

I hereby give notice that an ordinary meeting of the Howick Local Board will be held on:

**Date:** Thursday, 18 April 2024  
**Time:** 12.00pm  
**Meeting Room:** Howick Local Board Meeting Room  
**Venue:** Pakuranga Library Complex  
7 Aylesbury Street  
Pakuranga

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## Howick Local Board

# OPEN ADDENDUM AGENDA

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### MEMBERSHIP

<b>Chairperson</b>	Damian Light
<b>Deputy Chairperson</b>	Bo Burns
<b>Members</b>	Katrina Bungard
	David Collings
	Bruce Kendall
	John Spiller
	Mike Turinsky
	Adele White
	Peter Young, JP

(Quorum 5 members)

**Claire Bews**  
**Democracy Advisor**

**15 April 2024**

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## Active Communities: Marina Fitness Lease Expiry

File No.: CP2024/04279

Item 17

### Te take mō te pūrongo

#### Purpose of the report

1. To seek a decision from the Howick Local Board on whether to renew the property lease for Marina Fitness at 1 Ara Tai Road, Half Moon Bay, or to close this centre.

### Whakarāpopototanga matua

#### Executive summary

2. Marina Fitness, located at 1 Ara Tai Road, Half Moon Bay, is the only pools and leisure facility in the Auckland Council network where the building is not owned by council. The current lease expires on 16 August 2024 with no right of renewal (see Attachment A).
3. A decision is required from the local board on whether to renew the lease. The building owner has proposed two new lease options. One being an extension for 12 months and the other to renew the contract for three years.
4. The pricing of these options will negatively impact the financial performance of the facility, with no discernible strategic benefit to council.
5. Given the financial position of Marina Fitness, the Section 17A Value for Money process, strategic alignment and the proximity of Marina Fitness to other local fitness facilities (including those within the existing council network), the recommended option is not to renew the lease.
6. The main risk of this option is public disappointment resulting from the closure of the facility. This can be mitigated with the transfer of memberships to neighbouring, local council facilities. An additional mitigation step could be exploring alternative active recreation initiation opportunities in the Half Moon Bay area.

### Ngā tūtohunga

#### Recommendation/s

That the Howick Local Board:

- a) whakaū / confirm that the lease for 1 Ara Tai Road, Half Moon Bay, Auckland is not renewed, closing Marina Fitness.
- b) tuhi ā-taipitopito / note that Marina Fitness, located at 1 Ara Tai Road, Half Moon Bay, is the only pool and leisure facility in the Auckland Council network where the building is not owned by council.
- c) Tuhi ā-taipitopito / note that the lease for 1 Ara Tai Road, Half Moon Bay expires on 16 August 2024, with no right of renewal.
- d) tuhi ā-taipitopito / note that existing single-site memberships for Marina Fitness have the option to transfer to either Lloyd Elsmore Park Pool and Leisure Centre or Howick Leisure Centre.

## Horopaki Context

7. Marina Fitness is a fitness centre operated by Auckland Council. It is located at 1 Ara Tai Road, Half Moon Bay. It is the only pool and leisure centre in the network where the facility is not owned by Auckland Council.
8. While Auckland Council owns the land, the site is subleased (via Eke Panuku Development) to a third party who owns the buildings. Active Communities leases the building occupied by Marina Fitness.
9. Marina Fitness was established in August 2009 under the legacy Manukau City Council. At that time the Marina Precinct was being developed with shops, offices and cafes. The development presented an opportunity for council to lease premises in the Compass building and provide an additional fitness facility for the local population.
10. The nearest council fitness facilities are Lloyd Elsmore Park Pool and Leisure Centre (LEP), at a distance of 2.8km, and Howick Leisure Centre (HLC), located 3.4km from Marina Fitness respectively.
11. The larger footprints and expansive grounds of these other centres provide ample room for growth in both membership and service offerings, both within and outside the buildings themselves. Conversely, Marina Fitness' small physical footprint and lack of outdoor space present constraints for sustained growth and the expansion of service offerings.
12. Marina Fitness, and all legacy Manukau City Council controlled fitness facilities, were united under Auckland Council management in 2010 during the amalgamation of seven legacy councils.
13. The Compass building is owned by a charitable trust, the Marina Maritime Foundation (MMF). The Marina Maritime Foundation is administered by a Board of Trustees, all personally involved in the operation of the marina.
14. Since council's original lease in 2009, there have been two contract renewals with MMF, in 2015 and 2018. These renewals increased the base rental, and additional price adjustments occurred through consumer price index (CPI) and operational levy increases. As the lessee, Auckland Council covers all operational levies and utility expenses associated with its lease in the Compass building. These include water and electricity, rubbish collection, repairs and maintenance, and security expenses.
15. In 2018, the annual lease expense (not including utilities) was \$128,400 per annum. In 2021, a five per cent capped CPI increase was introduced, effective until the end of the current contract (August 2024). Council's current lease expense is \$134,820 (five per cent CPI increase and capped). Council also pays approximately \$31,309.92 in annual operational levies. The current total rent and levy expenditure for council is approximately \$166,129 per year.
16. The current lease expires on 16 August 2024 with no right of renewal. A decision is required on whether to renew the lease, or to close Marina Fitness.

