

3.10A ACTIVATION DESTINATIONS

PGF Application		For: Decline	
Applicant:	Momentum Waikato Community Foundation	Pipedrive ID #	Commercial Information
Entity Type:	Incorporated Society	PGF Funding Sought:	\$ Commercial Information
Region	Waikato	Total Project Value:	\$ Commercial Information
Tier:	1 - Regional	Co-contribution rate:	Comm %
Sector:	Tourism	Funding Structure:	Grant \$ Commercial Information Loan \$ Commercial Information

We recommend that the IAP:

- a) **Discuss and decline** the Activation Destinations project that seeks \$ Commercial Information from the PGF fund to build a 1300 seat theatre and upgrade and enhance public spaces.
- b) **Note** if the IAP and Cabinet wish to support this project then any PGF funding would be subject to:
- Confirmation that the funding of \$ Commercial Information currently under negotiation has been locked in;
 - PDU review and agreement of the project management and governance systems;
 - MBIE agreement of the tender/contract strategy for the planned civil and building works; and
 - Further information and confirmation satisfactory to the PDU regarding the development of Commercial Information 4 star hotels.
- c) **Note** significant partner funding totalling \$ Commercial Information.
- d) **Note** the primary objective of the PGF of jobs is created through unlocking the hotel investments rather than the theatre itself.
- e) **Note** the request is for a grant in support of the Regional Theatre. Commercial Information. This indicates a requirement for community sponsorship over the first Commercial Information with a small net profit from Commercial Information. Refer Financial Analysis.
- f) **Note** the request is for a loan for the Commercial Information. This is likely to be with the Hamilton City Council with the terms and conditions Commercial Information) to be negotiated.
- g) **Note** alignment and support from Regional Tourism, Regional Economic Development agencies and strategies and Waikato Tainui.
- h) **Note** the project is significantly progressed through planning and design phases with plans to commence construction in Commercial Information.

Proposal:

The project comprises ^{Commercial} components:

1. The construction of a 1300 seat theatre to be built on the old Hamilton Hotel site overlooking the Waikato River. The multi-functional theatre space includes a large orchestra pit, a fly tower, light well, public foyer and gathering space.
2.

Commercial Information

Project Costs

	Project Total	Partner Contribution	PGF Funding	Structure
Waikato Regional Theatre	\$ ^{Commercial Inform}	\$ ^{Commercial Inform}	\$ ^{Commercial Inform}	Grant
<div style="background-color: #cccccc;">Commercial Information</div>	\$ ^{Commercial Inform}	\$ ^{Commercial Inf}	\$ ^{Commercial I}	^{Commercial}

Partner Contribution

		<div style="background-color: #cccccc;">Commercial Information</div>	
Waikato Regional Theatre			
Hamilton City Council	\$ ^{Commercial Inform}	<div style="background-color: #cccccc;">Commercial Information</div>	\$ ^{Commercial Inf}
Waikato Regional Council	\$ ^{Commercial Inform}	<div style="background-color: #cccccc;">Commercial Information</div>	\$ ^{Commercial in}
<div style="background-color: #cccccc;">Commercial Information</div>	\$ ^{Commercial Inform}		
Donors	\$ ^{Commercial Inform}		
Under negotiation*	\$ ^{Commercial Inform}		
Total	\$ ^{Commercial Inform}		\$ ^{Commercial Inf}

*Naming rights, lotteries Grants, Regional Culture and Heritage, Pledges and Community fundraising

The Hamilton Waikato Tourism Opportunities Plan identifies that increased tourism growth is hampered by a gap in the regional tourism infrastructure, namely greater capacity in hotel accommodation. This assessment is supported by the Hamilton City Council Hotel Demand Assessment report undertaken by the ^{Commercial Information} in 2016 which stated:

- There is an under representation in the 4-star plus category.
- Every effort should be undertaken to support new higher quality hotel and serviced apartment facilities which can help grow higher yielding visitor markets than those which are visiting currently.
- During periods of peak visitation (such as major events, conventions etc.), there are currently inadequate overnight accommodation facilities. This is particularly the case during various conferences throughout the year (with 1,000 plus delegates), major exhibitions and international sporting fixtures where demand exceeds supply.
- The location of Hamilton close to Auckland and as a gateway to the Waikato region, makes it a particularly compelling location for an accommodation precinct to support the wider region as well.
- Hamilton is increasingly becoming a first and last night overnight stay for international tour groups as a result of availability and rate pressure in Auckland and proximity to major visitor attractions such as Hamilton Gardens, Waitomo and the Hobbiton.

