

# Waiorua Lodge: Business Case



Prepared for the Provincial Growth Fund

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**WAIORUA LODGE LTD: BUSINESS CASE:****Table of Contents**

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## Executive Summary

Waiorua Lodge Ltd propose to rebuild the accommodation lodge and associated infrastructure located on Kapiti Island. The vision of this business is for it to be an iconic visitor experience for New Zealand. The environmental aspects are in place, as are the cultural components. What is required is for the infrastructure to match the rest of the experience and thus realise this vision for the business. The objectives of this project are twofold: To provide more secure, higher quality and lower environmental footprint infrastructure services of water, wastewater, electricity and jetty facilities to the residents of Waiorua Bay: To provide increased and higher quality accommodation facilities for Kapiti Island Nature Tours.

This business case presents a strategic, financial and economic assessment of the proposal and seeks funding assistance from the Provincial Growth Fund.

## Project Overview

The project will replace the existing accommodation and guest facilities used by Kapiti Island Nature Tours as the base for its business on Kapiti Island. This involves new accommodation to cater for 24 overnight guests, expanded and updated communal, dining and meeting facilities to meet the needs of the overnight guests as well as an increased number of day visitors and tour participants. The project will also provide reticulated water, wastewater and electricity to service the dwellings in Waiorua Bay.

The critical elements of the project are:

- A new jetty to meet the needs of visitors and residents for improved transport connection to the mainland that will enable future business opportunities on the island.
- A completely new lodge that meets current standards of construction and expectations of visitors
- New utility infrastructure with a low environmental footprint that will replace poor quality existing services.

## Funding Application to the Provincial Growth Fund

A related application for funding has been made that comprises two components:

### The Lodge and associated accommodation.

The lodge and associated accommodation comprise a 300m<sup>2</sup> main lodge building with 4 guest rooms and public areas for meeting, dining, and associated activities. A staff accommodation building is also proposed as is the establishment of 4 new cabins that meet current Building Act requirements. The design is intended to have a low environmental footprint while ensuring that the costs of construction and maintenance are modest. The environmental aspects of this development are important and need to be in keeping with the kaupapa of the business and also be sympathetic to the environment within which the buildings are situated.

The lodge and associated accommodation are estimated to cost \$<sup>Commercial</sup> to construct, including consents, fit out and site works.

### Waiorua Bay Infrastructure

The infrastructure developments include a new jetty for the bay, reticulated electricity to the existing whares in the bay with the energy derived from solar panels with a single back-up generator to service the whole bay. A new reticulated water supply is also proposed that will draw on roof collected rainwater but will have additional storage and interconnection. Additional off – site water storage will also be developed for fire-fighting to reduce risks. A reticulated and upgraded wastewater treatment system is also proposed for the current whare in the bay. This will comprise a secondary treatment system with a land-based trickle irrigation evaporation field.

Solar power is proposed as the principal energy source within the whole Waiorua bay community. Provision will be made for reticulation of this power if other buildings wish to join as part of a reticulated grid.

These infrastructure improvements have been costed at \$<sup>Commercial</sup>

## Provincial Growth Fund

This business case was developed with the support of the Provincial growth fund and is intended to provide a sound basis for a grant application to progress the development of the Waiorua Lodge.

The Business case does provide the evidence of the strategic importance, economic and financial viability of the development proposal.

The proposal will provide employment opportunities for an additional <sup>Com</sup> full time staff as well as an additional <sup>Com</sup> months employment for the <sup>Com</sup> existing part time staff and therefore result in a significant increase in earnings from the current lodge operation. The current lodge EBITDA for 2018/19 is \$<sup>Commercial</sup> which is estimated to rise to \$<sup>Commercial</sup> in year one of full operation of the redeveloped lodge business. Over the following 15 years with ongoing development there is a further increase in EBITDA to \$<sup>Commercial Inform</sup>. This represents nearly a <sup>Commercial Infor</sup> increase in economic activity over the next <sup>Commercial Informa</sup> from the current position. The redeveloped lodge will enable the business to provide increased training and education opportunities for the wānanga (Te Wānanga o Raukawa) and other institutions in the Wellington region.

The Waiorua Lodge has the potential to be an iconic visitor experience, both nationally and internationally – putting Kapiti firmly on the map as a “must see” destination.

In addition, there are also a suite of public benefits and investment opportunities resulting from the establishment of improved infrastructure proposed for the wider Waiorua bay community. The improved and more secure infrastructure will enable further economic development such as fishing charters, sea kayaking, dive tours, expansion of honey harvesting and associated botanicals production, and a range of other accommodation and new cultural experiences.

## Covid-19 Update and Implications

*This business case was prepared in March 2020 before the unprecedented impact of Covid-19 on New Zealand was established. This note provides an outline of the implications of the actions associated with Covid -19 and the consequential economic impacts on this business case. The following business case has not attempted to revise the overall financial implications for the proposal due to the major uncertainty that exists as at April 2020.*

*However, some implications can be drawn from the current situation and the possible future consequences:*

### Revenue

- *Domestic tourism activity and expenditure is expected to bounce back in the immediate short term, possibly over the first six months and into the summer of 2020/21. This will be a result of the current lockdown and also a desire to reconnect and take up experiences that have been delayed by the current situation.*
- *Over the longer term there will be some substitution of domestic travel for international travel by New Zealanders. Outbound travel by New Zealanders comprises around \$12B of expenditure that will not be directed at international travel until there is significant aviation connectivity and also a reduced concern about health issues and insurance availability. This situation may remain until a vaccine is widely available. At this point our estimate is that International travel is likely to be disrupted for some time, possibly 12 – 24 months.*
- *Waiorua Lodge, with 70% of its revenue from domestic visitors will remain as a viable and attractive experience for visitors. In the very short term, it is available and accessible for regional visitors as a day trip and/or an overnight experience within driving distance. This revenue stream is therefore likely to be little affected and over the longer term could improve.*
- *In the short to medium term (0-7 months) revenue from international visitors is expected to be reduced to near zero. This reduces the income assumptions for the lodge from this revenue source. However once international travel opens up there will be pent up demand as demonstrated by ongoing interest from*

international wholesalers for bookings in 2021. The challenge will be to substitute international bookings for domestic over the next 12 months.

- Banks attitude to financing the proposal may change due to uncertainty about tourism business viability. This may be offset by government guarantees and risk sharing, Commercial Information

#### Expenditure

- Expenditure by the Lodge can be adjusted in parallel with revenue and visitor numbers. KINT has very low fixed costs. Its major cost is staffing, and it is therefore in a good position to match demand with changes in its staffing complement.
- There are no particular aspects of the business that is reliant on goods or services that cannot be provided locally (excluding any mechanical breakdowns requiring parts). As a result, there are unlikely to be any supply chain barriers to the business operating normally once people are in a position to travel.
- Bank commentators are expecting interest rates to be lower for longer and this is to the benefit of the lodge on any borrowings associated with the proposal.
- The proposal to build the jetty over the winter of 2020 is a comparatively low-cost component of the project and requires limited materials and services. Once funding is secured this part of the proposal can proceed as soon as general business can operate normally.
- The lodge redevelopment is planned for the winter 2021 and this build window remains viable. However, this current planning timetable requires two aspects to be in place. First resource consents and second the builder to be contracted. Both can be achieved within the winter of 2020 and are not dependent upon visitor demand. The principal requirement is to confirm funding. This may be delayed due to the attitude of banks in this uncertain commercial environment and especially attitudes around tourism business.

## 2 Waiorua Lodge Context and Business Details

Waiorua Lodge Ltd is the registered name of an award-winning tourism business located on Kapiti Island north of Wellington. The business, Kapiti Island Nature Tours (KINT), comprises transport to the island and a range of tours, accommodation, and hospitality. The owners and directors of Kapiti Island Nature Tours have a long historical, cultural and business association with Kapiti Island, and are members of the whanau/owners of the last owners of the last remaining private/ Māori land on Kapiti Island.

Kapiti Island has always, since the earliest histories of Māori, been an attractive place to reside. It has always been a place of abundant resources and in particular, seafood and birdlife and its physical attributes served as a natural fortress that provided security from invasion. Kapiti is also well positioned strategically at the northern entrance to the Cook Strait to command the sea between the North and South Islands

The project site at Waiorua Bay, is the last remaining traditionally owned Māori land on Kapiti Island and as such, is of the utmost significance to the Mana whenua- iwi - hapū and whānau of the Raukawa Confederation - Ngāti Toa, Atiawa ki Waikanae & Ngāti Raukawa ki te Tonga. The significance is highlighted in whakapapa. Waiorua is the site of the last inter-tribal battle that consolidated the settlement of the famous leader, Te Rauparaha, after his epic migration of the Ngāti Toa from Kawhia to Kapiti in 1820. Ngāti Toa, Te Atiawa, and Ngāti Raukawa ki te Tonga have established their mana from Whangaehu to Turakirae since that time. The three Iwi of the Kapiti Coast support this project because of the mana-enhancing opportunity for Māori.- whānau, hapū and iwi, that will come from telling the rich historical narrative associated with the Island, and seeing successful Māori business, social and cultural development.

The (Parata/Webber/Barrett) whānau farming activity that commenced in 1880's was ended in 1966, primarily due to the restrictive, and highly regulated environment that the development of the Kapiti Island Nature reserve brought with it. Eradication of all non-endemic mammals and other rodents, control of introduced plants-including prohibition of domestic produce, fruit, vegetables and poultry, meant that living a sustainable existence by whānau on their island land, was almost impossible. Consequently, no whānau resided full-time on Island from 1966.

In 1971 John & Sue Barrett commenced a process of whānau re-connection with Kapiti Island. The development of the Kapiti Island tourism business commenced at that point, amidst a wide range of business development obstacles. Principal amongst the obstacles was and still is, the lack of appropriate infrastructure. Examples include septic tanks, inadequate water supply, sometimes risky beach landing facilities for boat access and erratic generator power supply for the existing properties.

The infrastructure developments proposed through this project, ie- jetty, power, water supply, and waste management will encourage and enable more whānau to return to the whenua, and, realistically go about the business of business and whānau development on the land.

The potential for economic development through this project is significant. Positive discussions with Kapiti Coast District Council, DOC, and the wider tourism sector support the planning for additional tourism growth.

**Commercial Information**

Since the wind-down of the family farming operation in 1966, the owners have carried out low impact tourism and other educational programs on part of the private land at the northern end of Kapiti Island. The Barrett family established the current lodge structure as a family bach in 1971. It has subsequently been added on to over the years to the current building with numerous lean-to's and other small sheds around the main building.

This lodge forms the basis of the current eco-tourism business and its redevelopment is the subject of this business case consideration and future development proposal.

The business continues to grow and its reputation and the experience offered has resulted in significant increases in visitation over the last 5 years and beyond. Weather has been the only constraint to a continuous trajectory of year on year growth with the 2015/16 summer being particularly stormy, resulting in reduced visitation.