## Tātaritanga me ngā tohutohu Analysis and advice

### Service provision

17. Marina Fitness is a stand-alone fitness centre that serves the population of the wider Half Moon Bay area, encompassing Bucklands Beach and Eastern Beach. While the site footprint is comparatively small in size compared to other fitness centres, Marina Fitness

provides a boutique style, high-end service offering in a desirable location with views of the ocean. Its location, next to the ferry terminal, is convenient for some central city commuters.

18. Because of these characteristics, Marina Fitness is one of just two Auckland Council fitness facilities which fall into 'gold tier' pricing. The 'gold tier' pricing means that the fees are set higher than those for other Auckland Council facilities (the other 'gold tier' facility being Tepid Baths in Auckland city centre).
19. Marina Fitness has an active membership base of approximately 665 members. From July 2023 to March 2024, Marina Fitness has had 38,055 visits. This is up 17 per cent compared to the same period the year prior. This trend is consistent with most fitness centres across the wider network. It is attributed to the Covid-19 rebound and concentrated membership recruitment efforts.
20. Due to the small size of the facility, there is competition for equipment and space during busy periods. In addition, the limited capacity of the site, means there is restricted opportunity to expand the current membership, and increase the financial return on investment. The existing 'gold tier' pricing means fees are already higher than elsewhere in the network.

### Customer accessibility

21. Marina Fitness is on the second story of the Marina Compass Building. It shares this floor with a physiotherapist, day spa and a medical clinic. The centre has disability access in the way of a lift and has an accessible entrance and bathroom to support wheelchairs.
22. The centre is the only fitness facility in Half Moon Bay. The nearest privately owned alternative is Anytime Fitness in Highland Park (2.5 km from Marina Fitness) and Jetts Highland Park (2.6 km from Marina Fitness).
23. Of the 665 members at Marina Fitness, 382 hold a membership type which enables use of all council-operated fitness and leisure centres. The remaining 283 are on a 'Gym it' or similar membership, which provides single site access.

### Section 17A: Value for Money review and decision-making framework

24. There are 45 pool and leisure centres providing active recreation services in Auckland. These facilities provide a range of activities that can be summarised into three broad categories: aquatics, recreation and fitness.
25. Council currently operates a hybrid model, outsourcing the management of 19 facilities and self-managing 25 facilities. It also has 1 site that is leased by a third party (The Olympic Pools and Fitness Centre (Olympic)).
26. Auckland Council is currently undertaking a service delivery model review, as the management contracts for 19 sites are nearing their expiry at the end of June 2024. The lease for Olympic expires in November 2024. The expiry of these significant service delivery contracts triggers the requirements of a service review under Section 17A of the Local Government Act 2002.
27. Marina Fitness is included in the Request for Proposal (RFP) put to market in late 2023 for the Pools and Leisure Section 17A Value for Money (VFM) Review.
28. Decisions on the provision of the network fall within the remit of the Governing Body (via the Revenue, Expenditure and Value (REV) Committee) and are due in May 2024.
29. If procurement or resulting contracts are deemed: "a major service delivery contract for Auckland-wide local assets and facilities on a coordinated basis", then decisions of the provision fall within the remit of the governing body via the REV committee. The process to seek a decision from the REV Committee includes engagement and consultation with the relevant local boards.

