

## 2.1 OAKLEIGH RECREATION CENTRE INDOOR STADIUM AND WAVERLEY GYMNASTICS FACILITY REDEVELOPMENT PROJECT

Responsible Directors: Julie Salomon & Ossie Martinz

### **RECOMMENDATION**

*That Council*

1. *Notes the status of the Oakleigh Recreation Centre Indoor Stadium and Waverley Gymnastics Facility Development and Council's previous allocation of up to \$20M for the project (inclusive of grants and contributions).*
2. *Approves the additional budget expenditure of \$3.3M (total project cost of \$23.3M) to ensure that the redevelopment fits the requirements of Council and the Waverley Gymnastics Centre and enables the facility to offer expanded programs and participation into the future.*
3. *Provides Waverley Gymnastics Club exclusive use of the proposed facility including but not limited to the following terms which will be reflected in any lease offered:*
  - a) *A lease period of up to twenty (20) years with two further options for five years at Councils sole discretion (20 + 5 + 5). Within 12 months and no less than 6 months from expiry of the initial twenty (20) year term, Waverley Gymnastics Club must write to Council with their intent to exercise this option which will trigger a decision by Council as to a further extension and if this is granted, a rental review in accordance with point b) below.*
  - b) *A rental review as identified in point a) above will have regard to advice from an authorised independent valuer, the tenants audited financial statements and Councils Leasing and Licencing Policy. The reviewed rental will be based on these parameters and will be at Councils sole discretion.*
  - c) *An initial rental of \$50,000 per annum and increased by \$4,000 plus CPI annually for up to five (5) years or until the rental reaches \$70,000; then CPI increases apply annually for the remainder of the initial twenty (20) year lease period.*
  - d) *Repair, maintenance, replacement and any additions/improvements of any air conditioning systems, sound acoustic treatment, tenant fixtures and fittings and the like are the responsibility of the tenant. The tenant will be responsible for repair or replacement of any damage beyond general wear and tear to any building and/or fixture owned by Council.*
  - e) *All cleaning associated with the facility is the responsibility of the tenant.*
  - f) *All outgoings, utilities, rates and taxes and insurance provisions are to be paid for by the tenant. The tenant must provide to Council annually evidence that the appropriate insurances including but not limited to, public liability are current.*
  - g) *Any further works or retrofitting to the building, must only be undertaken with the express permission of Council and will be fully paid for by the tenant.*
  - h) *All works and tenant improvements and extensions to the building and any fixtures that are not removable will remain in the ownership of Council at the end of any rental period.*

4. *Directs officers to present to Waverley Gymnastics Club, a heads of agreement including all the proposed terms and conditions that the proposed lease will be subject to, including annual rental arrangements as per point 3 above.*
5. *With regard to point 4 above, requests that Waverley Gymnastics Club return to Council within 21 days (or as otherwise agreed to by Council subject to any further clarification) a signed copy of the heads of agreement issued to them.*
6. *Approves the \$3.3M additional budget expenditure to be funded from the proceeds of the sale of the land at 14-16 Atkinson Street, Chadstone should Council resolve to sell the land;*
7. *Approves CEO sign off on the tender for detailed design once final agreement with the Waverley Gymnastics Club has been achieved; and*
8. *Gives in-principle agreement to act as guarantor for the Waverley Gymnastics Club's intended bank loan of \$400,000, subject to the loan being over a reasonable timeframe (not to exceed ten (10) years).*

### **INTRODUCTION**

The purpose of this report is to provide Council with an update of the progress of the Oakleigh Recreation Centre Indoor Stadium and Waverley Gymnastics Centre Development.

### **BACKGROUND**

This report seeks additional funding from Council of \$3.3M to ensure the redevelopment fits the requirements of all users. The project has exceeded its original budget for the following reasons:

- The initial application process had fairly short timeframes for scoping user expectations and requirements and the financials were preliminary. Further design has identified the need for a comprehensive reorientation of the building to diminish impact on well-established trees and to enhance the presence of the Oakleigh Recreation Centre;
- The orientation of the building was also specifically altered to provide a better fit to the site and to prevent overshadowing of the pool area;
- The original scoping identified a number of shared usage spaces between WGC and Council Recreation services which have not been achieved;
- WGC requirements have included expanded floor space that cannot be achieved at Dorrington Drive;
- Cost escalations of approximately 3%-5% as a result of delays to the project;
- Additional parking provision given the intensity of use; and
- Replacement of roofing.

At the 29 November 2016 meeting, Council endorsed an \$18M-\$20M Oakleigh Recreation Centre (ORC) redevelopment project as part of its capital works program. The redevelopment/expansion involves incorporation of the Waverley Gymnastics Facility Redevelopment Project and development of a five (5) court indoor stadium to deliver an integrated sporting precinct in Monash. It should be noted in the November 2016 report to Council, an option to construct five (5) new courts including gymnastics was estimated at \$23.34M, which is consistent with the current Quantity Surveyors estimates. Table 1 details the funding contributions associated with the Project.

