

Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville (September 2013)

Information Abstract

Introduction:

Townsville has two major sporting, entertainment and events venues, namely the 5000 capacity Townsville Entertainment and Convention Centre (TECC) owned by the Townsville City Council (TCC) (80%) and the Breakwater Island Trust (20%), and the 26,500 capacity Willows Sports Complex (WSC) owned by the Queensland Government.

These facilities are at or nearing the end of their economic useful lives and are posing significant challenges for the venue owners and users. In response, TCC and the Queensland Government engaged KPMG to develop a feasibility study and concept designs for new/redeveloped sporting, entertainment and convention centre facilities in Townsville. KPMG's report is now complete and has been provided to TCC and the Queensland Government.

The *Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville* (The KPMG Feasibility Study) contains details on current and projected operating performance and cost assessments. As such, it is commercial in confidence and unable to be publicly released. Notwithstanding this, TCC and the Queensland Government recognise the major stakeholder and public interest held in the findings and outcomes of the KPMG Feasibility Study. This abstract provides an overview of these findings and outlines the on-going process of project assessment.

Project Background:

The following provides a background to the KPMG Feasibility Study.

Townsville Entertainment and Convention Centre

The TECC is a multipurpose sports arena that is configurable to host concerts, conventions, exhibitions and banquets. Constructed in 1993 to facilitate the entry of the Townsville Crocodiles to the NBL, the TECC has served the region during a time of high growth and faced major changes in the competitive landscape, including:

- New convention and exhibition centres developed at the Gold Coast and Mackay, and the expansion and refurbishment of the Brisbane Convention and Exhibition Centre and the Cairns Convention and Exhibition Centre;
- The development of new interstate entertainment, convention and exhibition centres in Perth, Darwin and Melbourne, the redevelopment of facilities in Adelaide and planning and development of major new facilities in Sydney.

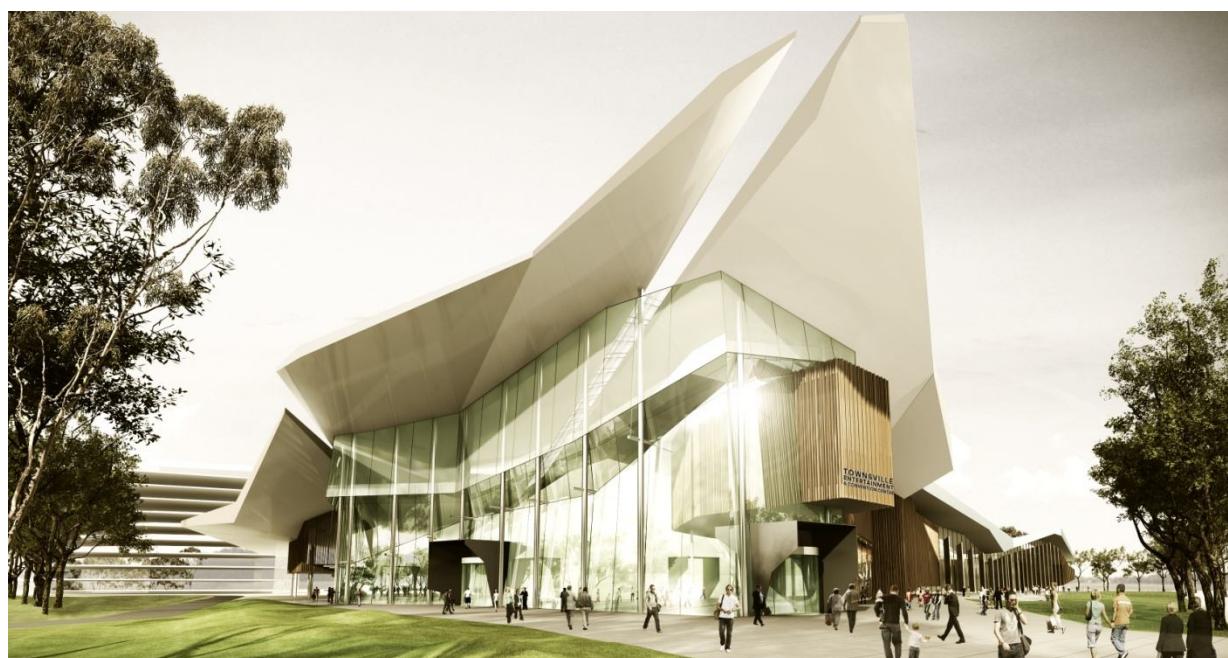
Given the age of the TECC, the changing competitive landscape and increasing growth in demand, TCC commissioned a number of reports on the future of the facility with a focus on:

- Demand and redevelopment options;
- Strengths and weaknesses of various site options;
- The potential economic impact derived from increased business events as a result of the TECC redevelopment project.

