

7.0 Financial Considerations

7.1 Operational Feasibility

7.1.1 New Stadium Development

The operating projections for Options 1a and 1b for Year 1 and Year 15 are summarised in Table 7.1. As illustrated by the results below, a new stadium on the Awatea Street site is projected to operate on a cash positive basis.

Table 7.1: Summary Financial Projections (\$000s)

	Option 1a		Option 1b	
	2011	2025	2011	2025
Revenue	2,731	4,386	2,370	3,984
Variable Costs	715	1,397	680	1,381
Overhead Costs	1,563	2,858	1,436	2,512
EBITDA	453	131	254	91

(Source: HHTL)

The operating viability of the new stadium options (1a and 1b) is enhanced by the synergies that arise through co-location with the University. This is likely to assist in generating car park revenue for the stadium and is also likely to improve the level of day meeting and conference business.

The presence of the covered roof further improves the revenue-generating ability of Option 1a, which is projected to earn approximately \$400,000 per annum more than Option 1b. This is primarily due to an increase in the number of events that are hosted but is also aided by an assumed increase in average attendance at events. The increased revenue-earning capability of Option 1a is off-set to some extent by higher overhead costs, particularly energy and ground maintenance, due to the roof.

Importantly, both Options 1a and 1b are projected to operate on a positive net cash flow basis. The cash flow surpluses under Option 1a are projected to average approximately \$300,000 per annum.

7.1.2 Redevelopment Options

The operating projections for Options 2a – 2d for Year 1 and Year 15 are summarised in Tables 7.2 and 7.3. As illustrated by the results below, a redeveloped stadium on the existing Carisbrook site is projected to be unable to sustain operations on a cash positive basis.

Table 7.2: Summary Financial Projections for Options 2a and 2b (\$000s)

	Option 2a		Option 2b	
	2011	2025	2011	2025
Revenue	1,728	1,867	1,742	2,622
Variable Costs	486	518	657	1,113
Overhead Costs	1,174	2,387	1,179	2,069
EBITDA	68	-1,039	-94	-560

(Source: HHTL)

Table 7.3: Summary Financial Projections for Options 2c and 2d (\$000s)

	Option 2c		Option 2d	
	2011	2025	2011	2025
Revenue	2,175	3,779	1,850	3,373
Variable Costs	663	1,343	626	1,323
Overhead Costs	1,563	2,858	1,436	2,512
EBITDA	-50	-422	-211	-461

(Source: HHTL)

Option 2a is projected to deliver the best short term financial performance as it has a lower operating cost structure. However, in the longer term, it is projected to operate with the largest deficit because its limited revenue earning capability (including the loss of test rugby after 6 years and the Super 14 franchise base after 10 years) is projected to result in revenue growth falling behind the level of operating cost increases.

In the short term Option 2b does not provide significant revenue earning advantages over Option 2a, as it does not provide covered seating on both sides of the ground. This is a key risk in the venue's competitiveness against Waikato Stadium and will impact on the achievable ticket yield. The new stand also precludes cricket, which impacts on its revenue earning capability. The loss of corporate suites under this option also impacts on the venue's revenue earning capability. However, it is assumed that Option 2b will maintain its test and Super 14 status throughout the projection period. The operating projections show that this scenario is unlikely to provide a positive net cash flow with deficits projected to average approximately \$340,000 per annum.

Of the redevelopment options, Option 2c is projected to deliver the best average performance over the fifteen year projection period. Options 2c and 2d provide the same physical stadium facilities as Options 1a and 1b respectively. However, the operational performances of Options 2c and 2d are forecast to be inferior to those of Options 1a and 1b. This reflects the absence of any synergy with the University of Otago. This is projected to impact particularly on revenue levels in relation to car parking, concerts, day meetings, conferences, and functions. In effect, Options 2c and 2d are likely to be less multi-purpose in terms of the events attracted than would be the case with Options 1a and 1b.

7.2 Funding Sources

The range of potential funding options for stadium developments in New Zealand generally includes:

1. Corporate Suite Premiums
2. Ground Membership Pre-Sales
3. Naming Rights
4. Local Government Grants / Loans
5. Sale / Lease of Auxiliary Space
6. Charitable Trust Grants
7. Fit-out Contribution from Caterers
8. Sale of Trust Assets
9. Debt Funding / Public Appeals.