**Table 1:** Project Financial Details

Agency	Contribution	Notes
Monash	\$11,900,000- \$13,900,000	Inclusive of Council's \$2.65M commitment to WGC
Federal Government	\$ 2,100,000	Committed to WGC
State Government via Sports Recreation Victoria (SRV)	\$ 3,000,000	Committed to the overall project with a notional allocation of \$1M to Waverley Gymnastics and \$2M to the broader project
Waverley Gymnastics Club	\$ 1,000,000 <sup>1</sup>	Subject to Council bank Guarantee
<b>Total</b>	<b>\$18M- \$20M</b>	

**Notes:**

1. The \$1M Waverley Gymnastics Club (WGC) contribution is based on \$500,000 towards the capital cost and \$500,000 towards the fit out of gymnasium floor equipment. In addition WGC are spending a further \$1.5M to complete the gymnasium equipment fit out to a level suitable for all members including elite athletes (who currently number 100 of the 1500 membership base) and with the capability to host state competitions.

As detailed in a report to Council at the 27 June 2017 meeting, an internal Project Control Group (PCG) has been established to guide the project's development with schematic design and planning for the Project commencing in December 2016. A range of design options were considered by the PCG in conjunction with the project architects based on the total project budget, function, amenity, site constraints and connectivity. This process identified that the best design solution for the redevelopment of ORC necessitates the relocation of the Oakleigh Tennis Club (and via subsequent negotiation, the North Oakleigh Tennis Club) to Caloola Reserve. This project has recently commenced preliminary works.

The original concept was based on the integration of the new indoor multi-purpose courts and the gymnastics facility to provide a range of benefits and economies of scale to share common and existing features such as entrance/foyer; change rooms; weights room; staff amenities and food and beverage facilities. The combined facilities also supported cross programming opportunities and exposure of multiple activities increasing participation outcomes and the sustainability of the Centre.

**DISCUSSION**

The revised schematic design of the new indoor multi-purpose sports stadium has progressed relatively seamlessly with input from associations including Waverley Basketball Association, Waverley District Netball Association, Melbourne Tigers, Basketball Victoria, SRV and staff from Active Monash. This work included the redesign of some elements of the existing fitness area inclusive of the Link Health and Community consulting suites to align with current program expectations and was finalised in November 2017.

The project has been reviewed and reduced costs have been found in conjunction with all user groups so as to rationalise/reduce areas and minimise the extent of works. This included the following rationalisation:

- The 800 roll out show court seating has been reduced to 500;
- Council storage and staff amenities have been reduced where possible;

- Minimal works are now proposed to the reception and administration areas and it is also now proposed that the Active Monash Gym will remain in its current location and be refurbished rather than relocated. The existing court 1 area is being reviewed and consideration is being given to transform this area into a combination of CrossFit, spin cycling and program activities;
- Part of the existing program room is also being considered for retention for pilates and yoga; and
- WGC have also minimised its air-conditioning requirements and deleted additional acoustic treatment.

These savings include \$640K as identified by WGC and \$360K as identified by Council. While all of the above changes reduce the estimated project cost by approximately \$1M from \$24.3M to \$23.3M, there will still be a project budget shortfall of \$3.3M. These cost savings do not account for the rigorous cost controls applied to the stadium development since inception. Overall increased project costs include additional car parking spaces (\$800K); replacement roofing for the WGC gymnastic floor area (\$750K) and cost escalations due to project delays (\$750K).

The project Quantity Surveyors (QS) estimate for Council's component of the redevelopment is \$15.9M, which is \$2.65M over the budgeted allocation. The estimated WGC component of works for \$7.4M, is \$650K above their \$6.75M allocation, inclusive of the \$1M notional allocation of the SRV grant. This represents a total project cost of \$23.3M.

In working with WGC, the revised design for the gymnastics area unfortunately has not achieved the concept vision for shared common areas as originally identified. The level of integration has not been achieved because of intensity of usage which minimises the opportunity to share the space. WGC have also indicated that from an operational perspective, an enclosed area is preferable for supervision and safety. WGC have worked with Council to confine their footprint within the existing structures where possible. The original scope provided for a regional gymnastics facility. With the increase in floor space and inclusions, it could be now considered a State Facility. In the event that WGC use other facilities such as the stadium and/or the gymnasium facilities, they will be required to pay as other community groups do.

WGC have also indicated that they do not have capacity to contribute additional funding to the project as they are currently focussing their efforts on raising additional funds for the \$1M contribution to the project, gymnasium equipment and fit out and increased operational costs including rent.

Both Gymnastics Victoria and Gymnastics Australia have fully endorsed the ORC project however, do not have any capital funding to contribute towards the project. Gymnastics Victoria consider the new facility as a showpiece for the state with the potential for hosting state competitions and training.