The Island is a major visitor attraction on the Kapiti Coast, with high seasonal demand from regional, national, and international visitors. The growth in the number of international visitors has been consistent over the past two years with the national increase in international nature and eco-tourists now targeting Aotearoa, NZ.

The nature reserve is strictly managed and controlled in terms of maximum numbers of visitors being permitted to visit, with a cap of 100 people per day permitted entry onto the nature reserve, with an additional 60 visitor permits available for the DOC managed north end Crown land. Until 1998, the Department of Conservation carried out all visitor management and tourism functions for day visitors to the island. In 1998, DOC tendered out the visitor management functions on a competitive commercial basis. Kapiti Island Nature Tours is currently a DOC concession holder operating on both DOC managed sites in addition to the Lodge operation on the whānau owned land at Waiorua bay.

This business is an award-winning Māori owned tourism business that has received numerous awards for its tourism contribution as well as its contribution to conservation.

**Land ownership arrangements**

The current lodge, which is also the proposed redevelopment site is located on the land parcel Waiorua Kapiti Block 6, sub block (informal partition c). This parcel of land is part of a larger 12.14-hectare block of land that divided into six sub blocks and is collectively administered by the Waiorua Bay Trust. These informal blocks have been surveyed and there are lessees of the blocks to the original descendants. The Trust acts on behalf of all the lessees (who are in effect the beneficiaries of the collective ownership of the land) in matters relating to administration of the land and engagement with regulatory entities that might influence the land. . The adjoining land (Section 1 on SO Plan 457506 is owned by Ngāti Toa but managed in conjunction with the Department of Conservation – Te Papa Atawhai as the Kapiti Island Northern Nature Reserve.

The Waiorua Bay Trust was formed in 2004 to be the responsible trustee for the Waiorua Kapiti 6 block of land.

The Waiorua Bay Trust is administered by four trustees: [redacted] Privacy of natural persons [redacted]. The Trustees have been consulted and are supportive of the proposed development detailed in this application. Ngāti Toa have been consulted and have prepared a cultural values report that is summarised separately in this business case. The Atiawa ki Waikanae Charitable Trust – the mandated body for the Te Atiawa people of Kapiti district, have also provide written evidence in support for the proposed development.

Waiorua Lodge Ltd has a 15year lease from the Waiorua Bay Trust for the block with further rights of renewal at a peppercorn rental. The lease enables the business to continue to operate as proposed and there are also appropriate covenants in place to ensure the sustainability of the block in terms of environmental and development controls.

## 1 Waiorua Lodge’s Vision and Goals

### 3.1 Waiorua Lodge’s Vision

The vision for Waiorua Lodge is for it to be the catalyst for whānau, hapū and Iwi economic and cultural development and growth –building on the remaining untapped potential of the iconic tourism experience for visitors from New Zealand and Internationally that offers the best there is of a cultural and environmental experience. This experience will include a pristine environment that truly represents the best New Zealand has to offer. This nature-based experience will continue to be presented in the context of Māori culture that has occupied the island and the visitor location for hundreds of years. This combination of culture, history and environment makes the experience unique in New Zealand.

### 3.2 Business Goals

Waiorua Lodge and the associated business, Kapiti Island Nature Tours (KINT) has the following business goals:

- 1 To develop and market tourism business based on the eco and nature resources of the Kapiti Island Nature Reserve, the Kapiti Marine Reserve, and parts of the Private and Crown owned land at the northern end of Kapiti Island, and any other appropriate location;
- 2 Grow and develop the Manuka honey business and associated naturally sourced botanicals product business.
- 3 Employ appropriately qualified whānau/iwi and other staff to become proficient and professional tourism operators;
- 4 Advocate and promote the values of the Kapiti Nature and Marine Reserves; and
- 5 Operate a successful and profitable, nationally and internationally recognised tourism business based under a set of kaupapa or Māori value statements;

Of particular importance to this business and its mission is the approach taken in the business which has been used to guide both the project, the proposal, the anticipated results and the mode of operation into the future.

The kaupapa based approach is incorporated into every-day business activity of KINT. Amongst the kaupapa applied are the following;

#### **Manaakitanga**

We should express manaakitanga, or mana enhancing behaviour towards each other as staff, colleagues, clients, customers and suppliers - taking care not to “trample” another’s mana. The concept of Manaakitanga includes the understanding of tapu and noa, and mana. In powhiri rituals on the marae or on the site of business, the object is to deal with the tapu and the mana of the tangata-whenua and manuhiri in an enhancing, positive way. In our relationships with others we are aware of mana, our own and theirs. We can act in a mana enhancing way, by expressing manaakitanga.

Manaakitanga is often quoted as an appropriate principle applicable to the tourism/hospitality sector through the provision of exceptional care, generosity and hospitality.

#### **Rangatiratanga**

Rangatiratanga is the expression of the attributes of a rangatira, including humility, leadership by example, generosity, altruism, diplomacy and knowledge of benefit to the people. We understand the importance of “walking the talk”, following through our comments and commitments made, manaakitanga, integrity and honesty.

#### **Whanaungatanga**

The people are our wealth. This system of kinship, including rights and reciprocal obligations (utu) that underpins the social organization of whānau, hapū and iwi should be part of the life of our business. Whānaungatanga is about being part of a larger whole, of the collective.

#### **Kotahitanga**

This is developing and maintaining a unity of purpose and direction and avoiding approaches and decisions that lead to division and disharmony. A commitment by the company through oneness of mind and action to achieving its vision would be the expression of kotahitanga. All must be encouraged to make their contribution, to have their say.

#### **Ukaipotanga**

This kaupapa highlights the importance of tūrangawaewae, te hau kainga, where whānau and associates ground themselves to the land (island) and home. Ūkaipō are the places or the place, we find ourselves, our strength, our energy. Having a place where you belong, where you count, where you are important and where you can contribute is essential for Māori wellbeing. As a whole person with your identity intact, you can make your contribution.

#### **Kaitiakitanga**

Preserving and maintaining the existence of the company/business and the entity that nourishes Kapiti Island so that it can continue to fulfil its functions and wider obligations is the essence of this kaupapa.

Kaitiakitanga has several facets, including;

- The preservation and conservation of taonga tuku iho – treasures handed down by our ancestors -flora/fauna/waterways and ocean/and culture and language;
- Appropriate financial management that ensures the organisation can operate as a growing and developing entity, with sustainability; and
- Accountability to ourselves, whānau and staff, hapū and iwi and clients, customers and suppliers.

These kaupapa are pivotal in all aspects of Waiorua Lodges operation.

## **4 The Waiorua Lodge Proposal**

### **4.1 The Proposal**

The current lodge infrastructure was originally established as a family bach in the 1970's and has had many additions to the initial structure over the years to meet increasing demand and also to meet the needs of the of the tourism business that operates from the premises.

While the facilities may be been suitable for an ecotourism experience in the 1970's and 80's, todays visitors, both international and domestic are far more demanding and discerning about both the experience and also the accommodation, dining and other services that are offered.



In addition, the regulatory requirements have increased significantly since the buildings were completed. It is unlikely that the existing facilities comply with current requirements around commercial accommodation, building code requirements, etc.

This combination of factors, combined with a desire to continue to develop the business into a world class and iconic New Zealand experience means that redevelopment is required at this time.

The opportunities in front of the business are to develop the experience into a year-round one and also to offer a more diverse set of experiences, including group business as well as individuals and hence provide a more robust revenue profile for the business. The development will also provide the catalyst for new business development by wider whānau and community, e.g. dive tours, fishing, sea kayaking, honey and bee keeping tours, high quality arts and crafts.

The proposal is a complete redevelopment of the lodge building and associated accommodation. The new buildings would be fit for purpose and comprise a 320m<sup>2</sup> main lodge building that comprises four accommodation ensuite rooms, dining spaces and lounge areas to accommodate both overnight visitors as well as an increased number of day visitors for lunch. A complete set of service areas is also proposed that meet the requirements of the current visitor operation and comply with all the current regulatory requirements. Improved staff accommodation is also proposed. This comprises additional bedrooms and associated lounge facilities. These have been configured to provide additional meeting spaces for workshops and other educational activities. The new accommodation will consist of two additional glamping tents and replacement of the 4 existing cabins with new facilities that have ensuite facilities that meet current building code requirements.

#### **4.2 Options Considered**

The redevelopment options are limited by two factors. First, the land that is viable for building is limited. The Block 6C is an area of 4.5ha (comprising an informal partition of a larger block of 19ha which is under the jurisdiction of the Waiorua Bay Trust), however the majority of this block comprises retired farmland that is rapidly reverting to swamp and therefore is unsuitable for building a substantial structure. Second, the shape of the block provides only a limited frontage to the sea and this perspective is one of the outstanding attributes of the visitor experience.

The “buildable” footprint is therefore largely defined by the boundaries of the block and a distance setback of approximately 20 metres from the front boundary of the block facing the sea. Within this footprint the existing main lodge structure and a variety of sheds and service buildings are located. Two options therefore are possible for redevelopment:

- Renovation and extension of the existing lodge structure
- Demolition and complete redevelopment.

In considering these two options, the poor condition of the existing lodge and the uncertain structural compliance and the need to demolish or strip the majority of the structure for any redevelopment make the renovation unviable as an option. Complete demolition and building a new lodge structure is therefore agreed as the most practicable and least cost option. This approach also means that the lodge will have to close for a period to provide for the demolition of the existing structures, ground works at the site and building the new lodge.

The overall approach is to maximise the utility of the existing area and meet the needs and expectations of current and future visitors

This specification for future visitors as well as drawing on the historical pattern of demand has resulted in a prescription for a future mix of accommodation types, comprising 4 glamping tents, 4 bedrooms within the lodge building and 4 cabins with ensuites. This combination of accommodation options is considered to best meet current and future demands and also provide flexibility in servicing the levels of visitor demand that are likely to arise over an extended 11 or 12-month season.

The glamping tents are in high demand from visitors over the summer period and sell out first as a more “back to nature” experience. The current cabins do not have ensuite facilities and are also un-insulated and have poor electricity services. To meet the market expectations, as indicated in the market demand research from wholesalers about visitor expectations, these are proposed to be replaced with cabins that have ensuite

facilities and meet present day standards for a quality lodge. The in-lodge rooms provide the ability to meet the needs of disabled clients and also provide close services for guests. Having 4 rooms in the lodge also reduces the overall build footprint and infrastructure reticulation required to provide accommodation for 24 overnight guests.

#### **4.3 Benefits of the Waiorua Lodge Proposal**

The project will future proof the business by providing accommodation, communal facilities and infrastructure services that meet present day standards and expectations for a lodge of this nature in this type of location. Increasingly, visitors are expecting high standards of accommodation irrespective of location and services that are available everywhere. Innovations in technology and reduced costs have meant that services need to be of a high standard, even in remote locations.

