

3.14 GOVERNMENT GARDEN CULTURAL QUARTER - INCLUDING THE REMEDIATION AND UPGRADE OF THE ROTORUA MUSEUM

PGF Application		For: Noting	
Applicant:	Rotorua Lakes Council ("RLC")	Pipedrive ID #	Commercial Information
Entity Type:	Local Authority	PGF Funding Sought:	\$15,000,000
Region	Bay of Plenty	Total Project Value:	\$ Commercial Information
Tier:	3 - Infrastructure	Co-contribution rate:	Commercial %
Sector:	Tourism	Funding Structure:	Grant

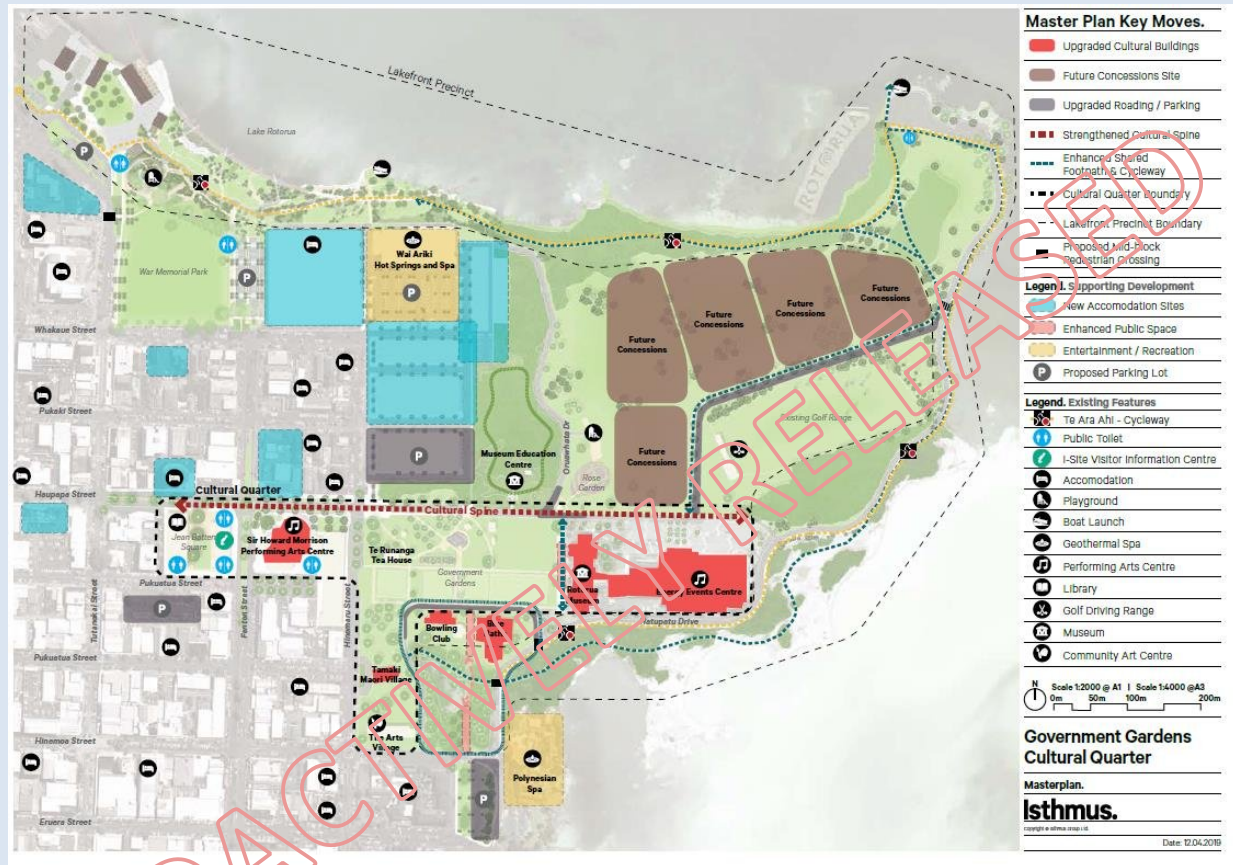
We recommend that the IAP:

