

## COVER SHEET

1. Omaka Aviation Heritage Centre Expansion Project PGF Application	For: Approve
<b>Background &amp; context:</b>	<b>Recommendation:</b>
<p><b>Applicant Organisation:</b></p> <ul style="list-style-type: none"> <li>The New Zealand Aviation Museum Trust (NZAMT), trading as Omaka Aviation Heritage Centre (OAHC). A Charitable Trust</li> </ul> <p><b>Location:</b></p> <ul style="list-style-type: none"> <li>Top of the South</li> </ul> <p><b>Proposal:</b></p> <ul style="list-style-type: none"> <li>To undertake a feasibility study to establish the viability of expanding the Omaka Aviation Heritage Centre</li> </ul> <p><b>Funding Sought:</b></p> <ul style="list-style-type: none"> <li>Total project value: \$<sup>Commercial Inf</sup></li> <li>PGF Funding: \$60,000</li> <li>Applicant's contribution: \$<sup>Commercial Inf</sup></li> </ul> <p><b>Background:</b></p> <p>The Omaka Aviation Heritage Centre (OAHC) opened in 2006 with an initial exhibition space 'Knights of the Sky' focusing on World War One. In 2016, a second exhibition space was opened 'Dangerous Skies'. This area focused on World War Two.</p> <p>The applicant notes OAHC is the largest tourism product in the Marlborough District, <sup>Commercial Information</sup> <b>Commercial Information</b>. The centre has additionally acted as a catalyst for aviation activity, with a part of that activity being the biennial Classic Fighters air show.</p> <p>The issue the organisation faces is that income is not adequate to fund an expansion on the scale proposed. OAHC is now seeking a staged develop to further extend their exhibition space, as well as expand associated service offerings including:</p> <ul style="list-style-type: none"> <li>Eatery</li> <li>Retail</li> <li>Conference and event space</li> </ul>	<p><b>We recommend that SROs:</b></p> <p>a) <b>Discuss</b> Omaka Aviation Heritage Centre's PGF application to undertake a feasibility study as part of a wider expansion development of the OAHC.</p> <p>b) <b>Note</b> The PDU and MBIE tourism have assessed this application and that the PDU supports a feasibility study that addresses factors outlined in the cover sheet's Background section.</p> <p>c) <b>Note</b> The OAHC meets a number of key PGF criteria. It is the number one <b>tourism</b> attraction in the district and has a strong element of <b>additionality</b> - building on a highly successful existing tourism product.</p> <p>d) <b>Note</b> OAHC received \$<sup>Commercial Information</sup> from MBIE's Tourism Growth Partnership in 2015 as part funding of the WW2 exhibition hall (opened in 2016). As such MBIE tourism, while supportive of a feasibility study, is not supportive of funding for Stages 2-3.</p> <p>e) <b>Note</b> That while the feasibility study will not provide significant new employment opportunities for the district, the construction of the facility will be a major project, and that the upgraded complex will provide additional <b>employment</b> at the facility.</p> <p>f) <b>Note</b> The applicant has provided evidence of strong project delivery in relation to previous developments at OAHC including the two</p>

The first stage of this development is a feasibility study. The outcomes of the study will be:

- A review of structural and fire engineering
- To develop QS costings of the construction
- Research revenue forecasts and develop financial budgets

OAHC has outlined that the feasibility study will inform the development of a major extension of the frontage building and the creation of a northern display hall. This expansion is part of the OAHC Masterplan completed in 2013 and OAHC will be submitting applications to the PGF for financial assistance for subsequent stages of this development, the detailed design, and construction.

In assessing the application, the PDU has noted significant district support for the project including:

- **Commercial Information**
- [Redacted]
- [Redacted]
- [Redacted]

The PDU does have concerns relating to this project. OAHC operates and is noted by the applicant as the number one visitor attraction in the region. As such, an expansion, and government funding, needs to provide evidence of one or both of the following conditions:

- A significant increase in visitor numbers to the centre. SROs must be satisfied that, if the vast majority of visitors are travelling through the region and visit the centre on this basis, the expansion will require passing tourist numbers visiting to significantly increase to justify investment – noting the OAHC is currently the district’s number one visitor attraction.
- The focus of associated services, the eatery and particularly the conference facility will generate significant revenue via local use, as visitor patronage of these services is unlikely to generate the level of income required to make these components viable, noting OAHC is located well off SH1.