The resulting feasibility report presented an assessment of the TECC highlighting significant shortcomings, including:

- Being built for sports and entertainment events and not being suited to business events;
- Insufficient exhibition space and inflexible meeting space that's unsuitable for business events;
- Not able to host multiple events;
- Poor access (single road cul-de-sac through CBD core) with insufficient parking and PT options;
- Distance from the CBD and accommodation and hospitality services;
- Limited disability access;
- Technology of a poor standard with inadequate lighting and audio-visual facilities;
- Inadequate kitchen and storage facilities;
- Poor aesthetics;
- Limited capital improvement with a need for major investment to meet user requirements; and,
- Inability for expansion (landlocked).

The report identified the development of a new facility on Dean Street as the preferred option. Under the proposed project, the new facility would be delivered from 2014 at a cost of \$143 million.



Based on the TECC feasibility report, TCC and the Commonwealth Government each committed \$47.67 million to the proposed development. An approach was made to the Queensland Government based on it providing equivalent funding and having ownership of the proposed new facility. This approach was referred to Queensland Treasury and the Department of Public Works. In response, the Queensland Government committed to undertaking a full feasibility study in a form that would satisfy its project evaluation needs. Prior to the successful consultant being appointed, the 2012 State Election was declared and the proposed full feasibility study did not proceed.

Willows Sports Centre

The WSC is located on Golf Links Drive Kirwan, a high-growth residential suburb of Thuringowa, approximately 17 KM South West of the Townsville CBD.

Originally a trotting track constructed in the 1980's, the WSC was redeveloped as a sports stadium in 1994. Like the TECC, which was developed to facilitate the entry of the Townsville Crocodiles NBL franchise, WSC was developed to the minimum standard required to host the North Queensland Cowboys NRL franchise. This development was jointly funded by local and state government, with significant in-kind contributions from the private sector. Initial ownership of the facility was vested to local government before being transferred to Stadiums Queensland (SQ) in 2004. SQ has subsequently undertaken significant improvements increasing capacity to the current 26,500.

The Cowboys have established their administrative headquarters on-site and enjoy significant access to the main field for training purposes. The main field of WSC is considered to be of an excellent standard. WSC also has significant car parking available on-site.

The WSC presents a number of challenges, most stemming from the way in which it was developed. These include:

- Undercover (shaded) seating is limited to corporate areas within the western grandstand;
- The venue is aging and requires significant ongoing maintenance. The original structures are more than 30 years old;
- Transport, particularly public transport, to and from the venue is considered below standard when compared to contemporary major stadia transport infrastructure, or transport services provided in major capital centres;
- The venue has location and design limitations that are not consistent with modern stadia, including distance from the CBD restaurants, accommodation, transport and social amenities and poor corporate, player, media and other ancillary facilities.

In 2011 the Cowboys presented a proposal for a new stadium to be located in the Townsville CBD

Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville

Following the election of the Queensland Liberal National Party to Government in 2012, a commitment was given by the State Government and Townsville City Council to jointly fund a feasibility study for a new sport, entertainment and convention facility in Townsville. This study differed from the proposed TECC feasibility study in that it specifically included the examination of the future for WSC.

The conduct of the *Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville* has been managed by the Townsville City Council under the leadership of a Project Steering Committee constituted by:- the CEO of Townsville City Council; the CEO of Stadiums Queensland and the Deputy Director-General Sport and Recreation Services.

In March 2013, KPMG was appointed to undertake the *Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville*. The objectives and methodology for this study are discussed below.

Feasibility Study – Major Findings

Study Objectives and Methodology

The objectives of the *Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville* are to investigate and report on:-

- a) The costs and benefits of developing a new sports stadium, entertainment and convention facility within Townsville's CBD; and
- b) The future of WSC.