Regional Impact

Commercial Information has completed an economic impact assessment for the Waikato Regional Theatre. This assessment is based on event activity projections (event days by event type), average attendance and the proportion of attendees visiting from outside of Hamilton and the Waikato Region. The economic impact of the Theatre derives from visitors from outside of Hamilton and the Waikato Region attending events at the theatre. Those who stay overnight will generate incremental visitor expenditure.

The Waikato Regional Theatre is projected to generate an economic impact of \$ Commercial Information for Hamilton City in Commercial Inf increasing to \$ Commercial Information in Commercial Inf (this includes an economic impact from visitors from outside the Waikato region of \$ Commercial Informat in Commercial In increasing to \$ Commercial Informat in Commercial Info

The Waikato Regional Theatre is the key driver for the viability of Commercial Information which would fill the current accommodation capacity gap.

- A 34 room 5-star hotel – constructed alongside the Theatre. A \$ Commercial Information capital spend. Commercial Information
- Commercial Information
- Memorandums of understanding held.

The Waikato Regional tourism model is designed as a hub and spoke model. Hamilton is the hub for the hotel and accommodation as no other urban centre has the capacity and access to ancillary services (restaurants, transport hubs etc) to support a Commercial I room hotel.

Without the hotels the region will not realise the value from future tourism growth as visitors are transiting through Waikato (as its current situation) rather than overnighting.

Hotel development within Hamilton fills the accommodation gap which supports:

- The intention of Hobbiton to increase its resource consent to allow for up to 600,000 visitors per year, up from current 450,000 visitors.
- Authentic Cultural Tourism Development along the Waikato River in conjunction with Maori tourism providers. This was identified as part of the Te Waka Economic Summit held in August 2018 and includes tourism projects from the South Waikato Economic Development Plan.

The project is part of a wider portfolio of tourism destinations within the greater Waikato region.

Assessment against the PGF criteria:

Eligibility Criteria

This application is eligible for PGF funding.

Productivity Potential

The Waikato Regional Theatre is a component of the Waikato regional tourism trail incorporating Hamilton Zoo, Waiwhakareke Natural Heritage Park, Hamilton Gardens and Museum Development that aligns with the regions key natural and cultural feature - the Waikato River.

The trail stretches from northern Waikato to encompass future cultural tourism developments at Tūrangawaewae and the Rangiriri Land Wars interpretation site and through south Waikato to connect to the AvantiDrone

national cycling centre, Lake Karapiro High Performance and events centre, Sanctuary Mountain (Maungatautari), the Waikato River Trails and on to Hobbiton and Waitomo. These destinations act as the 'Activation Destinations' from which further creative and tourism products generate from.

The leverage of these projects being developed and working in concert, generates the economic benefit as identified in the Hamilton Waikato Regional Tourism Opportunities Plan and Te Waka Regional Economic Development programme.

Policy objectives and regional priorities

The Waikato Regional theatre is in line with the River Plan development and is a priority project within the Te Waka Regional Economic Development Plan for regional economic development. The project is a key component of the Creative Waikato Creative Arts Infrastructure Plan. It also aligns with the Hamilton Waikato Tourism Opportunities plan (delivering new and improved tourism experiences). The project forms part of Hamilton City Councils Long Term Community Plan 2018-2028.

The Theatre project is a key driver for the viability of hotel development which fills the regional tourism infrastructure gap that has been identified in regional development plans.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	Commercial Information	✓✓✓
Delivers benefit to the community	In addition to a venue for hire, the Theatre will be a base for Wintec Performing Arts degree and a platform for the production and delivery of product to the public i.e. workshops and education events. With a focus on performing arts and creativity there is a strong contribution to social wellbeing.	✓✓✓
Increased utilisation and returns of Maori asset base	No clear benefits	
Enhanced sustainability of natural assets	No clear benefits	
Mitigation of climate change effects	No clear benefits	
Additionality		
Adding value by building on what	Increasing tourism with economic impact derived from	✓✓✓

