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ITEM: 11

SUBJECT: FUNDING ARRANGEMENTS FOR BRISBANE LIONS STADIUM, SPRINGFIELD

AUTHOR: GENERAL MANAGER - COORDINATION AND PERFORMANCE

DATE: 9 APRIL 2020

EXECUTIVE SUMMARY

This is a report concerning the timing of Ipswich City Council's funding contribution to the Brisbane Lions for the construction of the Lions Stadium at Springfield. The report is seeking a Council resolution in relation to Council's payments to the Brisbane Lions and to authorise the CEO to finalise the negotiations and enter into a funding deed with the Brisbane Lions.

The report also discusses the deeds proposed to be executed in relation to Springfield City Group's (SCG) developer contributions towards the Lions project and the infrastructure credits associated with these contributions. The report seeks approval for the CEO to negotiate and finalise the terms of these deeds.

RECOMMENDATION

(Amended General Purposes Committee No. 2020(01) of 19 May 2020)

- A. That Council enter into a funding deed with the Brisbane Lions for the construction of the stadium and the embellishment of the adjacent community sporting field.
- B. That the Chief Executive Officer be authorised to finalise the negotiations and execute the deed to vary the Springfield Town Centre Infrastructure Agreement to recognise the transfer of credits for open space and transport between Springfield Town Centre and the balance of Springfield.
- C. That the Chief Executive Officer be authorised to finalise the negotiations and execute the variation to the categorisation of rates dispute settlement deed with Springfield City Group.
- D. That Council, pursuant to section 257 of the *Local Government Act 2009*, delegate to the Chief Executive Officer the authority to negotiate ~~and finalise the terms of the deeds with the Brisbane Lions and Springfield City Group and to do any other acts necessary to implement Council's decision~~ matters and to refer the matter to council for finalisation.

RELATED PARTIES

Brisbane Lions Australian Football Club

Springfield City Group

There are no known conflicts of interest in relation to this report.

ADVANCE IPSWICH THEME

Managing growth and delivering key infrastructure

PURPOSE OF REPORT/BACKGROUND

Funding Arrangements

On 10 December 2019 Council passed a resolution to provide funding to the Brisbane Lions for their stadium project and the embellishment of an adjacent community sports field identified as Development Areas 22A and 22B respectively. These two fields are known as the Northern Sportsfields. The report is titled 'Brisbane Lions Stadium Funding Agreement' and is attached to this report as Attachment 1.

The Lions stadium project will cost an estimated \$59 million. The components of this funding are:

- \$15 million Federal government grant
- \$15 million Queensland government grant
- \$10 million Australian Football League / Brisbane Lions
- \$5.5 million private funding sources

The stadium, whilst funded as per above, will be a Council owned asset leased to the Lions for an initial 50 year term with a 49 year option to extend.

The stadium complex will also incorporate the following ancillary community use:

- Café / Bar
- Childcare centre run by Multicultural Development Australia (MDA)
- Club merchandise store
- Community access gymnasium including lap pool
- Retail tenancy for physiotherapy/scanning
- Youth outreach service to be run by MDA

On 10 December 2019 Council resolved to provide a total of \$13,600,425 to the Brisbane Lions for them to complete the stadium project and for the Lions to also embellish the adjacent sports field for community usage. Council has since entered into an Agreement to Lease and a Lease with the Brisbane Lions.

A total of \$9,046,264 of this funding is a developer contribution from Springfield City Group in lieu of their requirement to embellish the two sports fields under the conditions of the Springfield Town Centre Infrastructure Agreement (STCIA).

Council has since been in negotiations with both the Brisbane Lions and Springfield City Group in relation to the timing of the payment of SCG's contributions and the Lions project cash flow requirements. Springfield City Group have advised they intend on paying their contributions as per the following timeline:

Payment 1: \$3 million paid 30 June 2020

Payment 2: \$3 million paid 30 June 2021

Payment 3: \$3.046 million paid 30 June 2022

Council has conducted negotiations with SCG to change these timeframes to suit the Lions project cash flow requirements but SCG are unwilling to change this schedule.

