

<b>Report to:</b>	<b>Council Public Excluded</b>	<b>File #</b>
<b>Date:</b>	28 April 2021	
<b>Subject:</b>	Potential Advancement of Spa Pool Complex Proposal	
<b>Prepared by:</b>	Dave Clibbery	
<b>Input sought from:</b>		
<b>Authorised by:</b>	Will Doughty	

### 1. SUMMARY

It is proposed that further steps are taken towards the potential development of a commercial Spa Pool Complex on the former swimming pool site.

### 2. RECOMMENDATION

#### THAT the Council:

- a) Approves in principle the granting of an initial lease with a two year term at a rental of \$1.00 per annum to Joseph and Associates for the site previously occupied by the Community Swimming Pool Complex, for the purpose of further investigating development of a commercial Spa Pool facility on that site subject to conditions including those described in this report and favourable resolution of issues of jurisdiction.
  
- b) Authorises staff to prepare a Memorandum of Understanding with Joseph and Associates to define the intents of the parties in respect of the further investigation and potential development of a commercial Spa Pool facility on the former swimming pool site.

### 3. BACKGROUND

During 2020 a process was conducted to invite expressions of interest for development of the former community swimming pool site on the Esplanade.

The outcome of this process was that two parties were subsequently invited to present to Council more detailed proposals for development of a commercial Spa Pool facility on that site.

One of these parties subsequently decided against proceeding further, leaving the remaining party – Joseph and Associates ('J&A') – to make such a presentation to Council, which they did on 14 April 2021.

The essence of the proposal presented by J&A was to invest in the order of \$10 million on a development of the site that would include public and private spa pool facilities.

An outline project schedule as per Table 1 was proposed that would have the facility opening to the public in November 2023, with the next stages being to obtain a decision from Council to proceed and to put in place an appropriate memorandum of understanding regarding the potential path towards the delivery of such a project.

J&A would be expected to need to make a significant investment to undertake further initial project stages and it is therefore necessary for Council to provide some form of assurance that should a viable proposal be developed that Council would then permit J&A to deliver on that proposal.

One element of this is proposed to be managed by the granting of an initial short term (2 year) lease of the site to Joseph & Associates as agent for a limited liability company to be created for the purpose of the project.

Such a lease would have a 'peppercorn' rental of \$1.00 per annum and would give this special purpose commercial vehicle exclusive rights to access the land for investigations and tasks required to advance

the project up to completion of the Building Consent stage (Task 9 in Table 1). No other form of use of the site would be permitted.

The area covered by that of the initial lease would only be that currently occupied by the pool complex and the associated grassed area to the north, the total extent of which is approximately 2000m<sup>2</sup>.

	Task		Start	Finish
1	Council presentation	1d	14-Apr-2021	14-Apr-2021
2	Council decision to proceed	20d	15-Apr-2021	12-May-2021
3	Memorandum of understanding	30d	13-May-2021	23-Jun-2021
4	Feasibility and business case	60d	24-Jun-2021	15-Sep-2021
5	Funding/ investment for design and consent	80d	16-Sep-2021	05-Jan-2022
6	Developed design	60d	06-Jan-2022	30-Mar-2022
7	Resource consent	40d	31-Mar-2022	25-May-2022
8	Funding/ investors for construction	40d	26-May-2022	20-Jul-2022
9	Detailed Design	80d	21-Jul-2022	09-Nov-2022
10	Building consent	40d	10-Nov-2022	04-Jan-2023
11	Contractor procurement	40d	10-Nov-2022	04-Jan-2023
12	Construction	200d	05-Jan-2023	11-Oct-2023
13	Commissioning	10d	12-Oct-2023	25-Oct-2023
14	Opening (key stakeholders, etc)	1d	26-Oct-2023	26-Oct-2023
15	Soft opening (locals and annual passes)	3d	27-Oct-2023	31-Oct-2023
16	Official public opening day	1d	01-Nov-2023	01-Nov-2023

Table 1 – Indicative Proposed Project Schedule

There is also a need for Council to enter into a Memorandum of Understanding with J&A or their associated Special Purpose Vehicle (SPV) to provide a degree of assurance regarding their ability to be granted a long-term lease that would enable them to undertake the construction and operation of the proposed development.

It is envisaged that this MoU would need to express a strong intent on the part of Council to grant a long term lease of the site if the investigation indicated at a particular stage (perhaps upon acquisition of relevant building consent) that the project was likely to proceed.

For Council to decide against permitting an apparently viable project to proceed at a late stage (unless this was for valid regulatory reasons such as an inability to obtain necessary consents) would be unfair to J&A.

It is suggested that to express the necessary strong intent relatively early in the development program Council would need to resolve or make judgements in respect of a number of key issues, that would include the following:

- Community Perceptions
- Jurisdiction
- Extent of Long-Term Lease Area
- Term of Long-Term Lease
- Potential Integration of development with link pathway along the Esplanade
- On-site car parking requirements and associated effects
- Required financial return to Council – short and long-term

#### 4. KEY ISSUES

The following comments on these issues are primarily presented to make Councillors aware of them.

