

Document No: A384185

Report To: Council Workshop



Meeting Date: 13 February 2018

Subject: **Waikato Regional Theatre – Funding Proposal**

Purpose of Report

- 1.1 The purpose of this Reader is to provide Council with information from the Waikato Regional Council (WRC) relating to a proposal by Momentum Waikato Community Foundation for a regional theatre.
- 1.2 The proposal is the first to be prepared under the Community Facilities Funding Framework (CFFF) and submitted for consideration to District Councils within the Region. WRC has sought confirmation that Waitomo District Council agrees with the proposal endorsed by WRC.

Background

- 2.1 The CFFF's origins arise from a need of local authorities within the Waikato Region to have a framework which enables collective and strategic investments within and on behalf of the community in sports, recreation, arts and cultural facilities.
- 2.2 This framework provides opportunities to leverage and consolidate funding from Central Government, Community Funders and other funders aside from Government, whilst facilitating partnerships that might not have been as readily assessable under the previous structure or as separate operating organisations.
- 2.3 The CFFF was discussed by WDC elected members on the 15th of August 2017 at a Council Workshop and feedback was provided to WRC on recommended changes.
- 2.4 The CFFF was subsequently unanimously endorsed by the Waikato Mayoral Forum on the 11th September 2017.

Commentary

- 3.1 On 31st October 2017 WRC's Strategy and Policy Committee received the Waikato Regional Theatre Proposal (WRT proposal) from Momentum Waikato Community Foundation (MW) for consideration and resolved to receive the proposal.
- 3.2 The proposal was then discussed by WRC as part of its 2018-2028 Long Term Plan Budget Meeting on 1st February 2018.
- 3.3 During the WRC's 2018-2028 meeting the following resolutions were made:
 - 3.3.1 That the Report/ Assessment – Waikato Regional Theatre Proposal be received;
 - 3.3.2 That the proposed Waikato Regional Theatre Request be approved for consultation through the 2018-2028 Long Term Process (noting that any WRC Council approval would be subject to full project funding being in place and key due diligence matters being resolved to the satisfaction of the council);

- 3.3.3 That the WRC confirm the preferred funding option for the proposed Waikato Regional Theatre **as funding model 1**; and
- 3.3.4 That the WRC request the WRC Chief Executive to write to each territorial authority and seek their feedback on the preferred funding option which will be considered by WRC at their 22nd February 2018 Council meeting, to enable a decision as to whether to include in it in WRC's draft 2018-2028 Long Term Plan for consultation.

Considerations

- 4.1 MW have requested WRC for \$5 million in capital contribution and \$300,000 in operational cost contribution. WRC proposal as per their **Funding model 1** is a capital contribution of \$500,000 from the wider Waikato region including Waitomo District Council excluding Hamilton City Council, Waipa, Waikato and Matamata-Piako District Councils.
- 4.2 The capital contribution of \$500,000 is based on the assumption that Hamilton City Council contributes \$25m and a further \$4.5million in capital contribution is provided by Waipa, Waikato and Matamata-Piako Districts.
- 4.3 It has been noted that in preparing the funding model, consideration has been given to geographical distance and usage as a consequence a uniform rate across Waikato has not been proposed as it is not considered equitable.

Capital Expenditure \$5 million (excludes Hamilton City)			
	Rating per rating unit/p.a.	Total rates / p.a.	% Contribution
Thames Coromandel	\$0.50	\$13,615.00	3.4%
Hauraki DC	\$0.50	\$5,210.00	1.3%
Waikato DC	\$5.54	\$167,026.00	41.3%
Matamata-Piako DC	\$5.54	\$79,584.00	19.7%
Waipa DC	\$5.54	\$117,509.00	29.0%
Otorohonga DC	\$0.50	\$2,371.00	0.6%
South Waikato DC	\$0.50	\$4,836.00	1.2%
Waitomo DC	\$0.50	\$2,684.00	0.7%
Taupo DC	\$0.50	\$11,094.00	2.7%
Rotorua (part)	\$0.50	\$648.00	0.2%
Total		\$404,576.00	100%

- 4.4 WRC is also seeking feedback on an operational contribution of \$300,000 per annum commencing year 3 of the 2018/2028 LTP from the wider Waikato region. This is based on the assumption that Hamilton City Council will contribute \$1.1m to other operational costs. The split of this is shown in the following table.

Operating Expenditure \$300,000 from year 3 LTP (excludes Hamilton City)			
	Rating per rating unit/p.a.	Total rates / p.a.	% Contribution
Thames Coromandel	\$0.43	\$11,610.00	3.4%
Hauraki DC	\$0.43	\$4,443.00	1.3%
Waikato DC	\$4.72	\$142,413.00	41.3%
Matamata- Piako DC	\$4.72	\$67,872.00	19.7%
Waipa DC	\$4.72	\$100,215.00	29.0%
Otorohonga DC	\$0.43	\$2,021.00	0.6%
South Waikato DC	\$0.43	\$4,124.00	1.2%
Waitomo DC	\$0.43	\$2,289.00	0.7%
Taupo DC	\$0.43	\$9,461.00	2.7%
Rotorua DC	\$0.43	\$552.00	0.2%
Total		\$345,000	100.00%

4.5 The proposed rates per rating unit are shown in the following table.

Council	18/19	19/20	20/21	22/23	23/24	24/25	25/26	26/27	27/28
Thames Coromandel	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Hauraki DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Waikato DC	\$0.00	\$2.77	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26
Matamata Piako	\$0.00	\$2.77	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26
Waipa DC	\$0.00	\$2.77	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26
Otorohonga DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
South Waikato DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Waitomo DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Taupo DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Rotorua (part)	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93

4.6 Council views are sought on the funding proposal which will be provided to WRC after this workshop.

Vibhuti

VIBHUTI CHOPRA
GROUP MANAGER – CORPORATE SERVICES

Attachments:

A384160 – Waikato Regional Council Agenda January 2018

A384161 – Strategy and Policy Committee Minutes

A384162 – Report to Council (Assessment – Waikato Regional Theatre Proposal)

A384163 – Waikato Regional Theatre Proposal – Letter

Strategy and Policy Committee

MINUTES

Minutes of a meeting of the Strategy and Policy Committee held in Council Chambers, 401 Grey Street, Hamilton East on **Tuesday 31 October 2017** at 10.03am

Chairman	Present: Cr B Simcock
Waikato Regional Council	Members Cr J Hayman Cr J Hennebry Cr S Husband Cr S Kneebone Cr F Lichtwark Cr A Livingston Cr D Minogue Cr R Rimmington Cr H Vercoe Cr B Quayle
Staff	V Payne (Chief Executive) T May (Director Science and Strategy) M Garret (Chief Financial Officer) C Crickett (Director Integrated Catchment Services) N Williams (Director Community and Services) D Thurlow (Democracy Advisor)

Apologies

(Agenda Item 1)

The apologies from Councillor White, Councillor Hodge, and Councillor Mahuta for absence, and Councillor Lichtwark for early departure were accepted.

Confirmation of Agenda

(Agenda Item 2)

Cr Livingston moved/Cr Simcock seconded.

SPC17/40

RESOLVED

THAT the agenda of the meeting of the Strategy and Policy Committee of 31 October 2017, as circulated, be confirmed as the business for the meeting.

The motion was put and carried (SPC17/40)

Disclosures of Interest

(Agenda Item 3)

There were no disclosures of interest.

SECTION A: UNDER DELEGATION AND FOR THE INFORMATION OF COUNCIL

Verbal Update from Communications

(Agenda Item 4)

Communications did not have anything to report to the Committee since the last meeting.

Councillor Vercoe arrived at the meeting at 10.06am.

Waikato Regional Theatre Proposal

(Agenda Item 5) Doc #11217057

The report provided background information about the proposed Waikato Regional Theatre proposal and supported a presentation made by Leonard Gardiner Chair of Momentum Foundation and Shaun Murray, General Manager Venues, Tourism, and Major Events Group from Hamilton City Council (Doc # 11531487).

During questions, answers and related discussion had by the Committee the following points were noted:

- Councillors sought clarification on the funding requirement set out in the following Hamilton City Council resolution:

“Council supports building a new performing arts theatre in Hamilton and commits in principle, a maximum of \$30 million plus GST contribution towards the new build. This sum includes any funding sourced from other Waikato Councils or government sources and funds”.

- Typically, for projects of this nature Central Government contributes up to a third of the funding. Members questioned whether there was an opportunity for central government to take up a bigger share. The Chair of Momentum Foundation advised that he would be engaging with Central Government formally on funding options.
- The Momentum Foundation is hoping to secure \$5million funding from Waikato Regional ratepayers with a commitment of ongoing annual funding of \$300,000. The Chair of the Committee advised Councillors that the purpose of the report was to provide feedback on the project itself and that the opportunity to debate the funding would come at a later date.
- A number of Councillors were of the view that the City would benefit from a performing arts centre, whilst others questioned why it was being called a regional theatre and why the regional ratepayer should fund it.
- By way of feedback members felt that there was not enough onsite car parking, the location of the performing arts centre was great however, from a practical perspective; there was concern that access was too constrictive. It was further noted that the theatre design needed to be able to compress in size depending on the performance. In regard to the financials, it was suggested that operating costs need to be factored into the business model.
- The Chair thanked the presenters for their presentation.

Cr Hennebry moved/Cr Simcock seconded.

SPC17/41

RESOLVED

THAT the report 'Waikato Regional Theatre Proposal' (Doc # 11217057 dated 10 October 2017) be received.

The motion was put and carried (SPC17/41)

With the consent of the meeting, Item 12 was considered at this time.

Access Hamilton Programme Business Case 2017

(Agenda Item 12) Doc # 11266352

Public Transport Manager (A Wilson) and Chris Allen General Manager City Infrastructure from Hamilton City Council provided the Committee with information on Hamilton City Council's Access Hamilton Programme Business Case 2017 for information and discussion (Doc # 11528465).

During questions, answers and related discussion the Committee the following points were noted:

- Discussion centred on the variability associated with growth in Hamilton specifically the adaptability for the modelling to accommodate this unevenness.
- The Chief Financial Officer (M Garrett) advised that the Access Hamilton Programme Business Case (PBC) is due to be considered and approved by the Hamilton City Council Growth and Infrastructure Committee at its meeting on 24 October 2017. The PBC sets targets for public transport mode share and looks to Waikato Regional Council to deliver a programme of public transport services to meet the targets. The PBC recognises that a Mass Transit Plan, developed by the transport partners, is required to be undertaken to determine the mix of infrastructure and public transport services required to deliver on the PBC targets. WRC will be guided by the Access Hamilton PBC and the Mass Transit

Plan in determining the appropriate level of spend on public transport services through its 2018 long term planning processes.

Cr Rimmington moved/Cr Minogue seconded.

SPC17/42

RESOLVED

THAT the report 'Access Hamilton Programme Business Case 2017' (Doc # 11266352 dated 19 October 2017) be received.

The motion was put and carried (SPC17/42)

SECTION B: FOR RECOMMENDATION TO COUNCIL

2018-2028 Long Term Plan Development – October Update

(Agenda Item 6) Doc #11192951

Presented by the Chief Financial Officer (M Garrett) the report provided an update of the Long Term Plan development Programme, set out the work plan for the next few months and outlined key changes to the Auckland Transport Connections, and the Kaiaua working group.

During questions, answers and related discussion the Committee the following points were noted:

- Members were advised that the strategic business case is being developed, and therefore work would be required on reviewing Council's funding policy and cost model, which would need to be undertaken over the next 2 months to enable consideration at the 30 January 2018 Long Term Plan budget meeting. It is estimated that Council may need to spend up to \$25,000 to undertaken work around costings and the funding model, which is currently unbudgeted.
- It was acknowledged that understanding the new Government's position in relation to transport options is critical. In response, the Chief Financial Officer advised that indications to date are that the Government want to move quickly in this space. Should Government decide to contribute to this project, there is an underlying expectation around local share contribution, therefore it is important that Council understands the costs associated with this to enable consultation on Auckland Transport Connections through its Long Term Plan.
- The Strategic Business Case for Passenger Transport relates to ensuring durability of funding over a longer period of time, whilst Government may have signalled some changes, these have not triggered any changes to internal funding policies that would mean Council should stop taking the long term approach.
- The Committee supported the approval of the approach to review the cost model and funding policy for commuter rail on the basis that staff engage with Central Government as a matter or priority.
- The Committee endorsed the approach to fund the cost of the Kaiaua working group through the Long Term Plan budget.

Cr Quayle moved/Cr Livingston seconded.

SPC17/43

RESOLVED

THAT the report '2018-2028 Long Term Plan Development – October Update' (Doc # 11192951) dated 20 October 2017 be received.

RECOMMENDED

THAT the Strategy and Policy Committee approve the approach to review the cost model and funding policy for commuter rail including engagement with Central Government as a matter of priority.

**The motion was put and carried (SPC17/43)
Councillor Hennebry voted against the motion**

Cr Husband moved/Cr Quayle seconded.

SPC17/43.1

RECOMMENDED

THAT the Strategy and Policy Committee approve the approach to fund the cost of the Kaiaua working group through the Long Term Plan budget.

The motion was put and carried (SPC17/43.1)

2018–2028 Long Term Plan – Revenue and Financing Policy Review

(Agenda Item 7) Doc #11193804, 11143543

Presented by the Chief Financial Officer (M Garrett) and the Manager Finance (J Becker) the report provided a review of the current Revenue and Financing Policy, particularly an assessment of the application of the Uniform Annual General Charge. The report identified further funding reviews that would be undertaken as an input in to the Long Term Plan budgets that would be presented to Council in January 2018.

During questions, answers and related discussion the Committee the following points were noted:

- Discussion ensued on the review of the current Revenue and Financing Policy, particularly the application of the Uniform Annual General Charge. A number of members could not support the proposed changes to the 2018-2028 Revenue and Financing Policy specifically how the Uniform Annual General Charge is currently being applied. The contrary argument was that if the Uniform Annual General Charge was increased this would put the burden on Hamilton City and rural towns creating an affordability issue and on that basis a number of Councillors were in support of the proposed changes to the 2018-2028 Revenue and Financing Policy.

Cr Quayle moved/Cr Kneebone seconded.

SPC17/44

RESOLVED

THAT the report '2018-2028 Long Term Plan – Revenue and Financing Policy' (Doc # 11193804 dated 4 October 2017) be received.

RECOMMENDED

THAT Council confirm its Rating Policy (included in the Revenue and Financing Policy) particularly with respect to the approach to determining those activities that could be funded by way of a Uniform Annual General Charge.

RECOMMENDED

THAT Council approve the proposed changes to the 2018 – 2028 Revenue and Financing Policy as set out in this report (Doc # 11193804):

- a. **The Community Partnerships activity is funded through the General Rate/UAGC in accordance with the current funding policy.**
- b. **Funding for the Resilient Development activity remains unchanged from the current revenue and financing policy.**
- c. **Funding for the Environmental Farming Systems activity remains unchanged from the current revenue and financing policy.**
- d. **Funding for the Investigations and Incident Response activity remains unchanged from the current revenue and financing policy.**
- e. **The Social and Economic Information activity is funded through the General Rate/UAGC in accordance with the current funding policy.**

The motion was put and carried (SPC17/44)

Councillors Rimmington, Hennebry, Husband and Vercoe voted against the motion

The meeting adjourned for lunch at 12.31pm and reconvened at 1.15pm when Item 8 was considered.

SECTION B: FOR RECOMMENDATION TO COUNCIL

Funding options for Regional Development Fund

(Agenda Item 8) Doc #11059390, 3183909, 11257689

Chief Financial Officer (M Garrett) and Strategy Manager (K Mayes) presented a report to support committee decisions about the Regional Development Fund by informing the committee of the rationale of the Fund and options for funding the Fund from rates or a redirection of part of the return on Council's Investment Fund.

During questions, answers and related discussion the Committee the following points were noted:

- A number of members felt that the Regional Development Fund was great for the region. A member was of the view that the Regional Development Fund should not be funded by way of revenue from the Investment Fund. Another member noted that the Waikato Region has had difficulty in the past funding intergenerational projects, and to have a Regional Development Fund provides an opportunity to return the funds to projects that enhance the economic wealth for the region.
- In respect to the Waikato regional theatre proposal it is up to Waikato Regional Council to determine whether the proposal is a regional proposal, if Council determines it is, then Council will then decide how it funds it, noting that the Regional Development Fund is one mechanism Council could choose to fund it.

- The Chief Financial Officer advised members that the effect of the amendment proposed by Councillor Hennebry would be to reinstate the rates subsidy and that would mean that the Regional Development Fund would not be funded from Investment Fund returns.
- There was a view that there was a lack of transparency to the public around the rating subsidy and the Regional Development Fund, however it was felt that an increase in the Uniform Annual General Charge was not the answer. As such, it was suggested that the rates subsidy be capped.
- There was no desire from the Committee to alter the scope of the Regional Development Fund policy as such the recommendation 4 was removed.

Cr Kneebone moved/Cr Livingston seconded

SPC17/45

RESOLVED

THAT the report 'Funding options for Regional Development Fund' (Doc # 11059390 dated 3 October 2017) be received.

The motion was put and carried (SPC17/45)

Cr Kneebone moved/Cr Livingston seconded

RECOMMENDED

THAT Council reconfirm the current funding mechanism for the Regional Development Fund by way of revenue from the Investment Fund, provided sufficient returns are available annually for distribution.

Cr Hennebry moved/Cr Vercoe seconded
An amendment

RECOMMENDED

THAT Council change the current funding mechanism for the Regional Development Fund is through a Uniform Annual General Charge.

The motion was put and lost by a show of hands.

Cr Minogue moved/Cr Hennebry seconded
An amendment

SPC17/45.1

RECOMMENDED

On the understanding that the current level of rates subsidy is not reduced to enable staff to progress the review of the Statement of Investment Policy and Objective.

The amendment was put and carried on a show of hands (SPC17/45.1)

Cr Kneebone moved/Cr Livingston seconded
Substantive Motion

SPC17/45.2

RECOMMENDED

THAT Council reconfirm the current funding mechanism for the Regional Development Fund by way of revenue from the Investment Fund, provided sufficient returns are available annually for distribution on the understanding that the current level of rates subsidy is not reduced to enable staff to progress the review of the Statement of Investment Policy and Objective.

The substantive motion was put and carried on a show of hands (SPC17/45.2)

SECTION A: UNDER DELEGATION AND FOR THE INFORMATION OF COUNCIL

2018-2028 Long Term Plan context paper, resource management national direction influence

(Agenda Item 9) Doc #10795754

Manager Policy (T Quickfall) summarised the National Direction programme of work, which will assist in work programming and budget forecasting for Council's Long Term Planning process (Doc #).

