

# STRATEGIC PROPERTY AND COMMERCIAL MINI GOLF BUSINESS CASE REVISION 3

June 2023

## ACKNOWLEDGEMENT OF COUNTRY

The City of Adelaide acknowledges that we are located on the traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past, present and emerging.

We recognise and respect their cultural heritage, beliefs and relationship with the land. We also extend that respect to visitors of other Aboriginal Language Groups and other First Nations.

## DOCUMENT PROPERTIES

### Contact for enquiries and proposed changes

If you have any questions regarding this document or if you have a suggestion for improvements, please contact:

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2	Dec 2022	Shaun Coulls	Updated to reflect a delay to complete Kaurna consultation prior to progressing project.
3	June 2023	Shaun Coulls	Updated to included latest information to inform assumptions including the CHA outcomes. Finalised for presentation to Council.

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## 1. EXEC SUMMARY

The North Adelaide Golf Course (NAGC) is uniquely located in heart of the City of Adelaide (CoA), within the boundaries of the globally recognised Adelaide Park Lands (Park 1), less than 2 minutes' drive from the CBD. At the very heart of NAGC is a desire to create a welcoming and friendly environment that is accessible to all. We believe strongly in the personal and communal benefits that golf delivers, and we want those benefits to be enjoyed by the many, not the few. NAGC currently offers 3, 18-hole golf courses and an ancillary food and beverage service (including corporate golf days), practice putting green and bunker, temporary driving range, golf carts, hire equipment, and coaching (both individual and group classes).

The golf course brings extraordinary value to the parklands. In 2022/23 it provided a recreation opportunity for over 100,000 golfers, and countless other walkers, runners, and parkland users. It allows the 82 hectares of grass and urban tree-land to be maintained to a significantly higher standard than those parklands where there is no occupancy. In recent times, it has achieved this without being a financial burden on the City of Adelaide. However, traditionally this has not been the case with average operating losses prior to 2020/21 of over \$500k per year. It has been estimated that it would cost approximately \$800-\$1m per year to maintain the area as parklands suitable for general use. In simple terms there are three pathways to progress NAGC:

- Removal/closure - \$800k-\$1m annual deficit to maintain the parklands and significantly reduced activation.
- Status-quo - delivering operating losses of \$500k annually over the longer term.
- Growth - Invest in the business to diversify/improve customer experience providing a pathway to sustainable operations through revenue growth and increase visitation.

Golf has experienced 30% participant growth over the past 2 years. While that trend is influenced by the pandemic, it shows that the interest in golf is not restricted to the demographic that is historically engaged. The case for change at NAGC is driven by the need to maintain and grow participation to maximise outcomes associated with activation, health and wellbeing, and financial sustainability. Whilst an operating surplus has been achieved in recent years it cannot be maintained over the longer term without diversifying and improving the customer experience. Expanding the offering at NAGC to drive financial sustainability has been on the agenda for nearly a decade. Whilst the COVID growth in golf further supports change to leverage the opportunity, the need to diversify is better supported by acknowledging the sustained poor performance prior to COVID.

An opportunity lies in the development of a facility that can capture the people who are not yet engaged by golf and provide pathways through the golf journey of introduction, social engagement, skills growth, regular engagement, membership, and club participation. The most obvious way to do that is with alternate format facilities such as Mini Golf and a Driving Range, which complement the existing offerings.

A Mini Golf development aligns with many CoA Strategies and Action Plans with the most relevant being the NAGC sub-strategy. Developed to be a simple strategy that leverages NAGC to maximise the delivery of the CoA Strategic Plan 2020-2024. The sub-strategy considered a variety of strategies and plans across Council and succinctly defines what we must do to realise the opportunities and deliver on our commitment to the community. With 9 of the 14 actions aligned to the addition of a Mini Golf service offering and the ability to deliver all critical success factors the alignment could not be stronger.

Mini Golf as a service is inherently flexible/scalable both in the number of holes and the length of those holes. This flexibility provides a variety of options to introduce the service. The existing Par 3 location provides the greatest opportunity through the development of an appropriately sized Mini Golf facility that would deliver visitation of more than 40,000 rounds per year.

The proposed location and scale will seek to maximise the untapped Mini Golf/family entertainment market, manages risk, ensures there is no impact to trees, doesn't require increase carparking and can be developed to fit to the existing levels to reduce site disturbance.

Such a development must deliver the visitation and associated commercial benefits required. This will transform NAGC and provide the first step on the continued investment and growth trajectory required to maximise the inherent potential. A comprehensive financial model has been developed to produce a base case, defined as the expected case should the project proceed. The proposed Mini Golf facility will cost \$2.2m and provide a positive cashflow of \$5.4m over 15 years. This represents a payback of 4.6 years and an annual return on investment 16%. This investment meets the definition of an income producing investment under the Future Fund and Investment Policy providing a viable funding pathway for the project (see section 13.1 as to how the investment meets the criteria under the policy).

## 2. BUSINESS CASE OBJECTIVE

The objective of this business case is to analyse the value proposition of adding a Mini Golf service to NAGC to extract maximum value for the community and the CoA. Ultimately the information and analysis contained in this business case is seeking Council endorsement to progress the Mini Golf project in line with this business case.

## 3. NAGC OVERVIEW

The North Adelaide Golf Course is uniquely located in the heart of the CoA, within the boundaries of the globally recognised Adelaide Park Lands (Park 1), less than 2 mins drive from the CBD. This location provides opportunities to benefit from the existing dining market, the proximity of the corporate market, the developing tourism and convention offering as well as participating in the developing Riverbank precinct.

At the very heart of North Adelaide Golf Course is a desire to create a welcoming and friendly environment that is accessible to all. We believe strongly in accessible participation regardless of ability; and we deliver an experience that caters to all needs. As a public course, we pride ourselves on removing the barriers to golf participation, and we reject elitism that is often associated with the game. We believe strongly in the personal and communal benefits that golf delivers, and we want those benefits to be enjoyed by the many, not the few.

The North Adelaide Golf Course offers three major golf experiences and an ancillary food and beverage service including corporate golf days. The 3 golf experiences are as follows:

- South Golf Course – 18 holes – par 71/73 (Men/Women), 5,884M, 5,404M
- North Golf Course – 18 holes – par 69/70 (Men/Women), 4,534M, 4,320M
- Par 3 Golf Course – 18 holes – par 54, 1,426M

In addition to the golf courses the offer includes practice putting green and bunker, temporary driving range, golf carts, hire equipment, and coaching (both individual and group classes).

A graphical overview of the facility and associated service locations is available Attachment D.

## 4. MINI GOLF OVERVIEW

An overview of the history of Mini Golf is available in the GBAS Feasibility Study in Attachment G which includes the changes in experience and design to meet customer expectations over time. In addition, Section 9 contains information regarding the Mini Golf Market including the types of facilities available across the country. The proposal is to add a Mini Golf offer to NAGC akin to the contemporary designs and facilities that have been opened in recent years. Design principles have been developed to ensure this occurs as detailed in Attachment E.

## 5. CASE FOR CHANGE

Golf Australia, the peak industry body for Golf in the country, has concluded that the North Adelaide Golf Course (NAGC) carries arguably the greatest potential of any publicly owned golf facility in the country.

The golf course brings extraordinary value to the parklands. In 2022/23 it provided a recreation opportunity for over 100,000 golfers, and countless other walkers, runners, and parkland users. It allows the 82 hectares of grass and urban tree-land to be maintained to a significantly higher standard than other parklands where there is no occupancy. In recent times, it has achieved this without being a financial burden on the City of Adelaide. However traditionally this has not been the case with average operating losses prior to 2020/21 of over \$500k per year. It has been estimated that it would cost approximately \$800k-\$1m per year to maintain the area as parklands suitable of general use.

Golf has experienced impressive participant growth of more than 30% in recent years. This growth reversed the declining year-on-year trend that had been seen since 2016. Golf recorded an annual increase of 21% over 2019-20 with an additional 210,000 people playing the game in the last 12-month period. Total growth experienced over participation levels recorded two years ago exceeds 285,000 people nationally. While that trend is no doubt influenced by the pandemic, it shows that the interest in golf is not restricted to the demographic that is historically actively engaged. The case for change at NAGC is ultimately driven by the need to maintain and grow the COVID induced participation and provide a secure operating model driving participation growth and financial sustainability. To believe that an operating surplus can be maintained over the longer term without diversifying and improving the customer experience would be misguided. Diversifying the offering at NAGC to drive financial sustainability has been on the agenda for well over a decade and whilst the COVID growth further supports its implementation to leverage the opportunity the principle of diversification is better founded by looking at the poor performance before COVID.

The North Adelaide Golf Course in its current format serves the round player, and to a lesser extent, the member, very well. It delivers a great variety of 3 golf courses to accommodate different standards of play.

In 2018, the original NAGC Draft Master Plan was completed which identified opportunity to leverage the business and assets through further investment in a plan to holistically reshape golf within the city. However, to achieve this required a significant financial investment by Council and a risk of detrimental disturbance of Park 1. In early 2020 a review of the original NAGC Draft Master Plan was undertaken and a decision to cease progress of the Master Plan occurred. The preferred pathway was a staged investment plan with Mini Golf being the first investment to be analysed/progressed.

An opportunity lies in the development of a facility that can capture the people who are not yet engaged by golf and provide pathways through the golf journey of introduction, social engagement, skills growth, regular engagement, membership, and club participation. The most obvious way to do that is with alternate format facilities such as Mini Golf and a Driving Range (physical and/or virtual), which complement the existing offerings that are at the North Adelaide Golf Course.

A Mini Golf facility can attract families into the city from the suburban areas, increase activity and exercise, be an inclusive activity for all ages and demographics whilst activating our parklands. This can also provide commercial upside not only from Mini Golf specifically but also the adjacent golf related facilities (Par 3) and provide stimulus for other city business due to increased city visitation.

Mini Golf would enable NAGC to achieve the 2 success factors in the NAGC sub-strategy being over 90k golf interactions and a consistent cash positive operation which is directly connected to the delivery of the CoA strategic Plan. A business case with an outcome that enables not only the delivery of a business strategy but has significant alignment across

broader strategies discussed in the prior section is unique and provides a compelling case for change.

## **6. STRATEGIC CONTEXT**

### **6.1. Overview**

The CoA is a complex and diverse organisation and whilst the organisations Strategic Plan encompasses the entire organisation, there are many strategies, policies and action plans that have been developed to support its delivery. The project team consulted with various internal teams to identify strategies relevant to the Mini Golf project and review alignment with the aspirations and/or deliverables within them. This section of the business case highlights the alignments found, as well as conflicts, to enable a balanced view on the project's alignment or otherwise to the complex and sometimes conflicting strategic outcomes that CoA seeks. The conclusion was that the strategic alignment was incredibly strong across a very broad range of strategies which also cover a broad range of departments spanning an extended time frame. This provides confidence that the project would continue to align with the aspirations of the organisation long into the future.