The Brisbane Lions have advised that based on their cash flow projections for the project they require Council to provide its funding in accordance with the following timeframes:

Payment 1: \$3 million 30 June 2020

Payment 2: \$5 million 31 January 2021

Payment 3: \$5.6 million 31 May 2021

These timeframes are proposed to be linked to key construction milestones and as such may be subject to minor changes.

Based on the timeframes provided by SCG and the Lions, Council would be required to fund the project in advance of the final two payment amounts from SCG.

Categorisation of rates dispute settlement

Council previously entered into a rates dispute settlement agreement with SCG in which Council committed to refund SCG \$500,000 once a percentage of the embellishment of the Northern Sportsfields was completed. The Northern Sportsfields are now to be developed by the Brisbane Lions and as such there is no longer a requirement for SCG to embellish the fields. Based on this, it is proposed that Council refund SCG \$500,000 upon execution of the two deeds attached to this report.

SCG Infrastructure Credits

As part of the deed documents attached, SCG are seeking to amend the STCIA to allow them to expand the usage of the infrastructure credits they will receive for their cash contributions to the Lions project, to the greater Springfield area.

The Springfield Town Centre Infrastructure Agreement requires that both contributions and credits within the town centre, for the purposes of providing Community Facilities Land,

Transport Infrastructure and Open Space Land and Facilities, be quarantined within the town centre to deal with the implications of densification in the town centre. The intent of this was to ensure that as densification occurs, contributions are collected and banked within the town centre for the purposes of providing the necessary infrastructure and services to service the needs of future residents. Densification of the town centre is a long term project – potentially taking much more than 20 years to be fully realised. Each development within the town centre will be required to contribute to the provision of infrastructure to service future residents, and as infrastructure is provided by Springfield City Group, refunds of contributions collected will be provided to Springfield City Group to cover the costs of these improvements.

Community Facilities Credit Transfer

The deed signed by Springfield City Group proposes the unconditional ability to transfer all community facilities land credits accrued within the town centre, to be utilised outside of the town centre. The current IA states that credits must be contained within the town centre and used for development within the town centre. The proposal is to permit the transfer of credits to development outside of the town centre.

In operation, this means that if the developer dedicates land for community facilities, they will accrue a credit for that land (for example, \$100,000.00).

The existing arrangement would quarantine that \$100,000.00 until residential development was occurring in the town centre, and the developer would offset the \$100,000.00 against any levied infrastructure charges. In theory, this works but there could be a significant delay in being able to utilise the credits.

What is proposed is that these credits could be used outside of the Town Centre, in the balance of Springfield. For example, the \$100,000.00 could be used to offset the charges for the next stage of Brookwater. It is not considered that there are any adverse implications of such an arrangement, and as such it is recommended that this be supported.

Transport Credit Transfer

The deed signed by Springfield City Group proposes the unconditional ability to transfer all transport infrastructure credits accrued within the town centre to be utilised to offset the infrastructure charges outside of the town centre. The implications of doing this cannot be fully realised at this point in time, especially in the absence of a complete plan for the type of transport improvements that may be necessary to service the densification of the town centre. It is suggested that this transferability could occur for a period of time and be reviewed when the transport review and plan are prepared in the future (as required by the current Springfield Town Centre Infrastructure Agreement). This is a specific and logical hold point. It has been agreed with SCG that this would be in 2027. It is therefore recommended that the Chief Executive Officer be authorised to sign the deed, subject to a variation in clause 3.6 to effect this change. It should be noted that it is considered that it may be appropriate to continue transferability of these contributions beyond this date and therefore, subject to achievement of the hold point and review of the situation, Council may

choose to enter into a subsequent deed extending this arrangement. This should be considered in the future.