is already there	visitors from outside of Hamilton and the Waikato Region attending events at the theatre. Those who stay overnight will generate incremental visitor expenditure.	
Acts as a catalyst for productivity potential in the region	This project provides the catalyst for investment into hotel accommodation, a fundamental gap in the regional tourism infrastructure. This in turn supports growth in visitor numbers across regionally based tourism attractions.	✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<p>The Waikato Regional theatre is a priority project within the Te Waka Regional Economic Development Plan for regional economic development. The project is a key component of the Creative Waikato Creative Arts Infrastructure Plan. It also aligns with the Hamilton Waikato Tourism Opportunities plan.</p> <p>The Theatre project is a key driver for the viability of hotel development which fills the regional tourism infrastructure gap that has been identified in regional development plans.</p>	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<p>Letters of support:</p> <ul style="list-style-type: none"> • Hamilton Central Business Association • Te Waka, the Waikato region's economic development agency • Wintec - Waikato Institute of Technology 	✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<p>The two project delivery partners will be Momentum Waikato (for the Regional Theatre) ^{Commercial Information}</p> <p>Te Punga Joint Steering Group will oversee ^{Co} ^{rcial} projects. This will include executive members from Hamilton City Council, Te Waka, Waikato Tainui and Hamilton Waikato Tourism and Momentum Waikato. ^{Commercial} projects will be delivered by ^{Commercial Information}</p> <p>and an Independent Governance Panel (Waikato Regional Theatre).</p>	✓✓✓✓
Risk management approach	A robust risk management approach has been established. A detailed risk register has been developed and an indicative project programme is in place.	✓✓✓✓
Future ownership / operational management	<p>The Waikato Regional Theatre will be owned by the Waikato Regional Property Trust.</p> <p>The Waikato Regional Property Trust ('WRPT') will</p>	✓✓✓✓

become the signatory on contracts as the project progresses to tender and contract and will be the owner of the facility and the recipient of the annual \$ ^{Commercial Inform}

(inflation adjusted). The role of the WRPT will be to build a maintenance fund, ensure a maintenance programme in line with an established Asset Management Plan and also be the owner and establishment board of the operating company which will act as the venue manager and promoter. To ensure continuity of the project, the current Waikato Regional Trust Governance Group will continue to act as a committee under the WRPT through the remainder of the project, continuing their role of governance on the project.

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Analysis of the benefits

The PGF investment provides the catalyst for significant commercial investment of circa \$ ^{Commercial Information} in tourism infrastructure (hotels).

The timeline for completion of the Theatre is ^{Commercial Information}

Collective new employment numbers for hotels and theatre would equate to some ^{Commere} FTEs.

Indirect benefits include infrastructure support leading to growth in visitor numbers across regionally based tourism attractions.

Financial Analysis

Momentum Waikato Community Foundation 30 June 2018 financials record total assets of \$ ^{Commercial Informa} with total liabilities of \$ ^{Commercial Information}. Net Assets total \$ ^{Commercial Inf}. The operating surplus for the year totalled by \$ ^{Commercial Inf}. The foundation is in a sound financial position.

Financial Forecast Waikato Regional Theatre

The financial performance for the Regional Operating Company (venue managers) is based on 120 events nights.

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The Community & Corporate Sponsorship will be covered by Momentum Waikato Community Foundation and Trust Waikato Grant.

Financial performance for both the Waikato Regional Facilities Trust (The Owners of the facility):
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Commercial Information

however this is unlikely to be locked in until the Theatre has been completed. The Maintenance reserve is set at ^{Com} % of capital value, at a level considered appropriate.

Funding Arrangements

Theatre costs

Cost Description:	\$ (excluding GST)
Lead design consultants – Charcoal Blue	\$ Commercial Information
• Concept Design	\$ Commercial Information
• Preliminary Design	\$ Commercial Information
• Developed Design	\$ Commercial Information
• Detailed Design	\$ Commercial Information
• Bid and Procurement	\$ Commercial Information
• Construction	\$ Commercial Information
• Testing and Fit out	\$ Commercial Information
Project Manager – RDT Pacific	\$ Commercial Information
Quantity Survey Work - Commercial Information	\$ Commercial Information
Geotech work -	\$ Commercial Information
Construction / work preps	\$ Commercial Information
Theatre Fit out and equipment	\$ Commercial Information
Furniture, Fittings and Equipment	\$ Commercial Information
Contingency	\$ Commercial Information
Total	\$ Commercial Information