- a) **Note** the request for \$15,000,000 from the PGF fund towards the remediation and upgrade of the Rotorua Museum. The greater project aligns well with the rest of investment in Rotorua, including the Lakefront Development and Whakarewarewa Forest, and this investment is expected to lead to a longer term positive impact on social and economic outcomes. However, any support considered is recommended to be subject to:
- Co-contributions.
 - The PDU receiving and being satisfied with the full cost details and operational model.
 - Social procurement outcomes being required by the project in consultation with the PDU.
 - RLC underwriting any cost increases and completion of the full project.
- b) **Note** that while the Government Gardens Cultural Quarter application contains several projects, RLC has made it clear that the priority project is the remediation and upgrade of the Rotorua Museum.
- c) **Note** that the co-contribution criteria requirement is expected to be met.
- d) **Note** that the timeframe to completion is expected to be approximately 3 years.
- e) **Note** the risk that the remainder of the funds required are not committed within the timeframe proposed by the RLC and that full project value cannot be raised, resulting in a less favourable outcome.

Proposal:

The Rotorua Museum has been closed since 2016 due to structural concerns relating to potential seismic activity. The development of the Government Gardens Cultural Quarter is to establish a regionally significant museum that attracts high value investment to the region. The heart of the Government Gardens Cultural Quarter is the Rotorua Museum. Being the most photographed building in New Zealand, the Museum anchors the cultural quarter and serves as the economic engine. The Museum is expected to be restored but also upgraded to a digital and interactive experience. This is expected to support attracting higher value visitors, events and conferences to

the region, therefore supporting the objectives of the Lakefront and Whakarewarewa Forest developments.



Furthermore, this is expected to support the feasibility of unlocking up to 9 sites in the Government Gardens reserve which are managed jointly between Council and Ngāti Whakaue (represented by Pukeroa Oruawhata Trust). On a macro level the investments will also lead to increased employment for the whole Rotorua community, contributing to an increase in GDP.

Rotorua Lakes Council in partnership with iwi stakeholders has been investing in the development and plans for our Big Move projects for over a decade and has contributed over \$^{Comme} to date to get this project to its current state of readiness.

The project development has been broken down into four phases:

- > **Phase 1 Research and Investigate Stage 1** – Including seismic assessment, concept and detailed designs, quantity surveying, business case development, funding level consultation and economic impact assessment.
- > **Phase 2 Construction of Stage 1** – Including installation of the Rotorua Museum of the future, and skybridge, exhibitions and cafe, installation of the Education Centre, repurposing of the Te Rununga Tearooms catalysing the redevelopment of the Blue Baths.
- > **Phase 3 Research and Investigate Stage 2** – Including business case development and concept and detailed design of the exhibition centre, partnership and programme development with exhibition partners, investment options into concession sites, funding level consultation.
- > **Phase 4 Construction of Stage 2** – Including exhibition centre, construction of the public realm master plan and construction of the garden redevelopment, pathways and lighting.

Key Considerations	Assessment Commentary	Rating (0✓ to 5✓)
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> Aligns to the Toi Moana Bay of Plenty Regional Growth Programme and the Vision 2030 “the Rotorua Way”. 	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> The applicant is the RLC and has indicated this project as a key priority. Regional councils have also provided support. 	✓✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> The RLC would implement project management and governance systems in line with its existing policies. 	✓✓✓
Risk management approach	<ul style="list-style-type: none"> As a key driver of the RLC it is expected to receive significant attention and oversight from the RLC. RLC’s frame work is consistent with AS/ NZS ISO 31000 2009 standards. 	✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> It would be a key asset of the RLC and local partners 	✓✓
Analysis of the benefits		
<ul style="list-style-type: none"> PGF support could lead to a regionally significant facility that will attract high value investment to the region. \$^{Commercial} of project funding is secured, however without support from Government, RLC has stated that the project will not be feasible based on the condition of the current building, also considering its current location. To support this application RLC procured the services of ^{Commercial} to model the economic impact of Stage 1 of the project. This modelling is directly related to the Museum facilities (museum, education centre and Te Rununga Tearooms) and models three main sources of expenditure and its impact on jobs and GDP from 2019 to 2031. The three main sources of expenditure are; construction spending, museum operational spending and the additional or retained spending in the local economy by museum visitors. The analysis provided three economic impact scenarios (low, medium and high) based on historic visitor numbers to the museum and data from MBIE and Statistics NZ. <p>A summary of the total combined impact of the medium scenario is provided in the following table:</p>		