The modern development means that a higher standard of services can be provided to visitors. The lodge is planned for the expected number of visitors and is therefore fit for purpose. Kitchen and storage facilities will meet the requirements of present-day regulations and expectations as well as being of sufficient size to cater to increased number of day visitors as well as overnight visitors.

To achieve a high level of visitor experience and satisfaction, combined with additional visitor numbers, there will need to be provision for new staff accommodation for the lodge staff. This is particularly important when the positions will be full time and also involve additional visitors. Provision is made for new staff facilities that can double as meeting rooms in the overall design.

The financial data for the business demonstrates that it has been growing rapidly over the last 5 years and that there is no expectation that this growth will not continue into the future. While short term, New Zealand international arrivals are expected to be flat, the long-term trend in international visitor arrivals is for continued growth at around 4%. This growth trajectory has been used in the modelling, even though the profile of international visitors is changing, with increasing numbers of visitors that are interested in eco experiences and fit the demographic of the Waiorua Lodge visitors. In addition, around 70% of visitors to the lodge are domestic and this market shows no signs of diminishing in the near or longer term. With an increased investment in marketing that is provided for in the business case we anticipate that substantial growth will continue for the foreseeable future.

Other benefits of the redevelopment include:

- Avoided maintenance to the existing lodge. The current buildings are at the end of their economic life and even to maintain the current buildings and business, significant maintenance would be required. Investing into redevelopment rather than maintenance is the preferred approach.
- With a modern construction approach there is expected to be reduced operating costs in future. More fit for purpose materials and a focus on ensuring that the building can cope with the marine environment will mean reduced expenditure in the future.
- While there are increased total costs associated with the redevelopment these are reduced when measured on a visitor/night basis.
- Higher wages have been included in the business case to reflect the desire to recruit and retain high quality staff and reflecting the tight labour market conditions at present. Having quality staff is vital to ensuring that the overall experience is of a high standard.

#### **4.4. Visitor Experience**

The visitor experience will be significantly enhanced with a new lodge. Improvements will include increased quality of the main building with insulation standards to present day, improved layout and space that will reflect the experience. There are also improved areas for dining and also casual meetings.

It is expected that the main buildings will be of a standard of other New Zealand lodges and will reflect the environmental ethos of the business and location. Its remote location ensures that its operational environmental footprint should be suitably low.

There is the opportunity to also enhance the historical and cultural components of the experience with improved space, layout and AV facilities. While this improvement is significant care will be taken on the siting of the building and in relation to existing vegetation to ensure that the birdlife will continue to frequent the lodge and surrounding area.

Improved entranceway and outdoor areas will enable improved powhiri and greetings to be carried out at the lodge. There will also be a stronger emphasis on the cultural component of the experience with carvings to be commissioned from Te Wānanga o Raukawa.

#### 4.5 Iwi Engagement

The process of consultation on the redevelopment options and the associated business case has involved extensive consultation with the relevant iwi and hapū with connection to Kapiti Island. This has involved, Ngāti Toa in their capacity as mana whenua of Kapiti Island, post settlement and during the current phase of negotiation over the future management of the island. Kapiti Island Strategic Advisory Committee which is tasked with developing the strategic plan for the island as part of its stewardship/ownership role into the future has also been consulted about this proposed redevelopment

A Cultural Values Report has been prepared by Te Runanga o Toa Rangatira as the mandated iwi authority for Ngāti Toa. This report reviews the proposal as outlined in this business case and the resource consent applications and makes recommendations in relation cultural impacts and Ngāti Toa interests.

The report has identified that some of the activities associated with the proposal have potential adverse effects:

ACTIVITY	ADVERSE EFFECT TO NGĀTI TOA INTERESTS
Construction works for buildings and infrastructure	Biosecurity
Infrastructure- potable water and firefight water supplies	Loss of Mauri
Infrastructure-Wastewater system	Contamination, Loss of Mauri
Stormwater	Contamination, Erosion
Earthworks	Sedimentation, disturbance and excavation of historical material
Vegetation clearance	Loss of Mauri, Loss of Habitat
Jetty construction	Loss of Habitat, Loss of Kaimoana

Recommendations have been made to address these potential impacts and these will form part of the conditions of the consents that are obtained for the respective activities.

The report also acknowledges that the applicant has whakapapa to all iwi with interests in Kapiti and is in a position to continue to help with kaitiaki responsibilities on the island.

#### 4.6 Future Staffing

One of the significant benefits of the redevelopment is the increase in permanent staff members that will be employed in the business. The employment of an additional five staff will be required to meet the needs of the business with new facilities and the increased operating season. In addition, there are associated benefits in the training opportunities and experiences that the Lodge can offer to interns and other students seeking to enter employment in the tourism and honey industries.

#### 4.7 Consent Requirements for the Lodge Development

Consents are required for the redevelopment of the lodge due to its position and also the extent of work required. These consents are outlined below and are a summary of the consent application details:

##### SUMMARY OF PROPOSED ACTIVITIES TO BE CONSENTED

1.	LAND USE CONSENT (KCDC) TO UNDERTAKE A REDEVELOPMENT OF THE EXISTING WAIORUA LODGE INCLUDING:
I.	TO PROVIDE FOR AN INCREASE OF DAY VISITORS TO THE LODGE FROM 33 PER DAY TO 50 PER DAY (THESE DAY VISITORS WOULD INCLUDE ANY OVERNIGHT VISITORS);
II.	TO ALLOW FOR UP TO 24 OVERNIGHT VISITORS AND UP TO SIX STAFF (note these numbers do not include whānau staying on the Island)
III.	DEMOLISHING AND REMOVING THE EXISTING LODGE BUILDING FROM THE ISLAND AND REBUILDING A NEW LARGER FACILITY (310m <sup>2</sup> ) INCLUDING 4 NEW GUEST ROOMS WITH ENSUITES, A LARGE KITCHEN FACILITY AND DINING ROOM
IV.	BUILDING A NEW STAFF ACCOMMODATION SPACE (155m <sup>2</sup> ) WITH SIX BEDROOMS IS PROPOSED AND A KITCHEN (THUS CREATING AN ADDITIONAL HOUSEHOLD UNIT)
V.	REMOVING THE TWO EXISTING DOUBLE BEDROOM CABINS (12m <sup>2</sup> EACH) TO ANOTHER LOCATION WITHIN WAIORUA KAPITI NO. 6 AND REBUILDING NEW CABIN FACILITIES (SIZE APPROX 15M <sup>2</sup> ) ACCOMMODATING 4 PEOPLE. THESE FACILITIES WILL HAVE ENSUITES.
VI.	UPGRADING THE EXISTING BUNKROOM (ACCOMMODATING 12 PEOPLE) TO PROVIDE BETTER INSULATION AND LAYOUT (SIZE TO REMAIN THE SAME AT 45.5M <sup>2</sup> )
VII.	CONSTRUCTING A NEW ABLUTION BLOCK (BEING 10M <sup>2</sup> ) NEXT TO THE BUNKROOMS WHICH WILL SERVICE THE NEW BUNKROOM BUT ALSO BE AVAILABLE TO WIDER WHĀNAU TO USE DURING THE PEAK SUMMER SEASON
VIII.	INSTALL TWO ADDITIONAL GLAMPING TENT SITES (BEING SIZE 15 M <sup>2</sup> )

#### 4.7 Concession Requirements

As the KINT business also requires a concession from the Department of Conservation to take tours onto conservation land, this approval may be revisited to reflect the improved environmental performance of the

#### 4.8 Project Timeframe

The proposed timeframes for the redevelopment are:

1. Complete the funding, consenting and detailed design process by Commercial Information
2. Construct the Jetty Commercial Information
3. Operate the lodge over the Commercial Information
4. Demolish and rebuild the new lodge over the period Commercial Information
5. Reopen Lodge for the summer season End of Commercial Information.

## 5 Waiorua Bay Infrastructure Proposal

### 5.1 The Infrastructure Proposal

Redevelopment of the infrastructure to support the lodge and also the current residents of Waiorua Bay is a critical aspect of this proposal and business case. The lodge redevelopment is dependent upon having reliable and robust infrastructure. In addition, the level of infrastructure services and the quality of treatment determines the scale of operation of the lodge and hence the economics and financial viability of the project.

The infrastructure components that have been considered as part of this proposal are:

- Water supply
- Wastewater
- Electricity
- Transport reliability improvements through development of a Jetty on the island.

## 5.2 Options considered

### Water supply

Three options have been considered for improving the water supply for the lodge and other dwellings in Waiorua Bay. These are, redevelopment of a groundwater source for reticulation, utilise the Waiorua stream as a water supply with a take from the main channel, utilise the existing rainwater collection systems.

Investigation of the groundwater take that has been used historically indicated that a complete new system would be required. In addition, the proximity to the coastline also raised concerns about saltwater intrusion should the drawdown cone be significant. Given the costs of drilling and the risks associated with saltwater intrusion from a shallow borehole this option was rejected.

Investigation of the Waiorua Stream also indicated that there would be problems with this source. The main channel is small and meandering and unlikely to provide a sufficiently high flow over the summer period without significant ecological effects on the ecology of the stream. The nature of the stream would also mean that significant disturbance would be required to install headworks to divert flow for supply. While some tributaries can provide some flow they are ephemeral and unlikely to be an adequate source over the summer. It was considered that these tributaries could provide off-stream firefighting resources and some supplementary values to the preferred rainwater collection option below. This option is included in the costing for the business plan.

The final option of rainwater collection is therefore considered to be the most practical and least cost option for the lodge and dwellings. There will be a need to upgrade storage to make the most of the rainfall and ensure that there is sufficient volume available to meet the increased needs of the lodge. Increased storage is comparatively low cost and can be increased incrementally as demand and experience requires. It also makes use of existing infrastructure that is in place for the existing dwellings.

Off-site additional storage for firefighting is also proposed to build resilience for emergency purposes of both firefighting and if required water supply. An additional 75,000 litres of storage are proposed, in addition to the existing 20,000 litre tank.

### Wastewater

Two options were assessed for the wastewater system for the lodge. The initial concept was to develop a full secondary treatment system for all waste sources. However, while still feasible this option was considered to be less acceptable on the basis of the area required for trickle irrigation and the water consumption required to sustain the system. Cultural concerns also counted against this option.

The proposed system that has been assessed as the most viable and meets cultural and supply requirements is a combination of composting toilets for the lodge and associated accommodation facilities and a greywater treatment system for other waste water is subsequently treated and then discharges to land. The glamping tents will continue to utilise composting toilet systems.

This approach minimizes the use of freshwater while ensuring that high treatment standards can be achieved with the minimum land disturbance and use for the irrigation system. This option therefore reduces the overall water and energy footprint of the lodge while also enhancing its environmental credentials.