- 30. The inclusion of Marina Fitness in the RFP does not commit council to including it in a final VFM decision. Nor does it limit the local board’s ability to make a decision on the lease at the appropriate time.
- 31. If the local board’s direction is to not extend the lease, the centre will be closed. If the local board indicates their wish to renew the lease, decisions on the provider of the service offered within that site will continue to form part of the VFM decision.

**Options analysis**

- 32. Council has identified three options relative to the lease at Marina Fitness.

**Option 1: Choose not to enter into a new lease at Marina Fitness (recommended)**

- 33. Council has no right of renewal under the current lease, and the new lease options provided by MMF have a considerable increase in nominated rent. This will significantly impact the financial performance of the site.
- 34. As one of only two sites in a leased building, and one that only provides a fitness offering, the provision of the service is, to some extent, an anomaly in the leisure network.
- 35. It is possible that if council were to exit the site, another leisure provider would take a lease on the site with the owner. As no direction on the lease has been sought to date, and council is not the site owner, no analysis on this likelihood has been undertaken.
- 36. Council has two other pool and leisure facilities within a 4km radius, providing a larger, more comprehensive range of services. These facilities would benefit from increased visitation should customers from Marina Fitness transfer their membership (noting that 382 members already have access to these sites).
- 37. Staff note that the peak periods for the centres are complementary.

**Table 1: Comparison of peak visitation times**

Centre	Peak AM	Peak PM
<b>Marina Fitness</b>	7.45am - 10.15am	4.00pm - 6.30pm
<b>Lloyd Elsmore Park Pool and Leisure Centre</b>	7.30am - 10.00am	4.00pm - 6.30pm
<b>Howick Leisure Centre</b>	8:30am - 11:00am	4:00pm - 6:30pm

- 38. Existing staff could be relocated to other leisure facilities in the pools and leisure network. This can be done without exceeding staff expenditure budgets.
- 39. However, Marina Fitness has 665 members, many of whom have used the facility for a considerable period. Changing this service would be disruptive and potentially unwelcome.
- 40. There will be a requirement to return the premises to the same condition it was in, prior to council taking the lease. Council has made significant changes to the inside of the facility in order to operate as a fitness centre, and reversing these changes is likely to incur costs.
- 41. There is budget available for this purpose, and the large one-off cost would be offset by the longer-term savings of exiting the lease. If the landlord issues a lease to another fitness provider, this may reduce the cost, however this is outside of council’s control.

**Option 2: Seek an extension to the current lease for 12 months**

- 42. Council has engaged with MMF to understand if there is an option to extend the current lease by 12 months. This will allow time for the outcome of the VFM proposal to be known



and planning to be implemented. A 1-year extension will include a further five per cent CPI increase, taking the lease to \$141,561 per annum.

43. This option would minimise disruption to the existing customer base for the next 12 months. However, delaying the decision has no discernible strategic or financial benefit for council, and is likely to introduce additional complexity to the VFM process. For these reasons, this option is not recommended.










**Option 3: Seek to renew the current lease for three years**

44. Council could renew the current lease under the following conditions outlined by MMF:
- a 3-year contract renewal, with a five per cent price increase in year one
  - then two additional CPI reviews for years two and three.
45. Assuming a 3.5 per cent average yearly CPI increase, this would equate to \$141,561 for 2024, \$146,516 for 2025, and \$151,644 for 2026. The operational levy expenses should see a similar increase.
46. To offset these additional costs, the centre would need to increase its membership base and/or fees.

**Options comparison**

47. The following table provides a high-level assessment of each option against shared criteria.

**Table 2: Options analyses**

Option	Financial impact	Customer Impact	Strategic objectives
1	 Financial impact is positive due to council not needing to meet rising lease and utility costs.	 Customers will likely be initially unhappy with the decision to close, and this will need to be carefully managed and mitigated.	 Due to the bespoke fitness nature, and leased approach, the site is an anomaly in the network, and an uncomfortable strategic fit, noting that finite council resources could be better employed to achieve strategic outcomes on a larger scale elsewhere. There are two additional centres less than 4km away.
2	 Financial impact is negative as council will need to meet increased rent and utility costs, which will impact net position.	 Customers will continue to receive current levels of service.	 Due to the bespoke fitness nature, and leased approach, the site is an anomaly in the network, and an uncomfortable strategic fit.
3	 Financial impact is negative as council will need to meet increased rent and utility costs, which will impact net position.	 Customers will continue to receive current levels of service.	 Due to the bespoke fitness nature, and leased approach, the site is an anomaly in the network, and an uncomfortable strategic fit.