Combined Economic Impacts - Medium Scenario (Note: not all years shown)

	2019	2020	2021	2022	...	2026	...	2031
Expenditure (2018\$m)	Commercial Information	Commercial Information	Commercial Information	Commercial Information	...	Commercial Information	...	Commercial Information
GDP (2018\$m)	Commercial Information	Commercial Information	Commercial Information	Commercial Information	...	Commercial Information	...	Commercial Information
Employment: Construction (FTEs)	Commercial Information	Commercial Information	Commercial Information	Commercial Information	...	Commercial Information	...	Commercial Information
Employment: Tourism (FTEs)					
Employment: Other Industries (FTEs)					
Employment: total all industries	Commercial Information	Commercial Information	Commercial Information	Commercial Information	...	Commercial Information	...	Commercial Information

Source: Economic Impact Assessment, Commercial Information

Financial Analysis

RLC's \$ Commercial contribution was approved for the project in the Long Term Plan (LTP). This funding is set to occur from years 2019- Commercial. Despite the increase in debt (\$ Commercial Inf) proposed in the Long Term Plan, the Council will still maintain on average Commercial % deb:/equity ratio over the 10-year Long Term Plan period. Taking cognisance of the inclusion of the new debt, RLC is still expecting to meet its debt limits as per the metrics below:

- > Net debt to Total Revenue Commercial % against a limit of Commercial %.
- > Net interest to total revenue Commercial % against a limit of Commercial %.
- > Net interest to Annual Rates Income Commercial % against a limit of Commercial %.