The PDU notes these factors could be addressed in the feasibility as the applicant notes forecasting will be a component of the study.

exhibition spaces that comprise the current complex.

- g) **Note** The applicant wishes to undertake QS as part of the feasibility study. Noting that the second stage of the project is ‘detailed design’, this component might better be undertaken during the second stage.
- h) **Support the PDU recommendation to Approve** up to \$60,000 from the PGF fund towards Omaka Aviation Heritage Centre as a grant subject to:
  - Confirmation from the applicant that they are able to meet their financial contribution towards the project
  - A clear understanding being established that grant funding for feasibility will not be any indication of further support for the development project, as the applicant notes subsequent applications to the PGF for design and construction are likely
  - Development of a risk/ mitigation register for the feasibility study
  - Due diligence on all businesses contracted to the feasibility study

**PGF criteria that this proposal supports:**

PGF Criteria	Assessment Commentary	Rating
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		(1✓ to 5✓)
<b>Link with fund and government outcomes</b>		
Creates permanent jobs	A feasibility project. As such employment opportunities are limited. Should the project go ahead, employment opportunities associated with the construction and increased operation of OAHC would be generated.	✓
Delivers benefit to the community	If further development is undertaken at OAHC, benefits associated with the centre, its associated services, including the biennial air show, will bring wider community benefits to the tourism industry in Marlborough district.	✓✓✓
Increased utilisation and returns of Maori asset base	The applicant notes consultation with local iwi, and opportunities for the sale of locally sourced Maori products at OAHC. The PDU notes this as limited.	✓
Enhanced sustainability of natural assets	N/ A	
Mitigation of climate change effects	N/ A	
<b>Additionality</b>		
Adding value by building on what is already there	OAHC is the district's top tourism attraction. The facility has been a strong success in attracting tourists, as well as increasing aviation activity noting in particular the biennial air show.	✓✓✓
Acts as a catalyst for productivity potential in the region	Limited. The opportunity for construction and fit out must be noted, as well as possible ongoing engineering relating to the aviation sector using the airfield. However, as noted in the 'Background', a determination needs to be made as to the likelihood of a heavy increase in visitor numbers, noting the majority of current visitors are likely to be passing tourists.	✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	The district does not yet have a steering or governance group. The project has strong support from district entities including council and business.	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	Although the applicant notes support from the <small>Commercial In</small> , wider consultation has not been undertaken.	✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	The applicant provides strong evidence of robust governance including election processes for Trust members. OAHC has previously undertaken significant construction projects to develop the two existing exhibition spaces – projects that came in on-time and within budget.	✓✓✓✓

Risk management approach	Risk/mitigation is noted as being developed during the design phase which is a typical approach for such projects. The PDU notes however, risks are associated with the feasibility including what should happen if the feasibility indicates sub commercial returns for the development. These are not adequately addressed									✓✓
Future ownership / operational management	N/ A as the applicant is Charitable Trust									
<b>The purpose of this briefing is to consider recommending PGF funds to the Omaka Aviation Heritage Centre</b>										
<b>Risks Issues:</b>										
<ul style="list-style-type: none"> <li>The applicant has noted that a risk/ mitigation register will be developed during the design phase. This is standard practice</li> <li>The PDU notes risks are associated with the feasibility study and the development of a register should be a condition of approval, should SROS agree to approve</li> </ul>										
<b>Eligibility points of note:</b>										
<ul style="list-style-type: none"> <li><i>Due diligence:-</i> Full due diligence is to be completed. It is a condition of approval that due diligence is to be to the satisfaction of the Head of PDU Investment team.</li> <li><i>Conflict(s) of interest:-</i> Based on the information provided conflicts have been noted and will be managed by the applicant. PDU should work with the applicant to ensure the PDU is happy with any Col issues</li> <li><i>Illegal Activity:-</i> Based on the application information provided and feedback from other agencies there is no indication that the applicant or project has been involved in, or associated with illegal activity.</li> <li><i>Alignment with Regional development plans:-</i> The district does not have a governance group at present although this is being developed. The project does have the support of council and business</li> <li><i>Commercial funding availability:-</i> Given the nature of the project which is to undertake a feasibility study access to commercial funding is not considered a feasible option.</li> </ul>										
<b>Consultation undertaken or implications:</b>										
Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	MBIE tourism	
<b>Supporting proposal:</b>					Yes					
<b>Appendices:</b>					Yes - Application					
<b>Sponsor(s):</b>					N/A					
<b>Manager/Author of paper:</b>					ELH Investment Team					