##### Community Perceptions

There is already an acute awareness that the site of the form community swimming pool is in a special location, and that future use of the site must be carefully considered.

An open public process was therefore been previously conducted to seek expressions of interest for use of the site, and this was followed by an invitation for public feedback on the resultant proposal that development of a Spa Pool complex on that site be explored further, to which little response was received.

It is however noted that some feedback and a resultant decision from the latter process did cause considerable unease on the part of J&A, who felt that the opportunity that they had initially been offered by council might later be taken away from them.

It is therefore strongly believed that general community perceptions regarding the concept of establishing of a Spa Pool Complex at that site should not be permitted to further influence the progress of this project at a later stage, unless those perceptions are validly expressed as part of a resource consent process.

##### Jurisdiction

The former swimming pool site is part of a 4200m<sup>2</sup> lot with the legal description of (CU 2046.012) SEC 468 TOWN OF KAIKOURA BLK XI MT FYFFE SD - KAIKOURA REC RESERVE that is outlined in blue below.



This title is vested in DoC rather than KDC, but it is expected that KDC will still have a control and management authority over it, which would enable KDC to lease it in a similar way to what has occurred with the new pool facility off Scarborough Street. Formal confirmation of this is currently being sought from DoC.

### **Long-Term Lease Term**

In their presentation J&A expressed a desire for a 99 year lease of the site. This is not however achievable since the site is classified as Recreation Reserve, and whilst a lease for such activities can be issued under section 54(1)a of the Reserves Act 1977, Schedule 1 of that Act stipulates that the term of the lease may not exceed 33 Years. I explained this to Tony and Anton following their presentation on 14 April.

Such a lease may however include a provision *‘that further similar terms may be granted if the terms and conditions of the lease have been complied with and if the lessor is satisfied that the baths, camping grounds, parking places, or other facilities, as the case may be, have been properly constructed, developed, maintained, and controlled, and that there is sufficient need for them, and that some other recreational use should not have priority in the public interest’*.

It is suggested that the MoU should include an expression of intent to include such a provision in the final lease.

Such a provision cannot however provide an absolute assurance that the lessee has rights to occupy the site beyond the term of the lease, and this reduced security may affect financial viability.

### **Required Financial Return to Council**

Whilst the Spa Pool development may be one that potentially offers broad benefits to the community it is nevertheless a commercial undertaking and should be expected to compensate Council and the community for their use of the land.

It is suggested that consideration should be given by Council at a relatively early stage to what would be an adequate long-term return from the site rental so that this can be signalled to J&A in the MoU, before a significant investment has been made in project investigation so that there is no sense of obligation to J&A in this respect.

It is suspected that attributing a reliable market value may be difficult because of the special characteristics of the site.

It would appear worthwhile to align Council’s expectations for ground rental of this site with those for Wakatu Quay since both locations offer similarly outstanding characteristics, but perhaps with some discount for the pool site because of its relatively irregular shape.

An endeavour will be made to present some possible guideline rental information at the Council meeting.

J&A expressed a desire to explore the potential for a reduced site rental during the first 5 years of the long-term lease, based on the need for the pre-construction demolition and the likely progressive development of business profitability post Covid.

This request does seem reasonable. J&A have suggested a demolition cost of \$250,000 and this seems very high, but it would perhaps still be appropriate to set the rental income for the first 5 years at significantly less than the expected long-term figure.

### **Parking & Integration with Link Pathway, Lease Area**

If a new pathway is to be developed along the Esplanade foreshore this would need to pass around the old pool site on the landward site to avoid compromising the views and privacy of Spa customers. This would however need to be done in a manner that minimised the loss of on-street parks. Some additional width for the link path might be creating by replacing the existing angle parks with parallel parks, but this would still result in some reduction of parks and the layout would need to be carefully

designed to reduce hazards associated with interactions between vehicles, their occupants and cyclists.

The loss of some parks in this area could however be balanced by creating additional parallel parks outside the playground area.

The Kaikoura District Plan would however require additional on-site parking spaces – perhaps in the order of 15 - to be provided for the proposed Spa development. The only way in which this would be achievable would be by forming a car parking area on part of the adjacent land that is currently occupied by the children’s playground, relocating the playground further south.

A potential layout showing such a 400m<sup>2</sup> parking area, a small (around 200m<sup>2</sup>) extension of the area occupied by the Spa facility (as proposed by J&A) and the new pathway is shown in Figure 1.

Whilst this configuration is believed to be practical the residual area available for the playground is of course diminished (to around 800m<sup>2</sup>) and it is possible that some resident might be unhappy with such a reduction.



Figure 1: Potential Configuration – Parking, Pathway and Long-Term Lease Area (dashed white line)

## 5. COMMUNITY OUTCOMES SUPPORTED

The work is in support of all community outcomes.



Residents and visitors enjoy an improved quality of life in our District.



Our community is resilient, safe and well and has their essential needs met



Our District is economically diverse, attractive to investment and provides certainty around business and employment continuity.