

## COVER SHEET

3.10 Opuke Thermal Pools and Spa Project PGF EoI/Application	For: Approve
<p><b>Background &amp; context:</b></p> <p><b>Applicant Organisation:</b></p> <ul style="list-style-type: none"> <li>Methven Adventures Limited (MAL) is the entity responsible for the development of the Opuke Thermal Pools and Spa Project (Opuke).</li> </ul> <p><b>Location:</b></p> <ul style="list-style-type: none"> <li>Methven, Ashburton District, Canterbury</li> </ul> <p><b>Proposal:</b></p> <ul style="list-style-type: none"> <li>To develop, build and operate a thermal pools and spa attraction in Methven.</li> <li>Opuke will be a greenfields thermal pool and spa retreat, which will be developed at the base of the Southern Alps, and provide visitors with a unique guest experience, utilising solar-heated mountain water</li> </ul> <p><b>Funding Sought:</b></p> <ul style="list-style-type: none"> <li>Total project value: \$Commercial Information</li> <li>PGF Funding: \$2m Commercial Information \$5.5m Commercial Information.</li> </ul> <p><b>Background:</b></p> <ul style="list-style-type: none"> <li>Since 2009 MAL (and its predecessors) has been working on completing the concept design, feasibility and consents (estimated \$Commercial Information spent to date). This has been done in consultation with local government (Ashburton DC, Mackenzie DC, and the Canterbury Mayoral Forum), Ngai Tahu, NZTE (the last 14 months).</li> <li>Resource consents have been secured, land has been optioned, demand studies have been completed, the concept design has been prepared and a project manager has been appointed.</li> <li>MAL is now entering the next stage (July – December 2018) which includes completing the Preliminary / Developed design, procurement</li> </ul>	<p><b>Recommendation:</b></p> <p><b>We recommend that the IAP:</b></p> <ol style="list-style-type: none"> <li><b>Discuss</b> the application for the Opuke Thermal Pools and Spa Project.</li> <li><b>Note</b> that New Zealand Trade and Enterprise has been working with the applicant for 14 months, and strongly supports this application.</li> <li><b>Note</b> the strong alignment with the Canterbury Economic Development Strategy and regional priorities</li> <li><b>Recommends</b> the application is considered for approval in principle for funding from the Provincial Growth Fund Grant: <ul style="list-style-type: none"> <li>\$2.0 million (Commercial Information).</li> <li>Commercial Information: \$5.50 million Commercial Information).</li> </ul> </li> <li><b>Commercial Information</b></li> <li><b>Instruct</b> PDU management to negotiate terms and complete due diligence in respect of the project and report back to the IAP.</li> </ol>

and equity /debt capital raise.

- MAL have mandated Commercial Information to assist with raising capital (as an earlier process run internally stalled).
- MAL is requesting a financial support package from the PGF which will facilitate project development and assist securing sufficient third party capital. Requesting PGF support of two components:
  - Commercial Information: \$2.0 million Commercial Information
  - Commercial Information: \$5.50 million Commercial Information Commercial Information ).

Commercial Information

**PGF criteria that this proposal supports:**

PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
<b>Link with fund and government outcomes</b>		
Creates permanent jobs	<ul style="list-style-type: none"> <li>• Economic benefit study estimates Commercial Information jobs will be created. With an estimated \$ Commercial Information estimated incremental GDP (over 10 years, present value). One objective of the project is to assist in transforming Methven from a part time winter town with a high incidence of short term jobs, to an 'all year' town with permanent jobs.</li> </ul>	✓✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> <li>• As per creating permanent jobs, objective is to provide a cornerstone tourism attraction to assist in transforming Methven to an 'all year' town. This will lead to further development for the Methven/Mt Hutt area which currently has 1700 permanent residents, fluctuating over the winter months.</li> <li>• The increased commercial activity resulting from Opuke will:                             <ul style="list-style-type: none"> <li>-Help protect and improve many of the existing businesses in the town; and</li> <li>-Reinvigorate the area throughout the year, which will stimulate the local economy and create new opportunities for businesses and activities in the community; and</li> </ul> </li> </ul>	✓✓✓

