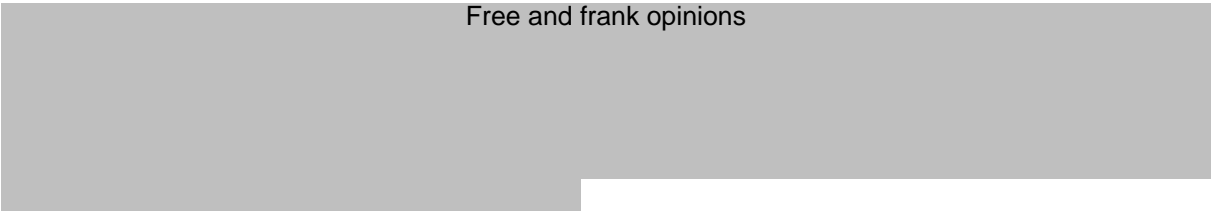


# Sarjeant Gallery Te Whare O Rehua Whanganui Redevelopment

## Project overview

<b>Name of the project</b>	Sarjeant Gallery Te Whare O Rehua Whanganui Redevelopment
<b>Region</b>	Whanganui
<b>Tier and type</b>	Tier 1: Regional
<b>Applicant</b>	Whanganui District Council (WDC)
<b>Total project value</b>	\$ <small>Commercial Information</small>
<b>Amount of funding sought from the PGF</b>	\$12 million
<b>Financial instrument</b>	Grant
<b>PDU recommendation</b>	Decline the proposal for \$12 million, although the PDU is open to a lesser amount.

32. The WDC has applied to the PGF for a \$12 million grant towards the redevelopment of the Sarjeant Gallery in Whanganui. The total redevelopment project cost is currently valued at \$ Commercial Information to construct a new wing as well as undertaking a seismic upgrade of the existing heritage building. PGF funding would be used towards the new wing as opposed to the upgrade of the existing heritage building.
33. The Sarjeant Gallery is currently closed due to earthquake vulnerability and the deterioration of the 1919-era Category 1 heritage-listed building. The Gallery has been relocated to temporary facilities within Whanganui, but due to space and configuration restrictions the historical growth in visitor numbers has stalled. These temporary premises are flood prone.
34. The project commenced in 2012 when concept designs were developed, however, construction costs have continued to escalate and despite the significant level of community funding raised over the last six years WDC have been unable to close the funding gap.
35.  Free and frank opinions
36. The redevelopment aims to improve public access to the 'Collection for New Zealanders', provide a functional public space for the Whanganui community including for powhiri at a significant site for iwi, and provide an education space for students. WDC have also noted that the new wing will also address issues of inadequate exhibition and storage space and provide appropriate environmental conditions to preserve the Collection held by the Gallery and the taonga held on behalf of iwi.

37. Redevelopment of the Sarjeant Gallery would be a key enabler for the proposed Taranaki Art Trail, a self-driving itinerary from New Plymouth to the Kapiti Coast and onto Wellington. It is anticipated that this will help catalyse further tourism and economic growth in the region. Art trails throughout New Zealand have a proven track record of increasing visitor numbers and visitor spending.

*PDU recommendation*

38. The PDU recommends that you decline Whanganui District Council’s application for a \$12 million grant from the Provincial Growth Fund towards the construction of a new wing of the Sarjeant Gallery in Whanganui. However, the PDU considers a smaller grant of around \$5 million could be justified.

39. Free and frank opinions

**Financial assessment**

40. The project has a \$Commercial co-contribution, including a \$Commercial Information from the Commercial Information. A break-down of the co-contributions can be found below;

*Co-contributions table*

Funding source	Amount
Commercial Information	\$Commercial Information
Commercial Information	\$Commercial Information
Commercial Information	\$Commercial Information
Commercial Information	\$Commercial Information (confirmed)
<b>Total</b>	<b>\$36,784,000</b>

41. A review of building and design plans has been undertaken to challenge the project budget. An updated estimate advised a total project cost of \$Commercial Information. An alternative EQ strengthening scheme was investigated with an alternative strengthening design developed reducing the total cost of the development to the current level of \$Commercial Information.
42. WDC plans for admissions to the Gallery to remain free, and the café will be sub-leased and rental income will be used as a revenue stream for the Sarjeant Gallery as will income from retail sales.
43. The forecast operating deficit of the Gallery (\$Commercial Information) has been incorporated in the WDC long term 10 year plan – a significant commitment from the WDC.

