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Report PE96.505

9 December 1996

File: E/1/1/19

Report to the Policy & Finance Committee
from Howard Stone, General Manager

Correspondence: Wellington Regional Stadium WCC/WRC

1. **Purpose**

Report 96.504 in the public section of the Committee meeting covers all known issues relevant to the development of the stadium. This report addresses one element which, in the public interest, should remain a matter between the WCC and the WRC.

2. **Background**

The Provisional Project Plan will be the document on which decisions on the viability of the funding structure will be made by the Settlers of the Trust (WCC and WRC).

It is **recognised** that, at this stage, there is uncertainty about the capital structure of the project. The Development Trust is confident that the financial markets (Banks) will be prepared to provide interest bearing loan finance as part of the funding package. In itself this will be a further test of the robustness of the Project.

However, notwithstanding this, all parties acknowledge that there is a current shortfall in the projected funding which will need to be addressed.

3. **Comment**

The WCC are, quite properly, not keen to provide overt guarantees to cover the shortfall as this takes the pressure off the Trust and may lead to less than optimal effort in finding sources of sustainable funding, other than the public purse.

The WRC is, on the other hand, anxious as part of its risk management, to have the WCC committed as **funder** of last resort. Given uncertainty at this time with regard to the level of capital funding required, the important issue is to ensure that “funds” will be available when required.

The solution which has been worked out between WCC and WRC advisors is that the WCC will fund up to a further **\$10,000,000** if it is required. The basis of this funding will be recorded by exchange of letters. The draft WCC letter to WRC is attached.

The key features are:

“Subject to the Regional Council’s prior approval of the final terms of the provision of further financial assistance to the Trust, the Regional Council may agree to the arrangement if the terms of the arrangement observe certain requirements, including, but not being exclusively, that:

- the arrangement must present no material risk to the Trust;
- the arrangement must be a short term bridging arrangement;
- the advance must be non-interest bearing;
- the priority of the funds advanced under the arrangement over the funds which are subject of the Funding Deed must be acceptable to the Regional Council in all respects; and
- any part of the advance under the arrangement not satisfied from the sales of memberships within [two] years from the date on which memberships were first offered to the public must be converted to an advance by the City Council, of the same nature as the ‘capital’ under the Funding Deed.”

In effect this will be the balance of the capital requirement for the project in that it will be that element of the funding package which cannot be provided through any other means.

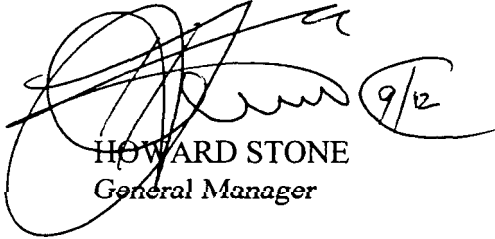
4. Relationship to Funding Deed

The exchange of letters should be read in conjunction with clause 1.3 of the Funding Deed, The effect is that the WCC cannot provide further funding to the Trust without the permission of the WRC but that funding proposals meeting the criteria detailed in the letter from the WCC will not unreasonably be rejected.

5. Recommendation

That the Committee recommend to Council that it:

- (1) Receive the Report and note its contents.*
- (2) Agree to the exchange of letters.*



HOWARD STONE
General Manager

9/12

Attachment 1

- The agreement contained in this letter is entered into by the City Council and the Regional Council (“the parties”) in consideration of the parties entering into the Funding Deed with the [full name of the Stadium Trust].

We have jointly agreed the basis of our \$40,000,000 semi-recourse advance (considered by us as a de facto “capital” contribution to the Trust), advanced in accordance with the Funding Deed.

We hope that the \$40,000,000 capital contribution is all that is necessary. If we agree to increase the capital contribution of the City Council (the Regional Council being statutorily unable to increase its contribution), the Funding Deed provides that the increase will be treated on the same basis. If additional funds or financial assistance is provided by the City Council on differing terms to those in the Funding Deed, then the Regional Council’s prior consent to the provision of such additional funds or financial assistance is required.

Subject always to the Regional Council’s prior consent to the terms and details of the provision of any further financial assistance to the Trust, we now record an example of circumstances in which the Regional Council’s consent to the provision of further financial assistance may be given.

It is possible we, the City Council, will be asked to underwrite the successful sale of memberships of [description/explanation of memberships], which we may consider underwriting up to a maximum of \$10,000,000. If such an underwrite was called upon by the Trust, that could lead to the City Council making a cash payment by way of a loan to the Trust. That cash payment would be repaid from future sales of memberships.

Again, subject to the Regional Council’s prior approval of the final terms and details of the provision of further financial assistance to the Trust, the Regional Council may agree to the arrangement if the terms of the arrangement observe certain requirements, including, but not being exclusively, that:

- the arrangement must present no material risk to the Trust;
- the arrangement must be a short term bridging arrangement;
- the advance must be non-interest bearing;

- the **priority** of the funds advanced under the **arrangement over** the **funds which** are subject of the Funding Deed must **be** acceptable to the **Regional Council** in all respects; and
- any part of the advance under the arrangement not **satisfied from the sales** of memberships **within** [two] years from the **date** on which memberships were first offered **to** the public **must** be converted to an **advance** by the City Council, of **the** same nature as the **\$40,000,000** 'capital' under the **Funding Deed**.

We cannot be more **specific** at **this** stage **as** to what type of **financial** assistance **may** be sought. Our preference is that none **is** given. **Recognising**, however, that some may be necessary, the **Regional Council** agrees to **consider further** funding arrangements if supplementary **funding** was **required from** the City Council.

Please record **your** agreement with the matters set out in this letter by signing and returning the **enclosed** duplicate of this letter to us.