Commercial Information

Proposed payments

Description	Payment criteria:	%
Initiation Payment	For each project – on award and signing of funding FGF agreement	Commercial Information %
Consents in place	All documentation consents (Resource and building) received	Commercial Information %
Project Plans finalised	Project management confirmed, Detailed design complete, project plans and timeframes confirmed	Commercial Information %
Bid and Procurement	For each project separately – award of contract to successful tender	Commercial Information %
Site works complete	site works, ground clearances and construction ready	Commercial Information %
Construction complete	Construction signed of – final reports from contractor approved by client (for each project)	Commercial Information %
Operations	Assets operational	Commercial Information %
Total		100%

Due Diligence and Ownership

PDU is waiting on results of due diligence

Momentum Waikato Community Foundation - key personnel

Chairman: Privacy of natural persons), Deputy Chair: Neil Richardson, Privacy of natural persons, Ken Williamson Privacy of natural persons, Jon Tanner Privacy of natural persons, Pam Roa Privacy of natural persons, Ken Stephens Privacy of natural persons, Simon Rickman Privacy of natural persons.

- The CEO is former GM of City Growth for Hamilton City Council, Kelvyn Eglinton

- The Governance panel for the Theatre Project is Chaired by Dr Julian Elder
- RDT Pacific, appointed project manager for the Waikato Regional Theatre, led the project management for the Auckland War Memorial Museum, ASB Theatre Aotea Centre, Rotorua Energy Events Centre, Rotorua Museum Redevelopment, and Rotorua Civic Stage house.
- Lead Consultants for the Theatre are Charcole Blue (London and Melbourne) is an innovative theatre, acoustics and digital design consultancy and are the consultants of choice for many leading architects and theatre including The Linbury Theatre, Royal Opera House (London), The Yard at Chicago Shakespeare Theatre, and Sydney Theatre Company.

Risk Assessment

The key risks to the PDU and proposed mitigations of this investment are as follows:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Benefit realisation	Hotel Developments do not proceed in a timely manner with	Further information and confirmation satisfactory to the PDU regarding the development of <small>Commercial Information</small> 4 star hotels.	Medium
Budget	Construction cost over-runs	PDU agreement of the tender/contract strategy for the planned civil and building works.	Medium

Consultation undertaken or implications:

TPK:

Te Puni Kōkiri noted that while the proposal highlighted key cultural tourism developments within Waikato-Tainui rohe, the breakdown of where the funding would be allocated was targeted on Hamilton City developments.

The revised request (noted in the memo from Momentum dated 22 March 2019) attempts to respond to the PDU questioning of the wider regional economic impact of this investment, given the urban location of the projects and PGF focus on the provinces.

In our view, the response provided does not sufficiently demonstrate the wider regional economic impact of this investment:

- The memo states that the Waikato Regional Theatre is identified as a priority project within the Te Waka Regional Economic Development Plan. Whilst this is correct, there are a number of projects identified in the plan. How has it been determined that this is the one that should seek PGF investment over the others?
- The argument is made that the hotel development, as a result of the Regional Theatre project, will enable Te Waka to focus on Authentic Cultural Tourism Development along the Waikato River in conjunction with Māori tourism providers. How that will be enabled is not made clear.
- Given that this application implies that PGF investment in the Regional Theatre Commercial Information will deliver economic benefits to other developments in the wider Waikato region, evidence of wider socialisation and support of the application should be requested by PDU. Commercial Information
- The Commercial Information model referred to in the memo is not fully evidenced.

Te Puni Kōkiri notes the support letter from Hobbiton, which demonstrates the economic benefits for their business from this PGF investment.

The 22 March memo notes that the application is supported by and aligns with Waikato-Tainui. Te Puni Kōkiri recommends that PDU request evidence of this support to determine whether it is specific to the Regional Theatre **Commercial Information** at the centre of this PGF request.

The application provides little information on how the investment will positively contribute to Māori development outcomes.

As per previous Te Puni Kōkiri feedback on the original application:

- **Commercial Information**
- **Commercial Information**
- **Commercial Information**

Te Puni Kōkiri is supportive of the application with the following conditions:

- Evidence provided of partnership with iwi
- Evidence provided of how this project will enable Te Waka to focus on Authentic Cultural Tourism Development along the Waikato River in conjunction with Māori tourism providers
- Evidence of wider regional economic benefit

Supporting proposal:	No
Appendices:	Yes – Applications and supporting letters are as annexes Withheld - Commercial Information
Author of paper:	NH, Investment Director, PDU Investment Team

PROACTIVELY RELEASED