7.2.1 New Stadium Development

Many of the potential funding sources (eg: corporate suite premiums, ground membership pre-sales, naming rights, caterer contributions) are directly linked to the anticipated number and profile of events to be hosted at the stadium. Given the greater event potential of Option 1a, it is projected that a higher level of funding could be sourced for this development option. However, based on the funding analysis completed to date, this additional funding capability is not sufficient to offset the higher development costs associated with Option 1a.

The assumed capital funding sources for the Awatea Street options are summarised in Table 7.4. As shown, Option 1b is fully fundable based on the projected development costs and the assumed levels of funding contribution from the identified sources. Under Option 1a, the funding gap ranges from \$27 – 41 million.

Table 7.4: Carisbrook Stadium Potential Funding Sources (\$000s)

Funding Source	Option 1a		Option 1b	
	Realistic	Optimistic	Realistic	Optimistic
	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Local Government	95,000	95,000	95,000	95,000
University of Otago	10,000	10,000	10,000	10,000
Community Trust of Otago	7,000	10,000	7,000	7,000
	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Funding Gap / Debt	40,775	27,470	-	-
Total	188,000	188,000	144,000	144,000

(Source HHTL)

The ground membership pre-sale revenue is based on the model utilised at Westpac Stadium and assumes 1,500 – 2,000 15 year ground memberships are pre-sold for the equivalent of \$750 per annum.

Naming rights revenue relates to primary naming rights for the venue as well as the sale of subsidiary rights (eg: lounges).

Corporate suite premiums are based on the 18 suites attracting premiums of \$70 – 85,000 for a 15 year term.

The caterer fit-out contributions are based on benchmarks with other venues that achieve similar levels of food and beverage revenue.

The assumed local government contributions reflect the assumptions contained within Arrow International's pre-feasibility report.

The University of Otago contribution reflects a contribution towards land acquisition and site development costs, as well as recognition of development efficiencies that will be achievable.

The level of funding from the Community Trust of Otago would likely require the Trust to recapitalise, which is a significant departure from its funding policies to date.

7.2.2 Redevelopment Options

The lower level of projected activity under the redevelopment options means there are likely to be lower levels of capital funding available from private sources (eg: naming rights, ground membership pre-sales, etc).

The assumed capital funding sources for the existing Carisbrook site options are summarised in Tables 7.5 and 7.6. As shown, Options 2a and 2b are fully fundable based on the projected development costs and the assumed levels of funding contribution from the identified sources.

Table 7.5: Carisbrook Stadium Potential Funding Sources (\$000s)

Funding Source	Option 2a		Option 2b	
	Realistic	Optimistic	Realistic	Optimistic
Ground Membership Pre-Sales	-	-	7,313	8,775
Naming Rights	2,000	2,250	2,300	2,800
Corporate Suite Premiums	840	1,050	517	646
Caterer Fit-out Contribution	500	600	750	1,000
Founders Club	-	-	-	-
Local Government	24,010	23,450	54,120	50,779
University of Otago	-	-	-	-
Community Trust of Otago	2,000	2,000	4,000	5,000
Sale of Trust Assets	-	-	-	-
Funding Gap / Debt	-	-	-	-
Total	29,350	29,350	69,000	69,000

(Source HHTL)

The absence of ground member hospitality facilities under Option 2a precludes funding from this source. The ground membership pre-sale revenue for Option 2b assumes 750 15 year ground memberships.

Naming rights revenue relates to primary naming rights for the venue as well as the sale of subsidiary rights (eg: lounges).

Under Option 2a, Corporate suite premiums are based on the existing 42 suites attracting premiums of \$20 – 25,000 for a 15 year term. The reduced amount under 2b reflects the reduced number of corporate suites after the demolition of the existing South stand.

The caterer fit-out contributions are based on benchmarks with other venues that achieve similar levels of food and beverage revenue.

The assumed local government contributions reflect the required funding to provide a debt-free facility and have been allocated between DCC and ORC in proportion to the original new stadium funding assumptions contained within Arrow International's

pre-feasibility report.

Table 7.6: Potential Funding Sources – Options 2c and 2d (\$000s)

Funding Source	Option 2c		Option 2d	
	Realistic	Optimistic	Realistic	Optimistic
Ground Membership Pre-Sales	16,875	22,500	16,875	16,875
Naming Rights	5,000	6,000	3,500	3,500
Corporate Suite Premiums	1,350	1,530	1,260	1,260
Caterer Fit-out Contribution	2,000	2,500	1,750	1,750
Founders Club	10,000	10,000	10,000	10,000
Local Government	95,000	95,000	95,000	95,000
University of Otago	-	-	-	-
Community Trust of Otago	7,000	7,000	7,000	7,000
Sale of Trust Assets	-	-	-	-
Funding Gap / Debt	46,930	39,625	-	-
Total	184,155	184,155	131,050	131,050

(Source HHTL)

The funding assumptions for 2c and 2d are consistent with those for 1a and 1b with the exception of Otago University contributions and revenue from the sale of the existing Carisbrook site. As with the Awatea site options, a redeveloped stadium with a roof is facing a funding gap based on assumed funding contributions, whereas a stadium without a roof is fully funded.