PROACTIVELY RELEASED

	-Create significant new long-term sustainable employment opportunities.	
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> <li>Minimal evident.</li> </ul>	✓
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> <li>Project will utilise mountain water.</li> </ul>	✓✓
Mitigation of climate change effects	<ul style="list-style-type: none"> <li>Project will be heated by solar energy. Dirtier alternatives were considered and discarded, despite solar costing more to implement.</li> </ul>	✓✓✓
<b>Additionality</b>		
Adding value by building on what is already there	<ul style="list-style-type: none"> <li>Will assist in utilisation of existing accommodation and hospitality assets over the summer season. Reducing the seasonality of Methven.</li> </ul>	✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> <li>Will assist in utilisation of existing accommodation and hospitality assets over the summer season. Reducing the seasonality of Methven.</li> </ul>	✓✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	<ul style="list-style-type: none"> <li>Strongly supported by the Canterbury Mayoral Forum, and local Councils. This aligns very well with the Canterbury Regional Economic Development Strategy, specifically the work stream for the Regional Visitor Strategy.</li> <li>The objective of the Regional Visitor Strategy is to grow sustainable tourism that focuses on the high-end market, encourages a wider seasonal 'spread', disperses visitors across the region and South Island, and keeps them here longer.</li> </ul>	✓✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> <li>Refer to Appendix 1 which sets out consultation carried out by the Applicant to date.</li> </ul>	✓✓✓✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	<ul style="list-style-type: none"> <li>The organisational Structure has a Board of Directors, and a Project Control Group. Once the project proceeds further a separate organisational structure will be set up for operations. <b>Commercial Information</b></li> </ul>	✓✓✓✓

	<b>Commercial Information</b>								
	<ul style="list-style-type: none"> <li>Note due diligence has been undertaken on Methven Adventures Limited, this has not raised any concerns around the probity of the applicant and shareholders.</li> </ul>								
Risk management approach	<ul style="list-style-type: none"> <li>Approach seems to be clear, with well-defined stop/go points for the project and strong governance.</li> </ul>		✓✓✓✓						
Future ownership / operational management	<ul style="list-style-type: none"> <li>See comment above</li> </ul>		✓✓✓✓						
<b>The purpose of this briefing is to consider recommending/ declining PGF funds to the:</b>									
<b>Risks Issues:</b>									
<ul style="list-style-type: none"> <li>Development risk – <b>Commercial Information</b>. The PGF's exposure will be initially limited to the \$2m <sup>Commercial</sup> <b>Commercial Information</b>.</li> </ul>									
<b>Eligibility points of note:</b>									
<ul style="list-style-type: none"> <li><i>Due diligence:- Due diligence has been completed on the applicant and shareholders / directors, this has not raised any concerns around the probity of the applicant and shareholders.</i></li> <li><i>Conflict(s) of interest:- Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further.</i></li> <li><i>Illegal Activity:- 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.</i></li> <li><i>Alignment with Regional development plans:- This strongly aligns with the Canterbury Regional Economic Development Strategy. Specifically the Regional Visitor Strategy</i></li> <li><i>Commercial funding availability:- Given the nature of the project, access to some commercial funding is considered feasible. However, given expected project economics and risk profile, project is unlikely to be initially with PGF (or alternative concessionary) capital.</i></li> </ul>									
<b>Consultation undertaken or implications:</b>									
<b>Legal</b>	N/A	<b>HR</b>	N/A	<b>Finance</b>	N/A	<b>MBIE policy</b>	N/A	<b>Other</b>	NZTE, Canterbury Mayoral Forum
<b>Supporting proposal:</b>		Yes							
<b>Appendices:</b>		Yes – Application, supporting letters, consultation summary and presentation							
<b>Sponsor(s):</b>		N/A							
<b>Manager/Author of paper:</b>		Abby Cheeseman and <b>Commercial Information</b>							