The purposes of the *Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville* are to:-

- a) Determine the need, cost, location, form and function of a new facility;
- b) Consider, seek and finalise funding and other necessary commitments; and
- c) Develop a detailed business case and design for the construction of a new sports stadium, entertainment and convention facility(s) in Townsville.

The *Feasibility Study for a New Sport, Entertainment and Convention Facility in Townsville* was conducted in two stages. Stage 1, *the Interim Report*, examined the following key issues:-

- The need and options for a new/redeveloped stadium in Townsville;
- The need for a new/redeveloped entertainment and convention facility in Townsville;
- Recommended function, form and scale of facilities; and
- The benefits of a co-located or integrated solution and preferred sites.

Stage 2, *the Final Report*, expanded on the Interim Report by:-

- Developing concept designs;
- Developing cost estimates
- Assessing operational revenue sources and projections and on-going maintenance and operational costs;
- Assessing the impact on CBD revitalisation;
- Determining economic, social and environmental impacts;
- Examining funding and construction options;
- Recommending ownership, governance, operating and management options; and,
- Identified timing and phasing requirements.

The Interim Report was delivered to the Project Steering Committee on 28 May 2013. On acceptance of the Interim Report findings, KPMG was authorised to proceed with Stage 2 on 22 June. KPMG delivered the final report on 30 September 2013.

Interim Report Recommendations

The Interim Report found that the existing TECC and WSC facilities were built to a minimum standard and that, after 20 years, they were nearing their economically useful lives. The report identified strong support for the continued presence of the major stadium and venue facilities on the basis of preserving and growing Townsville's sporting, entertainment and events calendar and associated economic activity.

Several options for development/redevelopment of WSC were assessed including: doing nothing; progressive redevelopment of all or part (Western Grandstand) of the facility; demolition and rebuild on site; and rebuild on an alternative site. Of these, rebuilding on an alternative site was determined to be the preferred option on the basis of cost, benefit and continuity of service.

In assessing the future need for sporting and entertainment facilities, the Interim Report recommended a 30,000 seat capacity stadium and a 6000 seat entertainment centre with flexibility to host sporting and entertainment events, conventions, exhibitions and other corporate events.

In light of these findings, the development of an integrated stadium and entertainment facility (ISEC), within the CBD, was identified as generating significant capital cost savings, ongoing operational efficiencies and significant community benefits. A CBD location would offer the opportunity to create a vibrant, multipurpose precinct and to revitalise the surrounding area.

Three CBD sites capable of accommodating an ISEC with a 30,000 capacity rectangular stadium and a 6,000 capacity flexible entertainment arena were assessed, these being the Dean Street site, the 'Southbank' rail yard site (Devine) and the Aurizon rail yard site.

Based on availability and a relative lack of CBD integration and revitalisation benefits, the Aurizon site was excluded as a preferred site, while the Dean Street and 'Southbank' sites were considered as acceptable solutions for an ISEC development.

Economic and Community Benefits

The final report of the Feasibility Study concludes that both the Dean Street and 'Southbank' sites offer significant potential benefits to the Townsville's city centre in terms of connectivity with existing car parks, dining and nightlife precincts. The study finds that the placement of an ISEC, such as that proposed on either of the study sites, would clearly align with the vision and key objectives of the Townsville CBD Master Plan.

In economic terms, the construction of the ISEC facility is estimated to generate 570 new jobs and \$81 million in value added activity. The ongoing operation of the ISEC facility, combined with expenditure from visitors who would have otherwise not visited Townsville, is projected to generate an incremental annual contribution of 31 new jobs and \$2.6 million in value added activity.

Several social and community benefits are further identified including: enhanced community pride, attraction of major events (and flow on benefits arising from those); the creation of a sporting and entertainment precinct; and greater use of public transport. These benefits were not limited to the city of Townsville but applied to the wider region. The proposed ISEC facility should therefore be considered a social and cultural asset for North Queensland.

Concept Schemes

Locality and design perspectives for the Dean Street and 'Southbank' Railyards sites are included in the appendix to this information abstract.