7.3 Economic & Social Impact

7.3.1 Economic Impact

Each of the stadium development options has been considered in terms of the positive economic impacts that are projected to be generated relative to the opportunity costs that arise as a result of the respective development option.

Positive economic impacts arise as a result of:

1. spending by additional visitors that attend events at the stadium (in the case of the Dunedin City economy, this includes visitors from elsewhere within the Otago region)
2. additional University students attracted to Dunedin due to the appeal of a campus stadium (under the Awatea Street options)
3. spending that is retained in the local economy as a result of residents no longer having to travel to attend events (this is off-set to some extent by increased local resident expenditure on tickets for events operated by non-local organisers such as NZRU)
4. spending in the local economy related to the initial construction of the facility
5. spending in the local economy related to the on-going capital maintenance requirements of the facility.

Opportunity costs arise as a result of local households and businesses altering their normal spending patterns in order to:

1. fund the initial capital costs of the stadium (via rates, as well as direct contributions through corporate suite premiums and ground memberships)
2. fund on-going capital maintenance requirements (via rates)
3. fund on-going operating losses, where relevant (via rates).

The economic impact analysis has considered expenditure over the 50 year life of the asset and has used discounted cash flows in order to provide present value figures in 2011 dollars.

Based on the operating projections, proposed development costs, and estimated on-going capital maintenance costs, the estimated economic impact for Dunedin City (in terms of value-added, or contribution to GDP) for each of the development options is summarised in Tables 7.7 and 7.8.

Table 7.7: Estimated Economic Impact for Dunedin City (\$m)

	Option 1a	Option 1b
Positive Impacts		
Visitor Expenditure (incl. University students)	82.7	199.2
Capital Maintenance	3.1	1.6
Construction	116.8	87.9
Total	402.6	288.7
Negative Impacts		
Opportunity Cost – Households	74.7	52.3
Opportunity Cost – Businesses	59.8	46.2
Total	134.5	98.5
Net Economic Impact (Total Value Added)	268.1	190.2
Economic Impact Ratio	3.0	2.9

Table 7.8: Estimated Economic Impact for Dunedin City (\$m)

	Option 2a	Option 2b	Option 2c	Option 2d
Positive Impacts				
Visitor Expenditure	71.4	107.2	153.8	120.9
Capital Maintenance	1.7	1.4	3.1	1.6
Construction	18.8	45.3	120.8	86.0
Total	91.9	153.9	277.7	208.5
Negative Impacts				
Opportunity Cost – Households	8.3	29.1	82.4	54.8
Opportunity Cost – Businesses	13.2	23.6	64.3	47.7
Total	21.5	52.7	146.7	102.5
Net Economic Impact (Total Value Added)	70.4	101.2	131.0	106.0
Economic Impact Ratio	4.3	2.9	1.9	2.0

The estimated economic impact for Otago Region (in terms of value-added, or contribution to GDP) for each of the development options is summarised in Tables 7.9 and 7.10. The primary reason for a reduced economic impact at the Regional level is because expenditure by Otago visitors to Dunedin is considered to be transferred expenditure and does not have a positive impact at the Regional level.

Table 7.9: Estimated Economic Impact for Otago Region (\$m)

	Option 1a	Option 1b
Positive Impacts		
Visitor Expenditure (incl. University students)	245.3	176.3
Capital Maintenance	3.4	1.8
Construction	116.8	87.9
Total	365.5	266.0
Negative Impacts		
Opportunity Cost – Households	79.5	57.0
Opportunity Cost – Businesses	62.6	49.0
Total	142.1	106.0
Net Economic Impact (Total Value Added)	223.4	160.0
Economic Impact Ratio	2.6	2.5

Table 7.10: Estimated Economic Impact for Otago Region (\$m)

