

SOUTH WAIRARAPA DISTRICT COUNCIL

26 AUGUST 2015

AGENDA ITEM C1

MARTINBOROUGH TOWN HALL

Purpose of Report

To provide information on Martinborough Town Hall funding.

Recommendations

The Chief Executive Officer recommends that the workshop:

1. *Receive the information.*
2. *Agree in principal next steps.*
3. *Agree to consult on setting up a targeted rate and note this will be an amendment to the 2015/25 LTP.*

1. Executive Summary

The 2012/22 Long Term Plan considered the earthquake prone status of the Martinborough Town Hall, having previously set aside \$900K (funded by loan) for the strengthening project.

Council resolved that strengthening work would not commence without the community funding the refurbishment aspect, the following resolution from the 2012/22 LTP:

No budgetary change to LTP.

Strengthening work would not commence on the Hall until the refurbishment plans had been agreed by the community and Council and the money required for refurbishments was in place or financial commitments were in place.

Investigate the use of a project manager to act as a liaison between community groups and council officers to facilitate development of an agreed refurbishment plan and achieve the initial milestones of the Town Hall upgrade project plan.

The project manager will be funded up to \$5,000 by drawing on the strengthening funds.

The refurbishment project was undertaken by the Martinborough Town Hall Committee, ultimately retaining Steve Bramley SGL Consulting for assistance with this project.

Council committed to a series of review points or "gates", these are discussed below.

Council has committed to making a decision at the Council meeting of 26 August 2015.

I anticipate the decision that will be made will be along the lines of:

- Agree to underwrite a further \$415,000 to enable the detailed design work to be prepared and a tender let or;
- Agree to underwrite \$25,000 for “early Contractor Involvement” (discussed below) or;
- Agree that the funding shortfall is too great, and that other funding sources should be investigated, e.g. targeted rate.

The project had an estimated cost of \$6.4M, with \$3.25M being funded from SWDC and \$3.15M from external funders.

This report discusses aspects around the \$6.4M because once we commit to the project we commit to \$6.4M, not the basic build of \$5.6M.

It should be noted that the \$6.4M excludes (the values below are estimates):

- Fit-out, at, say \$200K.
- Cost of shifting wastewater main which runs under proposed build site, say \$22K
- Cost of connecting to water \$10K
- Cost of connecting to Broadband \$10K
- New transformer/power upgrades \$67K
- Other costs not anticipated say \$50K

2. Council Resolutions

2.1 Phase 1

Steve Bramley of SGL Consulting was retained to undertake a feasibility study; this was delivered to Council in November 2013.

This phase of the project was \$45K, underwritten from Martinborough Town Hall committee funds held (approx. \$33K, and Council funds).

2.2 Phase 2

Following on from this feasibility study, phase two was approved, with the outputs of:

1. Undertake discussions with key donor prospects, to strengthen confidence in the availability of external funding

2. Complete further necessary design, structural engineering and quantity surveying work to determine final conceptual design and further capital cost confidence
3. Undertake further consultation with key community stakeholders and the Martinborough and South Wairarapa general public.

The following resolution supported phase 2:

Martinborough Town Hall Funding

COUNCIL RESOLVED (DC2014/15):

1. To receive the tabled information.
2. To approve expenditure of circa \$60k for phase two of the Martinborough Town Hall refurbishment project.
3. To acknowledge this is a cash flow timing matter and future fundraising will refund this amount.

(Moved Cr Montgomerie/Seconded Cr Jephson)

Carried

2.3 Phase 3

Following completion of phase two, Council was asked to consider funding of \$650,000 which would provide:

1. Developed design
2. Detailed cost estimates

The request was broken down into two tranches, of \$325,000 each.

The output from the first tranche was sufficient information and detail to enable grant applications to be made to Trusthouse, Eastern and Central Community Trust, and Lotteries.

[note the first tranche did not actually get developed design, just sufficient detail to get the grant applications done]

COUNCIL RESOLVED (DC2014/106) to commit up to \$325,000, which is to be partially or wholly underwritten by land sales in the Martinborough district, for the developed design phase.

(Moved Cr Napier/Seconded Cr Craig) Carried

It should be noted that by the time this resolution was made, tranche 1 should have been \$408K not \$325K but the resolution was not updated or corrected - this was part of the \$650K so the second tranche would have theoretically reduced to \$242K.

This resolution was made on 19 June 2014. The discussion called for a gate to be early December 2014 to ensure the project was on track, and the original cost estimates still stood up. The key consideration was that the build cost was still within the previous estimates, and that grant funding was on track.

