



## Opuke Thermal Pools and Spa

### Project overview

<b>Name of the project</b>	Opuke Thermal Pools and Spa Project
<b>Region</b>	Canterbury
<b>Applicant</b>	Methven Adventures Ltd
<b>Total project value</b>	\$ <small>Commercial Information</small>
<b>Amount of funding sought from the PGF</b>	\$7,500,000
<b>Financial instrument recommended</b>	Loan
<b>PDU recommendation</b>	Approve

220. The PDU recommends a \$7.5 million loan for development and construction of Opuke, a thermal pools and spa attraction in Methven, Ashburton, out of a total project value of \$ Commercial Information. The greenfields thermal pool and spa retreat will be developed at the base of the Southern Alps and will utilise solar-heated mountain water. Methven Adventures Ltd (MAL) has applied for PGF support to facilitate project development and assist in securing sufficient third-party capital.

221. If MAL secures PGF funding and the remainder of the capital is raised, then Opuke is anticipated to be operational by 2020. Resource consents have been secured, the land has been optioned, demand studies have been completed, the concept design has been prepared and a project manager has been appointed. MAL is currently completing the preliminary / developed design and procurement and raising equity / debt capital.

222. MAL has been working on the concept design, feasibility and consents since 2009, and has spent an estimated \$ Commercial Information to date. This work has been done in consultation with local government, Privacy of natural persons and NZTE.

#### Agency comment

223. New Zealand Trade and Enterprise have been working with MAL for 14 months, and strongly support their application.

#### Local support for proposal

224. There is strong support from local governance groups, namely the Canterbury Mayoral Forum and local Councils. MAL has also had initial consultation with Ngāi Tahu in relation to the project and has received permission to call the venture "Opuke" (the Māori name for Mt Hutt).



### Management and governance

225. The project has a Board of Directions and a Project Control Group. Once the project proceeds further, an appropriate organisational structure will be set up for operations. MAL's risk management approach is clear, with well-defined stop/go points for the project and strong governance.

### Cost and funding sources

226. MAL's application for funding is divided into two parts:

- \$ Commercial Information **development loan:** invested on a Commercial Inform basis with private capital
- \$ Commercial Information **loan:** Commercial Inform low-interest loan, repayable early based on Opuke performance.

227. The PDU recommends that the \$ Commercial Information loan is conditional on the remainder of the capital being raised, and the project being construction ready.

### Benefits

228. Methven currently struggles with seasonality, with a fluctuating population and high number of short-term jobs over the winter months. Opuke is intended to transform Methven into an "all year" town with more permanent jobs. An economic benefit study estimated that through Opuke Commercial jobs will be created, with an estimated \$ Commercial Information incremental GDP over 10 years.

229. It is also anticipated that the increased commercial activity resulting from Opuke will:

- Help to protect and improve many of the town's existing businesses
- Reinvigorate the area throughout the year, stimulating the local economy and creating new opportunities for businesses and activities in the community
- Create significant long-term sustainable employment opportunities.

### PDU assessment of the project

230. This section provides an overview of the PDU's assessment against the PGF assessment criteria.

#### Assessment against PGF criteria

Criteria	Rating 1 - 5	Comment
<b>Sustainable regional economic development</b>	✓✓✓	The 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



		<p>winter months.</p> <p>The increased commercial activity resulting from Opuke will:</p> <ul style="list-style-type: none"> <li>• Help protect and improve many of the existing business</li> <li>• Reinvigorate the area throughout the year, stimulating the local economy and create new opportunities for businesses and activities</li> <li>• Create long-term sustainable employment</li> </ul>
<b>Productivity and innovation</b>	✓✓✓✓	As above, Opuke should stimulate an increase in productivity.
<b>Increased employment, training or work readiness for the sectors workforce</b>	✓✓✓✓	<p>An economic benefit study estimates that <small>Commerc.</small> jobs will be created, with an estimated <small>Commercial Information</small> \$ incremental GDP over 10 years.</p> <p>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.</p>
<b>NZ’s ability to meet climate change commitments</b>	✓✓✓	The project will be heated by solar energy. Dirtier alternatives were considered and discarded, despite solar costing more to implement.
<b>Maori aspirations for utilising land and other resources and achieving cultural objectives</b>	✓	<p>The project has engaged with Ngāi Tahu and intends <small>Commercial Information</small></p> <p>[REDACTED]</p>
<b>Additionality</b>	✓✓✓	The project will assist in utilisation of existing accommodation and hospitality assets over the summer season, reducing the seasonality of Methven.
<b>Connections and alignment with regional priorities</b>	✓✓✓✓✓	The project is strongly supported by the Canterbury Mayoral Forum and local



		<p>Councils.</p> <p>The project aligns well with the Canterbury Regional Economic Development Strategy, specifically the work stream for the Regional Visitor Strategy.</p> <p>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.</p>
<b>Environmental sustainability and/or productivity of natural assets</b>	✓✓	The project will utilise mountain water.

## Risk assessment

231. The following risks have been identified:

Risk	Mitigation
The project is not yet construction ready.	The PGF's exposure will be initially limited to the \$ <sup>Commercial Information</sup> loan. The loan will only be available once the project is construction ready.

## Recommendations and next steps

232. The PDU recommends you approve the application in principle for the following PGF funding conditional on the remainder of the capital being raised and the project being <sup>Commercial Information</sup>

\_\_\_\_\_:

- \$<sup>Commercial Information</sup> (invested on a <sup>Commercial Informa</sup> basis with private capital).
- \$<sup>Commercial Information</sup> concessionary loan (<sup>Commercial Inform</sup> low-interest loan, repayable early based on Opuke performance).