### **6.2. CoA Strategic Plan 2020-2024**

Council unanimously adopted the 2020 – 2024 Strategic Plan on 10 March 2020. This Strategic Plan guides Council's work over the next four years in delivering the vision for Adelaide as the most liveable city in the world. It builds on our strengths to embrace the opportunities around us.

For the City of Adelaide, a liveable city is one that is a great place to be, whether as a resident or business owner in one of the city's precincts, a student at our world class universities, or a visitor to our famed festivals, cultural institutions, and attractions. The qualities that make our city liveable for those who are already here are also the attributes that may attract others to make the City of Adelaide home.

To deliver on Council's vision to be the most liveable city in the world, the Strategic Plan provides community outcomes and enabling priorities as a framework to successfully deliver the Strategic Plan, including Success Factors. The key actions within the Strategic Plan that North Adelaide Golf Course deliver and/or would be delivered/enhanced through the provision of Mini Golf are below.

#### **6.2.1. Dynamic City Culture**

- Upgrade major recreational facilities.
- Success Factor: More city users agree the city is dynamic and full of rich and diverse experiences.

#### **6.2.2. Thriving Communities**

- Leverage the Adelaide Park Lands to promote health, wellbeing, and lifestyle experiences.
- Develop diverse places, and facilities with and for young people.
- Success Factor: Our residents are more physically active.

#### **6.2.3. Enabling Priorities**

- Develop new revenue opportunities for Council operations.
- Encourage and support new ideas and concepts.



- Success Factor: Council has the financial capacity to meet its long-term commitments.

### 6.3. NAGC Sub-Strategy

In April 2021 the NAGC sub-strategy was presented to Council which was received positively by Elected Members and acknowledged as a foundation for the continued and enhanced delivery of the objectives within the broader CoA Strategic Plan. The NAGC Sub-strategy provides the framework that will maximise the contribution to the CoA Strategic Plan, the Sub-Strategy is available in Attachment C.

The strategy provides 2 Strategic Priorities, each supported by 7 actions and a success factor. Below are the items that are positively impacted by Mini Golf:

#### 6.3.1. Strategic Priority 1 – Participation

- Implement faster, fun formats of the game.
- Introduce new and innovative services that attract new golfers and enable them to fall in love with the game.
- Provide pathways through the golf journey of introduction, social engagement, skills growth, regular engagement, membership and club participation.
- Increase participation of Women and Youth who are underrepresented at NAGC and in the sport more broadly.
- Further enhance the opportunities for people with a disability to engage in golf and ensure facility designs and upgrades are accessible.

#### 6.3.2. Strategic Priority 2 – Sustainability

- Seek partnership opportunities and facility developments that are consistent with the Adelaide Park Lands Management Strategy, CLMP and consider the cultural significance of areas within Park 1.
- Deliver facility upgrades that align with the participation objectives and return NAGC to cash positive operations.
- Introducing a Mini Golf facility within the Par 3 to maximise participation and commercial returns.
- Develop a comprehensive LTFP that considers all investment opportunities and includes all benefits projected in associated business cases.

### 6.4. Active City Strategy (2013-2023)

Council's Active City Policy contains six policy principles that inform the prioritisation of physical activity in the City. These general principles are:

- Maximise participation: Council will support multi-purpose facilities and infrastructure redevelopment that achieve multiple outcomes and result in maximum participation by the community.
- Health and wellbeing for all: All people, regardless of age, cultural background, socio-economic status or ability will be supported to be physically active in the city. Barriers to participation, such as cost and physical access will be addressed.
- Optimal facilities and operations: We will provide the best possible experiences for residents, workers, students, and visitors through a place-making approach that is informed by the community. We will trial new and innovative ideas for providing physical activity opportunities in the city.

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- Working with partners: We will partner with other government agencies, educational institutions, community organisations and the leisure industry to deliver more opportunities or deliver opportunities sooner.
- Economic sustainability: We will ensure that our major leisure facilities are commercially responsive to the market and managed in a manner that ensures maximum participation and value for money.
- An informed and educated community: In partnership with the health and leisure industry, we will communicate the benefits of pursuing an active and healthy lifestyle and promote the range of physical activity opportunities available in the city.

In relation to the NAGC, the following specific aims or objectives are noted:

- Manage the North Adelaide Golf Course as a financially sustainable metropolitan sports facility.
  - Enhance the functionality of existing facilities and provide additional services to optimise visitation and revenue streams at the North Adelaide Golf Course

In relation to the NAGC, the following measures of success are noted:

- The number of annual visits to the North Adelaide Golf Course increase to 80,000 from the 2013 baseline of 65,000.

Given the participation and revenue projections possible through the provision of Mini Golf there is strong alignment to the delivery of the Active City Strategy.

**6.5. Adelaide Park Lands Management Strategy**

The Park Lands are seen as playing a greater role in attracting people to the city, to live, work, study, and play. The Adelaide Park Lands Management Strategy aims to increase the quality of our Park Lands, diversify what is on offer for people to enjoy and encourage increased use of the Park Lands, while supporting City and inner-metropolitan growth. The strategy is the main planning document that describes future directions, proposed actions, and projects to be delivered for the Park Lands.

Below are the strategies and actions supported by the progression of a Mini Golf facility within NAGC.

Strategy	Action
1.1 Create a network of activity hubs attracting visitors and tourists and supporting the recreational needs of people of all ages	- create a network of activity hubs and meeting places of varying scales across the Park Lands which can be used day and night  - Support the operation of activity hubs by providing a range of facilities suited to the intended scale of the hub, including access points, plazas, seating, shelters, toilets and kiosks/cafes
1.2 Create places and attractions that set the Park Lands apart	Create a number of high quality and distinctive places across the Park Lands which provide a point of difference from suburban open space
1.3 Promote the Park Lands as a visitor and tourist destination	- Design attractions to be accessible and welcoming to tourists and visitors with an appropriate standard of supporting infrastructure

	- Encourage and support unique attractions in the Park Lands
1.4 Support the activation of the Park Lands by upgrading and enhancing buildings and structures responsive to their park setting	- Permit commercial services to operate where they provide community benefit or support outdoor recreational use of the Park Lands
1.6 Strengthen the role of the Park Lands as a regional destination for competitive sport and a variety of active and passive forms of recreation	- Identify opportunities to cater for increased demand in unstructured community sports through the provision of irrigated community ovals and courts
5.4 Recognise, promote and protect sites of Kaurna cultural heritage significance	- Map and protect sites of Kaurna cultural heritage significant in the Park Lands

## **6.6. CLMP**

The Community Land Management Plan (CLMP) for Possum Park / Pirltawardli (Park 1) is supportive of Mini Golf, confirmed at Kadaltilla on 26 May 2022. The Community Land Management Plan (Park 1) Chapter 8 states:

*1.3.18 Support the progressive upgrade and increased usage of the North Adelaide Golf Links golf courses, clubhouse and supporting facilities to improve their viability and use and broadening of opportunities for social activity and other sporting activities. (RP16).*

The CLMP also recognises the Kaurna cultural heritage significance of the site now occupied by the Par 3 Course.

1.3.18 of the CLMP envisages progressive upgrades to support viability, use and social activity as well as noting not only golf but other sporting activities. Mini Golf at its core is an alternative golfing activity that is highly social. Given the ability to significantly increase visitation to the course there is incredibly strong alignment between the project and the CLMP for Park 1. This project must consider the Kaurna cultural heritage significance in the process to ensure full alignment with the CLMP.

## **6.7. Strategic Property Review**

The Strategic Property Review aims to inform Council in relation to the role that Council's property portfolio plays as one of the most powerful transformational levers that can shape and accelerate City liveability, growth, and investment.

The review led to the preparation of a Strategic Property Action Plan by Jones Lang LaSalle (JLL) providing a future roadmap of opportunities associated with Council's assets including City shaping projects.

The Strategic Property Action Plan aims to optimise the performance of the City's property portfolio ensuring the effective use of its assets with improved alignment to Council's strategic, community and financial objectives.

As part of the Strategic Property Review the NAGC was noted as:

- a unique facility with high ongoing maintenance
- having a high-profile location offering corporate/ visitor appeal.
- Requiring returns to be optimised via enhanced recreational/ retail and entertainment value to match a broader market.

As a result of the above observations NAGC was included within the Strategic Property Action Plan as a site to continue investigations to ultimately increase the performance of the asset both strategically and financially.

In addition to the observations regarding the NAGC facility, the Strategic Property Review also details opportunities for the City of Adelaide to respond to market gaps and opportunities through investment. Unique retail and recreational/ leisure attractors is one of 3 gaps identified in the city with the rationale being the need to increase indoor and outdoor recreational and entertainment activities for kids, families and under 18.

### **6.8. Future Fund and Investment Policy**

See Section 13.1

### **6.9. FY23/24 Budget Principles and Draft Finance Strategy**

To guide the development of a budget that delivers on priorities and ensure financial sustainability for current and future generations, Council set 12 financial principles for FY23/24. One of the principles was:

- *Consider new and different revenue streams and the approach to commercial businesses to reduce reliance on existing revenue sources.*

The Mini Golf project directly aligns with this principle and would be the only Capital investment in FY23/24 that delivers on the principle.

As noted in the City of Adelaide Long Term Financial Plan 2022- 2023 to 2031- 2032 (Link P) a finance strategy was being developed to ensure all aspects of financial management are considered and initiatives are clearly developed to support the delivery of strategic outcomes. The strategy was in draft at the point of review and inclusion in this business case (reviewed June 2022) and below is a review of that strategy as it was at that time.

#### **6.9.1. Finance Strategy**

The Finance Strategy aims to provides clarity on the financial management of the City of Adelaide. It defines the strategic intent and details the structures, legislation, and regulations that we work with the deliver effective financial management and sustainability.

##### **6.9.1.1. Commercial Revenue Principles**

The commercial revenue principles within the draft finance strategy are as follows:

- Current service expansion/extension
  - Building on an existing business is a good opportunity to drive economies of scale, utilise existing skill base and/or resources.
- Untapped/Niche Market
  - There are some services that are designed for Council to deliver and others that are made for a competitive market. Market analysis should inform this principle and confirm if there is not only a commercially viable market but also that Council is set up to be able to deliver to that market without a full realignment of resources, service delivery. Further the impact on other service delivery should be a core consideration here as well to ensure that Council does not negatively impact its community.
- Cost reduction/minimising Opportunity

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- In some investments revenues may be a by-product of cost efficiency. Traditionally, for councils this is in the area of waste.
- Revenue generation from assets/infrastructure
  - In some investments, revenues may be generated from existing assets or infrastructure, while contributing positively to community services. eg Advertising.
- Opportunity to capitalise on Council objectives
  - Increasing commercial revenues off the basis of a council service that traditionally would not be seen as an income generating item. Eg. Nursery mulch sales.