**PDU assessment of the project**

44. This section provides an overview of PDU’s assessment against the PGF eligibility and assessment criteria.

*Assessment against PGF criteria*

Criteria	Rating (1✓ to 5✓)	Comment
<i>Link with fund and government outcomes</i>		
<b>Creates permanent jobs</b>	✓✓✓✓	WDC's Economic Impact Assessment has calculated that the Gallery redevelopment will create in excess of █ jobs in the short-term (construction period) and around █ direct and indirect FTEs in the local economy in the long term.
<b>Delivers benefit to the community</b>	✓✓✓✓	<p>An internship programme will be introduced to highlight career paths for young people interested in the cultural sector. This will also focus on developing skills among Māori so that they can care for and preserve their taonga.</p> <p>The redeveloped Sarjeant Gallery is planned to be the anchor for building a cluster of art and craft -related businesses including artisans and retail.</p> <p>The Gallery project will be linked directly to the pathways to work developed locally in the SWEET programme (Students in Whanganui in Education, Employment and Training), and to the national programmes aligned with MSD.</p>
<b>Increased utilisation and returns of Māori asset base</b>	✓✓	Māori artists will be involved in both the exterior and interior design of the new building, showcasing their art and culture. Because of the significance of the site, local iwi Te Rūnanga O Tūpohō see the Gallery as a place to hold pōwhiri and host important ceremonial occasions for the city and district. The presentation and preservation of taonga on behalf of iwi sits at the heart of the Gallery's mission.
<b>Enhanced sustainability of natural assets</b>	N/A	

Criteria	Rating (1✓ to 5✓)	Comment
<b>Mitigation of climate change</b>	N/A	
<i>Additionality</i>		
<b>Additionality</b>	✓✓✓✓	<p>This project builds on the history and standing of the Sarjeant Gallery in the culture and heritage community. The collection incorporates over 8,500 works valued at \$<sup>Commercial Information</sup> and will provide the facility to exhibit and store the collection. This will create the key asset in attracting visitors to the city providing a strong impetus to the local economy.</p> <p>The Sarjeant Gallery is situated close to the recently renovated Regional Museum making a compelling cultural hub. Currently the Sarjeant Gallery has a low profile in the general domestic and international visitor market. This has been a conscious decision forced by the closure of the old facility. The new facility will allow the Sarjeant Gallery to begin a wider and more aggressive marketing profile. The Gallery is seen as a platform for long-term economic transformation.</p>
<b>Acts as a catalyst for productivity potential in the region</b>	✓✓✓✓	<p>WDC's Economic Impact Assessment has estimated that the Gallery redevelopment will attract circa 22,800 additional visitors to the district per year (by year 2 of operations) generating circa \$<sup>Commercial Information</sup> in additional regional spending.</p> <p>The performance of the two regional galleries reviewed (Len Lye Centre and Suter Gallery) suggests that the projections for the economic impact of the Sarjeant Gallery are conservative in both visitor numbers and the level of spending of arts-related tourists, and the resulting economic benefit to the region. The Len Lye Centre also provides the evidence that investment in cultural facilities act as a catalyst for subsequent private sector investment.</p> <p>One of the outcomes sought from the Sarjeant Gallery project is to be the anchor</p>