During questions, answers and related discussion the Committee the following points were noted:

- The Committee reinforced their 'do minimum' approach that would ensure legal compliance with the national direction, unless there are benefits to the regional community of doing more.
- Forestry harvesting is a sensitive issue in the Coromandel due the sedimentation issues that result; a question was raised as to whether there is the potential for Waikato Regional Council to do its own mapping of erosion susceptibility in the Coromandel to feed into the Government's final review of the policy. In response the Director Science and Strategy advised that whilst Council is unable to influence Government given it is now a regulation, it will, as an interim measure pull together preliminary mapping of the region's sensitive areas in line with the National Environmental Standard to ensure that these sensitive environments are protected.

Cr Kneebone moved/Cr Quayle seconded

SPC17/46

RESOLVED

THAT the report '2018-2028 Long Term Plan context paper, resource management national direction influence' (Doc # 10795754 dated 17 October 2017) be received.

The motion was put and carried (SPC17/46)

2018-2028 Long Term Plan Context Paper, Resource Management Policy Programme

(Agenda Item 10) Doc # 11188106

Manager Policy (T Quickfall) summarised the resource management policy programme of work over the Long Term Plan period to help inform Council's Long Term Planning process.

During questions, answers and related discussion the Committee the following points were noted:

- The resource management policy programme covers two broad work streams, namely specific policy development projects and general policy advice and analysis.
- Members were advised the report is presented to Council for information to demonstrate the size of the resource management policy package going forward as part of the Long Term Plan discussions.

Cr Rimmington moved/Cr Livingston seconded.

SPC17/47

RESOLVED

THAT the report '2018-2028 Long Term Plan context paper, Resource Management Policy Programme' (Doc # 11188106 dated 12 October 2017) be received.

The motion was put and carried (SPC17/47)

Waikato Regional Council Infrastructure Strategy

(Agenda Item 11) Doc # 11211233

Acting Manager, Business and Technical Services (G Ryan) provided an overview of the draft Waikato Regional Council Infrastructure Strategy 2018-2067, which has been prepared as part of the 2018-2028 Long Term Plan development.

During questions, answers and related discussion the Committee the following points were noted:

- Members acknowledged the importance of the Infrastructure Strategy and noted that they would have preferred to have seen the report following the Audit and Risk Committee meeting on 1 November 2017 in order to better understand Council's current position. Concern was expressed that the Strategy raises some long-term funding issues for the Waikato Region and nationally. The Director Integrated Catchment Services advised the Committee that the Infrastructure Strategy was a requirement of the last Long Term Plan because of a directive by Government. In preparing the 2018-2067 Strategy reviewers were tasked with looking at Audit New Zealand requirements and to develop a Strategy that confronts the difficult issues, including affordability.

Cr Kneebone moved/Cr Quayle seconded.

SPC17/48

RESOLVED

THAT the report 'Waikato Regional Council Infrastructure Strategy' (Doc # 11211233 dated 17 October 2017) be received.

The motion was put and carried (SPC17/48)

Resolution to Exclude the Public

(Agenda Item 13)

13 Cr Minogue moved/Cr Hayman seconded

Resolution to Exclude the Public

SPC17/49	<p>Recommended that the public be excluded from the following part/s of the meeting:</p> <p>The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:</p>	
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	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
14	<i>Update on Treaty of Waitangi settlements for Long Term Plan</i>	Good reason to withhold exists under Section 7.	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)

This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Item No	Interest
14	Maintain legal professional privilege (Schedule 7(2)(g))
14	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i))

The motion was put and carried (SPC17/49)

Return to Open Meeting at 3.01pm.

Meeting closed at 3.01pm

Doc # 1126352

Notice of Meeting:

I hereby give notice that a Meeting of the Council will be held on:

Date: **Tuesday 30 January 2018**
Time: **10.00am**
Meeting Room: **Council Chamber**
Venue: **Waikato Regional Council, 401 Grey Street, Hamilton East**

VRJ Payne
Chief Executive Officer

Council Agenda

Chairman	Cr AD Livingston
Deputy Chair	Cr TS Mahuta
Members	Cr JMH Hayman
	Cr J Hennebry
	Cr K Hodge
	Cr ST Husband
	Cr ST Kneebone
	Cr FC Lichtwark
	Cr MD Minogue
	Cr BT Quayle
	Cr RM Rimmington
	Cr RM Simcock
	Cr GWH Vercoe
	Cr KA White
Quorum	Half of the members (including vacancies)

Jennie Cox
Democracy Advisor

22 January 2018

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3	<p><u>Disclosures of Interest</u></p>	
4	<p><u>Leave of Absence</u></p>	
5	<p><u>2018-2028 Long Term Plan proposed budget</u> Docs#11582009</p> <p><i>Report to present for the council the key matters that comprise the proposed budget for the period of the 2018–2028 Long Term Plan.</i></p> <p><i>Appendices</i></p> <ol style="list-style-type: none"> 1. <i>Financial Forecasting assumptions</i> 2. <i>Investment Fund Statement of Investment Policy and Objectives</i> 3. <i>Regional Services Fund options</i> 4. <i>Regional Pest Management Plan (RPMP) review</i> 5. <i>Catchment planning and management increases by zone</i> 6. <i>Catchment rating impacts and options</i> 7. <i>Information gathering, monitoring and science – influences and change from 2015 – 2025 LTP to 2018 – 2028 LTP</i> 8. <i>Environmental Monitoring programme overview</i> 9. <i>iLab</i> 	<p>Book 1</p> <p>5-101</p> <p>102-113</p> <p>114-121</p> <p>122-135</p> <p>136-143</p> <p>144-147</p> <p>148-153</p> <p>154-165</p> <p>166-173</p> <p>174-175</p>
6.	<p><u>2018 - 2028 Long Term Plan - Draft Financial Strategy</u> Docs#11694453</p> <p><i>Report to provide an overview of the Draft Financial Strategy and the key changes, prepared as part of the development of the 2018 – 2028 Long Term Plan.</i></p>	<p>Book 2</p> <p>5-98</p>
7.	<p><u>2018 – 2028 Long Term Plan – Revenue and Financing Policy</u> Docs#11682159, 10069633</p> <p><i>Report to provide the council with an overview of the process undertaken to date to review the Revenue and Financing Policy as part of the 2018 – 2028 Long Term Plan (LTP) development process, and summarises changes to the policy since it was last reported to the Strategy and Policy committee in October 2017.</i></p>	<p>Book 2</p> <p>99-144</p>
8.	<p><u>Water Users Liaison Forum – review of information gathering charges to inform Council’s LTP considerations</u> Docs#11685153, 6162886, 5835297, 4098687, 3722179</p> <p><i>Report to inform council on the review of information gathering charges undertaken by a sub-group of the Water Users Liaison Forum.</i></p>	<p>Book 2</p> <p>145-248</p>

9.	<p><u>2018-2028 Long Term Plan performance measures</u> Docs#11704072</p> <p><i>Report to adopt the 2018-2028 Long Term Plan (LTP) performance measures.</i></p>	Book 2 249-306
10.	<p><u>Assessment – Waikato Regional Theatre Proposal</u> Docs#11618145, 11542216, 11077505</p> <p><i>Report to provide council with:</i></p> <ul style="list-style-type: none"> • <i>an assessment of the 'Waikato Regional Theatre' proposal against the Community Facilities Funding Framework, and</i> • <i>a funding model for council's consideration to enable a decision as to whether consult on this project through the 2018-28 draft Long Term Plan.</i> 	Book 2 307-411 Attached
11.	<p><u>Inclusion of an Interim Hamilton to Auckland Passenger Rail Service in the 2018 -2028 Long Term Plan</u> Docs#11675626</p> <p><i>Report to provide Council with an update on the preliminary funding analysis undertaken in respect to the proposed interim solution for the Hamilton to Auckland passenger rail service; and to seek Council direction on whether to include the interim solution in the draft 2018-2028 Waikato Regional Council Long Term Plan for public consultation.</i></p> <p><u>To be circulated separately.</u></p>	Separate
12.	<p>Resolutions to Exclude the Public</p> <p>Recommended that the public be excluded from the following part/s of the meeting:</p> <p>The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:</p>	

	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
13.	<i>Report to Council on Tristram Precinct for Long Term Alternative Hamilton Office Accommodation</i>	Good reason to withhold exists under Section 7.	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)

This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Item No	Interest
13	Protect information where the making available of the information (i) would disclose a trade secret; or (ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (Section 7(2)(b))

	<u>Public Excluded Section</u>	
13	<u>Report to Council on Tristram Precinct for Long Term Alternative Hamilton Office Accommodation</u> Docs#11697331	Book 3

Report to Council

Date: 18 January 2018

Author: Ihsana Ageel, Principal Advisor, Community and Services

Authoriser: Vaughan Payne, Chief Executive
Mike Garrett, Chief Financial Officer

Subject: Assessment – Waikato Regional Theatre Proposal

Purpose

1. To provide council with:
 - an assessment of the ‘Waikato Regional Theatre’ proposal against the Community Facilities Funding Framework, and
 - a funding model for council’s consideration to enable a decision as to whether consult on this project through the 2018-28 draft Long Term Plan.

Executive Summary

2. Momentum Waikato Community Foundation (Momentum Waikato) has submitted the ‘Waikato Regional Theatre’ proposal, requesting \$5 million from Waikato Regional Council (WRC) towards the \$72.9 million Capital cost of the project on the assumption Hamilton City Council contributes \$25 million, and requesting an additional \$300,000 for operating costs (starting year 3 of the LTP) through the Community Facilities Funding Framework approved by the Waikato Mayoral Forum.
3. Under the Community Facilities Funding Framework (the framework):
 - Where the beneficiaries of a community facility would be drawn from the community of one local authority, funding of the facility would fall outside the scope of this framework.
 - Where the beneficiaries of a community facility would be drawn from the communities of more than one territorial authority but not all, a facility will be considered a sub-regional facility and contributing authorities will be expected to provide funding. No role is specified in the framework for Waikato Regional Council.
 - ‘Contributing local authorities’ (where beneficiaries are drawn for a proposed facility) are expected to provide funding where a facility is determined to be a sub-regional facility.
 - Waikato Regional Council is expected to provide funding where a facility is determined to be a regional facility.
4. It should also be noted that the wording of the framework indicates that only one of the three criteria will have to be met for a facility to be classed as a regional facility. The three criteria are as stated below:
 - i. be part of a national programme and accompanied by central government funding; and or
 - ii. have potential beneficiaries from the majority of territorial authorities; and/or
 - iii. provide significant benefit to the regional community.
5. The Waikato Regional Theatre proposal is the first opportunity to test the practical application of the framework. Strict application of the framework suggests that not all criteria for a regional facility is met. As stated above, only one criteria need to have been met. However, there are still several considerations for council to consider prior to making a decision. This includes giving due diligence to the principles or intent of the framework and how ‘regional benefit’ and ‘significance’ is determined. A brief summary is provided below, with details outlined in the report.

Criteria	Assessment	Staff comments
<p>Criteria 1: Be part of a national programme and be accompanied by central government funding; and/or</p>	<p>Criteria <u>currently not met</u>.</p> <p>However, should the Momentum Waikato be successful with government funding (as outlined in the proposal), this criteria will be deemed met.</p>	<p>For the purpose of this assessment, staff have interpreted the principle of this criteria to be that the proposal is part of a national programme and has a financial contribution from central government. The proposal is not part of a national programme and, therefore this criteria is not met. Notwithstanding, on the second part of the criteria, an application has been made to central government for funding.</p> <p>It is typical of central government to request evidence of local government support or partnership funding prior to committing central government funds of a contestable nature.</p> <ul style="list-style-type: none"> • The Lottery Significant Projects Fund application needs to show that the project already has at least one-third of the total costs of the project. • Part of the document request for this application needs to also show evidence of local government support. <p>Staff recommend that council consider the principle of this criteria (i.e. has government support) when considering the proposal.</p>
<p>Criteria 2: Have potential beneficiaries drawn from the majority of territorial authorities; and/or</p>	<p><u>Strict application of the framework suggests this criteria is met.</u></p> <p>The available data (Founders theatre ticket sales – Table 4), suggests that potential beneficiaries are drawn from the entire region noting that the framework does not define levels of benefit.</p> <p>A fit for purpose theatre is expected to increase the benefit to the region including drawing in more people from the wider region.</p>	<p>For funding modelling purposes, staff have also differentiated between ‘primary’ and ‘secondary’ beneficiaries as data shows clear correlation between the level of benefit, the proximity of the facility and the proportionate level of usage.</p> <p>It is clear that potential primary beneficiaries are drawn from four territorial authorities (Hamilton, Waikato, Waipa and Matamata-Piako Councils). Approximately 70% of the Waikato population are represented in the above mentioned four territorial authorities.</p> <p>Council should also consider the intent/principle of this criteria, i.e. whether a regional facility should be based on benefit to the region by consideration of only territorial authorities or whether consideration should also be given to the percentage of the population reflected within the ‘primary’ beneficiary population.</p> <p>As stated above, even if consideration is given to the ‘primary’ beneficiaries, a regional model is supported as the majority of the region (70%) fall within the four territorial authorities.</p>
<p>Framework criteria: 5.4.4. iii. - provide significant</p>	<p><u>Whether criteria is met would depend on council’s interpretation of criteria 2, i.e.</u></p>	<p>Neither the term ‘benefit’ nor ‘significant’ is defined within the framework.</p>

<p>benefit to the regional community</p>	<p>whether council considers significant regional benefit based on the number of territorial authorities or the percentage of population. Primary beneficiaries are potentially from Hamilton City, Waipa District, Waikato District and Matamata Piako District. They reflect approximately 70% of the regional population.</p>	<p>For the purpose of this assessment, staff have used the section 5 of the Local Government Act 2002 to define ‘significance’ and assumed ‘cultural’ benefit due to the nature of the proposal and identified two categories of benefit – primary and secondary beneficiaries.</p> <p>Staff interpretation of ‘significance’ is as defined in the LGA and apply to the regional population as a whole – staff views the proposal as significant to the region as the proposal has a significant (primary) benefit to approximately 70% of the population of the region. Refer Table 4 for assessment of significance.</p>
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Staff Recommendations:

1. That the report Assessment – Waikato Regional Theatre Proposal (Doc # 11618145 dated 18 January 2018) be received, and
2. That Council approve the Waikato Theatre request from Momentum Waikato for consultation through the 2018-28 Long Term Process.
3. That the preferred funding option for the Waikato Theatre be confirmed by council as funding model 1 as set out in paragraph’s 73-75 and request the Chief Executive to write to each territorial authority and seek their feedback on the preferred funding option for consideration at the 22 February 2018 Council meeting to enable a decision as to whether to include in the draft 2018-28 Long Term Plan for consultation.

Background

6. The Waikato Mayoral Forum unanimously endorsed the Community Facilities Funding Framework on 11 September 2017 and invited all councils to adopt the framework to guide decisions about funding of sub-regional and regional community facilities.
7. Waikato Regional Council approved the framework in September 2017 for consultation through the 2018-2028 Long Term Plan. The framework sets out a requirement for funding from the regional council for ‘regional facilities’. It is assumed that other Waikato local authorities have similarly adopted the framework.
8. The framework needs to be applied when giving consideration to the Waikato Regional Theatre proposal (the proposal) submitted by Momentum Waikato.
9. The purpose of the Community Facilities Funding Framework is to enable local authorities in the Waikato region to make collective, strategic investments in new sub-regional and regional community sports, recreation, arts and cultural facilities. In addition to helping councils work together better, the framework will help develop partnerships and leverage funding from central government, community funders and other funders aside from councils. The Waikato Mayoral Forum recognised that a paradigm shift is needed in the way that we plan for and fund community facilities so that communities benefit from these investments now and into the future.

The proposal

10. Following the closure of Founders Theatre in 2016, Momentum Waikato led a community driven proposal for the development of a new theatre and creative precinct for the Waikato region.

11. On 5 December 2017, Momentum Waikato submitted a proposal to Waikato Regional Council to consider contributing \$5 million towards building an iconic world-class theatre, as a home for the community's artistic expression. Background for the project including the need and a case for change are outlined in section two of the proposal.
12. Momentum Waikato is an independent, permanent resource for high impact philanthropic giving within the Waikato region. They link donors to strategic charitable investments targeted at transformational change, by pooling funds to have a greater impact in bringing about positive and powerful social change.
13. The process for developing this project was managed by an independently appointed Waikato Regional Theatre Governance Panel. This panel was responsible for appointing a team of experts, and are responsible for managing the process to create the concept design, masterplan and business cases for the new theatre. The panel members include:
 - Dr Julian Elder – CEO, Scion (chair)
 - Sean Murray – Venues, Major Events and Tourism Hamilton City Council
 - Margi Moore – Chairperson Creative Waikato
 - Glenn Holmes – Legacy Project Leader Hamilton Gardens Development Trust
 - Graeme Ward – Director, Infrastructure and Assets, Wintec.
14. Leonard Gardner, Chair of Momentum Waikato is leading the project and is currently the acting Project Director. A new Momentum Waikato Chief Executive has been appointed, and will take over the responsibilities of the Project Director as part of their role. The new Chief Executive will start in March 2018.

Capital Cost of the project (CAPEX)

15. The project is expected to be funded by a mix of local and central government and philanthropic sources with Hamilton City Council being the largest single contributor to the build and the ongoing upkeep of the facility. The following tables provide high-level breakdown of costs and project funding sources.

Table 1: Cost of the project

Cost Component	Amount	% of total
Build cost (based on ASB Waterfront Theatre)	\$37,630,000	52%
Theatre fitout and equipment	\$12,975,000	18%
Consultants, fees and levies	\$9,825,000	13%
Contingencies	\$12,450,000	17%
Total **	\$72,880,000	100%

*** Excludes land or lease cost as the land is looking to be gifted to the project by the Plaw family. Current land value estimated at \$6m.*

Table 2: Project funding sources

Cost Component	Amount	% of total
Local government	\$30 million	41%
Central government	\$13 million	18%
Community	\$30 million	41%
Total	\$73 million	100%

16. Of the \$30 million local government request, Hamilton City Council is intending to contribute \$25 million which has been included in their draft 2018 Long Term Plan budget with the remaining \$5 million coming from the region.
17. The proposal states that \$53 million of funding is confirmed. Table 3 below outlines the pledges and donations confirmed for phase two of the project as at 1 December 2017, noting that the table includes:
 - local government contribution of \$30 million as confirmed funding, and
 - the table includes the cost of land, which had been excluded in the project cost (Table 1).