The wastewater systems consist of the following elements:

- 1) Composting toilets; and
- 2) Greywater discharge scheme
- 3) Anaerobically treated waste composted on the land

The greywater system comprises the commercial grease traps in the kitchen to collect larger kitchen waste articles and grease (material collected in the grease traps would be composted when combined with additional

carbon material). A primary tank will collect all kitchen greywater. This would need to be appropriately sized and sit above ground. It would settle larger sediments. When combined with digestive enzymes such as bokoshi it provides some primary treatment to the grey water. A secondary tank will then comprise a microfiltration unit and a backflush pump to flush sediments back into the primary tank. The final component comprises a tertiary treatment of the effluent such as ozonisation before discharge via a low-pressure compensating dripper irrigation system.

The composting toilet waste will be aerobically composted and discharged to land.

#### Electricity

While wind and run of river hydro were considered as sustainable energy sources for the bay, both have significant drawbacks. Micro hydro was not considered viable due to the comparatively low head and low flows that are available for this option. Wind energy production is considered to be visually intrusive and also to be unreliable compared with the alternatives.

A solar panel and battery system is considered to be the most viable and technically practicable option for the bay. This option has been developed and the components identified and costed to provide sufficient energy for the lodge and some dwellings.

A proposal has been developed that will provide energy sufficient for the lodge and ancillary buildings and back up generation to ensure that there is a consistent supply. Provision has also been made to reticulate the system to the existing properties within the bay. Further consideration is required to fully develop a comprehensive network for the bay and this would depend on whether there is interest in having year round energy supplied to each property. It may be that this is not viable at present given the limited occupancy of some properties.

#### Jetty Development

The establishment of a jetty at the northern end of Kapiti Island will provide improved access to the island for visitors and residents into the future. A jetty is proposed to be constructed immediately seaward from the lodge on Waiorua block 6c. The proposed location is marked on the masterplan of the block (see attached plan). A 38 metre long jetty with a 14 metre berthing head is proposed. The jetty is proposed to be 2.4metres wide to accommodate light vehicle access to facilitate the movement of freight and people as required. A biosecurity room is also proposed as part of the jetty development. This is intended to provide an additional risk reduction measure for visitors and goods coming on to the island over and above the temporary facilities on the mainland. While primary screening will continue to occur on the mainland before embarking, the biosecurity room on the arrivals jetty will increase the checks and reduce risks of incursions. Should more permanent and purpose built facilities be developed on the mainland, the need for additional containment facilities on the island will be revisited.

### **5.3 Benefits of the Waiorua Bay Infrastructure Proposal**

Improvements to infrastructure in the bay will enable further economic development in the immediate future for landowners. It will also improve the quality of the existing occupation of the residents. It will reduce the environmental footprint of occupation of the bay. It will enable the redevelopment of the lodge and expansion of the business. This expansion is reflected in the financial forecasts which indicate that the business can generate more than a fourfold increase in revenue and a threefold increase in profitability due to the overall redevelopment. Installation of leading-edge solar power and waste management technology will immediately reduce the high summer fire risk through the elimination of multi sited petrol and diesel generation and make redundant the non-compliant septic tank systems currently in place.

### **5.4 Consent Requirements for the Infrastructure Components**

The infrastructure will require specific consents related to the activities and their environmental impacts. In particular, the requirements around water/wastewater and structures that are located in the Coastal Marine area required approval.

The consents required for the specific infrastructure elements are detailed below:



A process of engagement of a construction contractor – early contractor involvement (ECI) has been run during the business case development process. This process involves the development of a request for proposals from invited qualified builders to build the lodge before the detailed design is finalized. The preferred contractor then participates in the detailed design process to ensure that the proposed project can be constructed within the specified timeframe and cost envelope. This process benefits the build and also the business case as the costs are assessed by more parties and therefore the robustness of the estimates can be confirmed. In addition, the level of uncertainty about the practical aspects of the project are considerably reduced. The location of the Lodge, being on an island, near a nature reserve and with significant biodiversity requirements, a tight construction timetable and also off the grid, means this approach has confirmed the costs and ability of the project to be completed within the proposed timeframe.

## 6 Current Business Operation

### 6.1 Product Offer

Kapiti Island Nature Tours (<https://www.kapitiisland.com>) offers a range of visitor experience products that meet different market segments on Kapiti Island.

They offer basic transport services to the Island for day visitors and those wishing to explore the nature reserve in a self-guided manner. Visitors can be taken to Rangatira Point in the nature reserve or to Waiorua Bay. The trip leaves Paraparaumu at around 9 am and returns at 3pm. This transport option retails for \$82.

The next product is a guided trip with staff providing interpretation of the surrounding area with a lunch also provided at the lodge. This day trip and guided experience is retailed at \$184 per adult. Being a day product this option is most attractive to the domestic market and is undertaken either at Waiorua Bay and Northern Kapiti.

The overnight kiwi spotting experience is the premier product that Kapiti Island Nature tours offers. It is a combination of transport to and from the island, an overnight stay and meals.

The current accommodation offerings of Kapiti Island Nature are a mix of two glamping tents with adjacent toilets, three cabins with no ensuite and one bunk house with four units. The space in the main building accommodates: the dining and relaxing areas, the kitchen, office and staff accommodation and adjacent bathrooms. The guest rooms can accommodate up to 24 visitors.

The accommodation offer is highly attractive to visitors and draws a premium price. The current market prices (2019/2020) are:

Ensuite	\$445 per adult
Tents	\$420 per adult
Cabins	\$395 per adult

The uniqueness of the overall experience means that the premium has been able to be maintained on a consistent basis. In particular, the glamping tents are seen as a unique experience with the abundant birdlife in the same environment. This accommodation option sells out first and therefore the proposal is to increase the quantity of this offer.

### 6.2 Recent Business Performance

The Lodge has had solid visitor growth over the last 5 years despite a challenging season due to weather in the summer of 2016-17.

#### Total Visitors

Year	Visitor Numbers	Percentage change
Commercial Information		



Commercial Information		

**Overnight Tour Experiences**

Total Bed Nights Commercial

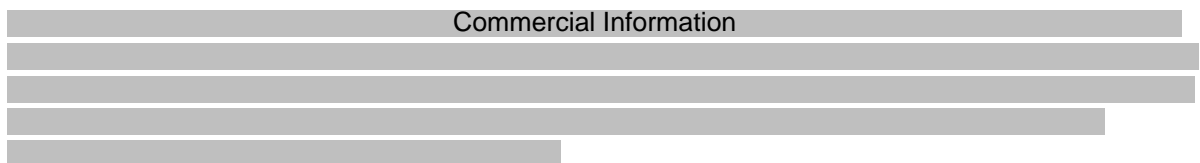
Year	Total Bed nights (Com % adults)	Percentage change
Commercial Information		

This data gives a CAGR of Co %

**North End Day Tours**

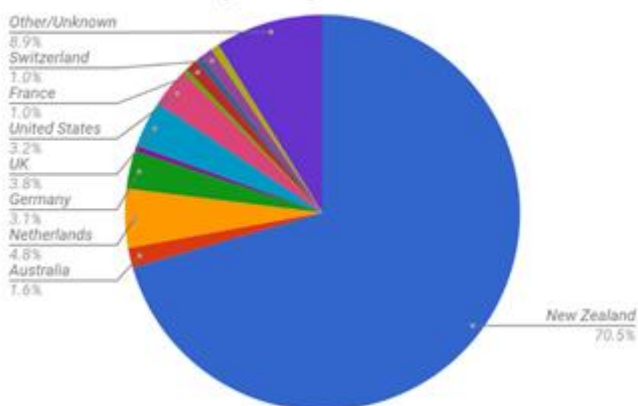
Year	Total Visitors	Percentage change
Commercial Information		

CAGR of 20%

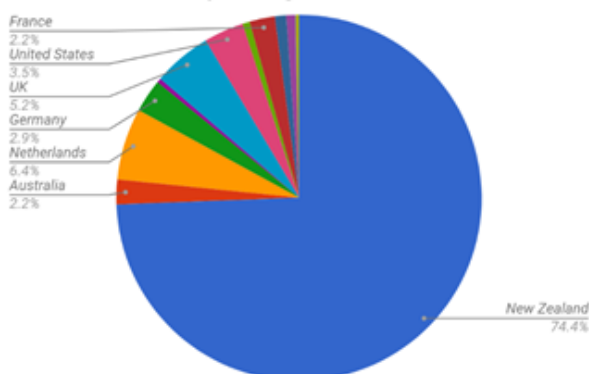


**Origin of Visitors**

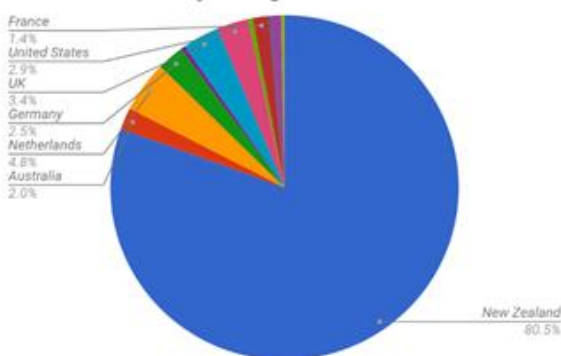
2016/2017 country of origin



2017/2018 country of origin



2018/2019 country of origin



### 6.3 Marketing Plan

The current marketing plan (2020/2021) for KINT is predicated on a number of assumptions. These include utilisation of existing infrastructure; building on the existing success in a number of visitor segments and diversification and broadening the customer base from the historical birding and conservation enthusiast visitor.

The marketing approach has been developed on the assumption that the infrastructure and services will expand in the near future, but of course marketing must precede the development to ensure that demand will match new and increased facilities.

Key components include:

- Continued focus on the domestic market, but greater segmentation based on location with an approach of “come and explore this premium nature experience on your doorstep”
- For international visitor a in increased focus on sharing the whanau’s taonga of over 200 years and telling a greater story around history
- For international visitors building on the feedback of the attractive whānau hosted experience
- Expansion of digital marketing activity as a cost-effective channel to market.
- Consider working with new intermediaries such as “stay native” for those seeking authentic indigenous experiences
- Develop additional events and group experiences for the low season to ensure that the occupancy is maintained across all months

Clearly the redevelopment of the Lodge will result in significant business disruption as the construction occurs. As a consequence, outyears are being treated with some caution until the build programme is confirmed.

### 6.4 Current Consent Conditions

Operating Procedures

The operation of Waiorua Lodge and KINT is set out in a comprehensive operational management plan that was prepared as part of the resource consent granted to KINT in 2015. The management plan sets out the operation of the tour operation and activities associated with the Lodge.

