minister of Transport		
Hon David Parker Minister for Economic Development		
Hon Shane Jones Minister for Regional Economic Development		

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Robert Pigou	Head of Provincial Development Unit Investment team	Privacy of natural persons	Privacy of natural persons	✓
Ward Tuite	Regional Economic Development Project Manager	Privacy of natural persons	Privacy of natural persons	

The following departments/agencies have been consulted
Te Puni Kokiri

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

BRIEFING

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Purpose

This briefing asks Regional Economic Development (RED) Ministers to either approve or decline the Te Hiku Sports Hub Complex proposal located at Moerau Park, Kaitaia, which seeks \$3.0 million from the Provincial Growth Fund (PGF).

Executive summary

The Government has committed \$2.8 million to the Te Hiku Sports Hub Complex in Kaitaia. Funding to cover this and other manifesto commitments has been set aside as part of the Tagged Contingency within the appropriation for the Provincial Growth Fund.

The Te Hiku Sports Hub Inc has submitted an application for \$3 million from the PGF as part of an overall \$^{Commercial Information} project. This is \$200,000 more than the commitment made as part of the Tagged Contingency.

The application does not meet the level of economic and productivity benefits expected from PGF projects, however, the previous funding commitment is acknowledged and this paper provides options for Ministers to fund this project if they agree to do so.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a. **Note** the Government has committed \$2.8 million to the Te Hiku Sports Hub Complex in Kaitaia. *Noted*
- a. **Note** that Te Hiku Sports Hub Inc has submitted an application for funding of \$3.0 million from the PGF toward the overall \$^{Commercial Information} project and this is \$200,000 more than the agreed commitment. *Noted*
- b. **Note** that the proposal does not provide evidence of the level of economic and productivity benefits expected from PGF projects. *Noted*
- c. **Note** that the Far North District Council has confirmed a financial contribution to this project of \$^{Commercial Information} and Northland Regional Council is expected to contribute \$^{Commercial Information} from a targeted rate. *Noted*
- d. **Note** that any funding from the PGF will be conditional on Te Hiku Sports Hub Inc confirming the remaining funding has been raised. *Noted*

e **Either:**

- i. **Agree** to confirm the previous commitment made and fund Te Hiku Sports Hub Complex to a value of \$2.8 million by way of a grant.

Agree / Disagree

Or

- ii. **Agree** to fund Te Hiku Sports Hub Complex at an increased amount sought by the applications for \$3.0 million by way of a grant.

Agree / Disagree

Or

- iii. **Decline** the application to fund the Te Hiku Sports Hub Complex.

Agree / Disagree

f **Note** that any approved funding is subject to:

- a. Evidence provided that remaining funding has been secured;
- b. Confirmation of final project costs and a schedule of how funds will used;
- c. Final due diligence being completed noting that the initial review has raised no issues; and
- d. Provision of a detailed project plan and regular reporting to the PDU on progress of the project.

Noted

Privacy of natural persons



Robert Pigou
Head of Investment Management
Provincial Development Unit

28 / 06 / 2018

Hon Shane Jones
**Minister for Regional Economic
Development**

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Hon Grant Robertson
Minister of Finance

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Hon Phil Twyford
Minister for Transport

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Hon David Parker
Minister for Economic Development

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Project Overview

1. The Te Hiku Sports Hub Complex proposal seeks funding to:
 - a. Replace an aging outdoor seasonal pool with an indoor aquatic facility (toddlers, learn to swim, 8 lane main pool and hydrotherapy pool);
 - b. Establish a multipurpose indoor facility that will house: a reception area, sport clubrooms, team changing rooms and fitness centre;
 - c. Upgrade playing surfaces and a two kilometre fitness trail.
2. The Te Hiku Sports Hub will be located at Moerua Park on the southern boundary of Kaitaia township and is a two stage development. Stage One is nearing completion (site works and upgrading playing surfaces and a fitness trail). Stage Two includes building the aquatic centre and multipurpose indoor facility.
3. The complex will be located on the same central site as Te Ahu Kaitaia which is a multi-functional community facility in Kaitaia (includes Kaitaia library, museum, i-SITE, information centre and council customer services).
4. The application notes there is another indoor heated pool located 10 minutes out of Kaitaia but states that its location does not meet the needs of the Kaitaia community (distance, access to vehicles and cost to travel). It is noted the decision to fund the Te Hiku facility may be contentious as Hone and Hilda Harawira (the key drivers of the existing complex 10 minutes out of Kaitaia) have also been seeking external support (but not from the PGF to date).
5. We note that a commitment has been made to support funding for the Te Hiku Sports Hub complex by the incoming government.