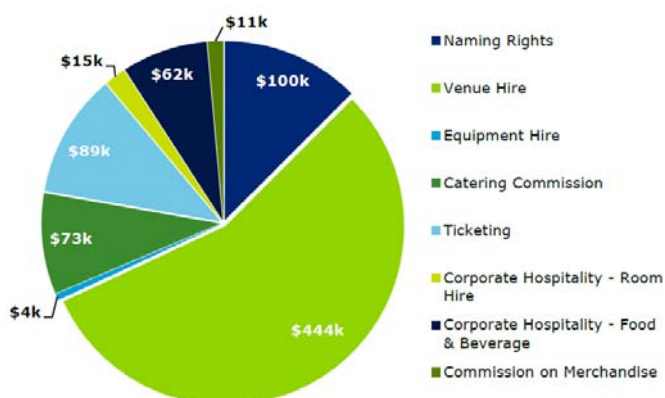
Table 3: Confirmed funding and pledges

Donor	Amount
Private Donor	\$5,000
Private Donor	\$100
Private Donor	\$1,000
Private Donor Pledge	\$350,000
Community Trust (Trust Waikato)	\$15,000,000
Private Donor	\$6,000
Private Donor Pledge	\$250,000
Service Organisation (Hamilton Club)	\$100,000
Private Donor Pledge (Personal and Corporate)	\$1,500,000
Private Donor (land)	\$6,000,000
In kind/reduced services to date	\$6,720
HCC and Local Government (must follow LTP Process)	\$30,000,000
Total	\$53,218,820

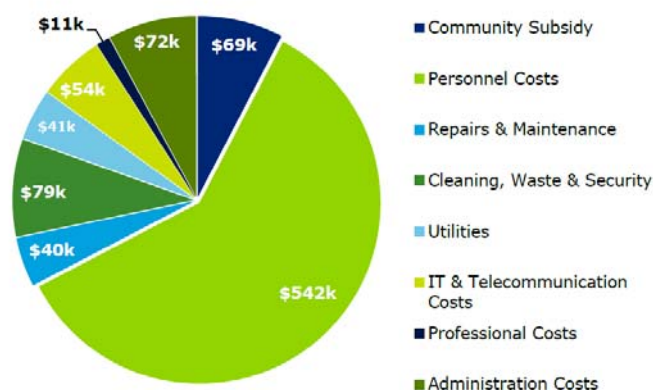
Asset maintenance reserve and operational assumptions – as stated in the proposal

18. The proposal makes revenue assumptions sourced from research on similar theatres and input from H3 Group (Hamilton City Council).
19. A total of \$1.4 million per annum to the asset maintenance reserve is required to ensure theatre maintenance to the highest technical and modern standards, which includes significant renovations and refurbishments but excludes routine repairs and maintenance.
20. A breakdown of the annual operating revenue and costs as provided in the proposal is copied below

Breakdown of annual operation revenue



Breakdown of annual operation costs



21. The model shows an allowance for fluctuations in all figures, but notes that an average of \$69,000 per annum that will be required in sponsorship to fund the operating cash deficit of the theatre. The proposal states that this level of cash deficit is not unusual in a facility of this type in performing arts, and states that this is consistent across New Zealand and internationally.
22. The model assumes a contribution to an asset maintenance reserve from local councils to provide for on-going costs of the theatre, including maintenance capital costs over a twenty year period.

Funding request through the framework

23. The local government contribution for capital expenditure is \$30 million. The request from the Waikato region is \$5 million excluding Hamilton City. Hamilton City is expected to contribute \$25 million.
24. A further \$300,000 per annum towards operational cost is requested from the Waikato region, noting that the proposal assumes Hamilton City Council will contribute \$1.1 million per annum.

Ownership and operation

25. Ownership and maintenance will be the responsibility of the yet to be established Waikato Regional Property Trust (WRPT).
26. The proposal states that the maintenance cost will be contributed to by local councils. An asset maintenance reserve is to be built for refurbishment and technology upgrades as required.
27. The operations are to be run by the Waikato Regional Theatre Operating Company (WRTOC). The company will manage all operations of the theatre and seek ongoing community funding and sponsorship.

Key Risks

28. The proposal outlines the analysis of capital and development risks, operational risks and financial risks (page 26-28 of the Deloitte feasibility study).
29. A key risk to funding the proposal based on the business case for council is the assumptions around the capital cost and the operational cost and facility usage. Information presented in the proposal indicates that Momentum Waikato - are trying to mitigate these costs through building an appropriate level of contingency into the capital and the operational cost of the building. The proposal also indicates that the operational model is being extended to include more educational outreach programmes, collaborative opportunities with University of Waikato and Wintec, regional primary and secondary schools regarding curriculum. The facility being more 'fit for purpose' also creates the opportunity for attracting more performances of higher calibre intended to attract a wider audience (details outlines in section 3 of the proposal).

Proposal lodgement

30. For proposals to be considered by councils, proposals need to be accompanied by a viable business case. Councils can then consider whether a facility is local, sub-regional or regional. This is determined by evidence of how benefit accrues to the community.
31. Under section 5.1 of the framework, a proposal must identify:
- Location, purpose, scope and operational details.
 - Area of benefit.
 - Financial model to ensure long term sustainability.
 - Form of financial support sought.
 - Matters set out in section 5.4 (local, sub-regional and regional community facilities) and 5.5 (quantum of local government funding).

Section 5.1 of the framework	Staff comment
Location, purpose, scope and operational details	<ul style="list-style-type: none"> • included within the proposal.
Area of benefit	<ul style="list-style-type: none"> • area of benefit provided within the proposal
Financial model to ensure long term sustainability	<ul style="list-style-type: none"> • included within the proposal (refer to the financial feasibility study included within the proposal)
Form of financial support sought	<ul style="list-style-type: none"> • quantum of funding sought included within the proposal.
Matters set out in section 5.4 (local, sub-regional and regional community facilities) and 5.5 (quantum of local government funding).	<ul style="list-style-type: none"> • The framework requests broader economic and strategic consideration to be provided. • Broader linkages to regional strategies have been provided, however staff make the observation that the framework in future should request evidence of more direct linkages on how the proposal would deliver against key regional strategies. • Staff also make the observation that a regional theatre would mostly be of social and cultural benefit as opposed to economic benefit. The proposal outlines some social and cultural benefit.

Assessment of proposal against the framework criteria

32. Clause 5.4 of the framework states that:

“For a community facility to be considered regional, the facility needs to:

- i. be part of a national programme and accompanied by central government funding; and/or*
- ii. have potential beneficiaries drawn from the majority of territorial authorities; and/or*
- iii. provide significant benefit to the regional community”*

33. An assessment is provided below.

Framework criteria 5.4.4.i. - be part of a national programme and accompanied by central government funding; and/or

34. The Momentum Waikato proposal does not indicate the Waikato Regional Theatre is part of national programme with guaranteed government funding.
35. Momentum Waikato intends to access central government funding to the value of \$13m (18% of the total cost) to support the proposal. Page 23 of the proposal (section 5.2.2) outlines an invitation from the Department of Internal Affairs to complete an expression of interest for the Lottery Significant Projects Fund Grant and that the local MPs are supportive and believe that the project will meet the criteria for a regionally significant project.

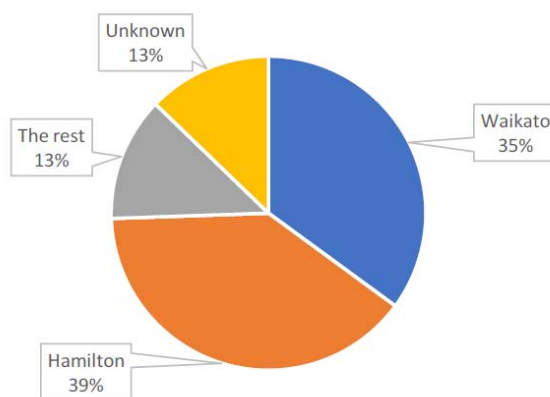
36. For the proposal to meet the criteria to be eligible for funding from the Lottery Significant Projects Fund Grant, the proposal will have to demonstrate that the project;
- has one-third of the total project cost of funding available.
 - be for a community purpose for public use in New Zealand.
 - show how the finished project will provide regional or national benefits or outcomes in the arts, culture of heritage
37. The funding committee also states that it prefers requests that show robust project planning has been done to support the scope of the project and type of regional or national asset that is planned.
38. For this proposal to meet Lottery Significant Projects Fund, the proposal would also have had to meet the regional benefit criteria under the framework.

Assessment: criterion 5.4.4.i - not met currently. No information, is not part of a national programme, not withstanding. Momentum Waikato may be successful with central government funding.

Framework criteria: 5.4.4. ii. - have potential beneficiaries drawn from the majority of territorial authorities; and/or

Evidence presented in the proposal

39. Momentum Waikato notes that the breakdown of audiences at Founders Theatre across the regional district to show a clear correlation between distance from the theatre and attendance.
40. The proposal states that a review of Ticketek data from 2014 showed that 39% attendees came from Hamilton City and 35% from the wider Waikato region. An assumption was provided that 13% of people whose postcodes were 'unknown' were from the Waikato region – leaving 13% as 'the rest' (page 18 of the proposal).



41. A breakdown of tickets sold by district is also provided in the proposal. This data has been further verified and analysed by staff (refer table 1 below). The data is from Founders Theatre tickets sold within the region from 2010 to 2016.

Table 4: Percentage of tickets sold within the Waikato region against the district population as a percentage of the Waikato region

Territorial authority	Population (2013)	Population as a % of Waikato region	% of Founders Theatre tickets sold within the region (2010 to 2016)
Thames-Coromandel	27,340	6%	2%
Hauraki	18,620	4%	2%
Waikato	66,530	16%	13%
Matamata-Piako	32,910	8%	8%
Hamilton City	150,180	35%	52%
Waipa	48,660	11%	17%
Otorohanga	9,610	2%	2%

Territorial authority	Population (2013)	Population as a % of Waikato region	% of Founders Theatre tickets sold within the region (2010 to 2016)
South Waikato	23,190	5%	2%
Waitomo	9,295	2%	1%
Taupo	34,585	8%	1%
Rotorua (part)*	3,820	1%	2%*
Total	424,740	98%**	102%**

* Assumption is that the % of tickets sold to Rotorua refers to the whole district.

**Figures for % tickets sold for Founders Theatre provided by Hamilton City Council add up to 102%. This could be due to 'rounding up' of the data. To be consistent with the rounding up of the data presented, the population had to be rounded up as well, hence the 98%.

42. In reference to table 4, it is clear that:
- There is a direct correlation between proximity to the facility and the ticket sales.
 - The potential beneficiaries are reflected across the region.
43. Rotorua District is an anomaly as the data comparison is not really valid (i.e. population falls within the regional council jurisdiction however tickets sold to the entire district of Rotorua).
44. As the proposal states, a more fit for purpose theatre with more variety offers a better choice and more people are expected to access the facility. This means that there is a potentially greater audience that is not reflected in the current data relating to Founders Theatre. Not having a fit for purpose facility is used as a baseline justification by Momentum Waikato for the declining patronage of Founders Theatre (refer section 2 of the proposal – the project and specific section 2.4, fit for purpose regional theatre).
- Assessment:** criteria 5.4.4.ii: Based on the evidence presented in the proposal, the **criteria is met**. The framework does not require the proposal to differentiate between the levels of benefit- just that the potential beneficiaries are drawn from the majority of the territorial authorities.
45. Since the framework does not make a distinction between primary beneficiaries and secondary beneficiaries, staff have defined the terminologies as below.
46. Primary beneficiaries (direct beneficiary) are defined as people who attend the theatre due to their proximity and ease of access. Secondary beneficiaries are people who enjoy the social and cultural benefit the theatre offers to the region, but do not use it as frequently given the greater distances they are required to travel.
47. The assessment is based primarily on ticket sales for Founders Theatre. The proposed theatre is expected to have wider regional benefits drawing in additional patronage. However, information provided still suggests a strong correlation between primary benefit and geographical location. Therefore primary beneficiaries are still located within the sub-region. Proposed funding models need to reflect the distinction between primary and secondary beneficiaries.
48. The table also shows that
- The potential primary beneficiaries are located in Hamilton City, Waipa District, Waikato District and Matamata-Piako District.
 - Secondary beneficiaries are located in the wider region.
49. Based on the data available as stated in table 4, it should be noted that approximately 70% of the Waikato regional population are deemed to be primary beneficiaries.

Framework criteria: 5.4.4. iii. - *provide significant benefit to the regional community*

50. The following section intends to draw some linkages to existing research reports to the benefits outlined in the proposal to provide an assessment on benefits.

Waikato Vital Signs 2016 Report (Momentum Waikato published report)

51. This report states diversity and vibrancy as the top two things people love about the Waikato region and the relationship between culture and creativity. The report also states that 83% of people in the region attended an arts evening (slightly lower than the NZ average of 85%) and that 45% people participated in the arts (lower than the NZ average of 58%).
52. This report also states that the community had indicated that they wish to see
 - increased funding and promotion to improve culture and arts experiences available in the region.
 - improved national perceptions of culture and arts in the region's rural town centres.
53. Momentum Waikato is the key driver of the theatre proposal. Conclusions can be drawn that Momentum Waikato is trying to address the issue of identification of new opportunities that would increase the cultural diversity in the community in the future.

Waikato regional MARCO indicators data analysis report 2013

54. Section 4 of this report outlines community outcomes in the area of culture and identity as follows.

Theme	Community Outcome	Linkages in the Momentum Waikato proposal
Regional identity and pride	4A - We are proud of our region's distinctive identity, its strong Māoritanga, and its rich and diverse natural and cultural heritage.	Proposed design engages with and reflects the site's pre-European cultural heritage and patterns of iwi settlement as well as its unique setting adjacent to the river, exploited with open access, and connection to promenades.
Historic buildings and places	4B - Heritage sites and landscapes of significance to whanau, hapū and iwi are preserved and valued. 4C - Our historic buildings and places are retained and cared for. New developments are designed to be sensitive to people, places and the environment.	The new building design incorporates elements connecting to the river and preservation of the heritage Hamilton Hotel.
Culture and recreation	4D - All our communities have cultural and recreational events and facilities. We identify with and take part in our communities, building good community spirit.	The proposal states that the intangible benefit of the theatre would be its capacity to host a wide range of local community events and activities that will make an important contributor to ongoing social and community development in Hamilton City and the wider region. The intention is to make Hamilton and the region an attractive destination for people and businesses. The proposal also states that the theatre as a head tenant of 'creative precinct', creates strong potential for urban regeneration through future co-location of complimentary activities of creative industries.
Creativity	4E - Art, culture and creativity can be a part of everyone's life. We all have opportunities for creative expression and our creative industries are supported and promoted.	The proposal states the theatre model allows for a high proportion of community and youth activities. The proposal goes on to state that: <ul style="list-style-type: none"> • Studies show that participation as a performer can build confidence and self-esteem for individuals and create more creative communities. • Studies show that youth who participate in the performing arts form stronger and more frequent ties with the community.

Linkages to strategies

55. The proposal states that the proposed investment is aligned with regional strategies, namely Waikato Creative Infrastructure Plan, Waikato Means Business (education), Hamilton and Waikato Tourism Opportunities Plan (plan includes the development of a regional events strategy and strengthening the arts and cultural precinct and its connectivity to the river).

56. The proposal also states that the investment is aligned to the following Hamilton City Council strategies:

- City Transformation Plan,
- The River Plan and the planned changes to zoning to create a vibrant city centre,
- The Hamilton Arts Agenda and the planned changes to zoning to create a vibrant city centre.

57. The proposal states that the theatre would support the following goals of the Waikato Creative Infrastructure Plan:
- Enhance the region’s cultural and tourism offering by providing a range of venues that support and develop the performing arts sector, providing the region with a venue of choice for an extensive variety of live performances and events.
 - Growing the visibility and community engagement in all arts by providing a fit for purpose regional theatre.
 - Increasing the number of theatre attendees through improved promotion and audience development.
 - The theatre’s capacity to host a wide range of local community events and activities is seen as an important contributor and an intangible benefit for ongoing social and community development in Hamilton City and the wider region.
58. Section 3.2 of the proposal describes the intangible benefits of the theatre’s capacity to host a wide range of local community events and activities that will make the theatre an important contributor to ongoing social and community development in Hamilton City and the wider region. The contribution is described as a contribution to making Hamilton and the Waikato an attractive destination for people and businesses.
59. The proposal also describes benefits in relation to:
- The theatre being a community facility for all. *This benefit is described in relation to making the theatre a community gathering place and a tourist destination with an opportunity to integrate with surrounding hospitality and the co-located creative industry activities.*
 - Benefits to performers. *The proposed model as stated in the proposal is intended to allow for a high proportion of community and youth activity.*
 - Strengthen community engagement in the region. *The proposal states that studies have shown that youth performances are linked to stronger, more frequent ties with community and tend to settle within the community and perform community service as adults. Data references the 2014 Creative Arts Atlas Survey by Creative NZ.*
 - Reputational benefits as a cultural hub and creative precinct.
- (Refer to section 3.2 of the proposal for details).
60. Section 3.3.1 and 3.3.2 of the proposal outlines the tangible, indirect fiscal benefits to Hamilton City and the educational opportunities respectively. These benefits are based on modelling undertaken to show people visiting from the Bay of Plenty and Gisborne. These benefits are limited to Hamilton City and the proposal states that data is not available to elaborate on this specific aspect to the wider region.
61. The benefits described above would be enjoyed by potential primary and secondary beneficiaries. The direct benefits are to the primary beneficiaries located within the sub-region due to the close proximity of the proposed facility. This is evidenced by the direct correlation shown by the Founders Theatre ticket data in table 1. Indirect benefits such as sense of pride and identity in the region would still be enjoyed by the secondary beneficiaries in the wider region.
62. In summary, the primary benefits described above are largely limited to Hamilton City and to the sub-region. It is noted that the population of the sub-region makes approximately 70 percent of the Waikato region.
63. The framework does not define what ‘significant’ means, therefore, for the purpose of assessing the proposal, significance is as defined in section 5 of the Local Government Act 2002 and Waikato Regional Council’s Significance and Engagement Policy;

“in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for, -

(a) the district or region:

(b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter:

(c) the capacity of the local authority to perform its role, and the financial and other costs of doing so. “

Table 5: Assessment of significance

Criteria for significance	Assessment	Note
Likely impact on, and likely consequences for the district or region	<ul style="list-style-type: none"> Regionally significant in relation to the benefits (based on approximately 70% of the population are presently sub-regionally located and who are identified as potential primary beneficiaries). 	<p>The data indicates and creates the justification for significant regional benefits to be obtained by proximity to the facility.</p> <p>Impact district wide would be on - Hamilton City, Waipa District, Waikato District and Matamata Piako District.</p>
Likely impact on, and likely consequences for - any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter.	<ul style="list-style-type: none"> Regionally significant in terms of interest in the proposal – especially if the theatre is to be funded regionally. Significant for ratepayers who are rated to fund the proposal. 	<p>A regional theatre would be of interest to the regional population in terms of</p> <ul style="list-style-type: none"> - benefit (social, cultural, economic) - funding model.
Likely impact on, and likely consequences for - the capacity of the local authority to perform its role, and the financial and other costs of doing so	Sub-regionally significant with potential outreach to the wider region.	<p>Local government contribution to the project is \$30m (41%). The Momentum Waikato proposal states Hamilton City Council as a partner to the project. Hamilton City Council has committed \$25m of the local government contribution. Since the theatre has definitive sub-regional (primary) benefit and wider regional (secondary) benefit, it would seem appropriate to share the financial cost of the remaining funding for \$5m across the region through an appropriate funding model.</p>

Based on the above assessment on significance:

- Significant benefits are obtained sub-regionally (which makes up majority of the regional population) with secondary benefits to the wider region.
- The impact or consequences of the proposal would be significant directly in relation to the funding model used, i.e. people who pay for the theatre through their rates would be significantly impacted.
- The impact of the financial cost of the remaining \$5m would be better spread sub regionally with potential outreach to the wider region.