Open Space Credit Transfer

The deed signed by Springfield City Group proposes the unconditional ability to transfer all open space infrastructure credits accrued within the town centre to be utilised to offset the infrastructure charges outside of the town centre. The implications of doing this cannot be fully realised at this point in time, especially in consideration of the potential for there to be upcoming obligations for Council to undertake embellishments of open space land outside of the town centre. In order for this to occur, it is recommended that the transferability be limited to those contributions to be paid that are the subject of this deed only (specifically, those for the Northern Sportsfields / Brisbane Lions Precinct). It is therefore recommended that the Chief Executive Officer be authorised to sign the deed, subject to a variation in clause 3.7 to effect this change. It should be noted that it may be appropriate to consider transferability for other open space contributions within the town centre, however these should be considered in the future based on the specific circumstances at that time.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:
Local Government Regulation 2012

RISK MANAGEMENT IMPLICATIONS

Council has already expended significant funds completing the fit for purpose works (\$6.2 million) at the stadium site. In the event that the Lions project was not to proceed, Council would be required to expend further funds to provide a community facility on both fields.

There is an acknowledged risk that SCG could fail to pay their developer contributions in accordance with the conditions of the deed. In this event, Council would seek legal recourse to require SCG to pay the amounts as per the conditions of the deed. If a delay in these payments were to occur, Council could be required to fund the SCG contribution amounts for the Lions project to proceed.

Council's Finance team have been consulted in relation to this financial risk and advise that if Council were to fund the Lions project without the SCG funding being paid in accordance with the timeframes specified in this report, Council would be exposed to the level of the SCG contribution being \$9.046 million.

This would be in addition to funds already expended on the sporting fields and the additional \$4.6 million contribution for the additional embellishment costs outlined in this report.

If none of the SGC contributions were paid, this has carrying cost, in the form of interest foregone of \$141,000 to 30 June 2022. Dependent upon the timing of any contributions from SCG, the annual carrying cost, in the form of interest foregone, is estimated to be \$108,500 per annum.

Council will seek to mitigate this financial risk by bonding, in the form of a Bank Guarantee (or other similar financial instrument), the payments from SCG. This will form part of the negotiations with SCG to finalise this deed and whilst this will be Council's preferred position, it is not guaranteed to occur.

The Ipswich City Council General Manager of Coordination and Performance is a member of the Stadium Project Control Group, along with colleagues from the other levels of government. This means that Council will have full visibility of any construction or finance matter that may arise in this project. This will enable Council to monitor progress and take risk management action in relation to its payments to the project if necessary.

FINANCIAL/RESOURCE IMPLICATIONS

Council's finance team have been consulted in relation to this proposal and have advised that this does not significantly impact Council's long term financial forecast if paid and received in accordance with the timeframes set out in this report. However it should be noted that Council's cash flow is reduced by \$6.046 million to 31 May 2021 and ultimately by \$3.046 million at 30 June 2022. This reduced cash flow results in an estimated reduction in interest revenue (interest foregone) of \$54,300 over the period 30 June 2020 to 30 June 2022.

If SCG did not make any contributions in accordance with the specified timeframes and council did not receive the \$9.046 million contributions in the medium term, council would need to review further its working capital balances at the time and possible impacts on other capital programs.

OPTIONS

Should Council not support this proposal they may choose to identify specific parts of the agreement that they do not wish to support to allow negotiation by staff on a revised proposal.

COMMUNITY AND OTHER CONSULTATION

No community consultation has been conducted by Council, however the Lions have been liaising with the community in relation to the project.

CONCLUSION

The Lions project is a significant project for the City of Ipswich and will benefit the community in terms of the facility itself and the jobs the construction and operation of the stadium will bring to the city.

Council has already committed to funding the Lions project and this report seeks to specify the timing of the payments for Council to consider.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Council report 10 December 2019 Lions Funding Agreement
1.1	Heads of Agreement
1.2	Development Area 22A and 22B (Northern)
2.	Site Plan
	CONFIDENTIAL
3.	2015 Categorisation of land dispute settlement
4.	Categorisation of rates dispute settlement variation (Draft)
5.	Springfield Town Centre Infrastructure Agreement variation (Draft)

Sean Madigan

GENERAL MANAGER - COORDINATION AND PERFORMANCE

I concur with the recommendations contained in this report.

David Farmer

CHIEF EXECUTIVE OFFICER

“Together, we proudly enhance the quality of life for our community”