In particular, the management plan sets out risk and mitigation plans for key issues associated with Kapiti Island and its status as a nature reserve. Key management plans cover the following aspects:

1. Accidental re-introduction of pests-rodents-mustelids
2. Fire
3. Flora–fauna protection & care
4. Land use restrictions and boundary observation
5. Visitor and staff safety
6. Helicopter use for passenger and freight transportation
7. On-site sewage treatment system
8. Potable water supply
9. Wāhi tapu and culturally significant sites
10. Monitoring and compliance

The operational management plan is executed by KINT and is monitored by a committee comprising

- KINT staff member (consent holder)
- Kapiti Coast District Council
- Island Whānau Trust
- Department of Conservation
- Ngāti Toa Rangatira
- Te Whakameinenga o Kapiti

#### **6.5 Staffing policies and practices**

Waiorua Lodge actively recruits locally using iwi, hapū and whanau networks, as well as more mainstream channels. Waiorua Lodge has strong relationships with local organisations, including Te Wānanga o Raukawa, and contributes to developing pathways into employment. As a whanau business it is committed to developing a long-term strategic approach to staff and whanau development, and the business has been successfully delivering on this.

Staff development is managed in-house with an ongoing training programme. Business operation and role specific training is managed on site, with staff encouraged to upskill through additional training provided around tikanga Maori, te reo Maori, and local human and natural history. A series of wānanga workshops have been developed to provide this supplementary training, with time made available to staff and whanau to pursue further learning. Whanau and staff are also qualified and experienced in developing, delivering, and assessing education programmes under the NZQA framework, having run several Cultural Tourism Camps on site.

#### **6.6 Health and Safety**

A comprehensive health and safety management plan is in place to mitigate or eliminate the risks involved in operating a remote island business. Key areas of risk have been identified for on-island, mainland, and vessel operations.

These include:

- Fire prevention and response
- Natural disaster response
- Site risk registers and mitigations
- Incident, accident and near miss register

All staff and contractors are trained on relevant health and safety plans, and all visitors are briefed on key response plans. Relationships with local emergency response teams and Department of Conservation island neighbours are maintained to ensure response plans are effective.

## 6.7 Long Term Management and Governance Arrangements

The long-term governance arrangements for the business once the redevelopment has been completed will require a more formal structure of governance and management. This structure will reflect the importance of the skills and interests that are needed to ensure the business succeeds into the future. In addition, there will be substantial changes to the overall financial operation of the business with new obligations and accountability requirements. This is reflected in the addition of board members that have a commitment to investors and therefore have a role to play in the overall governance of the business.

The proposal is to establish a governance board with the following composition:

### Governance Board

1X Island Trust nominee  
 1X Iwi representative (appointed by & from Kahui Kaumātua)  
 1X Investor representative  
 4X Whānau representatives

The Governance Board will act as the overall board of directors, responsible for the strategic direction of the business and also the financial management of the business and relationships with investors and other key stakeholders.

### Advisory Board

3X representatives – current membership which reflects the tourism and business expertise.

This Advisory Board will remain substantially the same, with the role of providing strategic sector advice and business intelligence related to markets and tourism matters.

### Kahui Kaumātua

1 x member appointed from each of the three iwi of the Raukawa confederation. (3 members)

### Commercial Information

[REDACTED]

This Management structure reflects the need to have a comprehensive approach to management of the day to day operations of the lodge and associated assets. It will have the operational responsibilities for the lodge, immediate relationships, client facing aspects and management of the regulatory and compliance requirements.

## 7 Tourism Market Analysis

### 7.1 Global Context

International tourism is expected to continue to grow in line with the increasing global wealth. UNWTO forecasts to 2030 indicate a continued expansion at around 3- 4% globally<sup>1</sup>. Oceania as a region is expected to grow at a faster rate than other regions of the world with an estimated visitor increase of 6% annually. This expectation is result of the comparative increase in wealth and therefore increased visitation from source countries that are experiencing higher growth rates than Europe and America.

<sup>1</sup> <https://www2.unwto.org/press-release/2019-05-21/international-tourism-numbers-and-confidence-rise>

New Zealand is expected to be a beneficiary of increased visitor growth in the Asia Pacific region for some time to come.

## 7.2 National Context

According to the MBIE Tourism Forecasts, visitor arrivals to New Zealand are expected to grow 4% a year, reaching 5.1 million visitors in 2025 — from 3.9 million in 2018. Total international spend is expected to reach \$15.0 billion in 2025, up 34% from 2018.

Australia is New Zealand's largest visitor market, providing more than 1.5 million visitors in 2018. The forecasts show that this market will continue to be healthy and looks set to grow by 19% by 2025. Another key market for New Zealand is China. China visitor numbers are expected to grow 55% in the forecast period, increasing from 449,000 in 2018 to reach 696,000 by 2025. Australia will remain the largest market by spend, though Chinese spend will reduce the gap by 2025.

According to the Tourism Industry Aotearoa, the tourism boom that New Zealand has been experiencing over the last few years is over. In the last year, 2018/19, New Zealand is experiencing a 2% annual increase in visitor arrivals, and he predicts that this will continue to decline, with the possibility of 0% growth in 2019/2020.

While the source markets for New Zealand will continue to change as Asia countries increase their outbound travel, New Zealand will continue to have a mix of traditional markets (Europe, UK and America) as well as growing Asia visitation. Australia will continue to be our major market. As the population ages in our key source market, the demand for activities and services will change. At present there is little to no growth in the youth arrivals but continued growth in the 55 plus visitors. This trend of our visitor mix aging is expected to continue for the foreseeable future. The result of this demographic trend is growing demand for soft adventure and more experiential activities in New Zealand.

## National Tourism Strategies and Frameworks

### *Tourism 2025 and Beyond*

Tourism 2025 and Beyond is the New Zealand tourism industry's growth framework. It has been created by industry, for industry and keeps the tourism industry's focus firmly on growing our value to individuals, communities, the environment, the economy and our visitors. Its development is led by Tourism Industry Aotearoa.

Tourism 2025 and Beyond was launched in May 2019 and has a vision of 'Growing a sustainable tourism industry that benefits New Zealanders.' It is closely aligned with the New Zealand-Aotearoa Government Tourism Strategy and takes a balanced scorecard perspective to:

- Make sure our visitors are having great experiences
- Make sure our communities are happy with and benefitting from tourism
- Make sure our environment benefits from tourism, and
- Bring economic success.

Tourism 2025 & Beyond has four key goals – one for each of the main framework elements:

1. *Visitor* - International and domestic satisfaction of 95%.
2. *Community* - 90% of New Zealanders are happy with the level of tourism and support growth.
3. *Environment* - 90% of tourism businesses have Environmental Plans to measure and manage their carbon, waste and ecological footprint.
4. *Economic* - Annual tourism spend of \$50 billion by 2025.

### *New Zealand-Aotearoa Government Tourism Strategy*

The government wants tourism growth to be productive, sustainable and inclusive. The goals of the New Zealand-Aotearoa Government Tourism Strategy are:

- Tourism supports thriving and sustainable regions.
- Tourism sector productivity improves.

- New Zealand-Aotearoa delivers exceptional visitor experiences.
- Tourism protects, restores and champions New Zealand-Aotearoa's natural environment, culture and historic heritage.
- New Zealanders' lives are improved by tourism.

In May 2019 Government and Tourism Industry Aotearoa have agreed to five key priorities for immediate action in the coming year. These are:

1. Sustainable growth
2. Improved data and insight
3. Building the tourism workforce
4. Destination management and planning, and
5. Carbon and climate change.

#### *Department of Conservation's Heritage & Tourism Strategy*

The Department of Conservation (DOC)'s vision is for New Zealand to be the greatest living space on earth | Kāore he wāhi i tua atu i a Aotearoa, hei wahi noho i te ao. To do this, DOC organises its work around five outcomes:

- The diversity of our natural heritage is maintained and restored.
- Our history is protected and brought to life.
- More people participate in recreation.
- More people engage with conservation and value its benefits.
- Conservation gains from more business partnerships.

DOC released its Heritage & Visitor strategy this year. The framework guides a longer-term approach to visitor management. Through its three key components of 'Protect', 'Connect' and 'Thrive' it aims to sustainably manage visitors to protect and enhance the values of New Zealand's natural, cultural and historic heritage.

#### *New Zealand Tourism Sustainability Commitment*

Launched in 2017, the New Zealand Tourism Sustainability Commitment aims to see every New Zealand tourism business committed to sustainability by 2025 - its Vision is Leading the World in Sustainable Tourism. The Commitment is based on four pillars: for the tourism industry to be sustainable – environmentally, socially and economically – it must:

- Ensure tourism businesses are financially successful in the longer term.
- Protect and enhance the environment on which tourism businesses depend.
- Maintain and enhance support from local communities.
- Ensure our customers have outstanding experiences with all their tourism activities.

Its goal is that sustainability will become a genuine ethical underpinning of the tourism industry and its desire and expectation is that long term, sustainability will become a core value against which all decisions are tested. Financially sustainable businesses are able to invest in environmental and social sustainability, maintaining and enhancing New Zealand for future generations of residents and visitors. There are currently more than 1,400 out of 2,000 New Zealand tourism businesses that have signed up to the New Zealand Tourism Sustainability Commitment.

### **7.3 Regional Context**

#### **Visitor Spend**

Kapiti Island is in the Greater Wellington Region. Visitor spend from both international and domestic visitors for Greater Wellington Region was \$2,702m (YE June 2019).<sup>2</sup>

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<sup>2</sup> MBIE, *Monthly Regional Tourism Estimates, Annual tourism spend grouped by TA, region, country of origin and product category*, YE June 2019, as sourced on - <https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/monthly-regional-tourism-estimates/latest-update/annual-tourism-spend-grouped-by-ta-region-country-of-origin-and-product-category/>

Council	Visitor spend (YE June 2019)
Greater Wellington Regional Council	\$2,702m
Wellington	\$1,934m
Porirua	\$100m
Lower Hutt	\$246m
Upper Hutt	\$49m
Kapiti Coast	\$178m
Masterton	\$106m
Carterton	\$17m
South Wairarapa	\$72m

Source: MRTE

As can be seen from this table, Kapiti is a comparatively minor component of the Wellington region tourism economy. Wellington as a visitor destination is focussed around Wellington City and therefore increased tourism investment and activity in the wider region presents an opportunity for improved regional spread of visitor spend and also would promote greater overnights in the wider region.

This total visitor spend of \$2,702m was divided over the following product groups:

Product group	Visitor spend
Total visitor spend	\$2,702m
Retail sales – other	\$709m
Food and beverage services	\$504m
Other passenger transport	\$490m
Other tourism products	\$325m
Accommodation services	\$310m
Retail sales – alcohol, food, and beverages	\$205m
Retail sales – fuel and other automotive products	\$103m
Cultural, recreation, and gambling services	56m

Source: MRTE

Domestic tourism is the largest market for Greater Wellington Region. Of the total visitor spend of \$2,702m, domestic tourism spend made up \$1,845m.