Assessment: criterion 5.4.4.iii: the premise for basing benefits (primary and secondary) are based on the geographical location of the potential beneficiaries. Assessment under criteria show that the primary beneficiaries are located in the sub-region due to the close proximity to the proposed theatre.

Given that that the majority of the Waikato population (70%) is based within the sub-region, it is appropriate to draw the conclusion that the project is regionally significant. It is also equally appropriate to draw the

conclusion that the primary benefits are to the sub-region (the four territorial authority areas). Staff recommend that council make a determination on whether this criteria is met based on the council's view of Significance. It is staff view that the criterion for significance is met.

Options for consideration

64. Option 1: Status quo

For a facility to be determined a regional facility under the framework, a proposal has to meet one of the three specific criteria. The assessment (outlined previously in this report) shows that:

- Criterion 1: is **not currently met**, however the proposal should be successful in obtaining central government funding, therefore this criterion could be deemed met.
- Criterion 2: beneficiaries be drawn from the majority of territorial authorities – **criterion met**.
- Criterion 3: Large portion of the region is identified as potential beneficiaries – staff recommend that council determine whether this criteria is met based on council's interpretation of significance. **Staff view is that this criterion is met.**

Option 1 is based on the premise that Council does not support the proposal. Option 1 states that Waikato Regional Council do nothing in relation to the framework.

Option 1: Do nothing (not support the proposal)	
Pros	Cons
<ul style="list-style-type: none"> • No regional rate. 	<ul style="list-style-type: none"> • Inconsistent with the Community Facilities Funding Framework. • The burden of funding the local government contribution of the proposal falls to individual territorial authorities. The intention of the framework was to negate this issue in relation to funding regional facilities. • Agreement within territorial authorities on funding model not reached and impact of supporting the proposal falls on HCC ratepayers.

65. Option 2: Support the proposal

This option assumes that council supports the proposal under the framework as criteria for a regional facility has been met.

Option 2: Support the proposal :	
Pros	Cons
<ul style="list-style-type: none"> • Supports a significant regional facility. • Create the opportunity for the burden of funding to be shared primarily amongst the primary beneficiaries with some support from the wider region. This will lessen the burden on the sub-regional ratepayers. 	<ul style="list-style-type: none"> • Impact on the WRC rate bill (increase). • WRC not supporting the proposal may have the consequence of other territorial authorities in the region not supporting the proposal. The impact and burden of funding may fall on one territorial authority (any impact on one set of regional rate payers is still an impact to the region).

Funding model options

“Waikato Regional Council will be expected to provide funding towards a regional facility. Benefit, and therefore the funding model used by the regional council and any other contributing local authorities, will be determined by considering:

- where potential beneficiaries are located;*
- population in close proximity to facility; and*
- broader economic and strategic considerations”.*

66. For the purpose of this assessment, Hamilton City Council ratepayers have been removed from the funding model.

67. Hamilton City Council's resolution at its meeting in December 2017 approved an operating grant of up to \$25 million in the draft 2018-28 Long Term Plan, which confirms the regional contribution would be \$5 million to make up the local government contribution of \$30 million.
68. The resolution also outlines the details of how Hamilton City Council will fund their \$25 million contribution.
- Resolved:** (Mayor King/Deputy Mayor Gallagher)
- That the Council approves funding provision in the draft 2018-28 10-Year Plan as follows:
- a) operating grant of up to \$25m (after an uncommitted \$5m contribution from Waikato Regional Council) spread over Years 1,2 and 3 (2018/19, 2019/20, 2020/21) for a grant towards the construction of the Waikato Regional Theatre;
 - b) Council's funding will be met from:
 - i) a grant from VHT with Council instructing the board of VHT that Council wishes a \$6m grant is made to the theatre on Councils behalf;
 - ii) net proceeds from the sale of Waikato Innovation Park Ltd of an estimated \$6m;
 - iii) the remaining balance will be met from debt.
 - c) an annual operating grant (for ongoing renewals and upgrades funding) for Momentum Waikato of \$1.1m per annum for 20 years to commence following the opening of the Waikato Regional Theatre in July 2021 (Year 4); and
 - d) Council requests the CE to continue to work with the Regional Council to levy a Regional Council Target Rate to collect up to \$10m. (Approximately 50% to be met by Hamilton ratepayers).
69. Current data shows a strong correlation to geographical distance from the facility. This model takes into account the principle of net benefits from the existence of this facility. Ratepayers remote from the facility, the costs in terms of time and travel expenses are higher than those who live relatively close. It may be that ratepayers living in more distant parts of the region would consider those costs to outweigh any benefits they might receive. Hence potential ratepayers' unwillingness to pay, even if there is a region-wide gross benefit.
70. This is reflected in the pre Auckland amalgamation arrangements for the Museum of Transport and Technology (MOTAT Act) and Auckland War Memorial Museum where the respective acts provide a formula that caps funding levied on each territorial authority, calculated as a function of capital value and population (crudely) adjusted by distance (Refer appendix A for relevant wording as per section 21 of MOTAT Act).
71. On this basis described below is a funding model for council's consideration. The funding model assumes that the WRC capital grant would be funded by way of debt repaid over 20 years. We have assumed that the WRC \$5 million contribution is paid evenly over year's 1 to 2 of the LTP as the project is completed.
72. Funding model 1: simple model (Refer Map 1 Appendix 2)
73. Based on the principle of geographical distance, a simple funding model would look at collecting the majority of the funding from the primary beneficiaries, which are Hamilton, Waipa, Waikato and Matamata-Piako. For the purpose of this funding model, Hamilton City has been removed as they will contribute \$25m through their own rates. The remaining \$5m has been distributed as outlined in the table below. \$4.5m from the three primary beneficiaries (Waikato, Waipa and Matamata-Piako Councils) and \$0.5m from the wider region to acknowledge the wider regional benefit. The impact on the wider regional payer is minimal (\$0.50 per year). The sum collected is based on a loan repayment period of 20 years and all figures stated below are GST inclusive.
74. This model is reflective of council's existing funding models such as funding towards the Regional Emergency Services Fund, where every ratepayer contributes. This is regardless of where they are located in the region as each ratepayer has the potential to utilise the services of the emergency providers (i.e. surf lifesaving, air ambulance and coastguard) within the region. While the model aims

for equitable distribution within a service - funding is diverted to where there is a higher need. For example, in the case of surf lifesaving the Thames-Coromandel area has more beaches and a higher demand in the region, therefore more funding is allocated to that area.

75. In the case of the Regional Theatre, there is a clear distinction between geographic distance and usage. Therefore instead of a uniform rate across the region, the model is adjusted to reflect the close proximity and ease of use for ratepayers who are located closer to the facility. Users from the wider region, will have a bigger cost (travel, and potentially accommodation costs) should they choose to attend the Theatre, therefore a uniform rate is not seen as equitable.

Capital expenditure \$5 million (excludes Hamilton City)			
Council	Rating per rating unit /p.a.	Total rates /p.a.	% contribution
Thames-Coromandel	\$0.50	\$ 13,615	3.4%
Hauraki DC	\$0.50	\$ 5,210	1.3%
Waikato DC	\$5.54	\$167,026	41.3%
Matamata-Piako DC	\$5.54	\$ 79,584	19.7%
Waipa DC	\$5.54	\$117,509	29.0%
Otorohanga DC	\$0.50	\$ 2,371	0.6%
South Waikato DC	\$0.50	\$ 4,836	1.2%
Waitomo DC	\$0.50	\$ 2,684	0.7%
Taupo DC	\$0.50	\$ 11,094	2.7%
Rotorua (part)*	\$0.50	\$ 648	0.2%
TOTAL		\$404,576	100%

NB: Hamilton City contributes 83% (\$25m) of the local government contribution. The region contributes 17% (\$5m).

Table below outlines the rate impact of the operational cost requested (GST inclusive)

Operating expenditure \$300,000 from year 3 LTP (excludes Hamilton City)			
Council	Rating per rating unit /p.a.	Total rates /p.a.	% of OPEX contribution of \$300k /p.a.
Thames-Coromandel	\$0.43	\$11,610	3.4%
Hauraki DC	\$0.43	\$4,443	1.3%
Waikato DC	\$4.72	\$142,413	41.3%
Matamata-Piako DC	\$4.72	\$67,872	19.7%
Waipa DC	\$4.72	\$100,215	29.0%
Otorohanga DC	\$0.43	\$2,021	0.6%
South Waikato DC	\$0.43	\$4,124	1.2%
Waitomo DC	\$0.43	\$2,289	0.7%
Taupo DC	\$0.43	\$9,461	2.7%
Rotorua (part)*	\$0.43	\$552	0.2%
TOTAL		\$345,000	100%

Total Cost (excludes Hamilton City) from year 3 LTP onwards			
Council	Rating per rating unit /p.a.	Total rates /p.a.	% of total cost from the region
Thames-Coromandel	\$0.93	\$25,225	3.4%
Hauraki DC	\$0.93	\$9,653	1.3%
Waikato DC	\$10.26	\$309,418	41.3%
Matamata-Piako DC	\$10.26	\$147,465	19.7%
Waipa DC	\$10.26	\$217,735	29.0%
Otorohanga DC	\$0.93	\$4,392	0.6%

Total Cost (excludes Hamilton City) from year 3 LTP onwards			
Council	Rating per rating unit /p.a.	Total rates /p.a.	% of total cost from the region
South Waikato DC	\$0.93	\$8,959	1.20%
Waitomo DC	\$0.93	\$4,973	0.7%
Taupo DC	\$0.93	\$20,555	2.7%
Rotorua (part)*	\$0.93	\$1,200	0.2%
TOTAL		\$749,576	100%

Rates per rating unit / p.a.										
Council	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Thames-Coromandel	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Hauraki DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Waikato DC	\$0.00	\$2.77	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26
Matamata-Piako DC	\$0.00	\$2.77	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26
Waipa DC	\$0.00	\$2.77	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26	\$10.26
Otorohanga DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
South Waikato DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Waitomo DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Taupo DC	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93
Rotorua (part)*	\$0.00	\$0.25	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93

Conclusion

76. This report provides an assessment of the Waikato Regional Theatre proposal against the framework.
77. PWC have peer reviewed this report and undertaken an independent assessment of this report (staff assessment). PWC conclusions are copied below - *as stated in their report*.

Appraisal finding (section 3.1 of PWC report)

78. Based on the analysis and results presented in this report, we consider that the Assessment and its recommendations are reasonable given the time constraints and the results of the appraisal. In regard to the latter, we note there was a spread of criteria that had been met or partially met, but weighted towards met. The only “not met” rating related to the identification of other competing regional community facilities projects, which we understand will be subject to a future exercise and is not available in any event for this current LTP process.
79. In coming to this conclusion our two main reservations are:
- viability of the business case and how this will be tested
 - degree of quantification of the “significance” to the region.
80. Given the ongoing development of the LTP and business case by Momentum combined with the requirements from other funders yet to be initiated, there should be time to more fully test these reservations before Council provides its final approval to commit to the project. In this regard Council is aware of the key risks as highlighted in paragraphs 28 and 29 of the report.

Framework Policy application and refinement

81. Because this application represents the first opportunity for Council to utilise the Framework, it provides the opportunity to test and refine the policy further. For instance, the Assessment usefully

introduces the concept of primary and secondary beneficiaries which already has some long established regional funding precedents including the MOTAT example highlighted by Council.

82. We accordingly recommend that Council utilise the opportunity presented by the Assessment to undertake a post project policy review to refine and improve the framework.

Attachments

Attachment 1: Waikato Regional Theatre Proposal (Doc# 11542216)

Attachment 2: Community Facilities Funding Framework (Doc# 11077505)

Attachment 3: PWC review of this report (Doc# 11722456)

Appendix A: Section 21 of MOTAT Act

21 Contributions by local authorities to Museum funding

(1) Subject to the provisions of subsection (7), the Board may, for each financial year, for the purposes of funding its activities (including maintenance, operations, and development) under this Act, by resolution make a levy against the contributing authorities of such amount and in such manner as is authorised or is required by this Act.

(2) The total amount of the levy against each contributing authority must not exceed in any year $\frac{1}{300}$ c in the dollar on the total capital value of rateable property in its district (adjusted in accordance with subsection (3)) plus 1.5 c per person of the population of its district (adjusted in accordance with subsection (3)).

(3) An adjustment of the capital value of rateable property and of the population of the district of each contributing authority, each calculated in accordance with subsection (4), must be made by multiplying that capital value and that population by the differential factor shown opposite their respective names in the second column of the Schedule.

(4) For the purposes of this section,—

(a) the capital value of rateable property within the district of each contributing authority is deemed to be the capital value of that property as at a date as near as is reasonably practicable to the last day of the financial year preceding by 1 year the financial year in respect of which the levy is to be made:

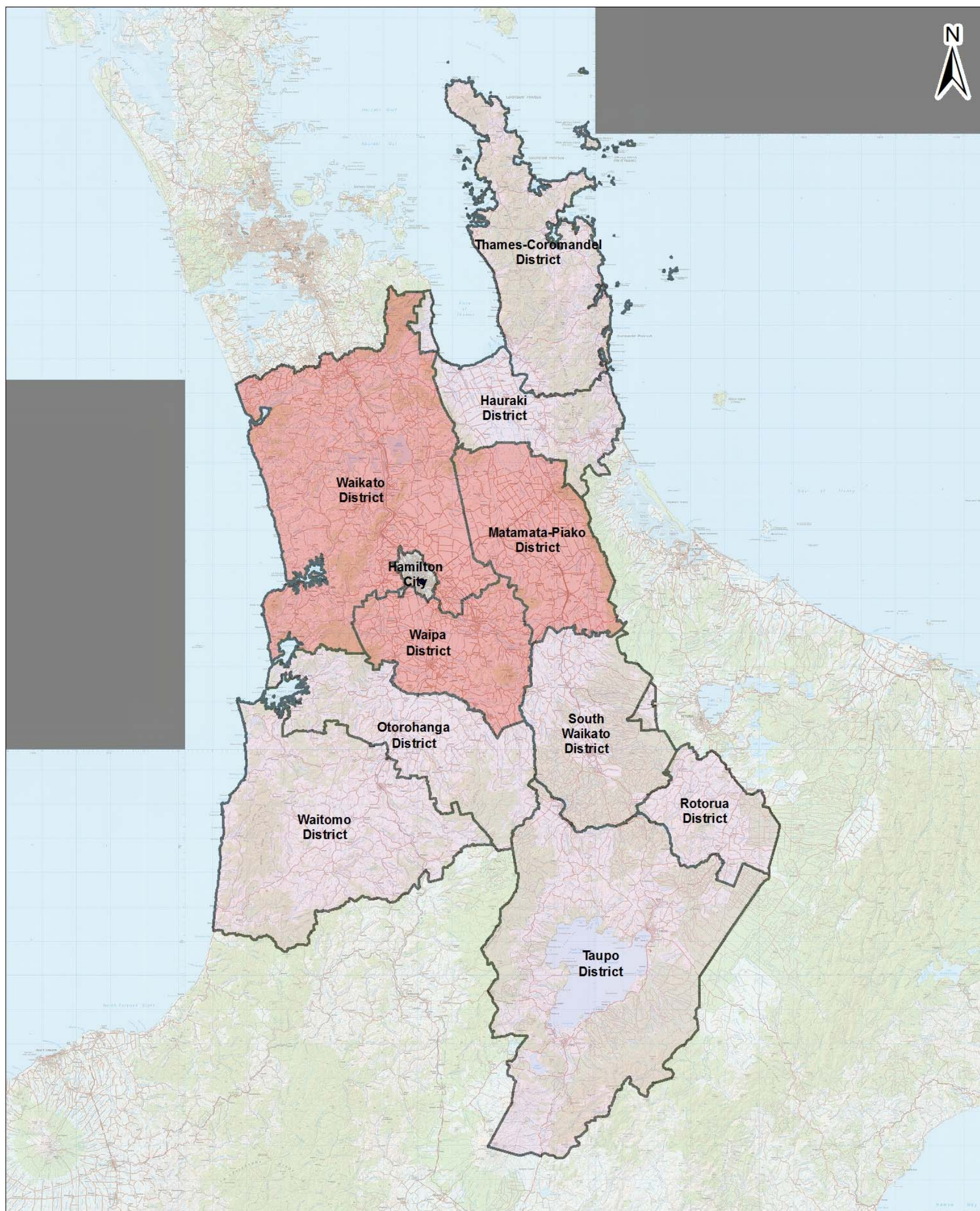
(b) the population of the district of each contributing authority is deemed to be that which is ascertained or calculated by the Government Statistician as at a date as near as is reasonably practicable to the last day of the financial year preceding by 1 year the financial year in respect of which the levy is to be made, and a certificate by the Government Statistician is conclusive evidence in that respect.

Schedule

Representatives of contributing authorities

<i>Name of contributing authority</i>	<i>Differential factor</i>
Rodney District Council	0.6
North Shore City Council	1.0
Waitakere City Council	1.0
Auckland City Council	1.0
Manukau City Council	1.0
Papakura District Council	1.0
Franklin District Council	0.6

Appendix 2: Map 1, simple funding model.



Funding Distribution

- Hamilton City
- Wider Benefit Area
- Primary Benefit Area

Regional Theatre Funding Areas (Simple Model)

For Waikato Regional Council staff only



Scale at A3
= 1:1,072,590

Created by: SJF
Date: 22/12/2017
Version: 1
Job No.: REQ129069
File:
Regional_Theatre_model.mxd



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Appendix 4: <https://discover.wairc.govt.nz/otcs/llisapi.dll/overview/11722456>

ATTACHMENT ONE



**Application to Waikato Regional Council
Community Facilities Funding Framework**

**Momentum Waikato Community Foundation
4 December 2017**

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Links

1. Charcoalblue

www.charcoalblue.com

2. Full Feasibility Design Report

www.momentumwaikato.nz/wrt-recommendation

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1. Executive Summary

1.1. Introduction

Over the past year, Momentum Waikato – working on behalf of local donors, regional philanthropic funders, and our community - have managed a robust process to determine the optimum theatre location, configuration, design, and the range of expected community benefits of a new theatre for the Waikato region.

