

2.10 TE TOMOKANGA (THE ARCHWAY)

PGF Application		For: Approve	
Applicant:	Tauranga City Council	Pipedrive ID #	Commercial
Entity Type:	Local Authority	PGF Funding Sought:	\$980,000.00
Region	Bay of Plenty	Total Project Value:	Commercial Information
Tier:	2 - Sectors	Co-contribution rate:	Commercial %
Sector:	Tourism	Funding Structure:	Grant

We recommend that the SROs:

- Note** that a previous application to the PGF from the Tauranga City Council for funding towards the 'Bay of Plenty Regional Cruise Gateway' was declined by the Regional Economic Development (RED) Ministers in 2018, with the following feedback:
 - a Regional Cruise Gateway could be built with the current TCC financial commitments;
 - Ministers were not convinced that the Regional Cruise Gateway would lead to productivity increases or create jobs - key criteria for the Fund; and
 - It was surprising that other commercial interests in the Regional Cruise Gateway were not participating as funding partners in this project.
- Note** the applicant is **Commercial Information**. This will be managed through prioritisation of projects. This project has been prioritised due to its strategic importance to the Bay of Plenty.
- Note** Tourism Bay of Plenty commissioned a Visitor Economy 2018-2028 report which illustrates an intention to grow the visitor economy and create more than **Commercial** new jobs in tourism by 2028 within Te Moana Nui ā Toi. Te Tomokanga will also directly employ up to **Comm** full time positions.
- Note** the applicant has approached other funding partners, however the project does not meet their requirements in terms of providing a return.
- Note** the applicant has reduced the cost of the overall project down by \$**Commercial Inform** by removing 'improved connections' aspects from the project scope. This would reduce the PGF's funding contribution to the project down from \$**Commercial Information** (**Commercial** %) to \$980,000 (**Commercial** %).
- Note** the applicant has advised that further cost cutting would undermine the potential of the project to promote cultural tourism in the region and has also sought to address the feedback from the RED Ministers (see page/s 5 & 6).
- Note** the applicant has consulted broadly with Iwi and has letters of support and endorsement for the project from relevant mana whenua.
- Note** the applicant has also advised that it would seek to increase Iwi participation as members of the governance group in response to the concerns raised by MBIE tourism.
- Note** the applicant has received resounding support through 23 letters of support from councils, EDAs and tourism operators from across the Bay of Plenty Region.
- Commercial Information**

Commercial Information

- k) **Approve** the \$980,000.00 requested from the PGF fund towards the project on the basis that:
- the applicant has been able to demonstrate a reduction of the overall project delivery cost by ^{Comm}% (and the PGF's contribution by approximately ^{Comm}%) and has also explained why further savings are not possible, the revised project scope will be very similar to the original Regional Cruise Gateway application ; and
 - the applicant has addressed the concerns raised **Commercial Information** in relation to the original Cruise Gateway application in sufficient detail to justify making a recommendation to support the application.

Proposal:

Te Tomokanga is seen as a significant multi-use tourism infrastructure project that will service the wider Bay of Plenty region.

The proposed purpose-built building will be the hub of visitor information, service and experience offerings. It will be constructed adjacent to Port of Tauranga and has the potential to increase visitor spend, experience and satisfaction, and create new jobs in the wider Bay of Plenty region.

It will be designed and run with the intent of telling stories and providing an opportunity for the growth of local cultural tourism.

When constructed, Tourism Bay of Plenty will manage the day to day operations, with Tauranga City Council being responsible for building maintenance.

Assessment against the PGF criteria:

Eligibility Criteria

The new facility will assist with the development of growing tourism industry in the Bay of Plenty – particularly at the port gateway.

The PGF funding requested is less than ^{Comm}% of the total project cost of approximately \$^{Commercial Information}

Productivity Potential

The Wider Bay of Plenty Regional Tourism strategy seeks to grow the local visitor economy by 59% and to create more than ^{Commercial} new jobs in the tourism sector by 2028. Having purpose fit visitor centre infrastructure in place is an important component in the realisation of this strategy.