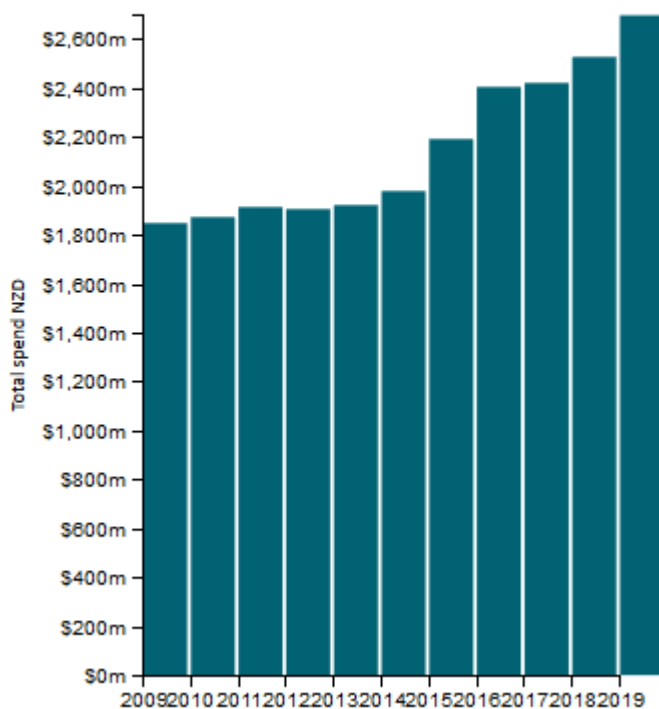
Spend by country	Visitor spend
New Zealand	\$1,845m
Australia	\$244m
USA	\$139m
UK	\$107m

Spend by country	Visitor spend
Rest of Europe	\$90m
Rest of Asia	\$74m
China	\$64m
Germany	\$52m
Canada	\$24m
Africa and Middle East	\$16m
Rest of Oceania	\$15m
Japan	\$14m
Rest of Americas	\$10m
Korea	\$9m
<b>Total Visitor Spend</b>	<b>\$2,702m</b>

Source: MRTE

The ratio of domestic to international visitor spend as detailed in this table is consistent with most other New Zealand regions that are not a major international visitor destination. Total spending for Greater Wellington has steadily shown growth over the last years.

**Total spending for year to June**



Source: MRTE



## Total Guest Nights

The Commercial Accommodation Monitor<sup>3</sup> provides information on short-term commercial accommodation<sup>4</sup> for the Kapiti-Horowhenua Regional Tourism Organisation area. For the YE May 2019 compared with the previous year:

- Guest nights rose 8% to 289,653
- International guest nights rose 4.9% to 43,651
- Domestic guest nights rose 8.5% to 246,002

In May 2019, international guest nights accounted for 10.3% of all guest nights in the Kapiti-Horowhenua RTO area. When compared with May 2018, the number of international guest nights spent in the area in May 2019 was down 19.2% to 1,670. Domestic guest nights increased 14.2% to 14,569, for the same period.

Year	Month	Origin of guest		Total	
		Domestic	International		
2018	May	12,758	2,067	14,825	
	June	12,368	1,583	13,951	
	July	15,085	2,423	17,509	
	August	13,061	1,548	14,610	
	September	15,098	1,971	17,070	
	October	20,157	3,054	23,211	
	November	18,854	4,450	23,304	
	December	29,495	5,616	35,111	
	2019	January	34,351	6,396	40,748
		February	24,913	6,449	31,362
		March	25,039	5,078	30,117
		April	23,010	3,413	26,423
May		14,569	1,670	16,239	

Source: Commercial Accommodation Monitor

It should be noted that the Commercial Accommodation monitor measures only a portion of visitor stays. As a result, the data should be treated with caution.

## 7.4 Domestic Tourism

<sup>3</sup> MBIE, Commercial Accommodation Monitor, as sourced on - <https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/accommodation-survey/regional-tourism-organisation-rto-reports/>

<sup>4</sup> Please note this does NOT include non-measured types of accommodation such as AirBnB.

Domestic tourism continues to be the mainstay of regional tourism visitation. This presents an advantage to Waiorua Lodge as well as an increased opportunity. At present Waiorua Lodge visitation comprises over 70% domestic and this has a significant potential to grow in the future.

Domestic visitors have been shown to be less seasonal, in that the summer peak associated with international visitors is less for domestic visitors. With the proposed extension of the visitor season to Waiorua Lodge from a seven month period to an eleven month season, there is greater opportunity for domestic visitation. Based on current experience there does not appear to be any price differentiation between domestic and international visitors.

## 7.5 Future Market Projections

Waiorua Lodge occupies a unique niche in New Zealand's tourism experience portfolio. With its combination of ecology, kiwi spotting and history, there are few parallels on offer to visitors. The closest comparators are Footprints Waipoua and Zealandia. Both of these experiences are seeing increased visitation in recent years.

Walks in national parks are one comparator to the Waiorua Lodge, however these do not offer the unique kiwi spotting experience, other than Rakiura. Day walks on the conservation estate has increased significantly in popularity over the last 5 years with growth ranging from nil to over 2500%. Generally, growth has been in the range of 10 – 40%. This is a good indicator of a general national trend and comprises both domestic and international visitation.

An indicator of the attractiveness of the destination is the information about the Kapiti Island Nature Reserve which is managed by the Department of Conservation. This area comprises the rest of the Island that is not privately owned. The reserve, like the remainder of the island, including the area occupied by Waiorua Lodge, has excellent wildlife and is a well-known location for bird watching and day walks.

In 2018, 13,942 visitors went to the Island, up from 7,759 in 2015. All visitors must have a permit to land and these are arranged by the two tourism transport operators (of which Kapiti Island Nature Tours is one). There is a maximum of 160 visitors allowed on the Island each day. This includes landings at both Rangatira point (DOC managed) and at the North end of the Island where the Waiorua Lodge is situated. At Rangatira Point where the majority of visitors land there are good public facilities for day visitors. There is no accommodation available for visitors at Rangatira point, with the only commercial accommodation being the Waiorua Lodge.

- a. Overnight tours
- b. Day visits
- c. School and educational experiences

Overnight tours offer a limited opportunity for business expansion for the lodge. The ability to provide a high quality experience to large numbers of visitors is limited by both the facilities and also the staff with the skills and experience to provide the service standards expected. However, the expansion of the season will enable more visitors, around an additional 2000 bed nights for visitors. The improved facilities will also be expected to enable a small increase in revenue per bed night over time as well. International wholesalers have also indicated that the higher standard of accommodation will be more attractive to international visitors and a two night stay rather than the current one night stay will be an option for many. Take up of this option by some visitors will reduce costs and improve yield for the lodge.

Day visits and limited guiding and tours offer the greatest opportunity for business expansion for the lodge. There is significant demand for this type of product as it has a number of attractive features:

- It is time limited and can be completed in a day. This makes day trips feasible to have the experience
- The cost is comparatively low and comparable for other experiences
- The experience is accessible for a significant catchment of local and domestic visitors
- Weather dependence is reduced and rebooking as a result of inclement weather is able to be achieved more easily
- The experience is scalable within the limits of the boat capacity, current concession limits and guide availability
- Expansion, once the lodge is built requires no additional capital outlay.

The expectation is that the day visit and associated tour and lunch offer will increasingly be the core of the business with a strong domestic following as well as international visitors. The overnight stay product will be at a significantly higher price point and be marketed to those seeking a bespoke and high quality experience.

School and educational experiences will be a valuable addition to the experience portfolio. They tend to book well ahead and therefore can be readily planned for. In addition, they have the potential to provide significant capacity during the low season. In addition, they are also mid week whereas leisure visitors are more concentrated at weekends. The ability to plan for large groups and schedule these in conjunction with other visitors means that there are economies of scale with a diverse set of markets. These groups also provide an opportunity to educate a future visitor market about the opportunity and over the long term promote repeat business.

## 8 Planning and Regulatory Environment /Strategic Alignment.

### 8.1 Strategic Alignment: National

#### National Perspective: Tourism New Zealand

Tourism New Zealand (TNZ) is focussing its marketing effort on improving regional dispersal as a priority over the next few years. This is outlined in the current TNZ strategic plan (2017 – 2021). Evidence shows that gateway cities where international visitors arrive are capturing most of the benefit of international visitor growth and regions have achieved limited increases in visitor spend. TNZ is also placing significantly greater emphasis on Māori culture as a unique point of difference in attracting international visitors. As part of evolving the *100% Pure New Zealand* campaign and its *Everything close* proposition there is an intensive use of the core differentiating Māori value of Manaakitanga.

Also, TNZ is emphasising value of visitors over volume and therefore moving up the value chain by developing higher quality higher priced experiences is being encouraged. TNZ is continuing to place priority on marketing to high value visitors. The Waiorua Bay Lodge aligns strongly with the priorities of TNZ's international marketing effort and positioning of New Zealand as a visitor destination. It will therefore benefit from these current priorities and has the potential to be an iconic attractor for Tourism New Zealand.

#### National Perspective: Department of Conservation

Kapiti Island is one of New Zealand's most accessible nature reserves. Development of the Waiorua Bay Project would expand the opportunities to experience this location. The proposal aligns with many of the priorities and goals set out by DOC in its Statement of Intent 2016-2020. For example:

- 90% of New Zealanders' lives are enriched through connection to our nature.
- Whānau, hapū and iwi are able to practise their responsibilities as kaitiaki of natural and cultural resources on public conservation lands and waters.
- 50% of international holiday visitors come to New Zealand to connect with our natural places

As a key stakeholder, DOC is an important partner in this proposal and would benefit from the increased exposure and access by visitors to Kapiti as well as supporting iwi kaitiaki of this resource.

#### National Perspective: Te Puni Kokiri

Te Puni Kokiri has as one of its five outcomes over the 2014-2018 period "Strengthening Māori Economic Wealth". To achieve this outcome TPK is focused as a priority stimulating Māori innovation to realise asset utilisation and enterprise growth. This proposal which is Māori owned and operated will contribute to fulfilling this outcome by strengthening the economic performance and improving the sustainability of this business.

#### Provincial Growth Fund

Provincial Growth Fund projects are assessed against a set of criteria. Projects must:

- lift the productivity of a region or regions
- contribute to the PGF objectives of:
  - Creating jobs, leading to sustainable economic growth
  - Increasing social inclusion and participation
  - Enabling Māori to realise aspirations in all aspects of the economy
  - Encouraging environmental sustainability and helping New Zealand meet climate change commitments alongside productive use of land, water and other resources
  - Improving resilience, particularly of critical infrastructure, and by diversifying our economy
- create additional value and avoid duplicating existing efforts
- have a link to the regional priorities and be supported by stakeholders, and
- be well managed, well-governed and have appropriate trade-offs between risk and reward.

The Waiorua Lodge proposal is an economic growth opportunity in the Wellington region at Kapiti that offers a wide range of benefits that meet the PGF criteria. It will create additional jobs, and especially jobs that are in demand in tourism with specialist skills. It also offers the opportunity to expand a successful Māori tourism business. The kaupapa of the business is founded on environmental sustainability and therefore the proposal aligns with the environmental objectives of PGF.

The Waiorua lodge an associated business is in a unique location and is a unique business in that it offers ecological, cultural and historical experiences within the one business. As such it does create additional value without impinging on other efforts elsewhere.