Several months of public consultation and investigation has culminated in concept feasibility and business cases that prove we can create a significant community asset for the Waikato.

The Waikato Regional Theatre will have a positive economic and cultural impact for the region: it will be an icon for people of the Waikato - complimenting and enhancing the urban fabric of Hamilton and creating a major connection to our river. It will be adaptable for future generations, and will enable world class performances, education programmes and creative activities in its precinct.

Momentum Waikato believe this once-in-a-generation project will transform the region and create an enduring legacy for generations to come. This is not a Momentum Waikato project - we are 'servant leaders' working on behalf of our community and our donors to enable this unique transformative opportunity to happen in and for our community for a better Waikato for everyone, forever.

1.2. Future State - Purpose

Should the investment be made in the Theatre, the Waikato will have a fit-for-purpose building that:

- Will bring direct economic benefit to the region, and the city through local and visitor spend.
- Makes a significant contribution to the cultural life of Hamilton and the surrounding region;
- Is a venue that the region is proud of, and positively helps to represent Hamilton as a major city
- Can attract a full range of touring productions and local productions, thus growing local attendances in line with the national trend, and providing economic benefit to the region;
- Meets the needs of the region, its residents, and its performing arts community;
- Supports a positive theatre going experience for its audiences that audiences want to attend;
- Helps support Hamilton's central city as a vibrant attractive destination;
- Is more versatile because it can be used in multiple ways, thus maximising revenue;
- Is an attractive destination in its own right, rather than merely a performance venue, bring tourists and local's alike to the venue;

- Is an anchor tenant in a creative precinct that promotes co-location of service providers, technical experts and creative innovators.
- Is a venue that provides hands on learning for youth from primary to tertiary level

1.3. Financial support sought

Momentum Waikato respectfully request that the Regional Council grant \$5 million for the project.

Specifically, Momentum Waikato is seeking a one-time contribution to the Waikato Regional Theatre project of \$5 million through the Waikato Regional Council Community Facilities Fund. This will form a portion of the \$30m local and regional council contribution towards the project, partnering the \$25m from Hamilton City.

The \$5 million request is from the Waikato region - outside of Hamilton City.

We are also seeking an on-going grant of \$300,000 per annum (commencing 2020/21, the proposed opening year of the theatre). This grant will be used to build an asset maintenance reserve that will ensure significant renovations and refurbishments to ensure that the building meets modern standards in technical specifications and building code standards.

Momentum Waikato assumes this grant would be subject to review after 10 years within the 2018/28 Long Term Plan.

To be clear: although budgets are not yet confirmed for the 2018/28 Long Term Plan, Hamilton City Council is looking to fund \$25 million for the theatre project (after support from WRC), and the planned contribution to the asset maintenance reserve fund from Hamilton City Council will be \$1.1 million per annum. This is also assumed to be subject to review after 10 years.

We note that any final decision for all local government contributions will be made within the context of the overall 10-year plan consultation and approvals process.

2. The Project

2.1. Background

In March 2016, Hamilton City Council closed Founders Theatre due to health and safety concerns following an independent assessment of the fly tower. The fly system was old, with obsolete, old technology that meant it could no longer carry heavy loads for productions. No amount of investment would extend its life further. A subsequent independent engineer's report also confirmed concerns over the buildings performance in the event of an earthquake.

In subsequent months - during several rounds of community consultation and public surveys - the message from community stakeholders, user groups and residents of the city and the region was clear: "We need a theatre!"

Public consultation determined that if the Council's contribution could be capped, our community preferred to have a new facility built over restoration of current theatre.

In July 2016, backed by generous individuals and organisations, Momentum Waikato approached the city council with a proposal: a partnership of public and private funds with Momentum Waikato convening the donor funds needed for the creation of a new theatre, contingent on Hamilton City Council underwriting \$30 million towards a new build. The proposal also included Momentum Waikato managing a robust process to enable a new theatre project to have the greatest opportunity to succeed.

The Council agreed, and Momentum Waikato took responsibility for project delivery of a world-class theatre, leveraging Council's planned expenditure to build a truly iconic place as a home for our community's artistic expression.

2.2. The need for the new theatre

There is a vibrant and thriving performing arts community in the Waikato (ranging from professional standard musical theatre to one of the largest communities of youth dance in the country) currently without a suitable large scale venue to perform in.

The longer the region is without a regional scale theatre the higher the likelihood of deteriorating arts participation and audience engagement. The new Waikato Regional Theatre will fill an urgent gap in our regional arts infrastructure ecosystem

2.3. The Case for Change

Even before Founders was closed due to safety concerns, some major touring shows were bypassing Hamilton as the region was unable to provide the facilities they needed. The types of productions the region was able to support was decreasing, and now with the closure of the theatre we are missing out on opportunities.

A 2016 Business Case for redevelopment of Founders Theatre¹ commissioned by Hamilton City Council found the theatre was well short of the standards expected in the national touring circuit, and was negatively impacting the region's ability to attract productions.

The requirements for productions staged in theatres have changed since Founders was built in the 1960's and the fly system was unsafe, but Founders was also unable to meet modern production requirements. The foyer was too small for the 1,249 seats in the auditorium, and the public areas needed improvement to be brought up to a standard that patrons expect.

Feedback through Hamilton City Council's public consultation² on refurbishment of the Founders Theatre initially favoured the option to Refurbish (49%) with Build New selected by 34% of the respondents. However, a secondary question was asked of those that opted for Refurbish as to whether they would consider Build New with a fixed cap of \$30million on the Council's contribution. There was a significant shift in the response - with 23% of the respondents changing from the Refurbish to the Build New option.

In summary the mandate from the community was: based a \$30m cap on Council spend, 58% of the residents, user groups and stakeholders in the community would prefer a new build theatre, compared to 26% who wish to retain and refurbish Founders.

2.4. Fit for purpose regional Theatre

Whilst Founders was primarily funded originally by HCC 50-60 years ago community contributions at the time came from people and organisations across the Waikato.

Founders was always available and used by community groups, organisations and attendees that were Waikato centric; and not confined to Hamilton interests.

In the HCC commissioned Founders Redevelopment Business Case (17/2/17) it was found that Founders Theatre was unable to fill the role expected of a major regional theatre and that it did not meet the needs and expectations of audiences and performers.

2.4.1. Declining use of Founders

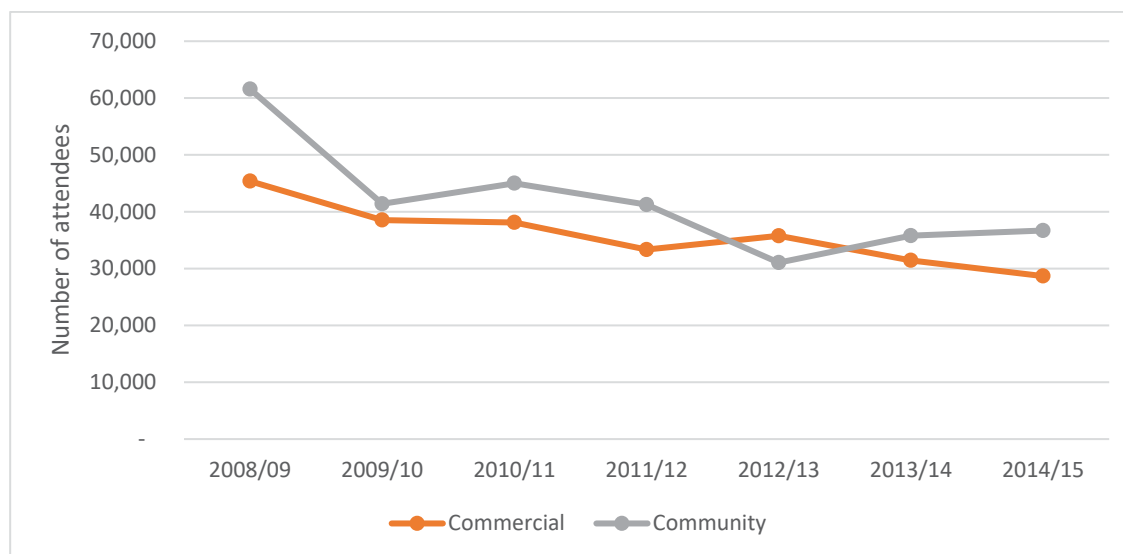
The value of the Founders Theatre as an asset for Hamilton and the region lies in how often it is used, and for what purposes. For a variety of reasons (listed below) usage was decreasing over time;

Figure 1 shows that since 2008/09 usage has declined from 107,000 patrons to slightly over 63,000 in 2014/15.

¹ Founders Theatre Redevelopment Single Stage Business Case; 17.2.2016

² Public Consultation "Founders Theatre - what shall we do" April - May 2016

Figure 1: Patrons attendance of Commercial programmes and Community performances - 2008/2009 to 2014/15



This decline in attendance compares poorly with trends in New Zealand; nationally, theatre usage has increased. In 2014/15 two-thirds of New Zealanders surveyed attended a performing arts event in the previous 12-month period, which is a significant increase in attendance since 2011³. Of those who attend:

- 75% had been to the theatre more than two times
- 78% had been to a musical performance more than two times
- 53% had been to the ballet or another dance event more than two times

The Founders Theatre audience attendance is therefore going against this national trend. Based on the feedback from the Hamilton City Council 2013 Residents Survey⁴ there was falling satisfaction with the theatre-going experience at Founders. The expectations of theatre-goers are increasing while their experience at Founders Theatre was decreasing.

The reasons for this are twofold:

1. the problems of its infrastructure (a problem for promoters, who would not or would not use the facility due to constraints) meaning that national touring programmes audiences may come to see were bypassing the region.
2. the issues for theatre-goers. Audiences found the amenities were not sufficient – the foyer was too small for the number of seats in the auditorium and the food and beverage concessions were also difficult to access meaning cramped and uncomfortable pre-show and intermission. The facilities were thought to be dated and in need of refurbishment.

In 2016 a review of the Claudelands Arena and other theatres in Hamilton was undertaken to see if other venues were viable to hold the productions the region was unable to host at

³ National Creative Arts Survey 2014 – Survey sample 1,800. Performing arts was defined as theatre, dance and music, ballet or contemporary dance performances, live theatre, concerts, musical performances or circuses.

⁴ Hamilton City Council 2013 Resident's Satisfaction Survey.

Founder's Theatre such as a full orchestra from New Zealand Symphony Orchestra and a full Royal New Zealand Ballet contingent.

The review concluded that:

- Claudelands Arena is not configured to support theatrical performances. It does not have the flying system or the stage configuration to meet the requirements of visiting productions. Even if the cost of the reconfiguration was not prohibitive, it would result in a stage that was too distant from the audience. There are significant acoustic issues - theatres are designed to be acoustically 'live', while Claudelands is designed to reduce echoes.
- There are four other dedicated theatres in the Hamilton area – Clarence Street Theatre, The Meteor, Riverlea Theatre, and The Gallagher Academy of Performing Arts. All these venues are configured differently and can accommodate a variety of productions and audiences, but not the size and scale of productions one would expect to host in a city and region of our size – in number of seats, stage space and technical capabilities.
- The nearest theatres of Founders size with the ability to host a similar range of production to Founders Theatre are in Auckland and Rotorua.

2.5. The Process to develop design feasibility study and recommendation

Momentum Waikato has managed the framework for a robust process to scope and design a new theatre. The independently appointed Waikato Regional Theatre Governance Panel, chaired by Dr Julian Elder, is made up of community experts from sectors ranging from the arts to capital building projects.

The panel went out to tender in November 2016 and appointed specialist global theatre consultants, Charcoalblue (www.charcoalblue.com). Overseen by the panel in its governing capacity, Charcoalblue has spent the past twelve months consulting with key stakeholders and user groups throughout the Waikato region to arrive at their final feasibility study recommendation for the new Waikato Regional Theatre, including initial design concept, location and operating model.

2.5.1. User Group and Stakeholder Consultation:

Momentum Waikato – 'User Group' Engagement; October 2016 – August 2017

Charcoalblue consulted extensively with national and local user groups, promoters and producers about their needs. They then followed up to ensure they had captured their feedback accurately and the proposed design concept met their needs. The feedback to date has been positive, and we will continue to work with user groups and stakeholders through the next design phases.

Key stakeholders consulted:

- New Zealand Symphony Orchestra
- Royal New Zealand Ballet
- New Zealand Opera
- Local societies and production companies
- Local youth performance groups
- National tour promoters

- Local iwi performance groups

Momentum Waikato - Stakeholder Engagement; October 2016 – August 2017

Momentum Waikato worked with key stakeholders to ensure we heard the community's views.

Some of the key stakeholders consulted:

- Waikato Philanthropic Funders
- Waikato Chamber of Commerce
- Property Developers Assn
- Waikato Business Association / Waikato Means Business
- Hamilton Waikato Tourism
- Heritage and Archaeological Association of New Zealand

Momentum Waikato - Public Feedback sessions; October 2017

Consultation was undertaken in the region with the purpose of getting creative sector and community feedback on the proposed concept, location and functionality of the theatre. These sessions included open forums in three key districts within the region (Waipa, Waikato and Matamata-Piako).

Two sessions were held in Hamilton city, along with a Waikato Chamber of Commerce Business Leaders Breakfast. There were many good ideas and concerns brought to all of the regional meetings, and these are now being considered and incorporated into the design concept phase of the project.

2.6. The Recommendation

Charcoalblue's exploration process has uncovered a desire in the community for the theatre to be 'more than just a building'. The community wants an iconic, purpose built building, but we want more than bricks and mortar; we want a theatre that will transform the city and the region culturally and economically.

The proposal in the Feasibility Study⁵ outlines the theatre as an 'anchor tenant' in a creative precinct that would look to leverage the creative industries sector, with complimentary activities around the site. This has meant including considerations such as multi-purpose spaces, co-location spaces, and tenants that utilise the theatre on a day to day basis as well as the surrounding area, and the potential for developing a 'precinct' of creative innovation to include not just the arts but other creative pursuits such as technology and design.

2.6.1. The proposed site

The old Hamilton Hotel site is ideally located between the city and the river, because it has the potential to strengthen connectivity between these two key city features.

The relationship to the river and parkland provides an excellent opportunity to connect the city to the river, and aligns with the vision of the Hamilton City Council Central City Transformation Plan and The River Plan.

⁵ www.momentumwaikato.nz/wrt-recommendation/

The site is in the heart of the city's hospitality and creative districts, with the Waikato Museum, The Meteor, Embassy Park and many hotels, restaurants and bars all close by.

The land is owned by the Plaw family, and the site has been generously gifted to the project by the Plaws. The current land value has been estimated at \$6 million.

2.6.2. The Theatre

The new theatre will be a professionally run +/-1,100 seat adaptable Lyric Theatre of a world class standard. Designed for unamplified acoustics, it will be able to fulfil an array of functional requirements.

The stage depth and the orchestra pit can change to meet the requirements of the groups who will use it. The Royal New Zealand Ballet, the New Zealand Symphony Orchestra or youth Kapa Haka will all fit a full contingent on stage, and the one woman play will feel equally at home with an adjustable proscenium changing the stage size and depth to suit.

The seating can be configured to fit a full house, and balconies can be screened during more intimate shows.

2.6.3. The Creative Precinct

The site specifically lends itself to the development of a creative precinct with the co-location and clustering of other creative industries in the surrounding CBD buildings.

The venue will be more than just a theatre for hire. The foyer, the open public spaces and access to the river promenades will have people utilising the space not only for performances and programmed shows but for education, public art galleries, and for use of the restaurants and bars.

The Deloitte financial feasibility study⁶ indicates that shared spaces and facilities will make the theatre viable and ensure community accessibility. A comprehensive schedule of accommodation in the full feasibility report shows how this may happen⁷.

2.6.4. The River

The theatre will connect to the river and preserve the historic Hamilton Hotel, celebrating the historic aspects of the hotel site and creating a place of connection for residents of the region. Notable trees will be preserved, and there will be a series of plaza and courtyards that will boast views of the river.

Work is currently being carried out to align with the Hamilton City River Plan long-term goals.

⁶ Waikato Regional Theatre Financial Feasibility Study; Deloitte; 24.08.2017

⁷ Page 61; Feasibility Study; Charcoalblue; August 2017

2.6.5. Service level shifts from the Founders model to the Waikato Regional theatre model

Founders was built to cater to the needs of the performing arts (and other revenue activity streams) based on the needs as they were foreseen at the time it was built. The general standard, function and condition is much higher in today's world.

Evidence elsewhere tells us that Theatres are usually limited to a 50-60 year lifespan before a major refurbishment or rebuild is unavoidable.

In the 2000's Founders lacked;

- Adequate stage size to accommodate performance at today's level of sheer space required and technical sophistication.
- Safe operating systems.
- Adequate back of house rooms for rehearsal; changing and assembly of performers (in large numbers).
- Catering and hospitality facilities...a very limited revenue generation model.
- Public amenity.
- An ability to be a destination venue every day (theatres can be very dull places when there is no show on).
- Adjoining activity and complimentary amenity.

In 2021 the Waikato Regional Theatre will address;

- All of the points noted above that Founders lacked.
- Notably; the stage house will be variable in size and able to cater to the likes of the NZSO Royal NZ Ballet, NZ Opera and a range of other international touring performances previously limited by stage size.
- Additional public performance and community pace.
- Variable auditorium seating configurations.
- Youth education facilities.
- A link to other creative sectors.
- A public/private operating partnership model.

2.6.6. Recommendation accepted

The recommendation was taken to Hamilton City Council's Ordinary Council meeting on 24 August, and accepted. At that meeting councillor's also committed \$250,000 towards the \$500,000 required to progress the next stage of the process – the concept design stage. These funds are included in the \$30 million total contribution from Hamilton City Council.

The full design phase of the process commenced on 7 November 2017 and the design concept phase is expected to be complete by the end of March 2018. The funds for the next stage of the process are included

3. The Economic Case

Social, community wellbeing, community engagement and activation and educational benefits all mentioned below are wide spread and know no boundaries other than time and distance. This facility has no territorial boundary, and is accessible to all.

3.1. Strategic alignment and interdependencies

The proposed investment is aligned with Regional Strategies

- Waikato Creative Infrastructure Plan
- Waikato Means Business (education)
- Regional Tourism
- Major Event Attraction

The proposed investment is aligned with Hamilton City Council strategies:

- City Transformation Plan
- The River Plan and the planned changes to zoning to create a vibrant city centre.
- The Hamilton Arts Agenda
- The planned changes to zoning to create a vibrant city centre.