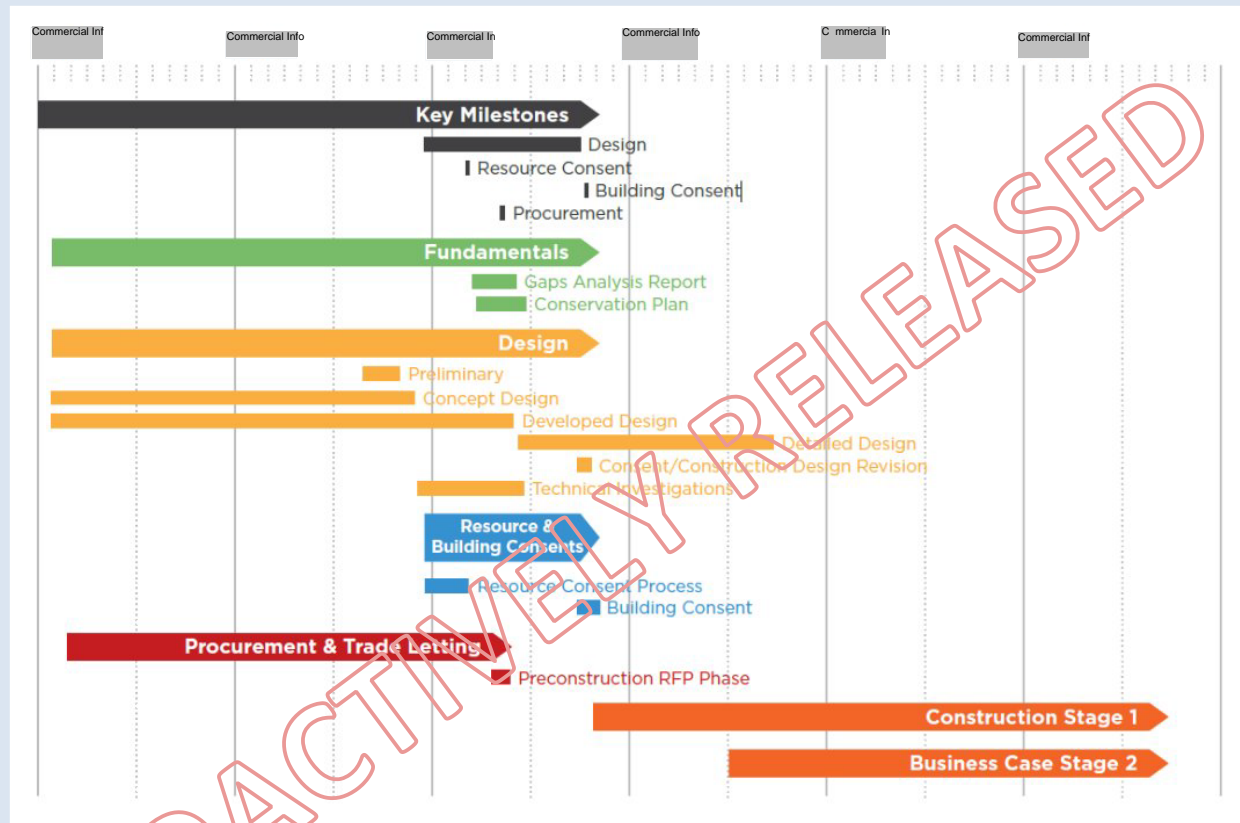
This comfort is further reinforced by the Council's retention of an AA- rating with Fitch ratings despite the additional debt proposed in the LTP. This assumes that the funding from the PGF would be provided by way of grant funding.

Funding Arrangements

Other parties that RLC is expected to receive funding from are:

Name	Amount sought	Status
Commercial Information	\$ Commercial	Funding approved in RLC long term plan
Commercial Information	\$ Commercial	Funding confirmed
Commercial Information	\$ Commercial	Pending
Commercial Information	\$ Commercial Information	Pending
Other external funding	\$ Commercial	Pending

As demonstrated in the plan below, the project is expected to start in earnest in Commercial Inform.



Due Diligence and Ownership

- As the applicant is a local authority ongoing due diligence is undertaken by the DIA.

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
Cost escalations due to delays	Cost estimates increase beyond concept estimates as design progresses resulting in additional funding or scope reduction.	<ul style="list-style-type: none"> • Council will provide significant resources to accelerate this project. • Considering other methodologies and innovative design techniques as well as running multiple workstreams. • Requirement for RLC to underwrite cost escalations. 	M

<p>Unable to secure funding</p>	<p>The risk that other funding sources in excess of the \$^{Commercial} committed cannot be obtained, resulting in a less favourable outcome.</p>	<ul style="list-style-type: none"> • RLC has committed to maintaining good relationships with our existing funders, making sure they are up to date, continuing to seek options for funding and make funding applications. 	<p>M</p>
<p>Loss of the collection to be housed in the Museum</p>	<p>If Commercial Information () were to lose confidence in the Museum – its safety, design and exhibitions – then the Museum may not be able to get access to collections it needs to realise its benefits</p>	<ul style="list-style-type: none"> • Work with collection owners/guardians to identify the issues then retrospectively address them. • Ensure that sufficient funds are available to invest in measures to ensure that their collections can be safely and appropriately exhibited. 	<p>L</p>
<p>Supporting proposal:</p>		<p>For Noting</p>	
<p>Appendices:</p>		<p>Yes – Applications and supporting letters are as annexes</p>	
<p>Author of paper:</p>		<p>JH, PDU Investment Team</p>	

PROACTIVELY RELEASED