48. Council has finite resourcing to invest in growth, facilities and service retention, and operations. Council must therefore carefully consider where to invest resourcing to best achieve agreed community outcomes.
49. The small size of Marina Fitness, coupled with the additional investment required via rent, limits the return on investment with regards to the achievement of community objectives. Noting that the strategic purpose of Active Communities is focused on encouraging participation and accessibility, resources may be better employed where they can achieve more scale.
50. Based on the details in the options and analysis, Option 1 is recommended.

### **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

51. The council's climate goals as set out in Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan are:
  - to reduce greenhouse gas emissions to reach net zero emissions by 2050 and
  - to prepare the region for the adverse impacts of climate change.
52. This is an administrative report and has no direct effect on climate change. The proposal and the recommended option is not anticipated to have any broader climate impact.

### **Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera** **Council group impacts and views**

53. Active Communities has engaged with staff involved in the Value for Money proposal, to ensure alignment of advice and sequencing of timeframes.
54. Council's finance team have also reviewed the financial statements of Marina Fitness and concur with the recommendation of this report.

### **Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe** **Local impacts and local board views**

55. A workshop was held with the Howick Local Board on 14 March 2024. Views were sought on the options available, and a range of valuable feedback was received.
56. In particular, insightful questions were asked on availability of other recreational services within the local board catchment area. A comparison of peak times across Marina Fitness, Lloyd Elsmore Park Pool and Leisure Centre and Howick Leisure Centre, to consider whether the different user groups were complementary was also requested.

### **Tauākī whakaaweawe Māori** **Māori impact statement**

57. The Active Communities Māori Outcomes Diversity and Inclusion Plan – Te Pou Arahi, enables Active Communities to be responsive to Māori by incorporating tikanga and te reo Māori, fostering relationships with mana whenua, and celebrating Māori identity. This aligns with Auckland Council's Māori Wellbeing Outcomes Framework – Kia ora Tāmaki Makaurau.
58. Operation of the Marina Fitness site has not been identified as a factor that has a notable contribution to the achievement of Te Pou Arahi outcomes. The site closure is not anticipated to have negative impacts for Māori.

### **Ngā ritenga ā-pūtea** **Financial implications**

59. Marina Fitness has mostly run at a net deficit since its inception in the 2009/2010 financial year. The centre's peak financial performance came in the 2017/2018 and 2018/2019

financial years, where it ended the year with a net surplus of approximately \$50,000 in both years.

60. This dropped significantly in the 2019/2020 financial year due to Covid-19. Marina Fitness has since rebounded, but its membership is still 16 per cent below its peak in October 2019.
61. More recently, in financial year 2022/2023, Marina Fitness ran at a net deficit of \$18,501.
62. Year to date (as of March 2024) Marina Fitness is running cost neutral. Although Marina Fitness' revenue has increased against the same time last year, so has expenditure due to increased staff wage and lease expenses.
63. Of note, these figures do not consider extra expenses (corporate overheads) absorbed within other departments of Auckland Council. Departments such as Finance, People and Culture and Health and Safety.
64. Corporate overheads contribute to understanding the total costs of operating any council facilities. A general allocation of overheads is performed centrally for the purposes of preparing local board financial reporting. They do not, however, form part of local board asset-based services (ABS) or locally driven initiatives (LDI) budgets.
65. In reviewing the methodology used to determine corporate overheads, and their allocation to local boards, it is clear that this is not sufficiently detailed for the purposes of charging local boards for a specific service/facility. Any potential reduction in corporate overheads would require further investigation and is not representative of an actual saving.
66. If council is to renew the lease to a 3-year contract, there will be a five per cent price increase in year one, with two additional CPI reviews for years two and three. Assuming a 3.5 per cent average yearly CPI increase, this would equate to rental charges of \$141,561 for 2024, \$146,516 for 2025, and \$151,644 for 2026. The operational leavy expenses should see a similar increase. Noting that the rent is paid from the centre budget (and not LDI or a regional fund), to offset these additional costs, the centre would need to increase its membership base and/or fees.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