As the region's largest theatre the Waikato Regional Theatre will play a unique and pivotal role by providing a venue for the community to engage in performing arts. It provides a venue for those who want to participate in performing arts as part of the audience or as a performer. The theatre's development will support with the following goals of the Waikato Creative Infrastructure Plan⁸:

- Enhancing the regions cultural and tourism offering by providing a range of venues that support and develop the performing arts sector, providing the region with a venue of choice for an extensive variety of live performances and events.
- Growing the visibility and community engagement in all arts by providing a fit for purpose regional theatre.
- Increasing the number of "Bums on Seats" through improved promotion and audience development

3.2. Intangible Benefits

The Theatre's capacity to host a wide range of local community events and activities makes an important contribution to ongoing social and community development in Hamilton city and the wider region. This makes Hamilton an attractive destination for people and businesses. These include providing residents in the region with the benefits provided by the performing arts such as:

- Entertainment and fun
- Stimulation of their intellect and spirituality

⁸ Waikato Creative Infrastructure Plan, Prepared for Creative Waikato, August 2014

- Exposure to different experiences
- Improved wellbeing

3.2.1. A community facility for all

This will be a community gathering place and tourist destination, which will enhance the physical setting through its activity and integration with surrounding hospitality and co-location of creative industry. There will be complementary uses and activities for when the theatre is not in use, becoming a destination in its own right, with open public spaces for performances and gatherings.

The design engages with and reflects the site's pre-European cultural heritage and patterns of iwi settlement as well as its unique setting adjacent to the river, exploited with open access, and connection to promenades.

The proposed investment is aligned with Hamilton City Council goals for the City Transformation Plan, the River Plan and the planned changes to zoning to create a vibrant city centre.

3.2.2. Benefits for performers, particularly local performers

The proposed model allows for a high proportion of community and youth activity. Studies have shown that participating as a performer can build confidence and self-esteem for individuals and create more creative communities.

3.2.3. Strengthen community engagement in the region

Studies have also shown that youth who participate in the performing arts form stronger ties with the community and more often, tend to return and/or settle within the community and perform community service as adults.

The 2014 Creative Arts Atlas survey by Creative New Zealand looked nationally at the percentage of people by age who attended one or more of the performing arts. Most interest was in those younger than 29 or older than 39.

The creative survey also looked at interest and participation in the performing arts for people younger than 15. Some 36% of young people dance, sing or perform. Their interest in performing arts increased – from 21% in 2011 to 28% in 2014. Most young people say that they participate because they love doing it and because it makes them happy. This interest and participation may well translate into increased future audiences.

Over time, across the nation, the current theatre-going demographic is expected to steadily increase - by 2043 there are expected to be 30,000 more theatre-goers under 64 than there were in 2013. If quality productions can be accommodated, the demand for theatre facilities is likely to increase at the same rate. There is also an opportunity to appeal to younger audiences to increase the pool of theatre goers.

3.2.4. Reputational benefits as a cultural hub and creative precinct

Touring productions continue to be interested in visiting Hamilton, and the desirability of the city as a performing arts destination is likely to increase as population grows. However, the lack of a suitably sophisticated venue has seen and will continue to see an increasing number of productions bypassing Hamilton in favour of other centres. For example, the Royal NZ Ballet no longer brings its main bill productions to Hamilton, but play Rotorua instead; the NZSO continue to tour but are required to reduce its player roster for larger pieces in Hamilton.

The new theatre will enhance the visibility and community engagement in performing arts by providing a fit for purpose regional theatre. It will provide the Waikato with a full range of venues that support and develop the performing arts sector, providing a venue of choice for an extensive variety of live performances and events.

The theatre will build on Hamilton and the Waikato's reputation as a destination for cultural events, rather than as a region that requires residents to travel elsewhere for major social events. It will greatly enhance the social, cultural and economic value a theatre can bring to the city and region, with the site in a premium location within the CBD's cultural precinct with increased energy and vitality in the inner city.

With the theatre as head tenant of "creative precinct" there is strong potential for urban regeneration through future co-location of complimentary activities of creative industries.

The Hamilton Arts Agenda, recently updated, aims to support and grow this thriving sector by providing direction and leadership. The new theatre will play a key part in achieving its five priorities:

- Spaces and Places
- Hamiltons public spaces are used for activities and events
- Toi Maaori
- Creative Economy
- Engagement
- Promotion

3.3. Tangible Benefits

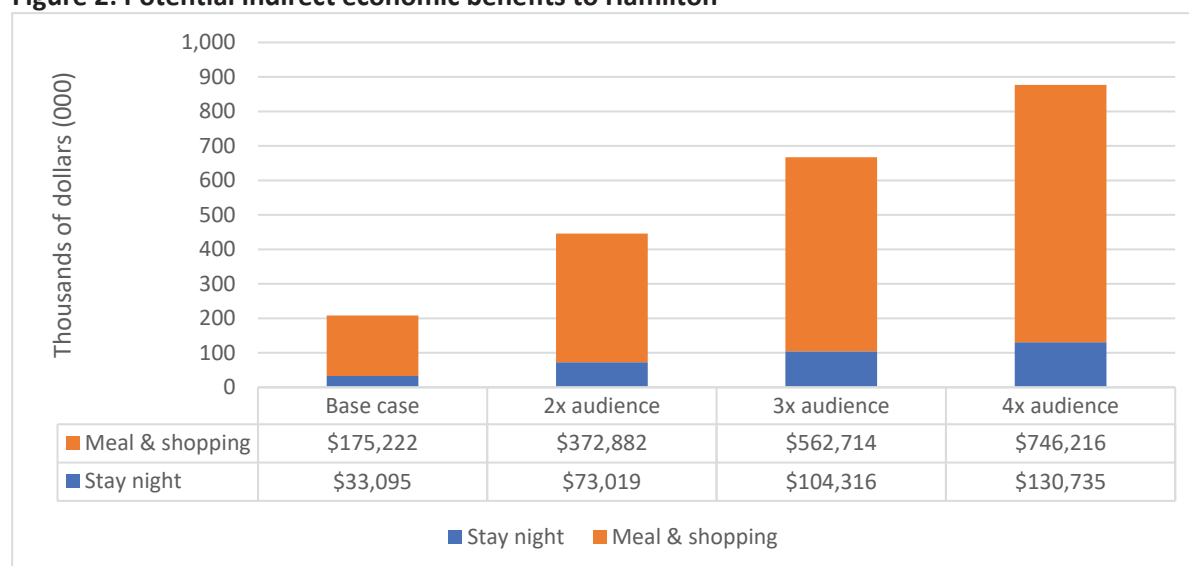
Audience spending can make an important economic contribution to the city and the region. Spending occurs not only at the event but in surrounding local businesses, such as restaurants, shops, travel/transport, and accommodation. Spending by external visitors represents an injection of money from outside the local economy.

3.3.1. 3.3.1 Indirect fiscal benefits to Hamilton city

The Hamilton City Council Founders Redevelopment Report 17/2/2016 looked at whether there might be any indirect benefits to the Hamilton economy from undertaking a refurbishment. The impact of more people from the Bay of Plenty and Gisborne regions travelling to Hamilton to see a show at Founders was modelled; the analysis looked at doubling (6,000), tripling (9,000) and quadrupling (12,000) the people visiting Hamilton from these regions, with a mix of overnight and evening-only visits

The following graph sets out the indirect benefits to the Hamilton economy. Currently the indirect benefits are estimated at \$208k per annum; if the number of patrons increased fourfold then benefit could rise to almost \$877k⁹.

Figure 2: Potential indirect economic benefits to Hamilton



** Note: there is no comparative data available that incorporates benefits to the surrounding region.

3.3.2. Educational Opportunities

There are opportunities to bring international performers or companies to the theatre as 'artists in residence' which will allow for sharing ideas and learnings from international companies and artists. There will be programmes developed to enhance and develop the Waikato region's creative talent, and provide opportunities for learning and training in theatre skills and related creative industry activities.

New Zealand Symphony Orchestra and Royal New Zealand Ballet, who have not been able to run their educational outreach programmes for youth alongside their performances due to lack of facilities have both indicated that with the right venue they will run these programmes.

We have started conversations with the University of Waikato and Wintec regarding collaboration and opportunities for curriculum to be presented at the theatre. Regional primary and secondary schools are also being engaged with to explore opportunities for site visits and student curriculum delivery.

⁹ Doubling people visiting Hamilton from these regions would have an indirect benefit of \$446k and tripling an indirect benefit of \$667k.

4. Regional Classification

Hamilton is the second fastest growing city in New Zealand, with only Auckland growing at a higher rate. Some 160,000 people live in Hamilton, with a further 3000,000 people living within easy distance of the city. Hamilton is the fourth largest city in the country.

It was confirmed early in the project that this theatre is for the wider region. We know from Creative New Zealand research¹⁰ that the audience for performing arts is broad and growing, with 99 percent of residents in the Waikato region surveyed reported having attended “a cultural event or location in the past three years.” (*Creative New Zealand Attitudes, Attendance and Participation and Audience Atlas 2014).

4.1. The case of regional facility

Momentum Waikato notes that the breakdown of audiences from regional districts to clearly show correlation between distance from the theatre and attendance. Data shows attendance region wide, with the majority of the beneficiaries predominantly drawn from the territorial authorities closest to the facility. Based on this data, it can be assumed that the beneficiaries of the proposed facility will be drawn predominantly from communities in more than one territorial authority.

Beneficiaries are expected to be predominantly from Hamilton City Council, Waipa District, Waikato District and Matamata-Piako District Councils.

4.2. The Waikato Creative Infrastructure Plan Definitions

The Waikato Creative Infrastructure Plan was commissioned in 2014 by Creative Waikato to align with broader spatial planning being undertaken by the Waikato Mayoral Forum. The report defined the following hierarchy definitions:



¹⁰ Creative New Zealand Attitudes, Attendance and Participation and Audience Atlas 2014

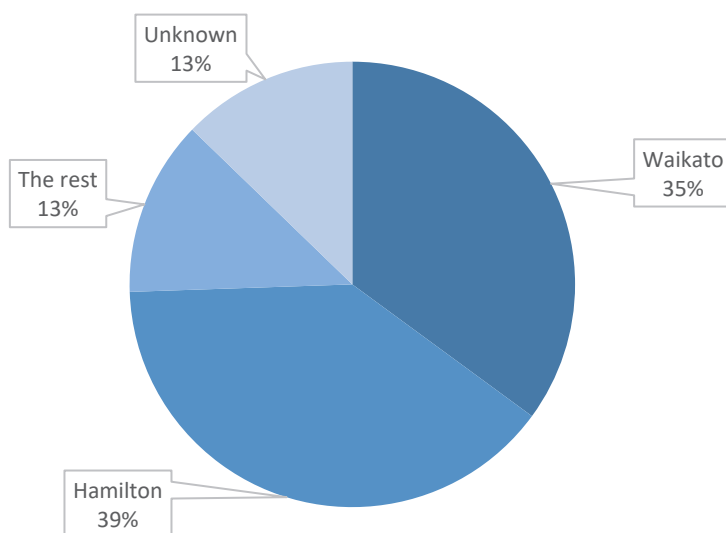
4.2.1. Audience Breakdown

In a review Ticketek data from 2014 to find where audiences come from, it was found that 35% came from the wider Waikato region.

80% of people who come to Founders Theatre from outside the Waikato region came from the Bay of Plenty and Hawkes Bay/Gisborne. This indicates that people from Rotorua, Tauranga and Gisborne are willing to travel to Hamilton for a night out.

Before Founders closed it was suspected that Auckland may be taking some of the Waikato's potential audience. Auckland has significantly more theatre attendances than any other city - 29% have attended performing arts in Auckland versus 10% Wellington and Christchurch. This could imply that Auckland is supplementing its audiences from outside the city, including south of Auckland (Waikato and Bay of Plenty). As the Waikato is now missing out on some opportunities due to Founders being closed we know that audiences often have to go elsewhere for a night out at the theatre.

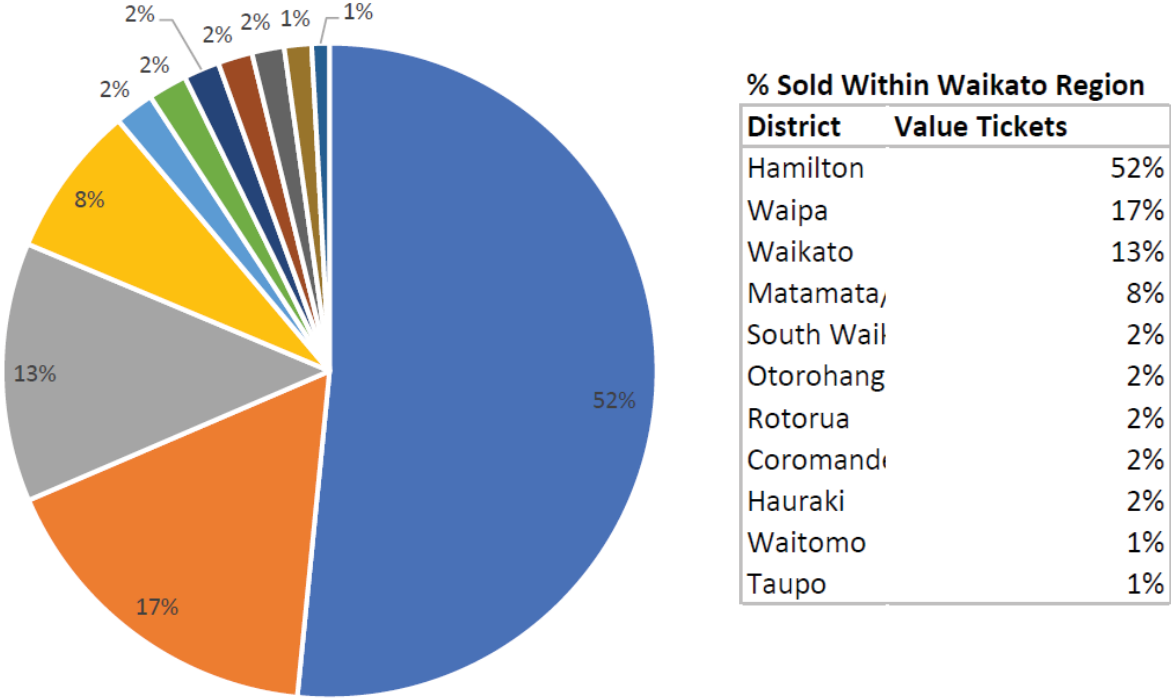
Figure 4: Founder Theatre's market catchment (source Ticketek Data 2014)



4.2.2. Audience by district

Founder's catchment area is quite localised. A breakdown of the 2014 Ticket data showed that most people who attended Founders Theatre in 2014 came from Hamilton and the wider Waikato region – 74% in total. 39% (15,499 people) came from Hamilton, a 6% drop from 45% in 2011. It is likely that a significant portion of the 13% of people whose postcode is 'unknown' also came from the Waikato region.

Figure 5: Founders Theatre Tickets sold by district (source Ticketek Data 2014)



5. The Financial Case

Deloitte have prepared a financial feasibility study (Appendix 3) based on the current Charcoalblue feasibility study outlining the roles, structures and budget requirements of the proposal. The business case is expected to be refined as the design concept stage progresses, and was designed to provide Momentum Waikato and funding partners with a base to explore alternative scenarios for operational revenue and expenditure.

In order to determine this estimate, research was conducted on a number of comparable theatres across New Zealand, and data was sourced from H3, Hamilton City Council.

5.1. The financial model

A financial model was developed as part of assessing the feasibility of the project. The purpose of the model was to provide an ownership cost for the theatre's maintenance and determine if the theatre is operationally self-sustainable.

The model was developed on the basis that:

- The ownership and operations became separate from council or Momentum Waikato
- Momentum, together with Local Council's and Central Government, fund 100% of the initial cost of the theatre via equity funding, thereby requiring no bank debt;
- Local and or regional councils will provide ongoing funding for the ownership costs of the theatre, including maintenance and capital costs; and

The model included a range of Key Performance Indicators such as days occupied, occupancy level, total patronage, and net service cost (per patron, per day, per seat)

5.1.1. Ownership and operation

Based on recommendations from a Deloitte convened "think-tank" of local experts, there is work underway to create a trust to govern the theatre and its assets. Ownership and maintenance will be the responsibility of the yet to be established Waikato Regional Property Trust (WRPT).

It is proposed that maintenance cost will be contributed to by local councils. An asset maintenance reserve will be built for refurbishment and technology upgrades as required.

Operations will be run by the Waikato Regional Theatre Operating Company (WRTOC). The company will manage all operations of the theatre and seek ongoing community funding and sponsorship.

5.1.2. The project costs and fundraising targets

This project will be funded by a mix of local and central Government and philanthropic sources. Hamilton City Council will be the largest single contributor to the build and the on-going upkeep of the facility.

WRC funding through its Community Facilities Funding Framework is not expected to be the major contributor. The requested \$5m is approximately 6.7% of the project delivery cost.

A high-level breakdown of costs and contingencies is below:

Figure 6: Costs and percentage of project total

Cost Component	Amount	% of total
Build cost (based on ASB Waterfront Theatre)	\$37,630,000	52%
Theatre fitout and equipment	\$12,975,000	18%
Consultants, fees and levies	\$9,825,000	13%
Contingencies	\$12,450,000	17%
TOTAL	\$72,880,000	100%

** No land or lease costs – are included above as the land is looking to be generously gifted to the project by the Plaw family. The current land value has been estimated at \$6 million.

5.1.3. The on-going funding and operating costs

The model makes revenue assumptions sourced from research on similar theatres and input from H3 Group. The revenues are determined by a multitude of different input assumptions including:

- The mix of ticketed and non-ticketed events
- The mix of small and large events
- Commercial versus community use of the theatres
- Number of events held
- Occupancy
- Tiered pricing for performance days
- Second performances in the same day
- Non-performance days.
- Allows for a reduced hireage rate for a 'community rate'.

The model allows for fluctuations in all figures, but does note that an average of \$69,000 per annum will be required in sponsorship to fund the operating cash deficit of the theatre. This level of cash deficit is not unusual in a facility of this type in performing arts, and is consistent across New Zealand and internationally.

The model assumes a contribution to an asset maintenance reserve from local councils to provide for on-going costs of the theatre, including maintenance capital costs over a twenty year period. It is currently assumed that Hamilton City Council will contribute \$1.1 million per annum and the contributing district councils will collectively contribute \$300,000 per annum.

The total of \$1.4 million per annum to the asset maintenance reserve will ensure the theatre is always maintained to the highest technical and modern standards. This includes

significant renovations and refurbishments but does not include routine repairs and maintenance.