In broad terms, the proposed concept schemes sought to ensure a memorable and iconic design, providing flexibility and significant improvements in capacity and amenity, including the provision of roof coverage for stadium patrons. The designs are predicated on providing functionality for a wide spectrum of events.

For either site, the western grandstand would host the stadium's corporate areas, including corporate suites, open corporate boxes and function/dining/lounge spaces, some of which will be shared with and/or accessible from the adjacent arena.

Of note is the entertainment arena's flexibility. It can be configured in a variety of modes to cater for sporting events, concerts, conventions, conferences, banquets and exhibitions.

Capital Costs

The net cost of the proposed ISEC is assessed in current terms as being between \$306.7 and \$315.5 million depending on final site selection. The study finds that the proposed ISEC is likely to require full public sector financing, with potential PPP arrangements considered a less viable and likely alternative.

Ownership, Governance and Management

The preferred model of venue ownership, governance and management for the proposed ISEC in Townsville is outlined in the table below:

Preferred Model	
Owner	Stadiums Queensland
Governing Body	Stadiums Queensland
Venue Manager	Stadiums Queensland OR Private Sector

The study recommends that the ISEC have a single asset owner, single governing body and single venue manager to avoid the likely challenges with shared ownership, governance and/or management of an integrated facility.

Based primarily on resource constraints of local governments and the existing experience and capacity of Stadiums Queensland (SQ), it appears that SQ is the most appropriate venue owner and governing body.

SQ has demonstrated experience in managing major sporting venues and there is identified alignment with the proposed facility and SQ's existing asset portfolio.

The study also identifies SQ as a suitable venue manager of the integrated facility or alternatively a private sector venue-manager could be appointed based on a demonstrated ability to generate at least as much value as any management fee and/or profit share.

One approach to the evaluation of potential ‘value-for-money’ managers could be to make the management rights for the venue contestable, potentially through a transparent and competitive tender process open to all potential government and non-government operators.

Timing and Phasing

Based on the assessed economic life of the TECC (2020) and WSC (2023), the Feasibility Study recommends that the new ISEC be developed by 2020 in order to continue to accommodate sporting, entertainment and events activities in Townsville.

Importantly, the project will need to proceed almost immediately if the project is to be completed in time for the commencement of the 2020 NRL season. Whilst it is noted that securing funding will be challenging, initial funding of approximately \$11 million is required in Financial Year 14.

Future of Townsville Entertainment and Convention Centre and Willows Sports Complex

It is envisaged that the existing sites of the WSC and TECC will be divested following the development of the new ISEC with proceeds contributed to the funding of the ISEC project.

Of consideration is the potential retention of the current Cowboys training and administrative facility at the WSC.

Conclusion

The Feasibility Study recommends the development of an integrated stadium and entertainment centre (ISEC) in the Townsville CBD. Both the ‘Southbank Railyards’ (Devine) and Dean St sites have equal capacity to make a strong and dynamic architectural statement with unique characteristics.

The net cost of the proposed ISEC is assessed in current terms as being between \$306.7 and \$315.5 million depending on final site selection. The report finds that the proposed ISEC is likely to require full public sector financing, with potential PPP arrangements considered a less viable and likely alternative.

The study also recommends ownership and governance of the facility be vested in Stadium Queensland with management rights for the venue to be contestable, potentially through a transparent and competitive tender process open to all potential government and non-government operators. Given the facility is likely to be required by 2020, the project will need to be progressed almost immediately following completion of the feasibility study and concept design.