Investment opportunities outside these core principles should not be put forward to expand Councils commercial revenues as they simply carry too much risk.

Mini Golf is consistent with the principle of service expansion/extension, untapped/niche market, and revenue generation from assets/infrastructure.

### 6.10. Cultural Heritage and Reconciliation

Park 1/Pirltawardli has a rich and diverse history of Aboriginal land use and is a culturally significant site.

A desktop cultural heritage assessment was prepared in 2020 as part of the Golf Masterplan project which included a new clubhouse and undercroft car park proposed to be constructed at the Par 3 golf course.

The report provided a detailed heritage assessment which includes the results of relevant heritage database searches, an outline of relevant heritage legislation and a review of background information relating to the historical occupation and use of the area. Further, the report summarises the previous archaeological research and provides recommendations for the next stages of the heritage process. The recommendations are outlined below:

- A cultural heritage survey be carried out with the local Aboriginal groups who have an interest in this area. This will allow for a pedestrian inspection of the Project Area and consultation with the groups to:
  - Accurately record the traditional and/or contemporary significance of any archaeological and mythological/ethnographic sites.
  - Locate and record any sites of significance to Aboriginal heritage and/or tradition.
  - Produce a survey report that will detail any newly identified Aboriginal sites and include risk assessment with specific recommendations for the management of each heritage risk.
- No ground works should be undertaken until the survey and corresponding report are completed, and any recommendations are implemented.

Given the cultural significance of the location the project team engaged CoA Social Planning and Reconciliation team to commence work on the above recommendations. To enable this, some prework was required to understand the scope and location of the project to which engagement would occur on and hence this was possible based on the conclusions reached in development of the business case.

In August 2022, Neale Draper and Associates were engaged to prepare a Cultural Heritage Assessment Report.

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The CHA process included anthropological and archaeological site inspections and consultation with Kurna representatives, including direct discussions with Kurna and Council representatives onsite.

On 14 February 2023 an archaeological site inspection of the general project area was conducted by the heritage consultants and Kurna representatives and an onsite anthropological consultation was held on 20 February 2023 followed by a workshop at the NAGC on 20 March 2023.

The CHA report includes the results of this work as well as the cultural heritage management recommendations from both the Kurna Traditional Owners and heritage consultants.

In summary, the report notes that the Mini Golf proposal is located on land that most likely retains a substantial archaeological record of traditional Kurna use as a large-scale camping and ceremonial precinct with a high probability of traditional burials occurring within 1.5 metres depth of the natural surface.

As such, should the project proceed, there are processes that will need to be considered in relation to the both the Aboriginal Heritage Act 1988 and the Heritage Places Act 1993.

The CHA report also highlights opportunities to celebrate Kurna cultural heritage. Many examples were discussed and include the following:

- Promote Kurna cultural heritage through truth-telling related to the important cultural and historical significance of the native location.
- Provide Kurna cultural themes and historical interpretation in the design of the Mini Golf course as a story-telling opportunity, with a view to extending that to the larger scope of the main golf course and establishing cross-references to other linked places in the City of Adelaide and further afield.
- Enhance and provide more detailed cultural heritage interpretation, public education and awareness,
- Include appropriate Kurna cultural elements of design, symbology, and artwork to provide positive and easily recognisable visual badging for the project, as well as marketing opportunities.
- Provide educational, employment and training opportunities for Kurna, particularly young people looking to the future through participation in and contribution to the project, as well as users of its sporting and cultural interpretation facilities.

The key recommendations are outlined below:

- Establish and maintain a Kurna Advisory Committee to participate in the design, planning and implementation process for the project.
- Guide the project construction and implementation process with an appropriate Kurna Cultural Heritage Management Plan (CHMP) if ground disturbing works associated with construction might impact buried Aboriginal heritage sites, artefacts or burials that are expected to occur within the project area.

The full Cultural Heritage Assessment is available in Attachment B.

### **6.11. Environmental Sustainability**

The project team noted that there was a conflict associated with the sustainability objectives of the CoA and the concept of Mini Golf which requires artificial turf to be used as putting surfaces. Artificial turf has challenges associated with the impacts of manufacturing and disposal as well as significantly higher surface temperature than natural turf.

To correctly manage this element of the project, early engagement with the CoA sustainability team enabled expert advice and guidance regarding design and product selection which will be ongoing.

The artificial turf industry has recognised the challenge posed by the environmental impacts of artificial turf which is driving innovation in manufacturing and a range of products are available on the market that reduce environmental impacts compared to traditional solutions.

Benchmarking of existing Mini Golf facilities indicate approximately 40% of the total area taken by Mini Golf requires artificial turf. This shows the potential for landscaping design (in the remaining 60%) that reduces the heat impact associated with artificial turf which in combination with maximising the value of natural shade of existing tree coverage will reduce overall impacts. Artificial shade solutions could also be investigated and consider as part of the design process however this would need to carefully consider the park lands setting.

The need to reduce the heat of the playing surface to deliver improved customer experience is vital to the success of the project. This provides alignment between the commercial/operational outcomes and sustainability objectives hence the project team believe there is strong alignment to find an acceptable design outcome.

From an overall sustainability viewpoint, it was noted that the operation would be well advanced in comparison to benchmarked operations. This is primarily due to the significant work CoA has already undertaken in the areas of waste management and a carbon neutral electricity contract.

## 7. OPTION ANALYSIS

Mini Golf as a service is inherently flexible/scalable both in the number of holes and the length of those holes with most Australian facilities varying from 1500m<sup>2</sup> to 5000m<sup>2</sup>. Factors that typically drive the scale are customer catchment size, capital investment limitation/appetite, available area, and topography. As such the project team identified that an option analysis to determine the location and scale of the facility was required to guide the development of a feasibility study and in turn this business case. Upon selection of a preferred location, additional option analysis would then be undertaken to determine the correct approach nuanced to the selected area to maximise opportunities and work within site constraints. This work was completed within the GA report prior to the feasibility study and is further detailed in Attachment A.

### 7.1. Location Options

There were various scenarios considered when contemplating the ideal location for the Mini Golf Course. These locations included the areas:

- Immediately adjacent to the existing NAGC clubhouse
- John E Brown Park located adjacent to the railway yard within Park 27a.
- Co - location within the existing Par 3 course

The research concluded that ideally all formats of Golf offered by the NAGC would be centrally located however this is not possible given the existing Golf Course layouts result in 2 separate locations servicing customers. North and South Course customers are serviced from the main clubhouse and Par 3 customers are serviced from the Par 3 Kiosk. Given this pre-existing constraint the optimal location for a new Mini Golf facility would be to have it co-located within the existing Par 3 Course. This is due to:

- The ability to work within the existing NAGC golf activity footprint and the existing CLMP supporting golf activities within the site.
- The similarity of the user profiles for both offerings.

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- No significant reconfiguration of the existing Par 3 course required.
- Easily accessible 'City' location with existing car parking and public transport close by.
- Lack of competition within the draw area.
- Existing kiosk control/sales facility for the Par 3 Course that could service both facilities.
- Ability to upgrade existing lighting.
- Will cause less disruption to the existing golf facility and clubhouse.

## 7.2. Scale Options

Mini Golf course footprints range from Small (1500m<sup>2</sup>-1800m<sup>2</sup>), Medium (1800m<sup>2</sup>-3000m<sup>2</sup>) to Large (3000m<sup>2</sup>- 5000m<sup>2</sup>). Each were assessed by the team in consultation with operators of example facilities to identify key advantages and disadvantages that could inform the appropriate scale for NAGC.

### 7.2.1. Small footprint

Total size	1500-1800 m <sup>2</sup>
Synthetic grass coverage	600-800 m <sup>2</sup>
Build cost	Less than \$1 Million
Advantages	Low build cost • Small land requirement
Disadvantages	• Tight feel for participants using venue • Doesn't allow for wheelchair accessible access • Reduced lifespan of synthetic turf due to increased traffic wear
Venue Examples	• 'Shanx' at Regency Park Community Golf Course, Regency Park, South Australia • City Golf Club, Toowoomba, Queensland

### 7.2.2. Medium footprint

Total size	1800--3000m <sup>2</sup>
Synthetic grass coverage	900-1200 m <sup>2</sup>
Build cost	\$1 million - \$1.4 million
Advantages	Increased versatility in build • Improved patron experience • Greater patron capacity • Allowance can be made in design for wheelchair access
Disadvantages	Greater land requirement • Increased build cost
Venue Examples	• The Vines Resort, Perth, Western Australia • Curlewis Golf Club & Driving Range, Curlewis, Victoria • Maroochy River Golf Club, Bli Bli, Queensland



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### 7.2.3. Large footprint

Total size	3000-5000 m2
Synthetic grass coverage	up to 2500 m2
Build cost	\$2 Million+
Advantages	<ul style="list-style-type: none"> <li>• Maximum versatility in build</li> <li>• Exceptional patron experience</li> <li>• Greater patron capacity</li> <li>• Allowance can be made in design for wheelchair access</li> <li>• Increased usable life of synthetic turf with increased wear spread</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>• Greater land requirement</li> <li>• Increased build cost</li> </ul>
Venue Examples	Wembley Golf Course, Wembley Downs, Western Australia

## 7.3. Conclusion

After consideration of the location assessment findings and advantages/disadvantages of various scale facilities the team concluded that the most appropriate option to progress through the feasibility and business case was a 3000-5000m2 (Large) 18-hole Mini Golf facility with an open air hospitality area within the existing Par 3 Golf Course located within Park 1.

Following the above conclusion, the location and scale was further refined when developing the Principals Project Requirements Brief (Attachment E) which has further informed the relevant sections and assumptions throughout this business case.

## 8. PROPOSED APPROACH

### 8.1. Size and location determination

After conducting the appropriate research and investigations, the proposed approach is to construct a 3000-5000m2 Mini Golf facility, including an appropriate open air hospitality area within the existing Par 3 Golf Course. This will mean that the existing Par 3 course will need to be altered slightly, and works will be needed for modification without long term effects on the customer experience.

The Mini Golf footprint selected will enable flexibility in the design, support larger patron capacity and the ability support sustained interest over the life of the asset.

The location also considers other potential future initiatives such as a Driving Range. Research and advice have identified that it is not dependant on the location of the Mini Golf and can function separately if there is an appetite to do so in the future.