Figure 7: Breakdown of Annual Operating Revenues (FY20)

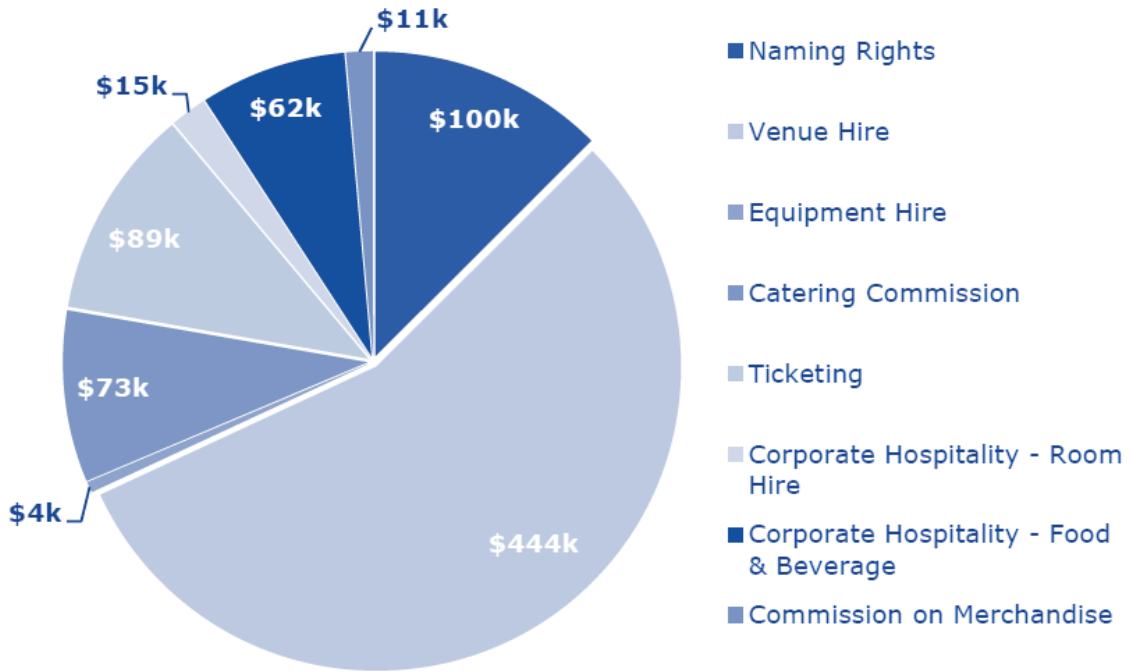
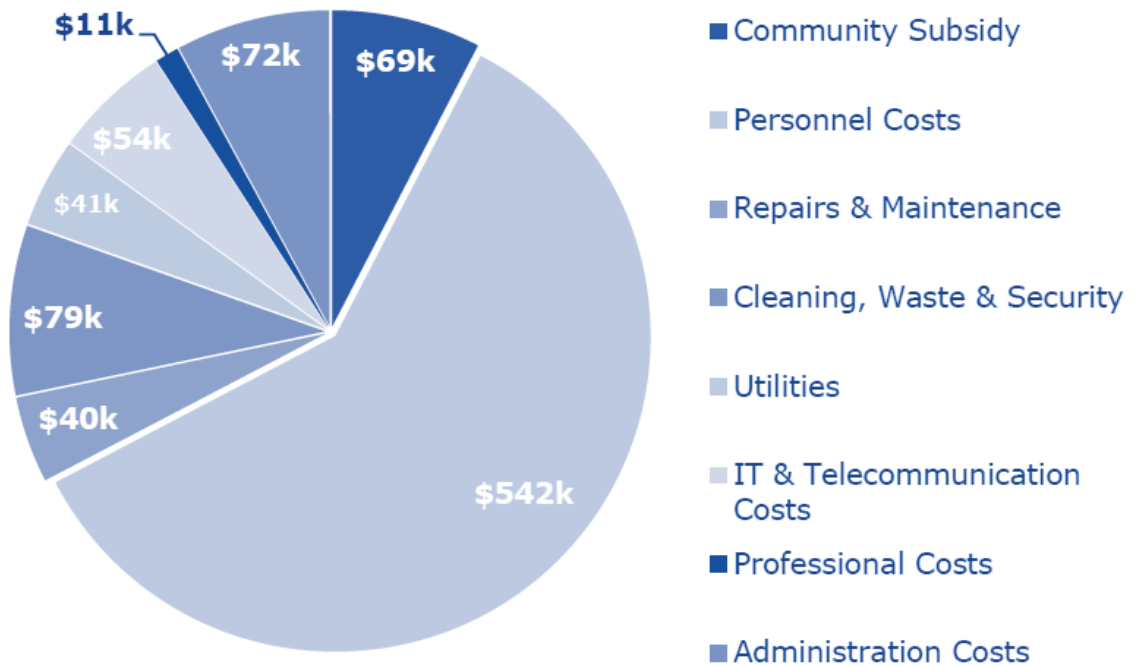


Figure 8 Breakdown of Annual Operating Costs (FY20)



5.2. Partnerships

While conversations are positive throughout the region, we know that this transformational project will only go ahead if the community collectively contributes, and believes this theatre will deliver benefit to the region, and become a destination in its own right. We have some strong partnerships in the region, and are working to secure more.

Figure 9: Projected Funding Sources for The Waikato Regional Theatre

Cost Component	Amount	% of total
Local Government	\$30 million	41%
Central Government	\$13 million	18%
Community	\$30 million	41%
Total	\$73 million	100%

5.2.1. Local Government

Hamilton City Council are partners in this project – Momentum Waikato have committed to a public-private partnership with the city council to secure the funds for the new facility, while keeping the costs capped for the city.

In July 2016 Hamilton City Council resolved to support the project in principle, with a local government contribution of \$30 million. The Mayor's budget for the Long Term Plan has just been released with provision for \$20 million for the project.

Momentum Waikato are currently applying for support from the Waikato Regional Council Community Facilities Fund Framework to contribute to the \$30 million of local government funds.

5.2.2. Central Government

Momentum Waikato are very heartened by an invitation from the Department of Internal Affairs to complete an Expression of Interest for the Lottery Significant Projects Fund Grant. There have been very positive conversations with local MP's regarding Central Government support and we believe that we will meet the criteria for a regionally significant project.

Both Creative New Zealand and the Ministry of Arts and Culture recognise that the Waikato is a region which has historically been under-invested in, in arts infrastructure and general funding. Creative New Zealand's

Regional Arts Pilot has seen a turnaround in this trend with great outcomes. Recently the message from the Ministry to the community has been - 'bring an integrated and inspirational plan deserving of investment'. We feel the Waikato Regional Theatre certainly meets that brief.

5.2.3. Trust Waikato

The early leadership gift of \$15 million from Trust Waikato – granted from their trust reserves – recognises the project will be transformational for the Waikato region by producing cultural, economic and creative opportunities for many years to come.

5.2.4. Generous families and community donors

Momentum Waikato has been created to convene and connect generous people in the Waikato with intergenerational projects of significance that meet both the current and future needs of our community.

Approached in 2016 by generous individuals and organisations interested in giving through Momentum Waikato to contribute to a new theatre Momentum Waikato has undertaken to act on behalf of the community to convene the funds from the community and Central and Local Government.

Actively working on securing pledges at present, the fundraising team are heartened by the number of generous donors who have joined us to date. Many generous families and organisations indicated support before even seeing images or plans, and as more detail comes to light we expect more people to join us on the journey.

Figure 10: Pledges and Donations confirmed for Phase Two as at 1.14.2017

Phase Two - Confirmed Donations and Pledges		
12.7.17	\$5,000.00	Private Donor
12.7.17	\$100.00	Private Donor
24.7.17	\$1,000.00	Private Donor
15.8.17	\$350,000.00	Private Donor Pledge
31.8.17	\$15,000,000.00	Community Trust
1.9.17	\$6,000.00	Private Donor
11.9.17	\$100,000.00	Service Organisation (Hamilton Club)
15.11.17	\$1,500,000.00	Private Donor Pledge (Personal and Corporate)
15.11.17	\$6,000,000.00	Private Donor (land)
20.11.17	\$6,720.20	In kind/reduced services to date
20.10.17	\$250,000.00	Private Donor Pledge
14.12.17	\$30,000,000.00	Territorial Authorities (\$25m from Hamilton City Council and \$5m from the wider region)** (must follow LTP Process)
TOTAL	<u>\$53,218,820.20</u>	TOTAL at 1.12.17

5.3. People

Approached by generous families and donors in July 2016 Momentum Waikato is working hard to manage a robust process and framework to ensure the best outcomes for the region, and have a strong, experienced team in place to get the best results.

5.3.1. 5.6.1 Momentum Waikato Board

The Momentum Waikato Board is committed to this project, and to creating generational change in the region. The Momentum Waikato Board are all dedicated to working with the community to create a transformational opportunity for the region. The board members are:

- Leonard Gardner
- Neil Richardson
- Ken Williamson
- Parekawhia McLean
- Pam Roa
- Jon Tanner
- Simon Rickman
- Ken Stephens

5.3.2. 5.6.2 Campaign Cabinet

We have a strong fundraising team - known as our Campaign Cabinet - in place. This team is comprised of a mix of board members and passionate people from the region who are very experienced fundraisers, and are contributing to the project themselves. They are:

- Leonard Gardner
- Jon Tanner
- Ken Williamson
- Janice Lapwood
- John Gallagher
- Michael Crawford
- Glenn Miller
- Nancy Caiger
- Linda Rademaker

5.3.3. Waikato Regional Theatre Governance Panel

The process of developing this project was managed by the independently appointed Governance Panel. The Waikato Regional Theatre Governance Panel was responsible for appointing and a team of experts, and are managing a robust process to create a concept design, masterplan and business cases for the new theatre.

Governance Panel members include:

- Dr Julian Elder, Chair – CEO, Scion
- Sean Murray - Venues, Major Events and Tourism Hamilton City Council
- Margi Moore – Chairperson Creative Waikato
- Glenn Holmes – Legacy Project Leader Hamilton Gardens Development Trust
- Graeme Ward – Director, Infrastructure and Assets, Wintec

5.3.4. Project Director

Leonard Gardner, Momentum Waikato's Chair is leading the project and is acting Project Director. Leonard is Foster Construction's Commercial Manager and is responsible for the business operations of Foster Construction. Leonard joined Foster Construction in 2004 as the Company Accountant. Prior to this, Leonard worked eight years at KPMG becoming a Chartered Accountant.

A new Momentum Waikato Chief Executive has been appointed, and this person will take over the responsibilities of the project director as part of their role. The new CE will start in March 2018.

5.4. Consequence of not funding

Without change, there is a real risk that the Waikato may actually lose significant elements of creative infrastructure and some activities could be lost from the community.

If the Waikato Regional Council does not fund the Waikato Regional Theatre the project could be at risk of not proceeding.

We know from our work with individual donors and organisations in the community that there is neither appetite nor capacity for the full project amount of \$73 million to come from community contributions.

We have recently submitted an expression of interest to the Lotteries Significant Project Fund and if we do not secure the local government contribution this application is at risk as to be eligible for this project you need to source one-third of the funds from other sources.

The fund also looks favourably on partnerships between community, local funders and local government for best outcomes.

The new theatre will provide positive economic impact, but above all it will enrich the community, providing access to a world-class venue for residents and visitors to use as our place to interact with local, national and international standard performances.

This theatre is a community facility, designed by the community, for the community. While it is vital the people of the region get behind this project and contribute, there is an expectation that local and central government can help us too – to ensure the city and the region has the infrastructure that it needs to enable us to be a vibrant community.



Momentum Waikato Community Foundation

Waikato Regional Theatre Financial Feasibility Study

Final Report

Important Notice to any third party accessing this report:

- 1) Our work was performed and the Report was prepared for Momentum Waikato Community Foundation (**Momentum** or the **Client**) at its request, from information provided by Momentum, H3 Group, Deloitte proprietary research, and publicly available information, solely for Momentum's benefit and not for any other person, for the purpose of understanding the financial feasibility of the Waikato Regional Theatre and not for any other purpose, and in accordance with our engagement letter dated 22 May 2017 (the **Engagement Letter**) and the Master Terms of Business (the **Terms**) attached to it.
- 2) Our work and the Report may not be sufficient or appropriate for any third party's purpose. The Report may also not address or reflect matters in which a third party may be interested or which may be material to a third party.
- 3) No third party may rely on the Report. Deloitte Limited (**Deloitte, we** or **us**) is not responsible to any third party, whether for our negligence or otherwise, if any third party relies on the Report.
- 4) Third parties will not acquire any rights in connection with their access to the Report. We have no duty of care to any third party for the work we have performed or for the Report or anything in it.
- 5) For the purpose of the notice above, any party other than the Client is considered to be a third party.

24 August 2017

The Trustees
Momentum Waikato Community Foundation
C/- Leonard Gardner
Level 4 – 127 Alexandra Street
HAMILTON 3240

Dear Trustees,

Feasibility Study

Deloitte has been instructed by Momentum Waikato Community Foundation (**Momentum**, the **Foundation** or **you**) to prepare a financial feasibility study regarding the proposed development of the Waikato Regional Theatre (the **Theatre**).

We understand that this financial feasibility study will assist the Trustees of Momentum in forming their own view on whether the proposed Theatre is feasible. Our financial feasibility study has been prepared on this basis and is based on information made available to us as at 18 August 2017.

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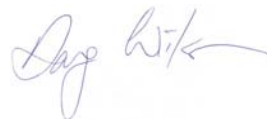
Scope of Work and Restrictions of Use

This report is subject to the terms and conditions set out in our engagement letter dated 22 May 2017 (the Engagement Letter), and the restrictions included in Appendix 1.

This report is intended solely for the use of Momentum for the purpose outlined above. Deloitte accepts no responsibility for any reliance that may be placed on this report should it be used by any party or for any purpose that has not been expressly agreed in writing by Deloitte.

Deloitte confirms that it is independent of Momentum and has acted fairly and impartially in undertaking this financial feasibility study.

Yours sincerely



Doug Wilson

Partner

for Deloitte Limited (as trustee for the Deloitte Trading Trust)

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Glossary of Terms

\$	New Zealand dollar
c.	Circa
Community Foundation	An independent philanthropic organisation that aims to build permanent endowment that benefits the local community
FYXX	Financial year ending 31 March 20XX
Governance Panel	The Waikato Regional Theatre Governance Panel
GST	Goods and Services Tax
H3 Group	The unit of the Hamilton City Council responsible for overseeing the management of Claudelands Arena, FMG Stadium Waikato, Seddon Park, Founders Theatre, and The Grandstand
HCC	Hamilton City Council
k	Thousand
KPI	Key Performance Indicator
m	Million
Momentum	Momentum Waikato Community Foundation
n/a	Data either not applicable or not available

NSC	Net service cost
p.a.	Per annum
The Council	The Hamilton City Council
The Model	The financial model constructed by Deloitte to analyse the financial feasibility of the Theatre
The Operator	An entity yet to be established for the purpose of operating the Theatre
The Owner	An entity yet to be established for the purpose of assuming ownership of the Theatre
The Project	The Waikato Regional Theatre project
The Theatre	The proposed new Waikato Regional Theatre
Trustees	Trustees of Momentum Waikato Community Foundation

1. Executive Summary

Introduction

- Momentum Waikato Community Foundation (**Momentum**, the **Foundation**, or **you**) is proposing to establish a new theatre known as the Waikato Regional Theatre (the **Theatre**). The Waikato Regional Theatre project (the **Project**) aims to provide the people of the Waikato region with a contemporary theatre that will go above and beyond filling the gap created by the closure of Founders Theatre.
- On 12 July 2017 the recommended site for the Theatre, being the Hamilton Hotel site on Victoria Street, Hamilton, was announced. You required a feasibility study to assist you in forming a view on whether the Theatre is financially feasible.
- Deloitte (**we** or **us**) prepared a financial model (the **Model**) as part of assessing the overall financial feasibility of the Project. This report sets out our key findings and recommendations.

Base Case Assumptions

- The Model was based on the assumption that an entity yet to be established would be responsible for the ownership of the Theatre (the **Owner**). The Owner would be established and / or appointed by Momentum or the Waikato Regional Theatre Governance Panel (the **Governance Panel**).
- The Theatre would then be leased for a nominal \$1 amount to a separate entity yet to be established that will be responsible for the operations of the Theatre (the **Operator**). This entity would also be established and / or appointed by Momentum or the Governance Panel.
- Our understanding is that agreements will be reached on the Council's roles and responsibilities with respect to funding ownership costs of the Theatre; however, it is envisaged that Council will not own the Theatre.
- The Project was modelled over an 11 year period and it was assumed that the initial capital costs of \$70.0m would be 100% funded via equity, with the Council contributing a maximum of \$30.0m, Central Government contributing \$10.0m, and Momentum providing the \$30.0m balance from donor funds. Therefore, the base case assumptions assumed that debt funding would not be required.
- The Model was designed to provide an ownership cost model to maintain the Theatre, determine if the Theatre is operationally self-sustainable (i.e. if the Theatre is cash positive); and, if the Theatre is not cash positive, determine what is extent of funding is required.

Summary of Findings

- Under the base case assumptions, the Project is considered to be financially feasible provided that Momentum is able to:
 - 1) Fund 100% of the initial capital costs of the Theatre via equity funding, thereby requiring no bank debt and incurring no interest costs;
 - 2) Secure average annual funding of approximately \$69k p.a. between FY20 and FY25 to cover the projected operating deficit; and
 - 3) Secure average annual ownership funding of approximately \$1.4m to be utilised as follows:
 - i. \$467k p.a. to fund the average annual ownership costs; and
 - ii. \$934k p.a. to be contributed to an asset maintenance reserve for future maintenance, including maintenance capital costs and major works.
- As is inherent with any project of this nature, there are certain risks involved. These are summarised later in this report and should be incorporated into your overall project plan to ensure steps are put in place to manage them at different stages throughout the Project.
- The Model has been designed as a dynamic tool to explore different scenarios for the Project. We recommend that you, together with your advisors, use the Model to facilitate further discussions with identified funders and key stakeholders in order to advance the Project further.

2. Our Approach

Approach

- Our approach in performing the financial feasibility study was as follows:

1

- Held an initial meeting with Leonard Gardner (Momentum Chairman), and Dr Julian Elder (Waikato Regional Theatre Governance Panel Chairman). This meeting enabled us to better understand the Foundation, the Theatre, and the requirements of the financial feasibility study.

2

- Held a series of meetings with H3 Group, the unit of the Hamilton City Council responsible for overseeing the management of Claudelands Arena, FMG Stadium Waikato, Seddon Park, Founders Theatre, and The Grandstand. These meetings enabled us to better understand the operational requirements of the Theatre.

3

- Collated and analysed the internal and external sources of information outlined in Appendix 2.

4

- Developed a Model to prepare and present the financial information required for concluding on the financial feasibility of the Project (see Section 5 on Financial Analysis).