Discussions between representatives from WGC and Council officers have been challenging at times for both parties and has contributed to delays to the project. Whilst certainly not desirable, if the project did not proceed, there would be a loss of reputation for Council from funding partners (Federal and State Government) and the requirement to revisit the ORC redevelopment without a gymnastics component, requiring a new funding model.

For WGC, it would involve revisiting the Dorrington Drive proposal, where issues from surrounding residential properties and the resultant implications from any planning permit application that were to be made are known. In addition, this would result in a smaller facility than at ORC, and is most likely to have cost escalations from the original proposal, and would also necessitate the negotiation of a new lease agreement from 2021.

It is proposed that officers prepare a Heads of Agreement and draft lease based on the terms detailed in points three (3), four (4) and five (5) of the recommendation of this report and the recently adopted Leasing and Licencing Policy. It is considered reasonable that WGC be afforded twenty-one days from receiving the documents to return the signed agreement. This is able to be extended at Council's discretion to allow for any clarification or discussion on the proposed terms. Signing of the agreement will allow the detailed design phase to proceed.

### ***POLICY IMPLICATIONS***

From an Asset Management Policy perspective, renewal of both sites is required in line with Council's commitment to manage assets effectively and focus on reducing the asset renewal gap. The proposed project also affords the opportunity to implement the Active Reserve Strategy Stage 2 where it identified that the current facilities at Waverley Gymnastics Centre do not cater for a growing membership base.

### ***SOCIAL IMPLICATIONS***

The expansion of gymnastics presents the opportunity to grow and meet the need of gymnasts which are predominately female. The redevelopment of Oakleigh Recreation Centre provides for greater participation opportunities with the inclusion of a fifth indoor court and the capacity of the centre to introduce family members of the gymnasts to a range of diverse and extensive physical activity facilities, programs and services.

The existing centre functions as a focal hub which will be further expanded and provides even greater social interaction and connectivity.

Detailed discussion on the design of the facility has considered the security of space and safety for all users and in particular young females.

### ***HUMAN RIGHTS CONSIDERATIONS***

The Oakleigh Recreation Centre Indoor Stadium and Gymnastics Facility Development addresses the four key themes: freedom, respect, equality and dignity of the Charter of Human Rights and Responsibilities Act 2006.

### ***FINANCIAL IMPLICATIONS***

Council had allocated up to \$20M for the project. Whilst cost savings have been achieved, the shortfall currently sits at \$3.3M with overruns of \$2.65M and \$650K attributed to Council and WGC respectively. Council's overrun includes components that could be attributed in part to WGC.

Compounding this issue is that \$1M of the SRV funding that Council was intending to spend across the whole facility has been allocated for exclusive use by WGC. Whilst there is no dispute about this allocation, and some cost savings have been achieved to offset it, it is different to what Council's understanding of the funding allocation was intended for and how it had been intended to be used. The project costs remain the same, and there is no ability to further reduce the scope of the project without significantly reducing the size of the whole facility.

Since the commencement of schematic design, over a year has passed which has had significant impacts on the project budget. Cost escalations are currently between 3%-5% per annum, and based on the current cost plan, any further delays would result in further escalations ranging from \$750,000-\$1.2m annually. Furthermore, overall project cost have increased due to a number of factors. These include:

- Increased car parking spaces (\$800K) further addressing current parking issues and benefiting all users on the site.
- Replacement roofing of the existing stadium building (\$750K) (roof replacement was originally due in approximately 7 years).

As a consequence of the development there would be a consequential saving both in cost escalation and real dollars in future years' maintenance budgets that could be directed to other renewal programs.

A proposed source of funding for the increased cost of \$3.3M could be met from the sale of the North Oakleigh Tennis Club site, should Council resolve to sell the land.

WGC have also agreed to an initial rental of \$50,000 per annum and increased by \$4,000 plus CPI annually for up to five (5) years or until the rental reaches \$70,000; then CPI increases apply annually for the remainder of the initial twenty (20) year lease period. The current rent at Dorrington Drive is \$12,208 per annum plus GST.

WGC will retain control and funding of their operations including all utilities, cleaning and maintenance obligations as per the newly adopted Lease and Licensing Policy including maintenance, upgrade and replacement obligations associated with the air-conditioning and any potential retro-fitting of acoustic treatments.

Council had resolved to give in-principle agreement to act as guarantor to the Waverley Gymnastics Club for an amount of \$700,000 out of the Club's \$1,000,000 contribution to the project. The Club have advised that they only require a bank guarantee for an amount of \$400,000 and can provide the balance from Club savings towards the project. Therefore Council will act as guarantor for the Waverley Gymnastics Club's intended bank loan of \$400,000, subject to the loan being over a reasonable timeframe (not to exceed ten (10) years).

### **CONCLUSION/RECOMMENDATION**

This initiative builds on Council's commitment to create inviting places and spaces, build a healthy and active Monash and foster confident and connected communities.