Appendix – Location Perspectives and Design Sketches



Site Entry

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DEAN STREET

AUGUST 2013

KPMG

COX RAYNER ARCHITECTS

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19



Stadium Internal Perspective

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DEVINE SITE, SOUTH BANK

AUGUST 2013

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19

1. 'Southbank' Railyards (Devine) Site – Aerial Perspective



Site Context Aerial Perspective

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DEVINE SITE, SOUTH BANK

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17

2. Dean Street Site – Aerial Perspective



Site Context Aerial Perspective

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18

3. 'Southbank' Railyards (Devine) - Site Plan



Site Plan

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DEVINE SITE, SOUTH BANK

AUGUST 2013

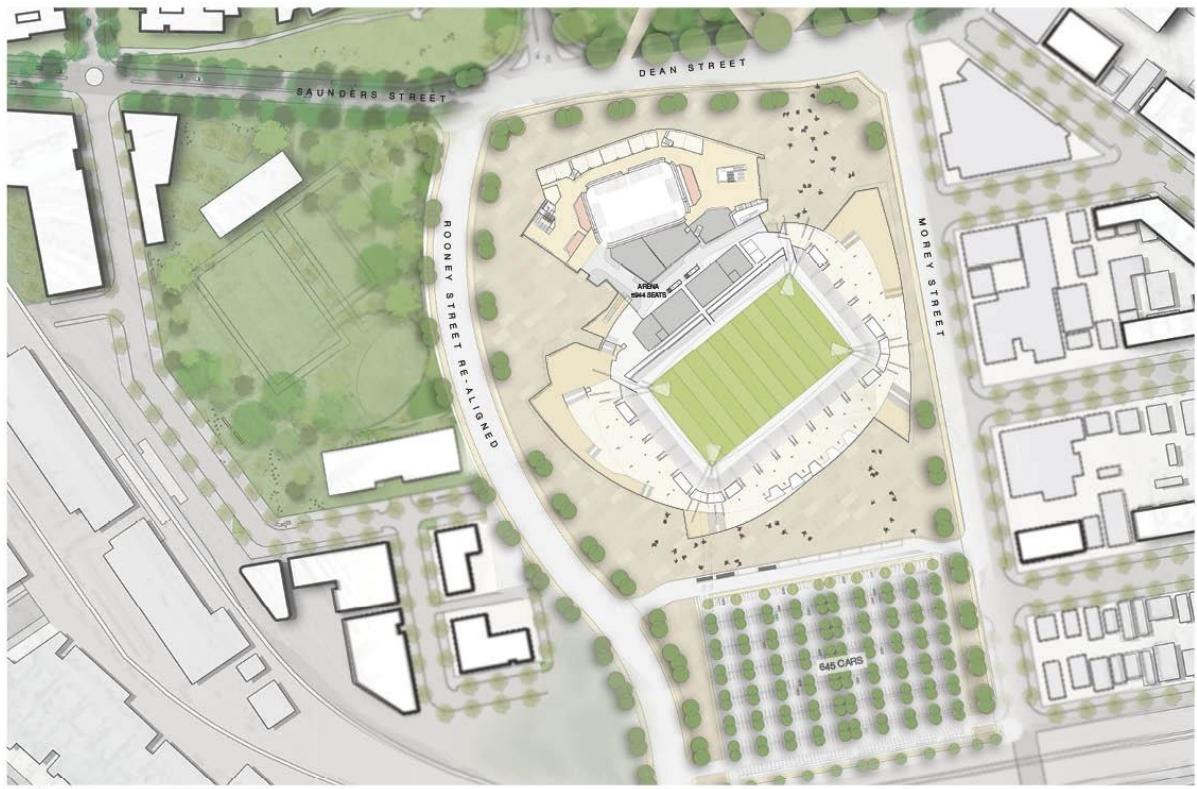
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6

4. Dean Street - Site Plan



Site Plan

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DEAN STREET

AUGUST 2013

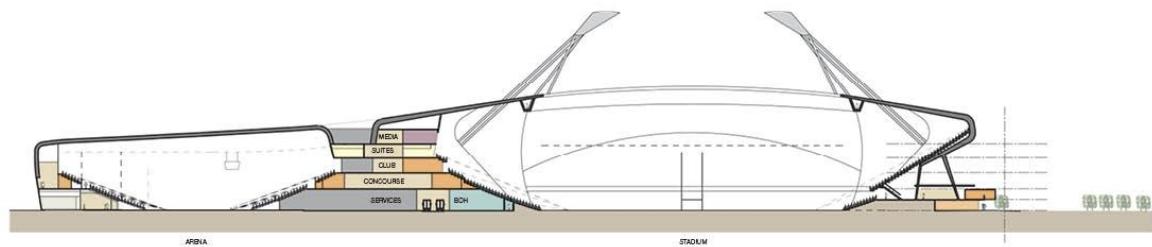
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7

5. Section through Stadium and Arena



Section through Stadium and Arena

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DEAN STREET

AUGUST 2013

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8