	Option 2a	Option 2b	Option 2c	Option 2d
Positive Impacts				
Visitor Expenditure	57.4	87.8	117.5	96.4
Capital Maintenance	1.9	1.6	3.4	1.8
Construction	18.8	45.3	120.8	86.0
Total	78.1	134.7	241.7	184.2
Negative Impacts				
Opportunity Cost – Households	9.4	31.8	87.2	59.4
Opportunity Cost – Businesses	13.9	25.2	67.2	50.4
Total	23.3	57.0	154.4	109.8
Net Economic Impact (Total Value Added)	54.8	77.7	87.3	74.4
Economic Impact Ratio	3.4	2.4	1.6	1.7

7.3.2 Social Impact

Background

Due to time and cost constraints in the preparation of this report there has been insufficient resources available to commission a formal social impact study to compare a new multi-purpose stadium at the Awatea Street site and the upgrade options at the existing Carisbrook site. Nonetheless, the project team has consulted with the University of Otago to provide some brief commentary

The University has assisted the team by undertaking some background research internationally on possible positive and negative social impacts associated with stadium developments that have taken place with:

- tertiary institutions
- regional towns and cities

This has generated a set of possible impacts for these types of project. How these are applicable to a new multi-purpose stadium in association with the University and an upgraded Carisbrook is discussed below.

A New Multi-Purpose Stadium

The key elements of this development from a social impact point of view are:

- association with the University
- elite and high performance sport uses and research
- uses associated with health
- recreational uses such as gyms
- urban plaza area
- possibility of an enclosed stadium maximising sport, entertainment and cultural uses of the pitch

The association with the University has a number of effects. The idea of this site becoming a 'campus stadium' would improve the lifestyle for students. The urban plaza becomes a hub of activity for students and non-students alike increasing the vibrancy and amenity value of Dunedin. The positive feel that this would generate assists in positive migration of non-students to Dunedin. The demand for places could increase meaning Dunedin would have higher calibre students or increased student numbers, creating a further positive effect on the 'town and gown' relationship.

The number and quality of events that could be held within the region would also have a positive social impact for the city and region. The 'showcasing effect' could also prevail whereby the city can show off its potential. For high demand events this would provide a global audience not just for the event, but for the city and region. The types of events would also impact on wider parts of the community rather than just the rugby fans.

While there will be sporting uses on the field there are also sporting opportunities off the field. The possibility of a centre for elite and high performance athletes with

research facilities that can be utilised in both a laboratory and a stadium environment would attract not just people but businesses, investment and so on. The sporting uses would only be a part of the asset. The multi-purpose stadium would provide facilities for physical rehabilitation and physiotherapy, cultural events, recreational activity, entertainment events such as concerts, as well as opportunities for other leisure activities.

The negative social impacts are largely overcome by the positive impacts. The amenity value and day to day use would overcome anti-social behaviour, while the neighbours are mainly businesses so the impact of events on residents would be minimal as most major stadium events would be outside of normal business hours. Physical and visual impacts can be minimised by careful design and the location of the site also assists this.

While no dollar figures have been able to be estimated on the quantity of social impacts it is reasonable to assume the two options could be categorised as follows:

- Option 1a Very High
- Option 1b High

An Upgraded Carisbrook

The social impact for each of the upgrade options outlined in this report will vary. With the minimal upgrade (Option 2a), it could be considered that the social impact of additional premium seats and refurbished spaces for players and the media will have little impact on the community as a whole. The situation would not have differed from the current one other than the securing of test matches on a short term basis. The stadium would still be retained for rugby and cricket uses, but there is little scope for the facility becoming multi-purpose and becoming a true community asset.

Option 2b is similar in that there is no difference in usage by sectors of the community when compared to Option 2a. In fact, it could be argued that the social impact is less than Option 2a because the stadium would no longer be able to be used for cricket. However, this is offset by the new stand providing opportunities for non-match day uses such as day meetings, small conferences and possibly some community uses. In addition the physical presence of a new stand could provide the city and region with a sense of pride.

This sense of community pride would be maximised for the existing site if a new stadium were constructed (Options 2c or 2d). While it may not have the University associated with it, the stadium would become more multi-purpose than the current stadium, particularly if the option of a roof was progressed. The benefits would be reasonably similar to the new site options discussed above. However, a negative aspect with upgrading the site is that it is in close proximity to residences. These would be negatively impacted by construction work and the larger the scope of work the more disruption there would be.

