

Te Wairoa E Whanake

Projects overview

Name of the project	Te Wairoa E Whanake
Region	Hawke's Bay
Tier and type	Tier 1: Regional
Applicant	Wairoa District Council
Estimated total project cost	\$ ^{Commercial I} (assuming the design implementation phase is \$ ^{Com})
Amount of funding sought from the PGF	Requested: up to \$ ^{Commercial Information} Recommended: up to \$4.8 million
Financial instrument requested	Grant
PDU recommendation	Approve

42. Wairoa District Council (WDC) seeks PGF funding to implement four cornerstone projects under the Te Wairoa E Whanake initiative. The four projects aim to catalyse economic development in Wairoa through revitalisation of the town centre. The four projects are:
- Integrated Business and Tourism Facility
 - The Regional Digital Hub
 - **Commercial Information**
 - **Commercial Information**
43. The Integrated Business and Tourism Facility will transform two currently under-utilised buildings into a multi-functional facility. The under-utilised buildings' positions have affected the vacancy rates of neighbouring buildings and created a disjointed radius that lacks linkage between the east and west ends of the town.
44. The Integrated Business and Tourism Facility project has two stages.
- i. **Stage 1 Planning and Design will include a Business Case and Urban Design Plan.** The Business Case will include a detailed economic analysis, design and financial modelling for the Integrated Business and Tourism Facility. The Urban Design Plan will complement this Business Case and analyse Wairoa township's built environment, road corridors and natural assets. The output will be an implementation plan that addresses issues in the Plan. Stage 1 is expected to take between 6-8 months.

- ii. **Stage 2 Construction and Implementation** includes the Integrated Business and Tourism Facility redevelopment and the Urban Design Plan implementation. Stage 2 is expected to take Commercial Information.

- 45. WDC expect that the project will begin in Commercial Information.
- 46. The project will concentrate economic activity in a central position in the township. This will include the visitor centre, start-up tenants, the Rocket Lab Education Centre and local food and beverages outlets.
- 47. It has the potential to attract passing traffic into the town centre and increase visitor spend across the adjacent businesses.
- 48. The project aligns with an Economic Development Report previously funded by the PGF that identified regeneration of Wairoa's town would be an opportunity for economic growth.
- 49. This Facility is a critical component to ensure Wairoa's town centre is robust and diversifies away from traditional economic activities of agriculture, forestry and fishing.

PDU recommendation

- 50. The PDU recommends that you approve WDC's application for a grant up to \$4.8 million from the PGF toward the Integrated Business and Tourism Facility component of the Te Wairoa e Whanake project, subject to the following conditions:
 - a. Evidence of building purchases by WDC.
 - b. PDU is satisfied the urban design plan applies the following recommendations from NZTA:
 - i. Contextual analysis
 - ii. Strengths Weaknesses Opportunities and Constraints Analysis (SWOC), mapping and conclusion
 - iii. Vision, Objectives & Key Urban Design Moves
 - iv. Design Response
 - v. Implementation/Staging Plan
 - c. Evidence of WDC co-funding at least Comm% of the Stage 2.
 - d. PDU is satisfied with the business case that includes
 - i. Identifying key anchor tenants
 - ii. Economic impact analysis
 - iii. Detailed design.
 - e. PDU is satisfied with WDC's overall governance and strategic procurement process prior to signing the contractor and at each milestone, noting DIA's advice regarding local government elections.
- 51. The PDU recommends that the Integrated Business and Tourism Facility project best aligns with PGF objectives and has the potential to maximise the PGF's impact.

52. **Commercial Information**



Commercial Information

54. The Regional Digital Hub component of Te Wairoa E Whanake for \$400,000 of PGF funding is being considered by Regional Economic Development Ministers for approval in-principle as part of the Digital Hubs paper.

55. The applicant has requested an additional \$ Commercial Information of PGF funding for an Urban Design Implementation (UDI) as part of the Commercial Information. The Urban Design Plan is anticipated to identify activities that enhance the Integrated Business and Tourism Facility offering. The Commercial Information does not meet PGF criteria but there is potential that additional activities identified in the Plan complement the Integrated Business and Tourism Facility and align with PGF criteria. The PDU will consider potential activities up to \$ Commercial Information for a UDI as part of the total approved PGF funding as long as it excludes the Commercial Information.

Costs and funding

56. The PDU recommends that up to \$4.8 million is funded as a grant. The PGF funding will be used for:

- a. A detailed Business Case: \$ Commercial Information
- a. An Urban Design Plan: \$ Commercial Information
- b. Construction of the Integrated Business and Tourism Facility: \$ Commercial Information.
- c. Urban Design Implementation (UDI): up to \$ Commercial Information (excludes any Commercial Information).

57. WDC will co-fund \$ Commercial Information for Stage 1 and \$ Commercial Information and Commercial Information % of the UDI in Stage 2. The below tables show the Stage 1 and 2 costs and co-funding arrangements.

Stage 1: Planning and design	Total cost	PGF investment	Co-funding
Detailed Business Case	\$ Commercial Information	\$ Commercial Information	
Building design and CBD Urban Design Plan	\$ Commercial Information	\$ Commercial Information	\$ Commercial Information
Total for Stage 1	\$ Commercial Information	\$ Commercial Information	\$ Commercial Information

Stage 2: Construction and Implementation	Total cost	PGF investment	Co-funding
Construction of the Integrated Business and Tourism Facility	\$ Commercial Information	\$ Commercial Information	\$ Commercial Information

Urban Design Implementation (UDI)	To be determined	Up to \$ <small>Commercial Information</small>	<small>Commis</small> %
Total for Stage 2	\$ <small>Commercial Information</small> + UDI	Up to \$ <small>Commercial Information</small>	\$ <small>Commercial Information</small> + <small>Commis</small> % of UDI

58. The PDU recommends that the \$ Commercial Information contingency may only be drawn down at the PDU's discretion.
59. The PDU notes that WDC's financial position is adequate but the Te Wairoa E Whanake initiatives will stretch its financial capacity without external funding.
60. Grant funding recognises that WDC's financial constraints with a small ratepayer base (WDC has 6,813 ratepayers according to their Long Term Plan 2018-2028).