### 8.2. Construction

It is proposed that the construction be planned to fit to most of the existing levels in a bid to reduce site disturbance. Benchmarking and investigation of construction methodologies has taken place, it is foreseen that only shallow footings (approximately 450mm) will be required to construct the course. Professional consultants will be utilised to develop the plans, including

Mini Golf design professionals to ensure the design meets the market expectations and has the required features to ensure course success and longevity. Further information is available in Section 17 – Procurement Strategy

It is estimated that 1000-1500m<sup>2</sup> of synthetic grass will also need to be utilised to build a fit for purpose facility. Kaurna cultural education/recognition is foreseen to be integrated within the design or surrounding features of the Course and in line with the recommendations from the CHA (Attachment B) a Cultural Heritage Management Plan (CHMP) will be prepared.

The following design principles have been developed as part of the Principals Project Requirements Brief (Attachment E) to inform the design:

### **8.2.1. Design Principle #1 Mini Golf Facility**

Create an appealing and entertaining Mini Golf facility and experience for a diverse variety of users that will maximise participation. Provide an inclusive and welcoming facility that can introduce and promote golf to a new audience.

### **8.2.2. Design Principle #2 – Cultural Heritage:**

Acknowledge and recognise the Traditional Owners of the land, the Kaurna people, and the historical significance of the site. Celebrate Kaurna heritage and stories through artworks or interpretive site features in consultation with the Kaurna Community.

### **8.2.3. Design Principle #3 –Site Infrastructure:**

Ensure that the infrastructure required to support the Mini Golf facility is integrated thoughtfully into its environment. Connect the facility with key destinations and routes within the Park Lands and with its broader surroundings. Facilitate logical and clear wayfinding from the course to and from the Kiosk.

### **8.2.4. Design Principle #4 – Landscape and Amenity**

Be sensitive to the Park Lands environment and respectful towards the land, sky, and water. Respond and protect the existing landscape character and identity of the site. Sensitively integrate the Mini Golf facility into the existing Par 3 course, protecting existing trees and enhancing the customer experience through fostering a connection to the Park Lands. Consider bio sensitive design outcomes that protect existing natural feature and biodiversity whilst achieving a comfortable and attractive environment for Park Land users.

## **8.3. Operating Model**

It has been determined that the most viable Mini Golf operating model is to deliver/operate the facility utilising the existing insourced operating model.

The operations of the Mini Golf will be integrated and coordinated with the existing staff pool currently located at the Par 3 Kiosk and clubhouse, with the management also to be coordinated by the existing T/L Golf Business operations.

The Par 3 Kiosk has recently been upgraded and will have the capacity to support such operations, however if required due high demand, satellite support from clubhouse will be available.

A Private Public Partnership has been considered, which in this circumstance would likely result in CoA leasing the land/facility for a fee and negotiating commercial terms to garner ongoing revenue. The facility would then be fully operated externally.

It was determined there would likely be issues that will impede the ability for an external operator to engage in a commercially viable long-term contract for both parties. Council would want to retain control over a range of decisions such as the types of developments allowed,

products available, pricing and the like. This is to ensure accessibility and appropriate use of the Park Lands. Such agreements with operators may have the advantage of reduced upfront capital for CoA however are also likely to be less profitable unless previously mentioned constraints are removed.

The decision regarding the operating of NAGC should be considered holistically and as such the project team do not believe the decision should be triggered by the Mini Golf project. The operating model may change in the future if there is an appetite or requirement to do so. The Mini Golf service can be incorporated into any such arrangement along with all other services offered at NAGC.

It has been concluded that a separate operation between the Par3 and Clubhouse (i.e., outsourcing on Par3 and Mini Golf) is not a financially viable option hence a decision to review the operating model is a significant undertaking in its own right. Feedback from the industry has also cautioned against mixed operating models where horticulture/maintenance and golf operations are separated as the cost to one ultimately drives the benefit to the other. This drives conflict and poor outcomes.

The project team also discussed outsourcing with GA given their in-depth knowledge of the operating models used in the industry, particularly by Local Governments. Their advice was building and operating the Mini Golf venue with the existing operating model will likely deliver the highest commercial return but retains higher risk. Delaying the project to seek external operating options would come with significant opportunity cost due to delayed project delivery. Were CoA to approach the market it would likely generate interest from experienced operators. The likely outcome would be lower revenue that would be guaranteed and significantly less control over the park land use and access. Branding and reputational impacts should also be carefully considered in when considering outsourcing.

## 9. MARKET OVERVIEW

In this section of the business case, we outline the history of the game of Mini Golf and the size of the Australian market. The below sections are predominantly informed by the research and findings within the Golf Business Advisory Service (GBAS) Mini Golf Feasibility Study (Attachment G).

### 9.1. Total Facilities

No formal database of Mini Golf facilities exists in Australia. GBAS has created a database and presently counts 162 facilities across the country. These facilities range from very small developments covering 200 square metres through to fully themed facilities spread over more than 4,000 square metres. The majority of these facilities were constructed prior to 2000 with many being rudimentary in nature, featuring simple designs of synthetic grass bordered with bricks and a range of obstacles. Many older facilities have undergone no major renovation and therefore from an aesthetic perspective, compare poorly with more contemporary family entertainment offerings in the market.

### 9.2. Recent Developments

From the GBAS database we have been able to establish a more detailed recent development timeline and profile. We have identified 28 facilities opening since 2010, seven alone opening in 2021. New facilities have been built in Queensland (10), NSW (5), Victoria (6) Western Australia (5) and the ACT (1) & SA (1). Noticeable is a changing market dynamic over this period, key observations include:

- Of the 28 facilities built since 2010 deemed to be of a very high standard,
  - 65% represent additions to existing golf course facilities.

- 13 developments have been added to facilities that have both a driving range and a golf course.

Tracking facility size, number of holes and published pricing, we have extracted the following facts from these developments:

- In terms of size, while it is widely promoted that having two 18-hole courses can provide for increased operating flexibility, more player choice, and greater capacity during peak periods, the developments in Australia have predominantly been 18-hole facilities.
- Of the 28 facilities opened since 2010, only three facilities have contained 36 holes, the remaining have contained 18 holes.
  - The overall average size footprint per 18 holes is approximately 2,600 sqm, ranging from 1,200m<sup>2</sup> to over 5,000m<sup>2</sup>.
  - The average published Adult fee approximates \$17 per round, ranging from \$14 to a high of \$20.
  - Overall size of facility does not necessarily reflect value, although the larger facilities (>2,600m<sup>2</sup>) are more likely to have a higher Adult price point.
  - Price has a closer correlation to the level of detail/features within the design.

### 9.3. Future Developments

The project team is aware of several facilities considering the addition of a Mini Golf amenity to broaden their overall offer. These facilities include traditional golf clubs looking to create both a pathway to traditional golf & to offer greater appeal and relevance to the non-golfer. In the same manner there are a number of public facilities seeking to expand their customer base and attract a new source of income, in some cases at a price point not materially different to what can be achieved via a traditional green fee.

## 10. PARTICIPANT PROFILE AND KEY MARKET LEARNINGS

In this section of the report we:

- Investigate the profile of the Mini Golf participant.
- Establish competing activities features/traits desired in Mini Golf amenities.
- Establish the key learnings from several current operators.

### 10.1. Market Research

The development of a Mini Golf amenity is essentially seeking to tap into the family entertainment business. With limited skill required to participate, Mini Golf has theoretical appeal to a broad market, a market that is not constrained by gender, age, or physical ability. Mini Golf facilities are perceived to have a low overhead, with relatively inexpensive inputs. With a manageable expense base, the annual returns from such an investment are therefore driven largely by facility demand and the resulting spending patterns of the Mini Golf consumer.

To further inform the business case and enhance the understanding of the mini-golfer, outlined below are the key findings from some market research undertaken that gauged views on a broad range of issues pertaining to the mini-golf market.

### 10.2. Amenity Factors/Features Most Valued

- The quality of the Mini Golf experience is of most importance to Mini Golf participants.

- Price and the availability of family packages is the second most important factor, followed by the range of amenities being available (e.g. a food and beverage offer).
- The quality of food and beverage was found to also be of importance, indicating the overall experience was more than just playing the game.
- Location / proximity was found to be a factor of less relative importance, indicating that participants are potentially willing to travel some distance to experience a high-quality facility.

### 10.3. Typical Travel Time

While establishing that location / proximity to home was of lessor importance than some of the other facility features and amenities, proximity (in terms of distance) remained undefined. To better understand the size of the potential market for Mini Golf facilities, we thus sought to understand what the draw area typically is for Mini Golf facility use. Our research found that 60% to 70% of respondents would travel up to 20 minutes to participate in mini golf with the remaining third expressed willingness to travel between 20 and 40 minutes. Whilst we utilise this 20-minute drive time to define the size of the draw area and the population, it is apparent that drive time can be extended should the destination be seen as having sufficient appeal – particularly for infrequent use.

### 10.4. Other Competing Leisure Activities

Competing in the family entertainment sector, Mini Golf facilities have numerous other facility and activity types to contend with. To better understand the preference for Mini Golf over these other activities, our research sought feedback on these other paid leisure activities undertaken on an annual basis, i.e., those activities that are a competitor to Mini Golf in terms of the consumer's leisure time and entertainment choices. Our research found that Mini-Golf ranked highly (1<sup>st</sup>) for once only annual visitations. Where frequency of participation increases, other activities/options then become more competitive, namely ten pin bowling, garden visits, zoo visits, swimming pool visits, and visits to amusement/fun parks. There must be "curb appeal" – the facility drive by should attract interest.

- The product needs to look and feel like a valuable experience, with interest in all areas of vision. The design principle is that the more senses that are engaged, the greater the player interest and involvement.
- Skill, as opposed to random luck, should be rewarded.
- Multiple routes to the hole and a choice of holes is a proven method of expanding the experience.
- The amenity should not look out of place in its environment.
- Minimising maintenance in the design stage will improve profitability in the operating stage.

### 10.5. Operations/Marketing

- While there is a physical game element to Mini Golf, success is achieved when it is viewed as an experience.
- Periods of peak demand will see a need for bookings or for an orderly process for play to be created.
- A quality food and beverage experience expands the perceived length of activity time, thus enhancing the overall value proposition presented.

- The children's party market is key to a facilities marketing and increasing general awareness.
- A fully licenced playing area helps to expand appeal.
- The positioning of the amenity and experience available needs to appeal as much to young adults as it does younger children/families.
- Mini Golf needs to have atmosphere and be able to be marketed as a "night out" or "day out" experience.

### 10.6. Green Fees

- Subject to demand mix, average green fees achieved can be 25% below the published adult green fee.
- Depending on weekend demand, yield management opportunities may present for evening periods.
- Green fee spending can be expanded by the creation of a quality corporate experience – one that isn't measured on a per player, per round cost.
- Discounted instant replay rates are being introduced to enhance consumer spending and extend participation time, particularly in weekday evenings.
- Family rates should be competitively priced to encourage more participation.