Policy objectives and regional priorities

Facilitating tourism growth is a regional priority for the Bay of Plenty region, with expenditure from 114 cruise ships visits in 2018-19 reaching \$91 million and overall tourism spend being \$901m in 2016. This is expected to grow by up to 35 % by raising the quality of the visitor centre.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> The new hub is expected to deliver up to ^{Comm} jobs but is unclear to what extent these will be new jobs versus jobs transferring from the existing visitor centre. Projected to help lay the road map for up to ^{Commercial} new tourism related jobs by 2028. Construction jobs likely to be created during the build phase. 	✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> There is widespread support from the community, with ^{Comm}% of submissions on the Annual Plan supporting the project and the expected flow on benefits for the region. 	✓✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> Retail sales for Māori tourism businesses across the the BOP region was \$129 million to the year-end 2017. Māori is expected to be a major beneficiary in growth in the tourism sector. Design of Te Tomokanga has had significant input from Māori. MBIE tourism has indicated that Māori may be underrepresented in the governance for the project. 	✓✓✓
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> N/A 	
Mitigation of climate change effects	<ul style="list-style-type: none"> Provides more of centralised hub for tourist/business interface, avoiding the need for a 15 minute journey to the existing i-site. 	✓✓
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> Tourism is already a major contributor to the local economy. A purpose-fit visitor centre will assist in facilitating growth in the industry. 	✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> As above, a purpose-fit visitor centre will assist in facilitating growth in the tourism industry. 	✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> Tourism growth is a priority for the region and the project aligns with this priority by providing a purpose fit facility. 	✓✓✓

<p>Support from local governance groups (inc. Councils, Iwi/Hapu)</p>	<p>Letters of support have been provided by</p> <ul style="list-style-type: none"> • Tourism Bay of Plenty; • Bay of Connections Governance Group; • Port of Tauranga; • Ngāi Te Rangi Iwi; • Ngāti Ranginui Iwi; • New Zealand Cruise Association; • Regional Economic Agency – Priority 1; • Whakatane District Council; • Rotorua Economic Development; • Hamilton and Waikato Tourism; • Great Lake Taupō, • Ngāi Tahu Tourism; • Ngāti Awa Group Holdings; and • Various regional tourist operators. 	<p>✓✓✓✓</p>
<p>Governance, risk management and project execution</p>		
<p>Robust project management and governance systems</p>	<p>Tauranga City Council processes and systems. A governance committee has been established with representation from the following stakeholders:</p> <ul style="list-style-type: none"> • Architect/Designer; • Building construction and physical fit-out; • Facilities Manager; • Asset / Property Manager; • Head of Visitor Sales and Services; • Finance; • Community Engagement and Communication; • Visitor Experience; and • Iwi and Hapū (NB: MBIE has previously indicated Iwi and Hapū representation might be light). 	<p>✓✓✓</p>
<p>Risk management approach</p>	<ul style="list-style-type: none"> • Highest risk is failure to secure funding. • Medium risks (after application of mitigations) are: <ul style="list-style-type: none"> ○ Failure to secure PGF funding –seek alternative external funding; and ○ Delays resulting in decrease in social licence/local support – seek alternative funding, work closely with partners. • Lower level risks include: <ul style="list-style-type: none"> ○ Insufficient budget to deliver desired project – proactive management, competitive procurement processes; ○ Lack of buy in - work closely with stakeholders and partners; ○ Health & Safety issues – regular reporting in compliance with TCC plan; and 	<p>✓✓✓</p>

	<ul style="list-style-type: none"> ○ Delays – buffers have been built in to the plan. 					
Future ownership / operational management	<ul style="list-style-type: none"> ● Tauranga City Council will own and maintain with ongoing OPEX of \$380,000 p.a. to be funded from rates. 	✓✓✓				
Analysis of the benefits						
<ul style="list-style-type: none"> ● Tourism is expected to grow significantly across the region over the next 10 years (59% is targeted growth); ● The current visitor centre is not fit for purpose and will potentially inhibit tourism growth projections if nothing is done; ● The project is unlikely to go ahead without the contribution from central Government; and ● A key driver for the new facility is to assist small and medium sized tourism operators by providing a centralised hub from which activities can be arranged. 						
Financial Analysis						
<p>A full cost break down has been provided for the \$5,006,025 million allocated to the project. A contingency of 10% has been provided for in breakdown.</p>						
Commercial Information						
Funding Arrangements						
<p>The PGF grant would be allocated as follows:</p> <ol style="list-style-type: none"> 1. Initiation payment on 18 March 2019 - \$98,000 (10%) 2. Completion of Detailed Design on 31 October 2019 - \$98,000 (10%) 3. Foundations and Earthworks on 28 February 2020 - \$196,000 (20%) 4. Exterior construction on 29 May 2020 - \$392,000 (40%) 5. Interior Fit out and finish in 30 September 2020 - \$196,000 (20%) 						
Due Diligence and Ownership						
<p>Ownership will be retained by the Tauranga City Council.</p> <p>Shareholders:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Tauranga City Council</td> <td>100</td> </tr> </tbody> </table> <p>Directors:</p> <ul style="list-style-type: none"> ● N/A <p>Trustees:</p> <ul style="list-style-type: none"> ● N/A <p>Key Management Personnel:</p> <ul style="list-style-type: none"> ● Fiona Nalder, Project Manager 			Shareholder	%	Tauranga City Council	100
Shareholder	%					
Tauranga City Council	100					