Criteria	Rating (1✓ to 5✓)	Comment
		<p>for building a cluster of art and craft related businesses, including artisans and retail. Building on the heritage buildings, history and existing arts sector could result in Whanganui developing into a recognised centre for Maori arts and culture experiences.</p>
<i>Connected to regional stakeholders and framework</i>		
<p><b>Alignment with regional priorities</b></p>	<p>✓✓✓✓</p>	<p>The project has strong alignment with the following Whanganui City Council strategies: Whanganui Visitor Strategy 2013-18, Arts and Culture Strategic Plan 2013-2018, Economic Development Strategy 2019-29, and Accelerate 25.</p>
<p><b>Support from local governance groups</b></p>	<p>✓✓✓✓</p>	<p>The project has strong ties with Whanganui Iwi reflected in the proposed dedicating of the new wing to Sir Te Atawhai Archie John Tairaoa.</p> <p>Letters of support from the Hon Dame Tariana Turia, Hari Benevides (Iwi Representative), John Niko Maihi, Kaumatua, Whanganui District Council, Horizons Regional Council, and 37 community letters of support.</p> <p>The national importance of the Gallery and Collection is reflected in the largest to date funding commitment made by the Ministry for Culture and Heritage.</p>
<i>Governance, risk management and project execution</i>		
<p><b>Robust project management and governance systems</b></p>	<p>✓✓✓✓</p>	<p>The Project Director (Commercial Information) reports into the Sarjeant Gallery Redevelopment Committee and Executive Leadership Team. Privacy of natural perso</p>

Criteria	Rating (1✓ to 5✓)	Comment
		<p>Privacy of natural persons</p> <p>The Sarjeant Gallery Redevelopment Committee members: Privacy of natural persons</p> <p>Executive Leadership Team members (WDC): Privacy of natural persons</p>
<b>Risk management approach</b>	✓✓✓✓	A robust risk management approach has been established. A detailed risk register has been developed and a project programme is in place.
<b>Future ownership / operational management</b>	✓✓✓✓	<p>Ownership and governance will continue to sit with the WDC post redevelopment. The WDC has an Operations Asset Management Plan which plans for expected maintenance and associated costs of the Sarjeant Gallery and other key District assets from 2018 to 2048.</p> <p>The Gallery also has a Business Plan, which outlines its goals, short-term and long-term actions to achieve the goals and how success will be measured.</p>

## Agency comments

### MBIE Tourism

45. The application is supported for the following reasons:

- Whanganui is a surge region and tourism is identified as a key opportunity in their ED Strategy.
- The Sarjeant Gallery is an existing attraction with strong brand recognition & quality collection.

- It supports Govt's focus on dispersal and spreading benefits to more regions – the investment will reopen it and enhance the experience and the gallery will continue to be a key part of Whanganui's tourism offer.
- It's easier to add value to an existing experience than develop new attractions
- There is a significant commitment and funding from the community & across govt – they are clearly dedicated and value it's contribution.
- They have committed to a marketing budget \$ [Commercial Information] and will enable them to impact the market and drive visitation.
- The cost of not supporting it could mean that an important visitor experience for the region is lost.

*Te Puni Kōkiri (TPK)*

46. TPK understands Sarjeant Gallery has raised \$ [Commercial Information] in funds raised over a period of 10 years. [Commercial Information] The considerable effort and additional government investment to move the project to this point and with the intention to display heritage and cultural Maori taonga, TPK supports this application.

*Ministry of Culture and Heritage (MCH)*

47. MCH concurs with the comments made (above) by MBIE Tourism and TPK; and considers the Sarjeant Gallery redevelopment project to be one of several current Arts, Culture and Heritage (ACH) priorities for government support across the regions.
48. MCH notes that it has taken the applicant a decade of fundraising effort for this project to reach this point. Over \$ [Commercial Information] has been raised, [Commercial Information]

This has been a significant and hard-fought fundraising achievement for this applicant which, in our opinion, is unlikely to be replicated because much of the funds raised have been secured from philanthropists and other sources located outside of the region.

49. [Commercial Information]
- [Commercial Information] The \$12 million sought from the PGF is the final major funding brick needed to get this project over the line so that construction can commence without delay.

50. [Commercial Information]
- [Commercial Information] ideally take into account, and be informed by, the outcome of the PGF funding decision.

