

Commercial-in-Confidence

3.7. Rotorua Lakefront Development Application	For: Approval
<p>Background & context:</p> <p>Applicant Organisation:</p> <ul style="list-style-type: none"> Rotorua Lakes Council <p>Location:</p> <ul style="list-style-type: none"> Rotorua <p>Proposal:</p> <ul style="list-style-type: none"> Rotorua Lakefront Development <p>Funding Sought:</p> <ul style="list-style-type: none"> Total project value: \$<small>Commercial Informa</small> PGF Funding: \$19.9 million <p>Background: The applications Executive Summary notes:</p> <p>“Rotorua Lakes Council has aspirations to develop our Rotorua Lakefront to a world class standard and seeks <small>Commercial Inf</small> \$ <small>Commercial Informa</small> from the Provincial Growth Fund <small>Commercial Informa</small> investment of \$<small>Commercial Information</small> so that we can develop the amenity and deliver transformational outcomes for the city and the wider region.</p> <p>This is a ‘surge region’ public amenity project that is ‘investment ready’ following ten years of preceding work. Throughout this period, we have consulted widely with all stakeholders including iwi, our wider community and our regional partners, and we have 100% support for this PGF application based on the outcomes your funds will enable.</p> <p>Your investment will catalyse a number of positive and significant economic and social outcomes. Private and iwi landholders around the lakefront have signalled that they are ready to invest \$ <small>Commercial Inf</small> into accommodation and attractions once the lakefront project has been started, with <small>Commerci</small> jobs to be created for the people of Rotorua, particularly Māori. New food and beverage offerings will emerge, and there will be opportunities for more events, improved social engagement and cohesion, and cultural and civic pride.</p> <p>The economic flow-on effect for our highly-valued tourism sector will be that tourists stay longer, spend more and tell others, plus we’ll be in a position to attract the higher-yield tourists who are currently bypassing Rotorua in favour of other higher-end offerings. New accommodation will also give much needed relief from the capacity crunch that is looming</p>	<p>Recommendation(s):</p> <p>We recommend that the IAP:</p> <ol style="list-style-type: none"> Discuss the proposal; Note that the Investment Team support the proposal; Note the investment team is interested in understanding whether the IAP would support providing a grant of \$19.9 million for the Lakefront application. Note that the PGF investment will be matched by Rotorua Lakes Council. We have had an independent assessment from Sage Bush of the Rotorua Lakes Council’s need for central government funding and it has been assessed as being a high need Council. Note the investment team will be asking for further information on: <ul style="list-style-type: none"> details of any perceived negative impact, or objections you may have received to the proposal; Confirm whether they are going to continue to use project management support; Provide details of the anticipated commercial return they will get from new Lakefront development sites; and Provide details of how the sites are going to be operationally and commercially managed on an ongoing basis Approve funding from the PGF fund towards the Rotorua Lakefront Development proposal, subject to the investment team understanding: <ul style="list-style-type: none"> details of any perceived negative impact, or objections you may have received to the proposal; Confirm whether you are going to continue to use project management support; Provide details of the anticipated