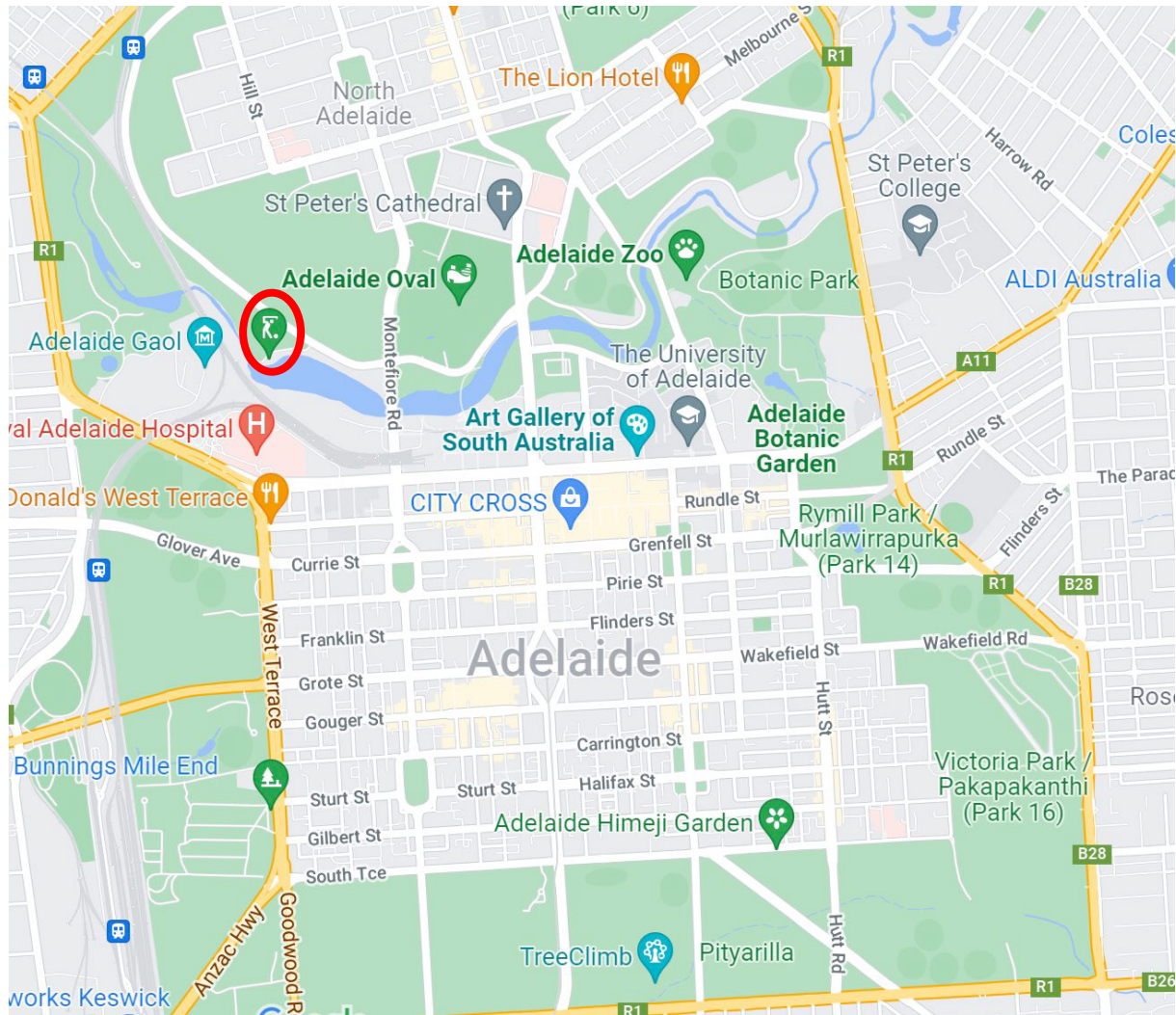
## 11. LOCAL DEMAND ASSESSMENT

In this section of the report we:

- Outline the subject location and current amenity.
- Determine the site's general visibility.
- Establish the size of its core draw area and forecast population trends within.
- Review other immediately identifiable likely demand drivers.

### 11.1. Location & Current Amenity

The subject site is located within the Adelaide Parklands, towards the southern area of the existing 36-hole North Adelaide Golf Course. The site immediately adjoins the existing Par 3 course within the same facility. The site is well located between the city and the immediate inner northern suburbs. Adjoining the River Torrens Weir and forming the boundary to the Adelaide Parklands, the site location with relation to the broader city is below:



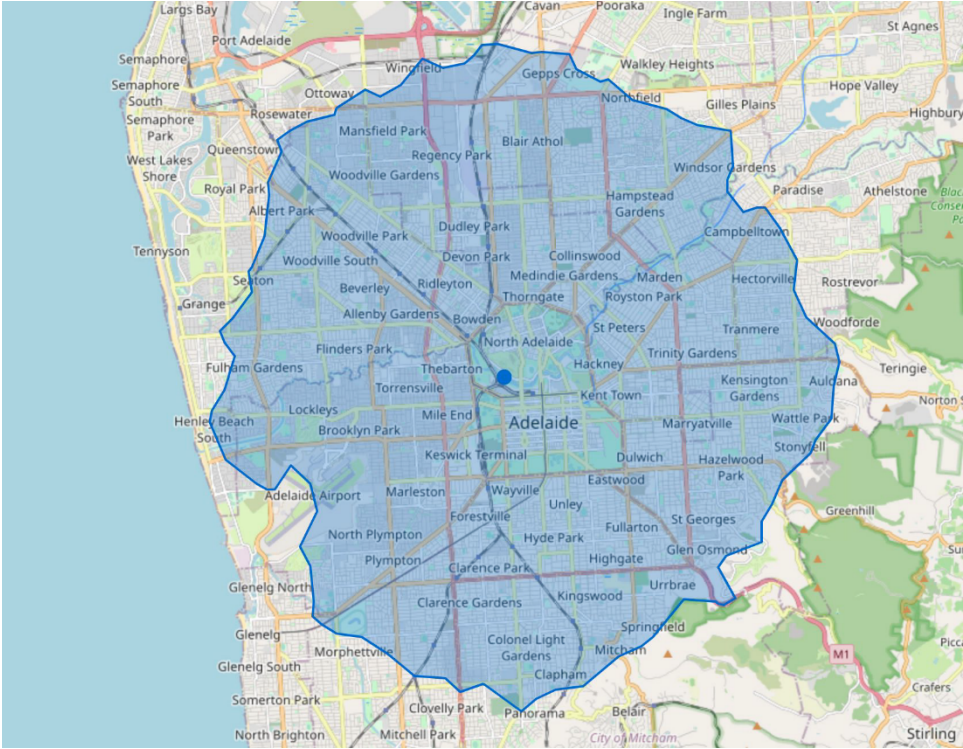
## 11.2. Site Visibility

The Parklands are a popular destination for Adelaide residents, receiving an estimated 10 million visits per year. Covering over 760 hectares and containing 29 separate parks, the Parklands precinct caters for a wide range of uses and provide the community a place to enjoy through sport, exercise, recreation, or relaxation. The area contains various other facilities for the general public such as picnic and barbecue areas, cycling and walking trails, fitness facilities and numerous other play spaces. The site is visible from War Memorial Drive (“WMD”) (the northern border of the Par 3 course), with WMD accommodating approximately 9,000 two-way car movements per day. WMD is one of five major roads that provide access to and from the northern and north-west part of the Adelaide CBD. With site visibility (customer awareness) a key driver to demand, from this data, and based on minimum car occupancy of 1 person, we conclude that there are over 1.6 million direct annual impression opportunities for the facility. Whilst not to be considered as certain demand, there is a significant opportunity for the site to become known as one offering a Mini Golf facility.

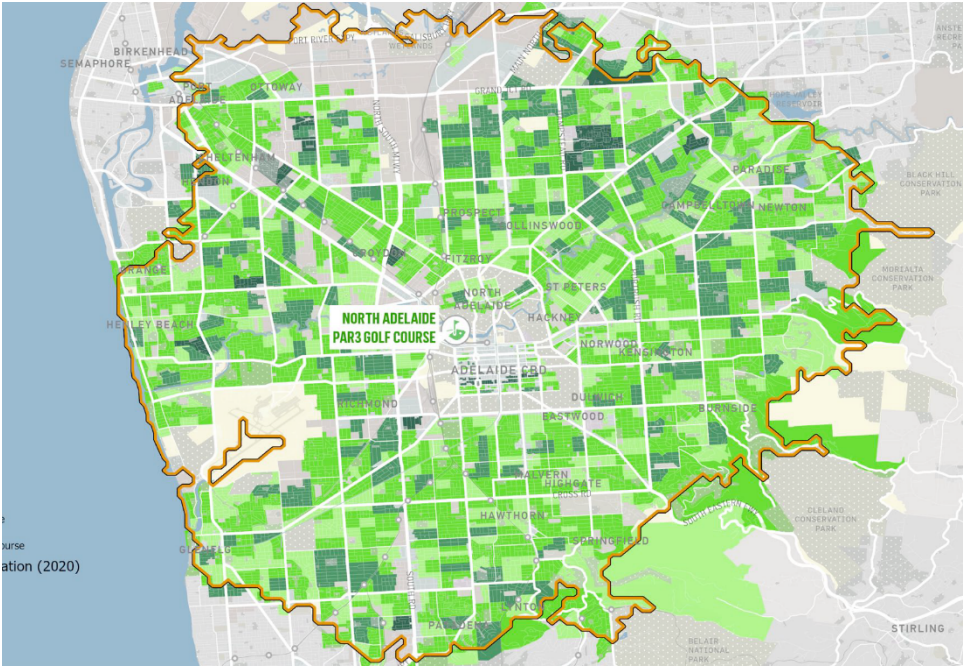
## 11.3. Customer Draw Area

Via the use of a geographical information system graphics tool, we are able to establish the 10 km draw area and 20-minute drive time area for the North Adelaide facility.

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Par 3 Course 10km Draw Area



Par 3 Course 20-minute Drive Time

The 10km driving distance and 20-minute drive time reflect very similar capture areas. The illustrated areas above largely represent the inner seven local government areas in Adelaide, namely:

- City of Adelaide
- City of Burnside



- City of Charles Sturt
- City of Prospect
- City of Norwood
- City of Unley
- City of West Torrens

## **12. FINANCIAL ANALYSIS**

### **12.1. Methodology**

To produce a financial model GBAS were engaged to undertake a feasibility study and the information, conclusions and assumptions form the basis for the expanded financial analysis contained below. This study examined performance of mini golf businesses that ranged in size from 1,800m<sup>2</sup> to 5,350m<sup>2</sup>.