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 Risk	If the cost estimate is inaccurate, then the applicant may seek further funding, or be unable to complete the project in the agreed manner	<ul style="list-style-type: none"> The council has significant experience in delivering public projects and intends to run competitive procurement processes proactive management, competitive procurement processes Contingencies have been factored into the cost of construction (10%) Council would be required to underwrite the project 	Medium

Consultation undertaken or implications:

MBIE Tourism: Supportive of the project but notes the Steering Group is very Council heavy and Tangata Whenua are underrepresented. From experience and to avoid any unnecessary issues or delays (e.g. with Consents, Reserve status changes, etc) I suggest as part of the conditions of funding TCC should at least invite Tangata Whenua to participate in the Steering Group or confirm how they would like to participate in the project. **Update:** the Applicant has advised that it is seeking to have increased Iwi participation in the governance of the project.

Applicant's response to RED Ministers feedback on Regional Cruise Gateway application:

1. Can Te Tomokanga be built using solely Council's already committed budget (\$4.026M)?

The proposed concept for Te Tomokanga was developed with the input of Iwi and will tell the unique cultural stories of region. The funding committed by Council is sufficient to deliver a functional visitor information centre and cruise hub but will not stretch to deliver the additional design elements and level of cultural input and detail planned for Te Tomokanga. The cost to deliver capital projects has increased over recent years in Tauranga and the Bay of Plenty, providing a challenging environment for the delivery of Council's infrastructure programme. The programme of works for Te Tomokanga was reviewed and additional work to provide improved connections between Te Tomokanga and the Port was removed (this will be considered separately). This has allowed Council to reduce its request for funding to the PGF down to \$980,000. Further reductions to the budget will come at the cost of delivering the proposed concept, and limit the potential to leverage Te Tomokanga to promote cultural tourism. The additional funding is essential in order to see the project delivered as envisaged.

2. Will Te Tomokanga led to productivity increases or create new jobs?

Please refer to question 16 and 18 of the PGF application for a more detailed response. Te Tomokanga will directly employ up to 34 full time positions and approximately 100 positions will work on Te Tomokanga during its design and construction. However the true value of Te Tomokanga will manifest from private businesses which will leverage the facility to build their clientele. Tourism Bay of Plenty's destination management planning sees Te Tomokanga play an essential role in delivering an unique tourist experience for visitors, increasing their average length of stay and spend, and delivering an additional 4,000 tourism jobs in Toi Moana Nui a Toi by 2028.

3. Are there other potential funding partners for Te Tomokanga? (i.e. organisations/businesses who may be considered to have a commercial interest in the success of Te Tomokanga)

Extensive scoping work has been completed to inform the concept of Te Tomokanga. This work clearly identifies that the value proposition of Te Tomokanga is in the increased visitor expenditure it will leverage across Toi Moana Nui a Toi and the wider

Bay of Plenty. However financial modelling completed as part of the planning for this project has shown that Te Tomokanga is not expected to deliver direct profits, and there are no other potential funding partners for this project. Tourism Bay of Plenty will look at working with tourism operators to offset the operational costs of Te Tomokanga, but these small scale operators are not in a position to directly contribute to the capital cost of the project.

4. What are the key differences between this application and your earlier application?

Council has carefully reviewed the project scope and costings for Te Tomokanga, and additional work to provide improved connections between Te Tomokanga and the Port was removed (this will be considered separately). This has allowed Council to reduce its request for funding to the PGF down to \$980,000. The proposed input of Tangata Whenua into the project has been strengthened, together with the planned opportunities to leverage Te Tomokanga to assist the creation and delivery of Maori economic benefits. It is now proposed that there will be a Tangata Whenua representative on the Governance Group for the project (as well as having Iwi involved in the project design and delivery). Tourism Bay of Plenty have also contracted an expert on cultural product development to work with Tangata Whenua and to be involved in the design and delivery of Te Tomokanga, to ensure that cultural tourism opportunities are realised.

Supporting proposal:	Yes
Appendices:	
Author of paper:	MC, Investment Team, Provincial Development Unit

PROACTIVELY RELEASED