2.4 December 2014 gate

This gate was set so that Council could consider next steps without committing significant further funds.

At the special Council meeting of 10 December 2014 the following resolutions were made:

COUNCIL RESOLVED (DC2014/208):

1. To receive the information.
(Moved Cr Robertson/Seconded Cr Riddell) Carried
2. To note the cost estimates are in line with previous forecasts and that the core build is projected to cost \$5.2M.
3. To approve commencement of phase two; lodgement of funding application to the NZ Lotteries Commission.
4. To note that another decision point will be at the time the NZ Lotteries Commission application outcome is known.
5. To approve the expenditure of up to \$36,000 in the first three months of 2015, with a further review by 31 March 2015.
6. To approve that this \$36,000 be underwritten by land and building assets if the project does not go ahead.
(Moved Mayor Staples/Seconded Cr Stevens) Carried

3. Project Costings and Financing

Following on from Councils original resolution (\$900K strengthening, community fund refurbishment) the Martinborough Town Hall Committee embarken on a process to secure funding for the refurbishment aspect.

Initial thinking was that refurbishment would be a minimum of \$300K (just for painting and refurbishing the floor etc), however advice received was that this project would not be eligible for external grant funding, as the refurbishment would not result in a significant increase in usage.

It is this increase in usage that attracts grant funding.

The estimated cost to complete the entire project with suitable landscaping and upgraded playground is \$6.4M (plus additional costs discussed in the Executive Summary), the estimate has remained at that level throughout the project.

Steve Bramley from SGL Consultants was selected to assist with this project.

Attached as appendix 1 are the initial funding streams, updated with actuals as they are known at the time of writing.

This summary shows that:

- There is a probable shortfall of \$675K in SWDC sourced funding against the \$3,250K budgeted amount

- There is a possible shortfall of \$426K in external funding against the \$3,030K budgeted amount
- Total estimated overall shortfall \$1,101K

4. Expenditure to Date

The current ledger balance shows \$512K has been expended on this project.

The following table summarises approvals to date, expenditure against those approvals and how the funds were sourced:

Stage	Output	Budget	Spent	Source
Stage 1	Feasibility	\$45,000	\$45,000	\$32,000 from MTH funds, balance existing SWDC budgets
Stage 2	Feasibility	\$60,000	\$60,000	Future fundraising
Stage 3	Develop design	\$325,000	\$325,000	Underwritten by Mba assets
	Develop design	\$83,000	\$46,000	Underwritten by Mba assets
Stage 4	On-going project work	\$36,000	\$36,000	Underwritten by Mba assets
		\$546,000	\$512,000	

5. Next Phase

The next phase requires approval of additional funding of \$450K.

This phase will result in the preparation of the detailed design documents and plans, these documents and plans will form the basis of the public tender to obtain a quote for the construction.

The next phase of this project is to ascertain whether or not the actual build price is within the estimates. While quantity survey data is generally accurate it is not until the market is tested that the real cost, subject to fluctuation, is ascertained.

This will form the next "gate" for the project –once the tender documents are received actual build cost can be assessed against the previous estimates.

To achieve documentation, plans and details, to a level required for the tender process will require an additional \$428K.

Note that this amount excludes the preparation of the actual tender documents; this is estimated to be, say, \$22K or **total cost to go to tender \$450K**.

5.1 Early Contractor Involvement

There is an option that carries higher risk but much less cost, and that is to enter into what is called "early contractor involvement".

The purpose of this process is to gain additional assurance, at much reduced cost, from the construction sector (as opposed to internal estimates), of what the likely build cost might be.

This process involves choosing a preferred supplier and asking that supplier to provide an estimate (not quote) for the construction based on the documentation already completed. The preferred supplier is paid for preparing this estimate.

It is understood that the existing documentation (including quantity surveyor detail) has sufficient detail for a reasonably reliable estimate to be prepared.

The cost of this process is \$25K.

If the estimate is in line with previous project forecasts (i.e. build cost of \$2.xM) then the rest of this phase will need to be completed, i.e. the balance of the \$450K spent on preparing detailed design and preparation and execution of the formal tender, which would go to the selected "early contractor".

6. Risks & Assumptions

The following table outlines the risks as they are currently identified. This paper contains many assumptions and it is important to understand the risks around those assumptions, and other project risks.