The study showed that the number of rounds each course delivered was linked to the quality and size of the experience offered and therefore higher cost courses with a larger footprint were more likely to produce higher round numbers.

The feasibility study came up with three possible siting & sizing alternatives for the proposed mini golf course but recommended only one option which was a 3,030m<sup>2</sup>, 18-hole course situated at the southern end of the existing Par 3 course.

Based on this option, construction costs and a comprehensive 15-year revenue and expenditure model were developed to derive a 'base case'. The base case is defined as being the expected case, determined by using the assumptions that the project team consider are most likely to occur at the time of developing the model.

The financial model is included in Attachment F.

### **12.2. Construction Costs**

Construction costs in the financial modelling include the below items with an additional 10% to reflect internal labour costs to come up with a total construction cost of \$2.2m. The breakdown of individual item costs is in the feasibility study and includes:

- Construction of a 3,030m<sup>2</sup> 18-hole mini golf facility
- Modifications to Par 3 course
- New signage for Par 3 and Mini Golf
- Open Air Hospitality/Birthday Area
- Modifications to internal fit out of Par 3 Kiosk
- 5% contingency

### **12.3. Forecasted Income and Expenditure**

The income and expenditure model has been based on the assumptions within the feasibility study, extended over a fifteen-year period and further refined by the project team.

The key assumptions driving the financial modelling are:

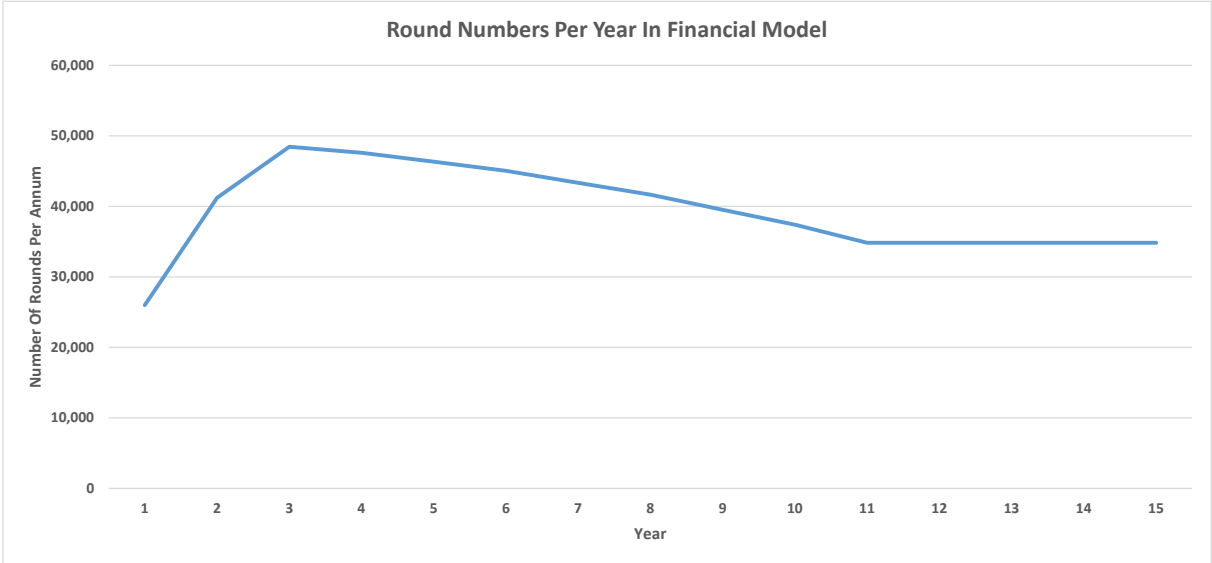
- 20% discount on green fees to allow flexibility for varying the price during periods of low demand.
- Adult mini golf green fee increases by \$0.50 year on year.

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- Kiosk spend per round increases by 2% per year.
- Cost of goods for F&B and retail are based on current performance at the Par 3 kiosk.
- Six additional full time equivalent staff have been allowed for in addition to the current workforce servicing the Par 3.
- Two hours per day of maintenance has been allowed for primarily in leaf and tree debris removal noting the area is already maintained by existing horticulture resources. The existing effort will be reallocated to maintain Mini Golf but comes at no additional cost.
- A marketing expense has been included to increase market awareness mainly using digital mediums.
- Expenses have been increased by 2.5% per year.

The financial analysis in the feasibility study was based on a simplistic view of achieving an average number of rounds per year and were flatlined across all years. It was also limited to 5 years.

When preparing the financial model, the year-on-year round numbers were amended so that they accurately reflect the start-up process, initial increase in demand from a new course and reduced demand in later years due to wear and tear of the course, reduction in relevance and increased competition. Overall, the assumption regarding the average number of annual rounds across the 15 years remained unchanged.



The chart above shows the round numbers that have been modelled year on year. Noting that year 1 contains four months of construction. It is assumed demand would grow in the first few years and peak in year two before a decline due to the reasons outlined above.

**12.4. Base Case Financial Model**

The Mini Golf project was considered over a fifteen-year lifespan after which a review would be required to determine if the course would need a major redesign to stay relevant or major maintenance to upkeep the standard. At that point, another investment decision would be required to inform the financial return of spending additional funds. Costs to decommission Mini Golf would need to be considered as part of that investment decision and have not been included in the initial financial modelling for construction.

Based on the fifteen-year lifespan of the project a base case was produced (see Attachment F). The financial model forecasted that the project would return a cashflow of \$5.4m (base case) over fifteen years using these assumptions:

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- Construction cost of \$2.2m which includes 10% for internal labour.
- 4 months to construct (year 1).
- Discount rate of 5.20% to derive the NPV.
- Average rounds of 42,500 per annum.
- There would be a reduction in Par 3 rounds during construction of 20%.
- Modelling has been prepared starting from January 2024.

The cashflow of \$5.4m does not include the discount rate which includes a risk and interest component (discount rate chosen from table 3 of the State Government Department of Treasury and Finance guidelines for Public Sector Initiatives).

Analysis was done on the start month, especially looking at avoiding construction and disruption to the Par 3 operations during the peak months of November to January. The analysis showed that the impact was a positive improvement in cashflow of \$40k which is not considered material.

The feasibility report identified an uplift in the number of rounds that would be played at Par 3 if the Mini Golf course were located on the same site. The additional revenue and associated expenses have been included in the financial modelling and are included in the base case.

**12.5. Scenarios**

Following the confirmation of the base case, analysis was performed that considered the accumulated cashflow, annual return and payback based on an assumption that the larger the course the more rounds could be achieved.

Analysis of the market indicates that most high performing courses are achieving more than 50,000 rounds per year, we therefore looked at a scenario where we achieved 60,000 rounds per year. This scenario assumed that we built a large format course in excess of 4,000m<sup>2</sup>. We also looked at a smaller size course that may deliver 30,000 rounds.

The assumptions used in modelling each of these scenarios is as follows:

**Scenarios - Variables**

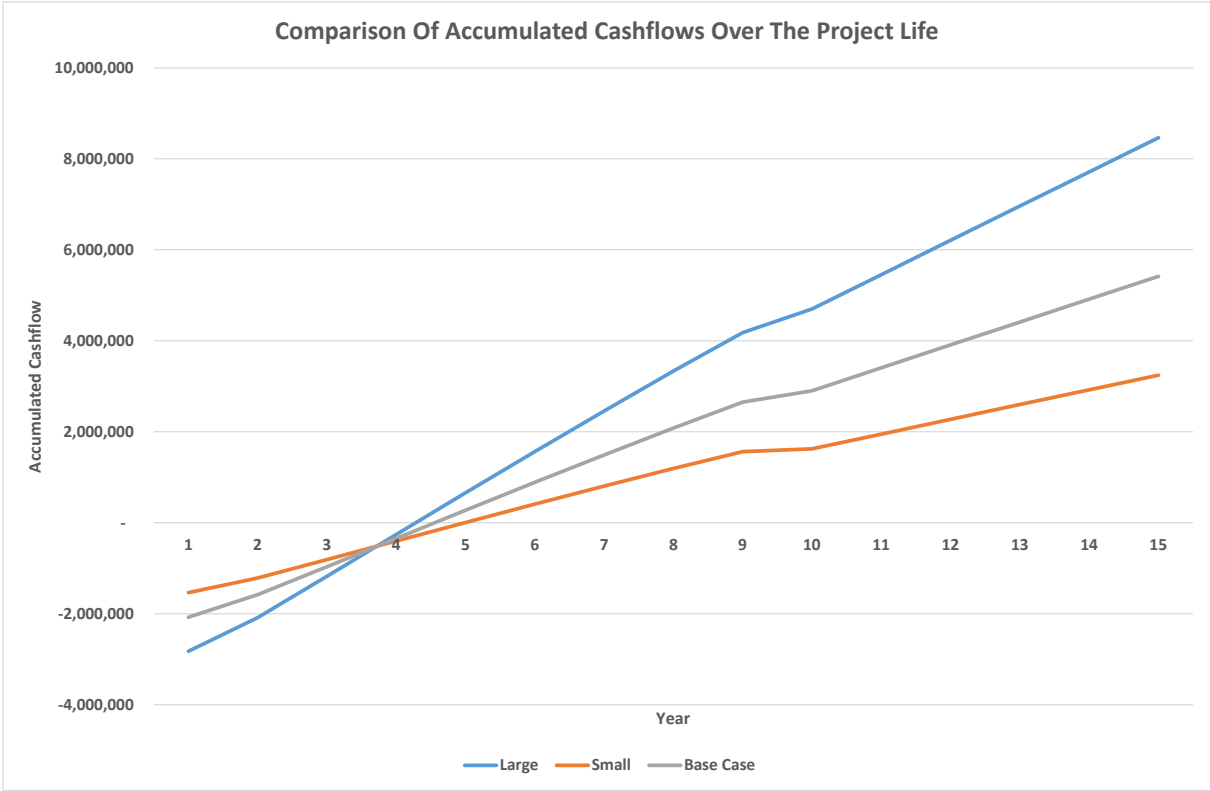
Variable	Large	Small	Base Case
Construction Cost (\$)	3,100,000	1,550,000	2,200,000
Annual Round Numbers (Average Mini Golf)	60,000	30,000	42,500

The construction cost used is based on the same cost per round as the base case, this assumes a “build it and they will come” market in which demand will scale based on the size of course built (\$51.76 per round).

It is considered that the course should be able to be built within 4 months.

The feasibility study determined that a 3,030m<sup>2</sup> course should be able to deliver 42,500 rounds per annum on the assumption that the development fully optimises the site and presents as a modern Mini Golf experience that is attractive to the broader market. This level of demand is like that being forecast on average by the industry for 2022. The large course scenario reflects that a greater experience offering could deliver significantly more rounds and the small course scenario shows what should be achievable with a more modest experience.