The business is well managed as evidenced by its 20 years of successful operation and award winning recognition by the tourism industry. It has an established governance structure to support management and therefore is prudently managed with high quality external advice.

#### **Whenua Māori PGF**

The proposed development aligns strongly with the purpose of the PGF whenua Māori allocation. As experienced through the business case application there are significant challenges in engaging with financial institutions with proposals that are located on traditional Māori Land. The ability to raise capital for business development is severely constrained through the lack of security offered by communal owned land. Waiorua Block 6C comprises 6 informal partitions with multiple (but related) owners. Over the years the number of owners has increased making the processes of agreement and securitization increasingly difficult. KINT has a strong and positive working relationship with the trustees and the occupiers of the other blocks in this land parcel. This good working relationship has enabled this business case to be developed and has the support of the Waiorua bay Trust. The proposal for funding is precisely the type of development that the whenua Māori allocation was intended for – it enables the Māori landowners to realise more economic benefits from more productive land blocks. The expansion of the tourism business on this land is the best economic use of this land while ensuring that the environmental values of this land and the wider Kapiti Island are sustained.

#### **8.2 Strategic Alignment: Wellington Regional Investment Plan**

The Wellington region has collaborated in the development of an investment plan that sets out a long-range blueprint that details the investment required over the next 30 years to ensure future success and improve the quality of life for the Wellington region. It is a vision for the region and a plan for how to get there.

There are 4 components to the plan. They are:

1. Developing new housing supply and contemporary urban form
2. Accessing opportunities through transport
3. Building a modern low-carbon high-enterprise economy
4. Strengthening our resilience and reducing environmental impact

Of direct relevance to the Waiorua Lodge proposal is the third component of building a modern low carbon high enterprise economy. There are 4 aspects to this part of the plan. They are:

- *Knowledge and skills for the future*
- *Māori Economy*

- *Economic and Business Acceleration*
- *Wellington as a destination*

This proposal offers the potential to deliver substantial progress towards all of these aspects.

#### *Knowledge and skills for the future*

Waiorua Lodge offers the opportunity to provide an increased base for training and skills development in a diversity of tourism skills from guiding and nature-based training, hospitality to boat and marine tourism. All of these relate to the ongoing demand for skilled and authentic staff in the tourism industry.

#### *Māori Economy*

As a successful Māori owned and operated business for over 20 years, this proposal is the opportunity to scale up the business and ensure its sustainability for the next 20 years and beyond. The opportunities are multiple; to act as an exemplar of business, to add value to the iwi asset base of the Wellington region, to build capability and experience of a Māori owned company; to demonstrate the integration of culture within a national/international facing business in the Wellington region.

In addition, with the new infrastructure, the business will have the scale, facilities, and context to act as an incubator and training establishment to future develop skills for Maori business. It will be able to:

- Act as a showcase for others – through excellent process and documentation
- Be a training ground – across a wide range of activities and roles
- Act as an innovator in conservation and management of endangered species – it already has established partnerships with the Department of Conservation.
- Demonstrate tourism commitment to environmental conservation – with an ability to build on its current activities and extend this into the future.

#### *Economic and Business Acceleration*

With the successful completion of the Waiorua Lodge project, the business will be significantly larger with an economic footprint that is approximately 4 times larger than at present. In addition, there are the non monetary benefits associated with greater recognition of Kapiti Island as a visitor destination and the spillover benefits of greater tourism activity and investment to the wider region.

#### *Wellington as a destination*

Wellington as a visitor destination is largely oriented towards an urban/built environment experience. The region needs to expand its attractiveness as a more diverse and experiential destination. The investment plan has recognised this future demand and identified the Kapiti Gateway as a priority project. This project links directly to the Waiorua Lodge proposal. Waiorua lodge and the associated business of KINT is the drawcard experience that will make the Gateway project successful. Kapiti Island offers the potential to expand its presence as an iconic national and international experience. Connecting the island to the mainland through improved facilities both on island through this proposal and on the mainland through the Gateway project would deliver on the objective of the region being recognised as a national and international visitor destination.

The aspiration for the business associated with the Waiorua Lodge is to be one of the 100% Pure Kiwi experiences that are recognised by Tourism New Zealand. This recognition is given to the best of the best in New Zealand tourism. It recognises authentic New Zealand experiences that are iconic to New Zealand. As part of this recognition there is a high level of support and promotion of these businesses internationally. With the lodge redevelopment, KINT would be an ideal candidate for this recognition.

Already Kapiti is recognised as an outstanding nature reserve that is accessible and able to be enjoyed by a wide range of visitors. KINT and the lodge will extend this reputation.

Kapiti and the wider Wellington region have limited tourism products that are commissionable and attractive to the wholesale tourism sellers. KINT is one such product that has these attributes. The forecast increase in

quality and quantity will therefore find a ready market. This increased market will therefore raise the profile of the region and the district as a tourism destination.

With the opportunity for a higher quality experience and increased visitation throughout the year, Kapiti Island will have a higher profile in Kapiti tourism. This opportunity could be further realized by improving the connection between the mainland and the island.

### 8.3 Strategic Alignment: Kapiti Coast District Council

The long-term plan of Kapiti Coast District Council (KCDC) provides a framework for the future direction and priorities for the council. The Waiorua Lodge proposal has a strong alignment with three of the proposed approaches in the long-term plan.

It is an example of sustainable growth, it will enhance the natural environment and also offers a strong contribution to KCDC articulating the attractor factor of the district.

The lodge proposal will contribute to the desired three year outcome of providing a positive contribution to the district identity and is a significant contribution to providing resilient infrastructure. In the longer term, the lodge development provides increased opportunity for people to enjoy a high-quality natural environment and also adds an important attribute to the identity of Kapiti as a place to work, live and play. KCDC are currently reviewing their district plan and other detailed economic development documents and Kapiti Island and its role in development and contributing to the identity of the district are expected to be important aspects of these documents.

**Our plan on a page** Our plan on a page illustrates the key elements of the strategic direction developed as part of the long term plan 2018–38. More information on our long term plan is available at [kapiticoast.govt.nz/long-term-plan-2018-38](http://kapiticoast.govt.nz/long-term-plan-2018-38)

**Key challenges**

- Affordability of Council services
- District economy
- Community and connectedness
- Environment

**Approaches**

- Living within financial constraints
- Kotahitanga and working with the community
- Sustainable growth
- Enhancing our natural environment
- Articulating our attractor factor

**Financial strategy**

- Deliver affordable rates
- Minimise borrowings
- Optimise capital spending

**10-year outcomes**

**3-year focus:**

- Improved financial position against financial constraints
- Infrastructure investment that supports resilience and agreed growth projections
- Improved accessibility of Council services
- A positive response to our distinct district identity
- An effective response to climate change in Kapiti

- Community satisfaction with Council services is maintained or improved
- A more diverse range of businesses in the district
- A community that is more resilient through Council's advocacy
- A community better supported to lead initiatives in response to agreed community priorities
- Improved biodiversity and environment through sustainable practices
- WREMO levels of service consistently met or exceeded in response to emergency preparedness

**Long term goals**

- WISE MANAGEMENT of public resources and sustainable funding of Council services
- Council is a TRUSTED PARTNER with tāngata whenua and strongly engaged with the community
- A high QUALITY NATURAL ENVIRONMENT enjoyed by all
- A RESILIENT COMMUNITY that has support for basic needs and feels safe and connected
- An attractive and distinctive KĀPITI IDENTITY and sense of place that make people proud to live, work and play here
- A STRONG ECONOMY with more jobs and higher average incomes

**Our vision:** thriving environment :: vibrant economy :: strong communities      **toitū te whenua :: toitū te wai :: toitū te tāngata**

**toitū Kāpiti – the lifestyle choice**

## 9 Economic Benefits

The Kapiti region is currently experiencing significant population growth as a result of general population growth in the region and the availability of land to accommodate this expansion. However, Tourism remains only a small component of the Kapiti economy. With Kapiti Island as the principal visitor attraction, other than beaches and general recreation, there is limited access and capacity which are defined by the consent limits on visitation.

KINT is one of two principal tourism businesses that provide services to Kapiti Island and the only operator to provide extensive tours and accommodation options. As a result, the business growth opportunities for KINT is a key opportunity for the region to increase exposure and hence attractiveness as a visitor destination.

The projected increase in the business performance of KINT will provide a boost to the regional economy as the majority of goods and services that are provided to the Lodge are supplied locally.

The additional direct benefits are the increase in employment that the increased scale and operating season that the lodge will generate. The doubling of staff and the consequent increase in direct spend within the region will generate additional indirect benefits.

With 70% of the visitation being domestic and the remaining spend being from international visitors, it is expected that around 50% of the economic benefits are sourced from outside the region, thus being a net inflow to the region.

The construction programme will also generate significant economic benefits for the region. With an estimated total cost of \$[redacted], the project is expected to generate employment of around [redacted]fte's. The majority of these construction jobs will be local as the imported component of the buildings and associated infrastructure is comparatively low.

With the redeveloped lodge in full operation there will be an ongoing benefit of the additional revenue flowing into the regional economy.

An additional benefit will also occur through the use of the lodge as a regional training facility. There is presently a shortage of skilled authentic tourism staff. Use of the lodge to upskill staff is a long-term benefit to the tourism sector as well as the region.

## 10 Financial Analysis

### 10.1 Summary

The financial analysis carried out for Waiorua Lodge has drawn on the last 5 years of trading information from the business and the revenue and expenditure profile of the actual business activity. In addition, the forecast has drawn on the market assessment carried out with key tourism wholesalers and using the best available forecasts of tourism activity for domestic and international travel to New Zealand.

The focus has been on long run trends in tourism rather than the year to year volatility that can occur in visitor markets. This proposal is intended to provide visitor facilities and associated experiences that have a lifespan of 50 years or more.

The detailed financial forecasts are attached as Appendix 2 [Appendix withheld - Commercial Information](#)

### 10.2 Revenue forecasts

The revenue forecast for the lodge have drawn on the actual historical profile of the business and the tourism forecasts for New Zealand and the region as a whole. This information has then been informed by expert experience about the trends in tourism and in particular the trends in nature based tourism.

The business model of the redeveloped lodge is based on a significantly longer season. It is assumed that an 11 month season will be sustainable and can be operated with the new facilities. With high quality lodge buildings, quality accommodation and sufficient staff accommodation, this is a feasible proposition. Allowances have been made for the glamping accommodation to not operate over the winter. The maximum occupancy has been set at <sup>Comm</sup>% over the season. This occupancy level assumes only a minor increase over current occupancy levels. Transport and day visit forecasts have also included a reduced level over winter months.

An incremental growth rate of <sup>Com</sup>% is assumed for all categories of visitors for the first <sup>Commer</sup> years of the redeveloped business.