Again, no dollar figures have been calculated for the social impacts of each option, but they could be categorised as follows:

- Option 2a Negligible
- Option 2b Low

- Option 2c (roof) High
- Option 2d (no roof) Moderate

Community Benefits

The above provides some narrative based on the literature research undertaken by the University. However, it is useful to apply this to the seven community outcomes used by DCC to assess projects. For the purposes of this assessment the options have been assessed against how well they promote the vision for each.

a. Wealthy Community

Vision: a city that encourages strong local business growth and employment growth, and attracts increasing numbers of new businesses and tourists.

Option	Ability to Meet Vision	Rating (H, M, L)
1A	The multi-purpose nature and promotion of the relationship between 'town and gown' will strongly promote this vision	H
1B	Similar to 1A, although not having a roof may mean the ability to meet the vision is not quite so good.	H
2A	This option does very little to promote the vision over and above how the existing Carisbrook currently does so.	L
2B	This option may marginally promote the vision more than the current facilities.	L
2C	While this would not have the association with the University, it nonetheless has multi-purpose uses and would strongly promote the vision.	H
2D	A new stadium without a roof on the existing site would promote the vision, but not quite so strongly as 2C	M

b. Accessible City

Vision: a city with a transport system that supports economic development and where people move about easily and safely.

Option	Ability to Meet Vision	Rating (H, M, L)
1A	The combination of a plaza area, re-alignment of state highway, and a design that focuses on pedestrian and public transport strongly supports this. Strong links are provided with key hubs of the city.	H
1B	Same as option 1A	H
2A	This option does little to improve the current situation and as such does not promote the vision well.	L
2B	Similar to 2A, although the establishment of a precinct in Burns Street helps.	L
2C	Transport and pedestrian links are marginally improved	M
2D	Same as option 2C	M

c. Safe and Healthy People

Vision: a city where residents feel safe and enjoy a healthy lifestyle

Option	Ability to Meet Vision	Rating (H, M, L)
1A	A strong emphasis on health and activity uses strongly supports a healthy lifestyle and the creation of a hub of activity promotes a safe environment	H
1B	Same as option 1A	H
2A	The minor improvement in facilities does little to support the vision	L
2B	The new stand may be able to incorporate some facilities to promote a healthy lifestyle, but this is limited	L
2C	Similar to 1A, although it is unlikely the health and activity uses will be as high. In addition, the environment of Carisbrook will become safer	M
2D	Same as option 2C	M

d. Sustainable City and Environment

Vision: a city that makes the most of its natural and built environment

Option	Ability to Meet Vision	Rating (H, M, L)
1A	The new stadium can be designed to maximise this and provide an iconic building. The plaza area provides a significant amenity and the stadium will be designed under environmental sustainable design principles to include rainwater re-use, grey water for irrigation, solar panels, and negligible CO2 emissions.	H
1B	Same as 1A.	H
2A	Negligible difference in the current Carisbrook built environment.	L
2B	A new stand would give a lift to the built environment, but not as significant as a new stadium.	M
2C	Same as 1A	H
2D	Same as 1A	H

e. Culture and Learning

Vision: a city that truly celebrates and supports excellence in the arts and education

Option	Ability to Meet Vision	Rating (H, M, L)
1A	Strong promotion of this vision with the association with the University, and the possibility to hold cultural festivals at the stadium	H
1B	Same as option 1A	H
2A	Does little to promote the vision	L
2B	Same as 2A	L
2C	The new stadium may be able to promote cultural events, but does little for education	M
2D	Same as 2C	M

f. Supportive Community

Vision: a city where resident feel included and connected with their wider community

Option	Ability to Meet Vision	Rating (H, M, L)
1A	The multi-purpose nature of the development will mean that it is a true community asset.	M
1B	Same as 1A	M
2A	Does little to promote the vision	L
2B	Same as 2A	L
2C	Same as 1A	M
2D	Same as 1A	M

g. Active City

Vision: a city that provides and encourages participation in a broad range of sporting, recreational and leisure activities.

Option	Ability to Meet Vision	Rating (H, M, L)
1A	The ability for the wider community to use facilities located at the stadium strongly supports the vision	H
1B	Same as 1A	H
2A	Better facilities at Carisbrook would promote this vision, but only to a certain extent	L
2B	A new stand at Carisbrook would promote this vision	M
2C	Same as 1A	H
2D	Same as 1A	H

Summary

From the assessments made above, it is clear that a new stadium development on the Awatea Street site (Option 1a or 1b) meets the community outcomes the best. Behind that is the new stadium options on the existing site (2c and 2d), then the upgrade options (2a and 2b). Option 2a does very little to meet any of the community outcomes, while the design of Option 2b would need to take careful consideration of these visions during the concept and later design stages to maximise it's contribution to them.