Below is a chart showing the accumulated cashflows over fifteen years of each:



The chart shows that although the initial cost may be higher the potential return from a larger course may yield a larger return over fifteen years. Payback for each was between 4-5 years.

Although the larger course produces a higher cash return (\$8.5m over fifteen years, 18% ROI per annum), we have not proposed this as it is believed that 60,000 rounds per year is likely to be the upper limit of what is possible. This poses a risk of the project failing and producing an annual return lower than desired if the demand does not eventuate. Additionally, there are other considerations that make a larger course undesirable such as increased car parking demand and clubhouse/function infrastructure that may create a larger footprint on the Park Lands and add additional cost.

The smaller course would be lower risk but produces a lower overall cash return (\$3.2m over fifteen years, 14% ROI per annum). Building this type of course would deliver a much less appealing experience to the customer and would not provide a point of difference to existing courses such as Shanx at Regency Park.

A summary of each option is below:

Measure	Large	Small	Base Case
Cashflow Over Fifteen Years	8,465,389	3,245,192	5,416,210
Payback (Years)	4.28	4.99	4.56
Annual ROI %	18%	14%	16%
NPV at 5.20%	4,905,858	1,773,323	3,074,651

### 12.6. Single Variable Sensitivities

The financial model contains three key assumptions which are:

- Construction Cost
- Construction Length
- Number Of Rounds

### Property and Commercial - Mini Golf Business Case Rev 3

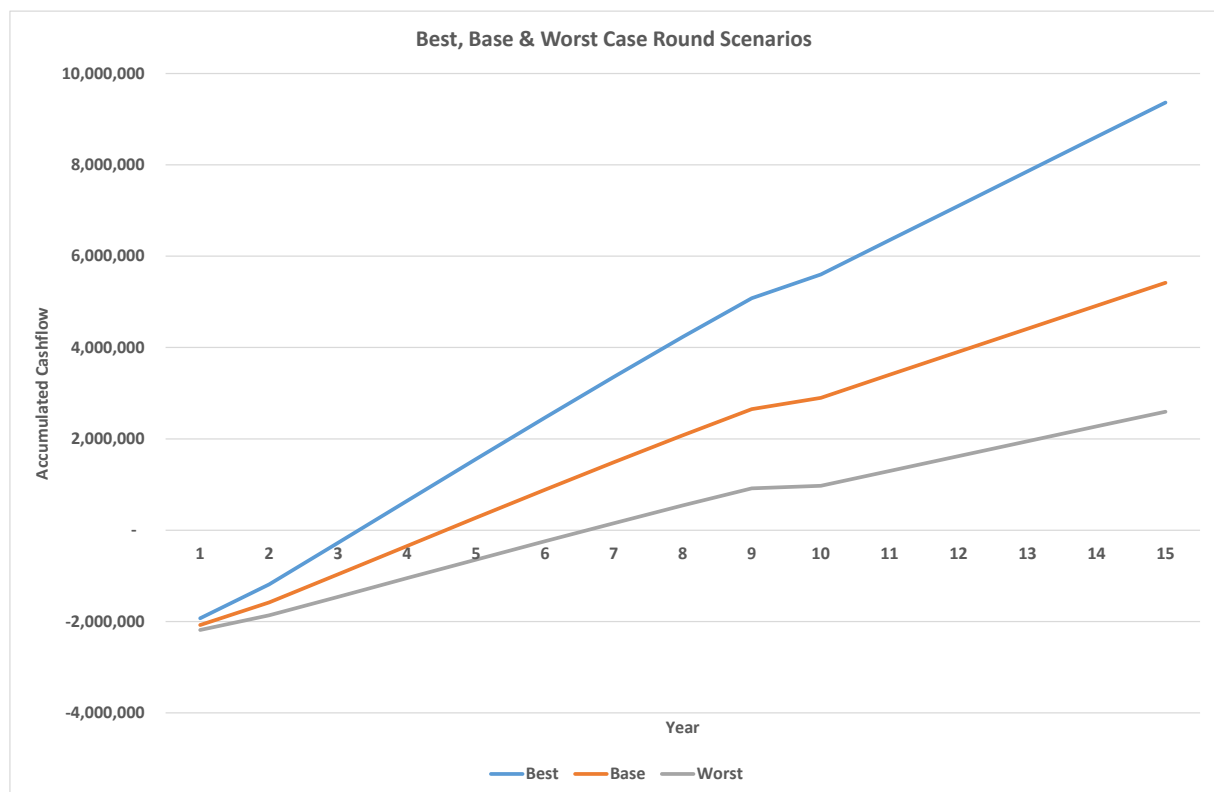
Analysis was done to test the sensitivity of each of these and it was found that change in the construction cost and length did not materially impact the financial model to influence an investment decision.

Calculations were done on the base case model which show that to achieve an annual ROI of 5% (defined as a critical success factor in section 15) we could spend up to \$4.3million. Construction could take as long as 62 months and still achieve a 5% ROI. Both are assessed as being highly unlikely to occur.

That means that the key assumption influencing the investment decision is how many rounds the Mini Golf course is forecasted to achieve.

We tested the sensitivity of this assumption by assuming that as a worst-case scenario we built the base case course but only achieved the small course scenario rounds (30,000 per annum) and as a best-case scenario we achieved the large course scenario rounds (60,000 per annum).

Below is a chart showing the modelling of these scenarios changing the number of rounds in the base case model.



The chart above shows the potential range of returns for a 3,030m2 course depending on the number of rounds it generates. You can see that over a fifteen-year period there is a wide range of return from \$2.6m in the worst case to \$9.4m in the best.

Measure	Best	Base	Worst
Cashflow Over Fifteen Years	9,365,389	5,416,210	2,595,192
Payback (Years)	3.30	4.56	6.61
Annual ROI %	28%	16%	8%
NPV at 5.20%	5,761,372	3,074,651	1,155,453

The annual return and payback on each case are shown in the table above. We can see that returns range from 8% up to 28% with payback somewhere between 3.3-6.6 years. The asset life of the course for this business case has been deemed to be fifteen years (with a \$300k renewal in year ten).

## 12.7. Cashflows in years 11 to 15

The financial modelling considers a fifteen-year period with the reasons outlined in the methodology section above.

At the end of ten years, it is anticipated a decision would need to be made regarding a reinvestment into the asset to keep it relevant. Based on experience in the industry it is believed a renewal of 10-15% of the original capital value would sustain round numbers for an additional 5 years. A full redevelopment could also be possible if performance warrants such an investment to increase yields over the long term.

Modelling has been done out to year 15 with the assumption a \$300k refresh would help maintain the same number of rounds as year 10. In this modelling the fees have been frozen rather than increased as it would not be feasible to maintain rounds and increase fees without significantly improving the customer experience.

This modelling showed that from years 11-15 with an investment of \$300k to refresh the course we could achieve additional cashflows of \$2.5m and this has been included in the base case and all scenario analysis.

## 13. FUNDING OPTIONS

### 13.1. Future Fund

Council has created a Future Fund (FF) which is reserved for investments Council will undertake to drive development of revenue streams in addition to rates income. The fund is managed through Councils Future Fund and Investment Policy (FF&IP) which provides guidance for evaluation of investments to be considered for funding.

To access funding from the Future Fund the income returns must be clearly defined and assessed using consistent financial evaluation criteria as outlined in the FF&IP.

Within that policy it states that the Future Fund will not be used to:

- fund operational expenditure
- fund asset renewal expenditure
- fund community investment that council would otherwise perform

The Mini Golf investment is a new commercial business venture where the income returns can be defined and assessed against the financial criteria as detailed below. Mini Golf does not fall within the above definition of projects that cannot be funded.

The Financial Analysis in (section 12) summarises the projected performance utilising financial measures most appropriate to inform the investment decision. The detailed modelling is contained in Attachment F. The below sections specifically address each step within the financial evaluation criteria defined in the FF&IP and concludes the FF should be the funding source utilised by Council.

#### 13.1.1. Establish Time Period

A suitable time period for the investment has to be established, in this case a fifteen-year period has been determined to be the best time period to evaluate based on the estimated lifespan of the Mini Golf course. After ten years a refresh/upgrade has been modelled at a cost of \$300,000 before a major upgrade could be required at the end of fifteen years.

### **13.1.2. Appropriate Discount Rate**

As the investment takes place over fifteen years, we need to consider the time value of the cashflows in the outer years as these represent significantly less value to the organisation than as if the cashflow was generated today.

Performing an NPV is not particularly informative as we are only considering one investment option and only one variable that significantly impacts the decision (round numbers as per the Financial Evaluation section later), however NPV analysis was performed using a discount rate of 5.20% which represents our best estimate of the long-term inflation and risk rate.

The rate used of 5.20% is taken from the State Government Department of Treasury and Finance guidelines for the evaluation of public sector initiatives part B. The rate is based on a very low market risk and is made up of a risk rate of 2.70% and an inflation rate of 2.50%.

At 5.20% the investment returns a positive NPV, using sensitivity analysis we were able to determine that it would take a discount rate of 26.10% for the investment to generate a zero NPV. This can also be articulated as the project delivering an Internal Rate of Return of 26.1%.

It is considered highly unlikely that the discount rate would get as high as 26.10%. As an example, the highest discount rate in the State Government guidelines for the highest risk investments is 9.40%.

### **13.1.3. Financial Evaluation**

The investment has been modelled to identify the net cash flow (revenue less costs including initial investment cost) and over the fifteen-year period the investment returns cash flows of \$5.4m.

Discounted cash flow analysis has then been used utilising a discount rate of 5.20% which shows the investment generates a positive NPV of \$3.1m or an annual return on investment (ROI) of 16%.

Sensitivity has then been performed which shows that the only variable which impacts the decision is the number of rounds that the investment generates (see the Financial Analysis section 12 for details on the sensitivity analysis performed to reach this conclusion). The number of rounds will be impacted either by the size of the market or the size of course built.

Based on market research we estimate there to be a market of at least 42,500 rounds per annum and have recommended we build a course suitable to deliver that volume. This means that the risk is we overestimate the size of the market. Sensitivity analysis was performed on the number of rounds, it would take 22,474 rounds for the investment to generate a zero NPV which would be half of what we estimate the demand to be.

The evaluation criteria also ask scenario analysis using either NPV, IRR or BCR (benefit-cost-ratio).

We have performed NPV analysis on the project however the round numbers are the only variable impacting performance. When assessing the investment against the critical success factors in Section 15 being an Annual ROI of > 5% and Annual Visitation of > 30,000 it has been concluded there is no conceivable scenario where those measures are not delivered.