Commercial Information

[Redacted]

The costs of the various experiences have been kept at current prices and only a <sup>Pr</sup>% inflation rate applied to all costs and revenues. Again this is a deliberately conservative approach and we do expect that there will be an increase in revenue per bed night as a result of the improved facilities and quality of experience. However until the market has experienced the redeveloped product, no assumptions can be made.

Gross revenue has been on a strongly positive trajectory over the last 5 years with 2018/19 FY being \$<sup>Commercial Informa</sup>. This is expected to rise significantly with the new facilities with an estimated gross revenue of \$<sup>Commercial</sup> in Year <sup>Com</sup> of full operation post redevelopment. This is expected to rise to over \$<sup>Com</sup> in year <sup>Comin</sup> with the projected increases in occupancy from overnight visitors and ongoing increases in day visitors and transport services.

The current business has demonstrated the ability to stimulate the domestic market through attractive offers and short-term campaigns. The experience to date provides significant validation of the expected increase in day visitors and the ability to attract this market from local and regional sources. The unique nature of the experience, combined with the limits on visitor numbers mean that the forecast increases are well within the ability of the domestic market to provide this growth level.

International visitation is largely sourced through the wholesale trade channel. This will continue to be a key supply mechanism for high value overnight visitors. The international market is generally less price sensitive and therefore the limited supply and improved experience may provide some opportunity for increased revenue over the longer term. The improved quality of the experience is seen as being an important aspect of continuing to grow this market into the future.

There are new potential revenue streams that will be available once the facilities and marketing are established.

Commercial Information

[Redacted]

The substantial forecast revenue increase provides a strong platform for servicing the overall debt associated with the business redevelopment and upgrading of the infrastructure.

### 10.3 Expenditure forecasts

The expenditure forecasts have been modelled on the existing cost structure of the business with some notable changes to address the increased scale of the redeveloped business.

In particular, there is a substantial increase in staffing costs. In 2018/19 staff costs were \$<sup>Commercial</sup> and the post redevelopment forecast has made provision for this expense to <sup>Commercial Infor</sup> in year <sup>Com</sup> and increasing to over \$<sup>Commercial</sup> by year <sup>Comme</sup>. The additional costs are indicative of the increased staffing levels required to provide a quality experience to the increased number of visitors. In addition, provision has been made to increase the overall hourly cost of staff to ensure that the business can attract and retain the highest quality of staff for the experience. There is a transition from the current high level of part time staff to full time staff as well. This



change in employment arrangements will make the positions more attractive, further enabling the business to get the right staff necessary to operate a high quality tourism experience.

Marketing is also proposed to be increased from Year <sup>Com</sup> and then with an ongoing increase to ensure that there is a higher profile achieved for the increased business. Other operating expenses are reflective of the increased volume of visitors that will be hosted by the business. These include commissions, merchant fees, laundry and energy and many of the per capita expenses.

With a complete new build it has been assumed that minimal maintenance will be required over the first decade of the buildings. Provision has been made from some capital expenditure (\$<sup>Commercial In</sup> over the first <sup>Comm</sup> years should additional development or other significant repair and maintenance <sup>Commercial</sup> be required.

#### 10.4 Forecast Financial Position

The business has a forecast EBITDA of \$<sup>Commercial</sup> in year <sup>Com</sup> rising to \$<sup>Commercial Information</sup> in year <sup>Comme</sup>. This provides the business with a strong ability to service debt required to enable the development to proceed.

The ability of the business to operate with a sufficient margin to ensure that unforeseen costs are covered has been provided for in the financial forecast by a conservative revenue assumption and a comprehensive set of expenditure estimates.

#### 10.5 Waiorua Lodge Project Funding

A forecast has been made on the funding costs and borrowings required to ensure that the project proceeds. With a total cost estimate of \$<sup>Commercial In</sup> comprising \$<sup>Comme</sup> for infrastructure and \$<sup>Commercial</sup> for the lodge development, the project requires significant co-funding and a loan from PGF for the lodge development. Modelling has been carried out with a mix of funding sources to indicate the possible outcome of the viability of the project using the different funding sources in combination

The modelling of the financing of the lodge comprises the following elements:

##### Retained earnings from Waiorua Lodge Ltd

<sup>Commercial Information</sup>  
<sup>Commercial Information</sup>  
<sup>Commercial Information</sup>. This is estimated at \$<sup>Commercial Inform</sup> in the financial model that has been developed for this business case.

##### Private Investors

<sup>Commercial Information</sup>  
<sup>Commercial Information</sup>

##### Institutional Borrowings (bank loan/iwi sources)

<sup>Commercial Information</sup> but has yet to confirm a specific arrangement. The modelling has used a \$<sup>Commercial Information</sup> as a potential option. <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>  
<sup>Commercial Information</sup>  
<sup>Commercial Information</sup>. Given the scale of the business, the ability to repay all the principal and service multiple borrowings indicates that the business has a robust business model.

##### PGF Funding application

A loan from PGF is modelled with a <sup>Commercial Inform</sup> term. The interest rate is modelled at <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>. In addition, a <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>. The modelling indicates that a loan of \$<sup>Commercial</sup> with these cost parameters could be fully repaid by the business over the loan period without having to refinance at the end of the term. If different conditions are applied to the loan then a different financial outcome will result.

For the infrastructure costs a grant application has been made to PGF whenua Māori. This approach reflects the public benefit of the infrastructure for the wider Waiorua Bay community. It also recognises the economic development opportunities that are enabled by the improved reliability and quality of the essential infrastructure. The Waiorua bay presents a number of opportunities for additional enterprises that would make use of the natural resources and facilities that would be available once the jetty and other services are in place. Increased economic activity would significantly enhance the value of the remaining Maori land on Kapiti Island.

## 11 Conclusion

Waiorua Lodge has been a successful tourism business for over 20 years. It has been experiencing strong growth over the last five years as it becomes more well-known both domestically and internationally. It also occupies a unique position within the New Zealand tourism offer, combining nature, culture, and history in one experience.

This proposal presents a timely opportunity to redevelop the experience and provide a base for expanding the business for the next 20 years and beyond. While the current Covid19 impact is likely to adversely affect the business over the next 1 – 3 years, the long-term prospects remain sound. The business relies largely on domestic tourism and in the short term this is likely to be either unaffected or only slightly affected, depending up on economic conditions and the extent to which the economy is adversely impacted.

A comprehensive redevelopment proposal has been developed which brings Waiorua Lodge up to current building and environmental standards and future proofs the business for the long term. The proposal also provides infrastructure benefits for the wider Waiorua Bay residents and presents opportunities for further economic developments on the island.

The proposal will enable Waiorua Lodge to increase its staff complement from Commercial Info permanent staff and at the same time significantly improve the accommodation and lodge experience. Improved staff facilities will also be provided.

The economic benefits of the investment in the redevelopment and the increased seasonality, moving from a 7 month to an 11 month occupancy, combined with an ability to service a significant increase in day visitors, mean that the current turnover is expected to increase from \$Commercial Info to over \$Commercial Info over the Commercial Info period.

Conservative assumptions have been used in the business case on visitor growth which are reflective of the long run growth in visitation to New Zealand, rather than the significant growth experienced by the business over the last 5 years which have run at over four times the long run visitor arrival increase. No increase in product prices have been assumed, other than the general inflation assumption that has been applied to both costs and income.

Using these assumptions, earnings for the business (EBITDA) will increase from \$Commercial Info to an estimated \$Commercial Info. This significantly increased profitability will enable the business to service the redevelopment costs over the Commercial Info period. The proposed borrowings will be able to be paid off over this period.

In conclusion Waiorua Lodge has been a long-term successful tourism business. Its recent business performance has been very strong. A set of conservative assumptions have been applied to modelling the financial performance of the business to support the proposed development. With the combination of private investment and Provincial Growth Fund loan and grant, the business has the ability to service this level of borrowing and reduce the borrowing to zero over a Commercial Info period. The Provincial Growth Fund support would also provide an increased opportunity for other additional economic development in Waiorua Bay on the Maori land that comprises the site for the proposed redevelopment of the Lodge.

**Appendices x**

- 1 Business Case Methodology
- 2 Waiorua Lodge Financial Modelling

## Appendix 1

### Business Case methodology

The business case for Waiorua Lodge involved a process of firstly establishing the proposed development that meets the future requirements of the Waiorua Lodge business as well as the infrastructure requirements that could be provided to enable the existing dwellings and possibly future economic developments within the bay to be serviced.

Because of the remote location and the lack of infrastructure to service the lodge and the other land, a comprehensive review of the constraints that might arise in the provision of services was carried out. This review focussed in particular on water supply and wastewater disposal as two major historical constraints. In addition, new facilities such as a jetty we assessed for its viability and optimal location and scale.

The Island is largely managed as a nature reserve by the Department of Conservation for its owners and there are significant controls on land use and activities on the island. The nature of the island environment, the controls and management regime have required significant investigation to ascertain the environmental impact of the proposal. This approach was necessary to ensure that the regulatory environment of Resource Consents for the proposal could be satisfied.

Developing the lodge options involved determining market needs of visitors and exploring with inbound operators and wholesalers the expectations of future visitors. This market demand study provided valuable information about the quality requirements of future visitors.

The scale of the development has largely been determined by the size and location of the available land. In addition, the ability of the business to provide the quality of the experience also limits potential visitor numbers.

The combination of quality expectations and quantity feasibility have determined the overall development proposal. The design and materials of the proposal have been established with the expectations of the visitor in mind and the environmental footprint of the build. As a result, the final design represents a high-quality development that is compatible with the unique setting of Kapiti Island.

#### Reports prepared to support the Business Case

Report Title	Author	Date
Assessment of Environmental Effects to support Resource Consent Applications to KCDC and GWRC. This report incorporates the following supporting reports	Commercial Information	Commercial Information
<i>Site Plans and Topographical Maps</i>	Commercial Information	
<i>Architectural Plans</i>	Commercial Information	
<i>Engineering Report</i>	Commercial Information	
<i>Cultural Impact Report</i>	Commercial Information	
<i>Ecological Impact Assessment</i>	Commercial Information	
<i>Landscape and Natural Character Assessment</i>	Commercial Information	
<i>Archaeological Assessment of Waiorua Lodge site</i>	Commercial Information	
Kapiti Island Jetty Concept Design report	Commercial Information	Commercial Information
Preliminary Engineering Design for Foundations, Water Supply,	Commercial Information	Commercial Information

Wastewater for Lodge Redevelopment Project at Waiorua Bay Kapiti Island		
Waiorua Lodge Developed Preliminary Design	Commercial Information	Commercial Information
Quantity Survey of Lodge and Associated Building Waiorua Bay	Commercial Information	Commercial Information
Waiorua Lodge Preliminary Design	Commercial Information	Commercial Information
Kapiti Island Nature Lodge Market Research Report	Commercial Information	Commercial Information
Waiorua Lodge Preliminary design Specification	Commercial Information	Commercial Information
Kapiti Island Topographical Survey	Commercial Information	Commercial Information
Waiorua Lodge Concept Plan	Commercial Information	Commercial Information