[I am happy that any further risks that you may feel are not covered here are added to this table]

	Risk	Mitigation
Para 5	The \$30K option, if selected, provides assurance the build can be completed for \$2.xM but the actual tender price is significantly higher	
Para 5	If the \$30K option is chosen, and the estimate is in line with previous forecasts, the balance of \$450K (i.e. \$420K) needs to be found and possible underwritten	
	The actual tender price is in excess of forecast price	
	Cost fluctuation, the actual build price is in excess of the tender price due to normal and legal cost increases	
	Tender documentation does not	Use professional advisors

	include all aspects of the build (i.e. something is forgotten)	
Funding spreadsheet, (appendix 1)	Cannot transfer sale of Pain Farm to project	No mitigation, this transfer is not possible.
	Sale old County Yard realises less than \$550K	
	Not able to sell Huangaroa reserve	
	Sale Ruakokoputuna land less than \$100K	
	Not able to find the current estimated funding shortfall of \$675K	
	Plunket realise less than \$149K	
	Trusthouse do not grant \$100K next year	
	ECCT do not grant \$150K next year	
	Those who have made pledges cannot now honour them due to personal changes in circumstances	Previous experience indicates a high percentage of pledges will be received, particularly the large \$ pledges (1.5 to 2%)
	Not able to find the current estimated shortfall of \$700K	
	Current project estimates exclude fit out	Use existing equipment where able

7. Summary

Council set a robust process in place to investigate the options for the strengthening and refurbishment of the Martinborough Town Hall, including design and funding.

This process included a series of review points and gates.

It is estimated there is a shortfall in SWDC sourced funding of \$675,000.

It is estimated there is a shortfall in externally sourced funding of \$426,000.

There continue to be risks associated with this project.

A decision now needs to be made whether to continue with this process.

There will not be any new information that will become available that would materially alter the information above.

8. Appendix

Appendix 1 – Martinborough Town Hall Funding

Contact Officer: Paul Crimp, Chief Executive Officer

Appendix 1 – Martinborough Town Hall Funding

Martinborough Town Hall

Funding Source	Initial Funding Targets		Comments	Update as at July 2015	
	Net Revenue Estimate \$m			Estimated Revenue	Comments
	Low	High		\$'000	
Pain Farm:					
* Sell House and Cottage	600	800		-	It is not possible to sell the house and apply these funds to the town hall, the funds need to be retained in the estate
* Full Transfer of Farm Net Profit to MTH for 10 years	350	350	Assume service and loan based on \$50,000 per year net profit from farm i.e., \$350,000 loan for 10 years @ 7%	400	Borrowing rate lower. Would need formal Council resolution and legal opinion regarding efficacy of this approach
SWDC Asset Sales:					
* i-Site	500	550	Current i-Site capital value is \$574,000	550	Should still be able to realise this amount or a bit more
* Wharekaka Reserve (section only)	200	300		200	Should be able to realise \$200K, but there are some hurdles that need to be overcome (the land is fee simple but there may still be some legal restrictions that apply), also some community opposition to sale part of this reserve
Capitalise SWDC Lease:					
* For Existing Library (165m2)	200		Current lease \$18,000 per year, capitalised over 20 years without increase @ about 7% would repay a loan of \$200,000. Note, current annual lease rate per m2 = \$18,000/165m2 = \$109/m2		
* For Fair Value of Future Library (base on 285m2)		325	285m2 x \$109/m2 = \$31,065. this lease level without increase would repay a loan of \$325,000 over 20 years	400	Use next calculation Borrowing rate lower, note this calculation is based on the old library space area, not the current library space which is too small
Ruakokoputana Land					
Current LTP MTH Funding for Structural Strengthening	900	900		900	No change
TOTAL SWDC Funding	2,750	3,225		2,550	
External Funding					
Individuals, Businesses, Public		1,400		1,400	
Plunket		140		104	Plunket have agreed to contribute 70% of the amount realised for the sale of the Martinborough plunket rooms, up to a maximum of \$140K. The Plunket rooms have a rateable value of \$149K, accordingly if the 3 rooms sold for rateable value their contribution would be \$104K. To receive \$140K, plunket would have to realise \$200K.
Lions International		80		-	No funding commitment has been received
Community Grants					
Trusthouse		400		150	Have verbally advised we could apply again next grant year
ECCT		300		200	Have verbally advised we could apply again next grant year
Lion Foundation		150			No application?
Prime		60			No application?
Lottery CFF		500		475	Final grant
Estimated additional funding (MTHWG)		3,030		2,329	
Planned fundraising				100	
Trusthouse				100	Have indicated further application can be made
ECCT				75	Have indicated further application can be made
Other applications - small funds (mostly playground)				25	
Total External Funding		3,030		2,629	
				401	Estimated shortfall external funding
				1,076	Overall estimated shortfall