One other useful financial measure to consider is the payback period, this helps us consider the risk of the investment. The longer the payback period is relative to the asset life of 15 years the higher the risk as there is less time to produce a return once the initial investment had been recouped.

Based on the modelling the payback period for the investment is 4.6 years. Considering the investment life is 15 years this investment pays back quickly and leaves sufficient time to generate positive returns.

It is worth noting, that while the funds are held in the Future Fund, they are effectively a loan offset amount and therefore do assist with debt reduction. Given the current level of interest rates and debt the interest cost that would be saved by holding the funds in reserve would equate to approximately \$35K per annum. This interest saving is minor in terms of materiality and hasn't been included in decision making process for the business case.

Utilisation of the Future Fund Reserve is the recommended option for this investment and currently has no comparative, material opportunity cost.

### 13.2. New/Upgrade Capital Funding

The alternative to utilisation of the FF is the traditional funding mechanism for a New/Upgrade Capital Project could be utilised. This is effectively debt funding or surplus cash funding; however, this would not align with Councils intent of the Future Fund and Investment Policy.

Debt funding is not a recommended option given the analysis indicates successful funding is available through the FF. Should the financial return not remain at the threshold to be considered viable for funding through the FF, Council could consider debt funding in line with traditional social infrastructure projects delivered by Council e.g. skate parks and play spaces. Given the strong strategic alignment and delivery of significant community, health and wellbeing, and visitation outcomes it is likely an appealing project irrespective of the commercial outcomes that are projected to be delivered at this time. Were this the case an additional option would be joint funding with State Government.

## 14. RISK ANALYSIS

When analysing the potential of a Mini Golf development, it is important to understand the risks that may be associated with the initiative.

The project team have utilised the CoA risk management framework and the current risk register is contained in Attachment H. The existing Risk Register is a live document and will continue to be managed throughout the project. For example, as construction methodology is developed, any new risks identified will be added, discussed within the project team, and managed accordingly.

Consideration of Council's prudential management policy was also considered as a part of the risk analysis of this proposal. However, given the value of investment being less than \$4m and the risk assessment performed, it is recommended that a formal prudential review is not necessary, and this business case sufficiently addresses critical issues arising from consideration of this investment.

## 15. CRITICAL SUCCESS FACTORS

A critical success factor (CSF) for the purpose of this business case has been defined as a measure that must be achieved to proceed. Were the base case to indicate it would not achieve any individual CSF the project should, if possible, be halted. These are also the measures for which the benefits realisation should be measured against over the lifetime of the project.

The 3 critical success factors and justification for their value is as follows:

### 15.1.1. Annual ROI % > 5%

- A 5% annual ROI% is considerably lower than the current base case which is 21%.
- The reason for the CSF remaining lower is due to the considerable strategic alignment of the project and benefits associated with the below CSF. It should be noted that a commercial return expectation would likely be above 10%, the base case supports progressing under those terms.



- Based on the Department of Treasury and Finance guidelines for this type of investment a discounted cash rate of 5.2% should be used which provides some guidance/benchmark from a government investment perspective.

### **15.1.2. Annual Visitation > 30,000**

- The projects strategic value is primarily driven by visitation. As such the CSF ensures that key variables such as scale and location of the project must deliver the minimum visitation. Without this CSF it is possible to significantly degrade the value proposition to the CoA.
- The CSF also provides the scale assurance when combined with the above CSF.
- Bench marking of facilities across Australia has informed this figure and it would still be considered high performing. This is well balanced given the capital investment is proportionate to the quality of the experience and that is the key driver of visitation.

### **15.1.3. Operational in or before 2025**

- This CSF is ensuring the project remains appropriately time bound to commence the benefits forecast.
- Should this not occur the business case should be revisited and re-endorsed to ensure that market conditions have not changed significantly, and the strategic alignment of the project remains as it was.

## **16. STAKEHOLDER ENGAGEMENT**

There are a range of stakeholders that are required to be engaged/consulted throughout the project. Following endorsement of the business case a stakeholder engagement and communication plan will be developed to manage engagement with the various stakeholders through the project phases.

Key outcomes of the stakeholder consultation/engagement are to address risks identified, confirm assumptions used in the business case and ensure all post construction operating variables are confirmed. This will inform design as well as operating processes/procedures not only with the Golf Operations team but also CoA support teams such as IM and Finance. The list of stakeholders identified has been categorised as either internal or external are as follows.

### **16.1.1. External:**

- Elected Members
- Kaurua Community
- Kadaltilla (APLA)
- Golf Australia
- NAGC Season Pass Holders (North/South Course)
- NAGC Season Pass Holders (Par 3)
- North Adelaide Golf Club members
- North Adelaide Golf Club president
- The Oaks Golf Club
- Wellington Golf Club
- API Golf Club

- Islington Works Golf Club
- Riverfront Café / Red Ochre Restaurant
- Existing NAGC customer base
- New Mini Golf customers
- Non-Golf users of Park 1

**16.1.2. Internal:**

- Executive
- Golf Operations Team
- Infrastructure Delivery Team
- Assets Team
- Park Lands Team
- Finance Team
- Commercial Property Team
- Safety Team
- People Services Team
- IM Team

## **17. PROCUREMENT STRATEGY**

There are options with regards to a market approach for design and construction of Mini Golf facility. The information provided in the feasibility study suggested that the design and construction of the course could be the same supplier. In addition, the design will have a large influence on the construction value.

However, through the internal stakeholder engagement process and preparation of the Cultural Heritage Assessment Report further consideration was given to the procurement approach. The establishment of Design Principles was determined to be the preferred approach as it would allow Council's aspirations to be reflected in Tender documentation.

Architectural firm City Collective were engaged to assist in the preparation of a Principals Project Requirements Brief (PPR). This document will include Design Principles and Scope Requirements. Refer to Attachment E for the PPR Brief.

To ensure that Council receives the best product for the project, the design of the course is recommended to be prepared by a team of suitably qualified consultants enabling Council to maintain control of the design process.

This will have a considerable influence on the construction quality and value. This team will be comprised of Architects, Landscape Architects, Golf Course Architect, Electrical, Civil, Mechanical and Traffic Engineers and independent Cost preparation.

### **17.1. Proposed Approach**

The proposed approach is to complete the project in 2 phases:

1. Lump sum design tender, award, and contract.
2. Open market construction tender, award, and contract.

The above process will ensure the contract for design can be awarded after competitive bids from Consultant Teams, with experts in the components of the project, collaborating with Council, Kaurna, and other Stakeholders. This will ensure that delivery risk is minimised, and that Council is not committed to a large investment before all elements of the project have been professionally resolved.

It is proposed that the Consultants selected will provide 3 Concept options which will be illustrated and costed to ensure that Council is fully versed in what is provided within the project and has options to choose from.

The advantage is that once a decision is made as to the preferred Concept, then the Consultants will prepare Documents for Tender which will enable fully qualified bidding from experienced and qualified Contractors.

At this point, the decision is simply whether to proceed with the construction or not.

If Council proceeds it will have a set of “For Construction” Documents which can be professionally managed and used during construction to provide a clear basis for every action to be taken on-site. Any failure by the Contractor can be mitigated by Contract Conditions.

## **17.2. Conclusion:**

Taking into consideration the unique qualities of the Park Lands, the Mini Golf project requires experienced consultants to produce a bespoke design prior to the much greater financial commitment to construction.

It is a complex project with complexities exacerbated by the number of Stakeholders and the heritage value of the site.

Administration will review the designs at all stages to ensure that the requirements of the Adelaide Park Lands, Kaurna and other stakeholders are preserved.

## **18. IMPLEMENTATION PLAN**

Timing	Activity
July 2022 – April 2023	<ul style="list-style-type: none"> <li>- Engage Neale Draper and Associates to undertake a Cultural Heritage Assessment Report, including engagement with Kaurna.</li> <li>- Consultant appointed to assist with the preparation of the Design Principles.</li> <li>- COMPLETE</li> </ul>
July 2023	<ul style="list-style-type: none"> <li>- Report to Council:                             <ul style="list-style-type: none"> <li>o Presentation of Business Case</li> <li>o Design Principles</li> <li>o Procurement approach</li> </ul> </li> <li>- Report to Kadaltilla to endorse the Design Guidelines.</li> </ul>
August 2023	<ul style="list-style-type: none"> <li>- Finalise the design tender documentation.</li> <li>- Issue design tender</li> <li>- Complete Stakeholder engagement on the proposal.</li> </ul>
September 2023	<ul style="list-style-type: none"> <li>- Evaluate Tenders and award contract to the preferred Design Team</li> <li>- Kaurna Advisory Group to be established.</li> </ul>
October 2023	<ul style="list-style-type: none"> <li>- Select the preferred Concept Plan.</li> <li>- Engage Neale Draper to commence preparation of the CHMP.</li> <li>- Consultant team to prepare three Concept Plans.</li> </ul>
November - February 2023	<ul style="list-style-type: none"> <li>- Report to Council and Kadaltilla – present the preferred Concept Plan and assessment against the Design Principles.</li> <li>- Finalise Concept Plan and initiate Construction Tender process.</li> </ul>

March - June 2024	<ul style="list-style-type: none"> <li>- Business and Operations planning</li> <li>- Brand awareness, marketing, and planning</li> <li>- Alterations to be planned to the existing facilities.</li> <li>- Human resources and workforce planning</li> <li>- Construction continues.</li> </ul>
July 2024	<ul style="list-style-type: none"> <li>- Construction to be completed</li> </ul>

**19. FUTURE WORK PLAN**

The following work items have been identified as the key components of work required to mitigate inherent risks of the project.

- Capital Project Plan (CoA PMO)
- Branding Strategy - entre NAGC operation.
- Marketing Plan – covering construction, launch and operating phases.
- Operating framework, policies, and procedures.

**20. ATTACHMENTS**

**20.1. Public**

- A. [GA Alternative Formats](#)
- B. [Cultural Heritage Assessment](#)
- C. [NAGC Sub-strategy](#)
- D. [North Adelaide Golf Course Layout](#)
- E. [Principals Project Requirements Brief](#)

**20.2. Confidential**

- F. Mini Golf Financial Model
- G. GBAS Feasibility Study
- H. Mini Golf Risk assessment

**21. LINKS - PUBLIC REFERENCE MATERIAL**

- I. [Future Fund & Investment Policy](#)
- J. [CoA Strategic Plan 2020-2024](#)
- K. [Active City Strategy \(2013-2023\)](#)
- L. [Adelaide Park Lands Management Strategy](#)
- M. [Stretch Reconciliation Action Plan](#)
- N. [Community Land Management Plan](#)
- O. [DRAFT 2023/24 Business Plan & Budget](#)
- P. [City of Adelaide Long Term Financial Plan 2022- 2023 to 2031- 2032](#)
- Q. [Guidelines for the evaluation of public sector initiatives](#)