1. The table below highlights identified risks and the intended mitigation proposed to off-set those risks.

Option 1: Risks and mitigations	
Risk	Mitigation
Customers unhappy with closure of Marina Fitness	Offer transfer of membership to nearby facilities: Lloyd Elsmore Pool and Leisure Centre and Howick Fitness Centres.
Loss of staff	Staff offered relocation to nearby facilities wherever possible.
Lack of fitness provision in the immediate Half Moon Bay area	Identify opportunities for outdoor active recreation in the Half Moon Bay area.

## Ngā koringa ā-muri Next steps

67. If the Howick Local Board determines not to renew the lease, council staff will need to remediate the site using available budget. The site is in good condition, the extent of changes required will likely depend on whether another fitness operator takes over the site. Remediation budget is available, within the Parks and Community Facilities Department.
68. Staff will also work closely with members to transfer memberships where applicable (noting that a large number are on multi-site memberships already).
69. If the decision is taken to extend the lease, either for one or three years, council will initiate a new lease agreement with the landlord.

## Ngā tāpirihanga Attachments

No.	Title	Page
<a href="#">A</a>	Active Communities: Marina Fitness Lease Expiry	13
<a href="#">B</a>	Marina Fitness lease agreement	21

## Ngā kaihaina Signatories

Authors	Matt Nash - Senior Centre Manager as an Author. Sam Sinton - Leisure Network Services Manager
Authorisers	Victoria Villaraza - Local Area Manager Claire Stewart – General Manager Active Communities as an Authoriser



**Marina Fitness  
Lease expiry**

Howick Local Board Workshop

**18 APRIL 2024**

Matt Nash, Senior Centre Manager, Active Communities  
Sam Sinton, Leisure Network Services Manager, Active Communities



**Purpose**

To seek direction from the Howick Local Board on whether to renew the property lease for Marina Fitness or to close this centre.

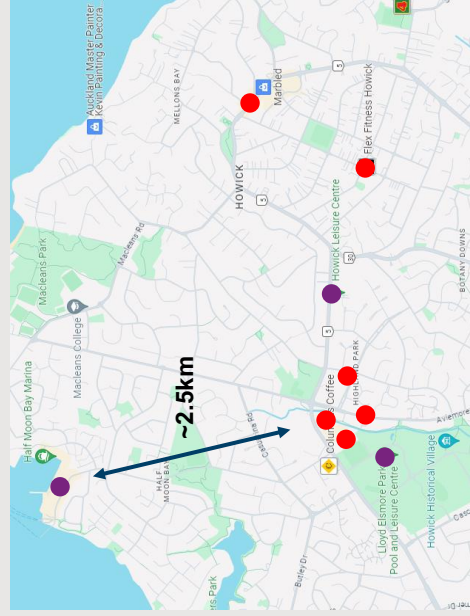


### Summary

- Lease expires 16 August with no right of renewal
- Building owner has proposed two lease options:
  - Option 1: twelve-month extension of current lease; or
  - Option 2: three-year contract renewal
- The third option is to not renew the lease. This is the recommended option.



### Fitness provision in the area



- Anytime Fitness – 2.5km
- Jetts Highland Park – 2.6km
- Lloyd Elsmore Pool and Leisure Centre – 2.8km
- Yes Fitness Highland Park – 2.9km
- Growing Younger Fitness Studio - 3km
- Howick Leisure Centre – 3.4km
- Jetts Howick – 4km
- Flex Fitness – 4.5km





### Service comparisons (as at 31 January 2024)

	Members	Site visits	YTD Fitness visits	Fitness operating revenue	Fitness operating expenditure *	Net position	Staff headcount
Marina Fitness	663	29k	29k	\$295k	291k	\$4k	4
Ward Elsmore Pool & Leisure Centre	2,129	369k	88k	\$613k	\$385k	\$228k	
Howick Leisure Centre	379	76k	23k	\$136k	\$159k	(\$23k)	6









































