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<p>as more and more people come to Rotorua on the back of New Zealand's tourism success.</p> <p>Rotorua's social situation means we can't deliver this vision on our own. While we are a bold city, we are not a rich city and we present with the troubling paradox that Māori, as the major cultural drawcard for the region for over 130 years, are overly-represented in all social deprivation indices. This situation is not good enough, and by working together in support of mana whenua, Māori assets can be better leveraged, and more meaningful and sustainable jobs created.</p> <p>In Rotorua, our approach is one of tatau tatau 'we together' and it is for that reason we submit this Business Case and make this application to you."</p>	<p>commercial return you will get from new Lakefront development sites; and</p> <ul style="list-style-type: none"> ➤ Provide details of how the sites are going to be operationally and commercially managed on an ongoing basis 	
<p>PGF criteria that this proposal supports:</p>		
<p>PGF Criteria</p>	<p>Assessment Commentary</p>	<p>Rating (1✓ to 5✓)</p>
<p>Link with fund and government outcomes</p>		
<p>Creates permanent jobs</p>	<ul style="list-style-type: none"> • It is estimated it will create ^{Commercial} jobs for the people of Rotorua; • It will increase in jobs and training to the region (to be delivered by local education providers) with jobs going to locals first. • Leveraging social procurement and in particular I would expect a requirement to employ local unemployed or Not in Education Training S of across Council developments. 	<p>✓✓✓✓</p>
<p>Delivers benefit to the community</p>	<ul style="list-style-type: none"> • Providing high quality public space that the community is proud of and visitors talk about, aspirations contribute to be New Zealand first bi-lingual city. • Closing the gap on social deprivation, ensuring the entire community shares in the benefits of this journey. 	<p>✓✓✓✓</p>
<p>Increased utilisation and returns of Maori asset base</p>	<ul style="list-style-type: none"> • Catalysing public and iwi investment to better leverage the economic opportunities of settlement assets. • Unlocking jobs by iwi for greater opportunities for Māori employment. 	<p>✓✓✓✓</p>
<p>Enhanced sustainability of natural assets</p>	<ul style="list-style-type: none"> • Creating an enabling eco system for all. • Creating a public domain which acts as the anchor tenant for capitalising commercial developments. 	<p>✓✓✓✓</p>

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	<ul style="list-style-type: none"> • Extending national cycleway linking urban areas with our lakes, forests and places of cultural significance and promoting carbon neutral transport methods. 	
Mitigation of climate change effects	<ul style="list-style-type: none"> • Promoting commercial activity that supports the environment. 	✓✓
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> • Increasing tourism spend across all indicators making the local tourism industry more resilient. • Closing the yield gap on other NZ tourism cities. • Creating a destination which celebrates our unique cultural value proposition. 	✓✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> • New capability building opportunities for mana whenua (new entry through to Governance) leveraged through partnerships with national and global tourism organisations • Flow on social benefits through civic pride and social opportunities • More events and attractions • A more sustainable and resilient tourism offering • A more equitable community with higher yield tourism benefits triggering economic flow on effects that will improve the social situation for Rotorua, particularly for Māori > New hotels on the lakefront – to be at the higher yield (4.5* plus) end of the market where capacity is currently being squeezed • New accommodation (apartments) and commercial buildings in the lakefront precinct and CBD area • New restaurants and improved night-time activity at the Lakefront • Better leverage of Māori assets and increase of the asset base for iwi beneficiaries • Improved sustainable jobs for Rotorua residents, particularly Māori by partnering with iwi who will ensure up to 25% of jobs across their Maximising the projected growth in GDP. 	✓✓✓✓
Connected to regional stakeholders and frameworks		

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Alignment with regional priorities	<ul style="list-style-type: none"> It is included in the Rotorua Lakes Council 2018 - 2028 Long Term Plan. 	✓✓✓✓✓							
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> It has support from key partners and Iwi and they are key to driving this application forward. 	✓✓✓✓							
Governance, risk management and project execution									
Robust project management and governance systems	<ul style="list-style-type: none"> The council has used independent experts to help with development of their plan and we are going to question if they are going to continue to get support. 	✓✓✓✓							
Risk management approach	<ul style="list-style-type: none"> The Council have a robust risk management approach. 	✓✓✓✓							
Future ownership / operational management	<ul style="list-style-type: none"> We need further information about the future ownership and Risk Management model. 								
The purpose of this briefing is to consider recommending PGF funds to the Rotorua Lakes Council									
Risks Issues:									
Eligibility points of note:									
<ul style="list-style-type: none"> <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. <i>Conflict(s) of interest</i>:- Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further. <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. <i>Alignment with Regional development plans</i>:- It is included in the Rotorua Lakes Council 2018 - 2028 Long Term Plan <i>Commercial funding availability</i>:- Given the nature of the project and the amount of Debt the Rotorua Lakes Council is taking on they will find it difficult access to commercial funding is not considered a feasible option. 									
Consultation undertaken or implications:									
Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	
Supporting proposal:		Yes							
Appendices:		Yes - Applications Commercial Information							
Sponsor(s):		N/A							
Manager/Author of paper:		David van der Zouwe Investment Team							