51. MCH officials consider that a supportive funding decision from the PGF could serve as much needed proof that the project will proceed, [Commercial Information]

52. MCH considers that that this project will offer good wellbeing returns for government as this is a strong community-led initiative which will create employment opportunities in a less economically vibrant area of New Zealand. Separate regional economic impact reports

commissioned by the applicant (for the Sarjeant Gallery); Commercial Information  
[REDACTED] both inform and support this view.

53. MCH believes the total economic impact of the creative industries is approximately four times their direct output and value added, and three times their direct employment' (Source: Creative Sector in NZ; report written by Commercial Information). The economic value and impact of the Sarjeant Gallery redevelopment is multi-faceted through:
- *Retention within the region of the \$Commercial Information raised from a range of largely out of region sources.*
  - *The additionalities of \$Commercial Information being expended in the community during construction.*
  - *Cultural activities, experiences and products contribute significantly to the overall satisfaction of both international and domestic tourists in New Zealand. This project will cement the Sarjeant Gallery's place on the Taranaki Arts Trail developed between Wellington and New Plymouth.*
  - *Knowledge and creative workers are attracted to culturally rich cities. They add value to raw product and create new product. They typically earn higher than average salaries and they attract communities of like-minded individuals to them forming centres of excellence. Unlike transiting tourists spends, knowledge and creative workers reside in communities bringing a range of long-term externalities. The region is seeking to attract more knowledge and creative workers.*
  - *Operational expenditure on the Gallery's exhibitions will continue to add economic impact well beyond the sum spent. For example, in a 2014 Auckland Council commissioned a social and economic research report to assess the economic value of funding the Moana - My Ocean exhibition at Auckland War Memorial Museum. The report found that for every \$1 invested, \$4.66 of social, environmental and economic value was created. (Source: Measuring the Value Created by Auckland Museum's Moana - My Ocean Exhibition: A Social Return on Investment (SROI) Analysis 2014. Authors: Dr Jesse A. Allpress, Mehrnaz Rohani, and Dr Carina Meares Social and Economic Research Research, Investigations and Monitoring Unit Auckland Council).*

#### Department of Internal Affairs

54. Commercial Information  
[REDACTED] Within this time, a number of Lottery grants totalling \$Commercial Information were approved for work on the relocation of the Sarjeant's collection, seismic strengthening, and outcomes relating to the development priorities of the Lottery Significant Projects Fund (LSPF) - specifically, arts, culture and heritage, tourism/visitor services, and economic development. On approval of the 2017 LSPF grant, only % of the then \$Commercial Information project cost remained to be secured. While the Council was confident of bridging that gap, costs increased. The additional fundraising did not meet the new shortfall. Commercial Information  
[REDACTED] DIA acknowledges the efforts being made by the PGF team to help bridge the funding shortfall for this project. DIA are confident that on completion it will offer significant community benefits.

## Risk assessment

55. The PDU has no concerns regarding the applicant. The PDU notes that without PGF funding there is a risk that the project is likely to be delayed indefinitely, as key funders will begin to withdraw their funds and the continuous increase in construction costs will lead to a continued widening of the funding gap.



56. The following risks have been identified:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Timeline	Delay in commencement of project	Based on the current tendering and building consent programme the applicant does not believe the resource or building consents are likely to constrain construction commencement as soon as practicable after the signing of the contract on the 21st August 2019. The applicant has confirmed there are no other consents considered relevant to project commencement	Medium
Budget	Construction cost over-runs	PDU agreement of the tender/contract strategy for the planned civil and building works, incorporating a fixed contract for the main contractor.	Medium
Project Delivery	Lack of WDC capacity to deliver the project	<p>The WDC has completed the following major projects since 2015:</p> <ul style="list-style-type: none"> <li>• Wastewater Treatment Plant</li> <li>• Regional Museum upgrade</li> <li>• Earthquake strengthening to Alexander Library, Royal Whanganui Opera House and War Memorial Centre.</li> </ul>	Low
Benefit realisation	The expected economic uplift from the development of the gallery is not achieved	The analysis of the actual benefits in economic activity recorded and achieved by similar regional developments like the Len Lye Centre provides comfort that forecast benefits will be achieved.	Low