Project Cost and Funding Sources

6. The Te Hiku Sports Hub Complex is estimated to cost \$^{Commercial Information}. The project is seeking funding of \$3.0 million from the PGF with the remaining funding coming from the following parties:

Far North District Council	
Work already underway using committed spending in Long term plan 2015-25 over 3 years	\$ ^{Commercial Information}
Allocated for general construction	\$ ^{Commercial Inform}
^{Commere} % of estimated Facility capital costs (provided community raise ^{Commerc} % of total cost)	\$ ^{Commercial Informatio}
Northland Regional Council (via targeted rates tbc)	\$ ^{Commercial Informatio}
Lotteries, Gaming trusts, local fundraising (in progress)	\$ ^{Commercial Informatio}
Foundation North Charitable Trust (in progress)	\$ ^{Commercial Informatio}
TOTAL	\$ ^{Commercial Informatio}

Discussion

Assessment against the PGF criteria

7. The PDU has assessed the application against the criteria of the PGF. Based on our assessment we do not consider this proposal to meet the PGF's criteria to the level expected. In particular the proposal does not increase the productivity potential of the region; support sustainable jobs or business or the use of natural resources. The proposal is not in a high growth industry; it does not build on regional strengths; and it does not involve training, work preparation or support.

Increased Economic Benefit

8. The PDU considers that limited sustainable economic and productivity benefits will be realised by the proposal. Apart from some additional jobs needed to operate the facility, any economic benefits are likely to be minimal. The main ongoing economic benefits noted by the applicant include the possibility of attracting people to live in the Far North; helping retain employees, young people and athletes in Kaitaia; and jobs in the new facility.

Additionality

9. There is an existing indoor pool, multipurpose gym and 2 full sized basketball courts at Te Kura Kaupapa Māori o Te Rangi Aniwaniwa, 6 kilometres (10 minute drive/35 minute bike ride) out of Kaitaia from the existing outdoor pool. However it is acknowledged that facility is not central and is difficult to access without a vehicle.

Alignment with regional plans and stakeholder support

10. The project forms part of the FNDC and NRC Long Term Plans and is listed as top priority for the Northland Sports Facility plan. It does not, however, appear to feature in the Tai Tokerau Northland Economic Action Plan.

Project Management and Governance

11. A Quantity Surveyor report has been produced from Rawlinson's based on submitted preliminary drawings and concept design reports.
12. A Governance Committee for the project has been established to replace the original management committee and project mentors identified. The Chair of this Committee is the Deputy Chair of the FNDC.
13. All tenders are subject to both the FNDC tender process and scrutiny of the Governance Committee. Te Hiku Sports Hub Inc will be the prime party for all third party contractors who will be selected via tender processes.
14. Once completed the facility will eventually be owned by the community and managed by the Governance Board on behalf of the FNDC, NRC and the local community, in a similar way to the model provided by the Te Ahu Trust Board for the Te Ahu Kaitaia Arts and entertainment complex.

Other comments

15. A new Sports Hub will improve recreational opportunities for Māori and all residents of Te Hiku to.
16. The land was originally gifted from the Te Rarawa Iwi to the community for community use.

Risks

17. The following table summarises the two key risks for the Te Hiku Sports Hub complex

Risk	Status and Mitigations
<p>Failure to meet the condition set by FNDC to raise ^{Comm}% of the estimated facility capital costs (excluding PGF contribution)</p>	<ul style="list-style-type: none"> • FNDC has budgeted for a ^{Comm}% contribution of estimated facility capital costs from a targeted differential rate no earlier than 2018/19 (provided the community raise ^{Comm}% of these costs). • Commercial Information <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>
<p>Ensuring the business model in place post completion is sustainable including for ongoing operational costs</p>	<ul style="list-style-type: none"> • Maintenance costs and funding sources are to be covered by Far North District Council via a targeted rate, and through eventual commercial operator maintenance obligation. • Expressions of interests have already been sought for the operational contract and those received have indicated that the operation will be well supported and sustainable.

Next steps

18. The next steps if the Ministers choose to fund this project from the PGF are that the PDU will:

- a. Finalise any further due diligence matters that present themselves;
- b. Prepare and negotiate the full investment agreement documentation for the Te Hiku Sports Hub Complex; and
- c. Execute the Investment Agreement.