PDU assessment of the project

61. 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>		
Creates permanent jobs	✓✓✓	<p>Job creation from this project would be indirect. They would arise through concentration of economic activity and attracting new businesses (such as the i-Site, start-up businesses, and Rocket Lab education centre, and local food and beverages businesses) within a well-positioned facility.</p> <p>The investment may lead to increases in visitor numbers and spend and thus GDP growth.</p> <p>The Business Case and Design Phase of the project will further identify benefits.</p>
Delivers benefit to the community	✓✓✓✓	<p>This project has the potential to attract businesses and start-ups to the township and aligns with the Council's ambition of attracting younger professionals to Wairoa.</p> <p>The Regional Digital Hub may be identified as a tenant, therefore providing a 'use' of the building for the community.</p>
Increased utilisation and returns of Māori asset base	✓✓	<p>The project does not have any direct impacts but indirect impacts are likely given the district's high Māori population (63% of Wairoa's population compared to 15% nationwide). This may occur through attracting further private investment into the town and employing locals.</p>

Criteria	Rating (1✓ to 5✓)	Comment
Enhanced sustainability of natural assets		N/A
Mitigation of climate change	✓✓	The applicant states that one of the project's aims is to produce a carbon neutral space. This would be implemented by using a combination of recycled building materials, modern building practices and green vertical planting.
<i>Additionality</i>		
Adding value by building on what is already there	✓✓✓✓	The project transforms currently under-utilised buildings in the town.
Acts as a catalyst for productivity potential in the region	✓✓✓✓	<p>The project will help contribute to a robust town centre for the Wairoa district and diversify its economic activities from the traditional agriculture, forestry and fishing industries. The applicant has stated that the under-utilised buildings' strategic positioning has affected the vacancy rates of neighbouring buildings and created a disjointed radius that lacks linkage between the east and west end of the town centre. This project aims to reconnect the functioning east and west ends of the main streets.</p> <p>It is anticipated that a modern offering in the town-centre will not only catalyse existing businesses to enhance their offering, but provide an attractive space for new businesses and attract people to the region.</p>
<i>Connected to regional stakeholders and framework</i>		
Alignment with regional priorities	✓✓✓	The project aligns with Hawke's Bay Regional Economic Development Strategy (REDS) in its goal to lead in the provision of resilient physical, community and business infrastructure, enhance business satisfaction and spend.
Support from local governance groups	✓✓✓✓	Letters of support have been received from Commercial Information . The applicant has also stated Commercial Information support.

Criteria	Rating (1✓ to 5✓)	Comment
<i>Governance, risk management and project execution</i>		
Robust project management and governance systems	✓✓✓✓	WDC will lead the project with consultation support from Hawke's Bay Regional Council, Commercial Information [REDACTED] Commercial Information [REDACTED]
Risk management approach	✓✓✓	The applicant provided a comprehensive risk assessment. See the Risk Assessment section below.
Future ownership / operational management	✓✓✓✓	The applicant has stated it plans to own the assets and all operational management for the future.

Agency comments

New Zealand Transport Agency

62. NZTA recommends that WDC needs to complete more work to scope the Urban Design Plan and how the plan will relate to and inform the implementation of their four cornerstone projects.
63. The current scope includes design related statements, however it does not explain how design will be applied to help achieve them. Specifically, from their current scope, WDC should explain:
- how/what design is to be used to achieve “clever design and character of the CBD”
 - which “views and gateways” are considered important
 - how projects will contribute to an interconnected street network, distribute traffic evenly and provide pedestrian friendly developments
 - the kind of smart lighting solutions that will be used for their intended Crime Prevention through Environmental Design (CPTED).

64. NZTA also notes that the application does not include the typical urban design approach/method.
65. The PDU has included the NZTA's recommendations as a condition of the funding.

Department of Internal Affairs

66. DIA recommends that the PDU assesses WDC's composition and capability to deliver this project after local government elections in October 2019. This should be completed as part of the ongoing due diligence process prior to release of PGF funding.
67. The PDU has included the DIA's recommendations as a condition of the funding.

Risk assessment

68. The PDU has recommended that approval be conditional on assessing the composition and capability of the Council post results of the local authority elections and will ensure this is completed as part of the ongoing due diligence process prior to release of funding.
69. The PDU has identified the following key risks and mitigations:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Project	The project may prove unviable if the site purchases are significantly more expensive than planned. Furthermore, the business case may demonstrate that the benefits of implementing the construction phase do not outweigh the costs.	PDU will ensure the following conditions are met to the Unit's satisfaction and stage-gate funding according: <ul style="list-style-type: none"> • Demonstrate evidence of site 1 and 2 purchase by the applicant before the release of deliverable funding for the progression to the business case and urban plan design. • Demonstrate evidence of project viability (such as key anchor tenants identified) at the construction phase and continued alignment with PGF objectives. 	Medium
Cost	Costs may exceed original estimates.	Ensure cost quotes for key stages of the project are presented to the PDU's satisfaction before the release of deliverable funding.	Medium
Procurement	Potential procurement risk if the contractors at each stage are not the most suitable party to undertake the work.	Ensure procurement procedure is carried out to the PDU's satisfaction before release of deliverable funding at each key stage.	Low