5

- The base case assumptions of the Model were sourced from Momentum, H3 Group, Deloitte proprietary research, and publicly available information. The Model was designed to be used as a tool for Momentum and its advisors to further discussions and explore different scenarios with funders and key stakeholders.

6

- Met with Leonard Gardner (Momentum Chairman), Sean Murray (H3 Group Executive Director and Council representative on the Waikato Regional Theatre Governance Panel), and Sarah Nathan (Creative Waikato Chief Executive Officer), to discuss preliminary findings and test the reasonableness of the key assumptions.

7

- Revised the base case inputs as a result of the aforementioned meeting, and conducted a cell-by-cell peer review of the Model to ensure calculation logic and accuracy.

8

- Performed a sensitivity and scenario analysis to determine the Project's sensitivity to critical assumptions.

9

- Conducted a benchmarking exercise to compare the outputs of the Model to that of similar theatres around New Zealand.

10

- Lastly, through our discussions and research, we identified and documented capital development, operating, and financial project risks.

3. Momentum Waikato Community Foundation

Overview of the Foundation

- Established in 2013, Momentum is a Community Foundation registered with the Charities Office. Momentum has the fundamental purpose of supporting projects of regional significance that are aimed at providing inter-generational benefits to the people of the Waikato region.
- The Foundation achieves this purpose by providing individuals, families, companies, and groups with an independent and apolitical mechanism through which they can make philanthropic donations.
- Donated funds can be earmarked for a specific purpose, project or cause, and are invested in perpetuity. Income from investment is then distributed to support community projects and causes within the Waikato region.

Governance Process

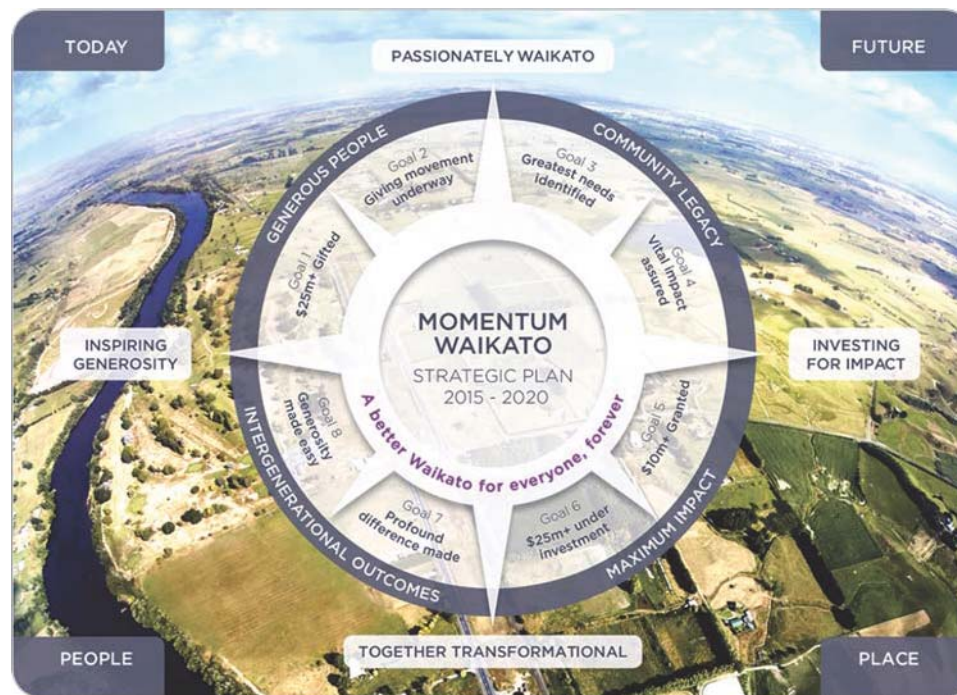
- The Foundation is governed by a Trust Board, comprised of its trustees, who are ultimately responsible for Momentum’s strategic direction, donor gifts, and investment fund growth.
- The Trustees are pictured below (from left to right): Leonard Gardner (Chairman), Neil Richardson (Deputy Chair), Parekawhia McLean, Simon Rickman, Pam Roa, Ken Stephens, Jon Tanner, and Ken Williamson.



- Trustees are appointed by the Board Appointments Panel, an independent panel charged with the succession planning of the Trust Board. This role involves identifying prospective trustees and evaluating their competencies and degree of independence.
- In addition to the above, Momentum’s governing process also includes:
 - A Campaign Cabinet, which is responsible for overseeing donor engagement, relationships, and communications;
 - An Investment Committee, which is responsible for overseeing investment strategy and portfolio oversight; and
 - A Distribution Committee, which is responsible for overseeing funding recommendations.

Objectives of the Foundation

- The key objectives of the Foundation are set out in its Trust Deed as follows:
 - To provide support both financial and otherwise, for community organisations and for any charitable purpose;
 - To promote and encourage generosity among the people of New Zealand towards community organisations and any charitable purposes; and
 - To establish and administer separate named funds within the trust fund in order to fulfil the wishes of individual donors who wish to support community organisations and any charitable purpose.
- The above objectives are reflected in Momentum’s 2020 strategic plan.



Momentum Waikato Community Foundation: Strategic Plan 2015 - 2020.

4. Waikato Regional Theatre Project

Fit for Purpose Theatre Required

- In December 2015, an initial engineering assessment of Hamilton's historic Founders Theatre, conducted by engineering consultancy firm Dunning Thornton, identified a number of both minor and significant issues with the building's structural strength and seismic resistance.
- The Founders Theatre Redevelopment report, prepared in February 2016 by Hamilton City Council, outlined that Founders Theatre was no longer fit for purpose and required a \$20.4m revamp as a result of:
 - The concerns raised in the initial engineering assessment;
 - Significant safety issues related to the theatre's flying system;
 - The inability to support the needs of modern productions due to the lack of appropriate infrastructure; and
 - The inability to meet patrons' expectations due to the age, condition, and layout of the facilities.
- The report attributed the above to the theatre's declining usage and attendance, which went against the national trend of theatre usage increasing.



Founders Theatre

Closure of Founders Theatre

- In March 2016, Founders Theatre was closed due to safety concerns relating to its flying system. Dunning Thornton's subsequent Detailed Seismic Assessment report confirmed the concerns outlined in the initial engineering assessment – that Founders Theatre was earthquake-prone.
- Following Founders Theatre's closure, Hamilton City councillors voted unanimously in favour of a public consultation to assess the community's views on the future of Founders Theatre. The public consultation process commenced in May 2016 and concluded in June 2016.

Waikato Regional Theatre Proposal

- During the submission process, Momentum presented a proposal to facilitate the design and build of a new 1,000 - 1,200 seat theatre and provide \$25.0m in donor funds.
- In July 2016, Hamilton City councillors voted unanimously in favour of Momentum's proposal to build a new theatre for an estimated \$55.0m. The Council agreed to contribute a maximum of \$30.0m, and Momentum committed to providing the balance of \$25.0m. Based on the plans drawn and ongoing discussions since then, we understand that the capital costs estimate has increased to \$70.0m.

Waikato Regional Theatre Governance Panel

- Following the Council's decision, Momentum and the Council appointed the Waikato Regional Theatre Governance Panel (the **Governance Panel**) in October 2016. The role of the Governance Panel is to oversee the design and build process of the Theatre.
- The Governance Panel is comprised of:
 - Dr Julian Elder (Chairman, and former WEL Networks Chief Executive Officer);
 - Sean Murray (H3 Group Executive Director);
 - Graeme Ward (Wintec Director of Infrastructure and Assets);
 - Margi Moore (Head of School of Media and Arts at Wintec, and Chairperson of Creative Waikato); and,
 - Glenn Holmes (Legacy Project Leader for Hamilton Gardens Development Trust).

4. Waikato Regional Theatre Project (cont.)

Theatre Site Selection

- In December 2016, following a detailed Request For Proposal process, the Governance Panel appointed Charcoalblue, an award-winning UK-based theatre and acoustic design consultancy, to advise on the design of the Theatre.
- The first stage of this process was to identify potential locations for the proposed Theatre and, following several months of consulting with stakeholders throughout the Waikato region, 25 potential sites were identified (see Appendix 3 for a list and map of the identified sites).
- In order to assist in selecting the optimal site, Charcoalblue analysed each of the 25 sites according to primary and secondary factors. Primary factors were those factors considered vital to the success of the Project (i.e. non-negotiable), including: urban design, site area and access, transport, and manu whenua. Secondary factors were those factors considered to add to the success of the Project but were not a key requirement, including: landscape design, sustainable design, building controls, site history, and site aspect.

Initial Shortlist

- From this analysis, a shortlist of seven sites was generated as follows:
 - 1) Ferrybank Commercial (Park);
 - 2) Grantham Street (Reserve);
 - 3) Corner of Victoria Street and Sapper Moore-Jones Place (Historic);
 - 4) Artspost (Historic and Carpark);
 - 5) Garden Place (Plaza);
 - 6) River Road – Sonning (Carpark); and,
 - 7) Hamilton City Council Municipal Building (Civic).
- Charcoalblue then performed additional analysis on these sites, focusing on external factors that would directly and indirectly have an influence on the chosen site. This largely involved determining how well each of the seven sites aligned with the Hamilton Central City Transformation Plan.

Final Shortlist

- The second stage of analysis removed three sites from the initial shortlist, with the following sites remaining:
 - 1) Ferrybank Commercial (Park);
 - 2) Corner of Victoria Street and Sapper Moore-Jones Place (Historic);
 - 3) Artspost (Historic and Carpark); and,
 - 4) Garden Place (Plaza);
- In the final stage of analysis, the remaining four sites were investigated in detail, focusing on the strengths and weaknesses of each site in regards to site-specific design.

Optimal Site

- On 12 July 2017, Momentum issued a press release detailing the results of the Charcoalblue location study, and announced that the Hamilton Hotel site (on the corner of Victoria Street and Sapper Moore-Jones Place) was the recommended location for the Theatre.



Hamilton Hotel site. Image sourced from Waikato Regional Theatre location study report.

4. Waikato Regional Theatre Project (cont.)

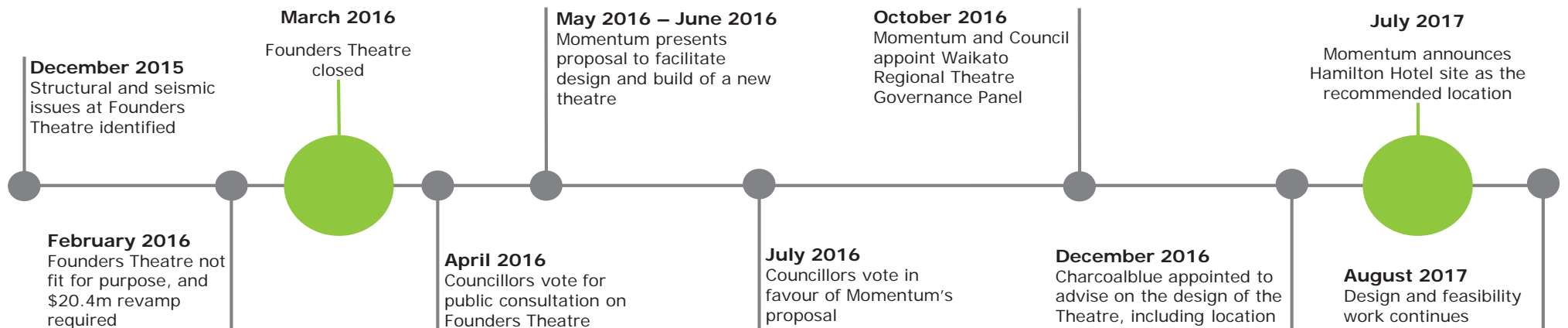
Hamilton Hotel Site

- The Hamilton Hotel site is recognised as a heritage building and is privately owned. It had the first hotel constructed on it in 1865, and was rebuilt twice after fires in 1898 and 1922.
- The site has a rich history with the theatre, having served as both the Royal Theatre and Embassy Theatre between 1915 and 1967, and both the Hamilton Theatre and Left Bank Theatre during the 1980s. The site also has a strong connection with art, having tragically claimed the life of internationally renowned artist Sapper Horace Moore-Jones during the fire in 1922. In addition, the Hamilton Hotel site served as the Centre for Contemporary Art between 1982 and 1994.
- The Hamilton Hotel site is in the heart of Hamilton’s hospitality precinct (the South End), and is in close proximity to Embassy Park, the Waikato River, Artspost, Waikato Museum, and the Meteor. This location also provides an opportunity to provide intergenerational benefits to the Waikato region by transforming Hamilton city, recognising history, supporting commercial operations, and enhancing the region’s connection to the Waikato River.
- The Hamilton Hotel site will also contribute to the Council’s strategic aims for the city, including the Central City Transformation Plan and the River Plan.



Hamilton Hotel site. Image sourced from Waikato Regional Theatre location study report.

Project Timeline to Date



5. Financial Analysis: Overview

Overview

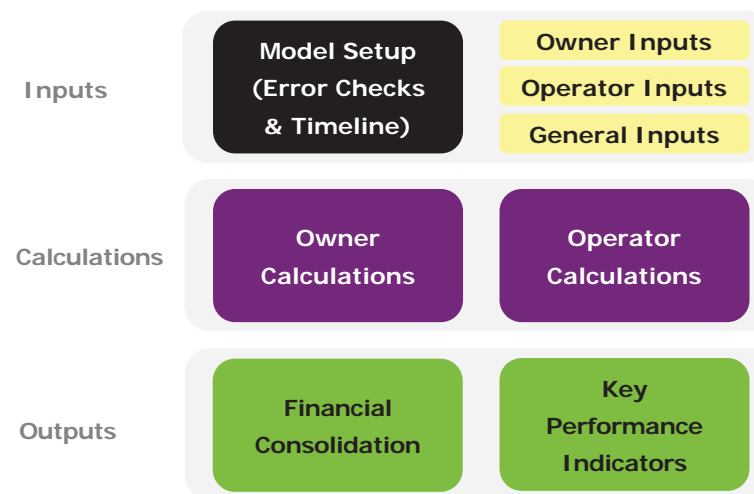
- A financial model (the **Model**) was developed as part of assessing the feasibility of the Project. More specifically, the purpose of the Model was to:
 - Provide an ownership cost model for the Theatre’s maintenance; and
 - Determine if the Theatre is operationally self-sustainable under the base case assumptions (i.e. if the Theatre is cash positive) and, if the Theatre is not cash positive, determine the extent of the funding required.

Financial Model

- The Model was developed on the basis that:
 - Momentum or the Governance Panel establishes and / or appoints an entity that assumes responsibility for ownership of the Theatre (the **Owner**);
 - Momentum, together with the Council and Central Government, fund 100% of the initial capital cost of the Theatre via equity funding, thereby requiring no bank debt;
 - Local and / or regional councils will provide ongoing funding for the ownership costs of the Theatre, including maintenance capital costs; and
 - Momentum or the Governance Panel establishes and / or appoints an entity that assumes responsibility for the operations of the Theatre (the **Operator**), which leases the Theatre from the Owner for a nominal \$1 amount.
- The Model spans an 11 year period (1 April 2018 to 31 March 2029) to allow for a one year design and construction period, and a 10 year operating period.
- The Model outputs include a set of integrated financial statements (income statements, balance sheets, and cash flow statements) for the Owner, the Operator, and a consolidated view. A range of KPIs are also calculated such as days occupied, occupancy level, total patronage, and net service cost (per patron, per day, and per seat), all of which we believe will be useful in progressing your discussions with funders and other key stakeholders.

Model Structure

- The Model contains worksheets that are grouped according to their purpose (e.g. Model Setup, Inputs, Calculations, and Outputs). The diagram below summarises the structure of the Model.



Modelling Assumptions

- The key drivers of any model are the assumptions and inputs on which the model is based.
- The key modelling assumptions shown on the following pages represent the base case assumptions. All inputs shown are in New Zealand Dollars and are GST exclusive unless stated otherwise. The average annual rate of inflation has also been applied to revenue and cost assumptions throughout the Model unless stated otherwise. The Model provides the user with the ability to select applicable GST rates and whether or not to apply inflation.
- Detailed financial analysis was performed only for the proposed capital costs. However, the Model is designed to accommodate other capital cost scenarios, which may have different input assumptions.
- The underlying Model will be provided to Momentum to use as a tool for exploring alternative scenarios with funders and other key stakeholders.

5. Financial Analysis: Owner Assumptions

Initial Capital Cost Assumptions

- Total initial capital costs of \$70.0m were assumed (sourced from Momentum) and are summarised below. We note that no land cost or ground lease has been included.
- It was assumed that 80% (\$56.0m) of the capital costs relate to the Theatre building, with the remaining 20% (\$14.0m) being allocated to Theatre improvements (i.e. fixtures, fittings, furnishings, and equipment).

Capital Item	Capital Cost
Theatre Buildings (80% of Capital Cost)	\$56.0m
Theatre Improvements (20% of Capital Cost)	\$14.0m
Total Capital Costs	\$70.0m

Construction Assumptions

- A one year construction period was assumed (from 1 April 2018 to 31 March 2019). For simplicity, all construction costs and cash flows (including GST refunds) are assumed to occur within the construction period.
- The operations start date of 1 April 2019 assumes the Theatre commences operations immediately after construction is completed.

Maintenance Capital Costs

- Maintenance capital costs consist of equipment replacements as well as significant alterations that are required in order to ensure that the Theatre building and its improvements are kept to a modern standard. This amount is capitalised to the balance sheet, and does not include routine repairs and maintenance which are shown as expenses on the income statement.
- Maintenance capital costs have been assumed based on discussions with H3 Group and Deloitte proprietary research, as follows:
 - Year 0: no allowance as this is the year of construction;
 - Years 1-4: \$100k p.a.; and
 - Years 5-10: \$120k p.a.

Maintenance Capital Costs (cont.)

- Major works for theatre buildings and improvements also sit within maintenance capital costs, and are expected to be required over the long term. Major works typically include significant renovations and refurbishments to ensure that the building meets a tolerable threshold in regards to current building codes.
- We believe that an appropriate annualised estimate for major works is \$934k.
- In the Model, it was assumed that the major works funding would be paid in cash to the Theatre. However, this may not necessarily be the case, and the funding could be structured as a committed facility against which the Owner could draw-down.
- To the extent that funding is received in cash every year, there would be an opportunity for the Owner to invest the funds while not in use. However, no interest income or other investment income has been assumed in the base case.
- In order to determine this estimate, we conducted research on a number of comparable theatres across New Zealand (see Section 7 on Benchmarking for further information). Due to peculiarities in major works for each of these theatres there is a high degree of forecasting risk. As such, and our estimate is well above the average observed, but still sits within the observed range.

Depreciation

- Depreciation is calculated on the Theatre buildings and improvements separately as follows:
 - The useful life of the Theatre buildings was assumed to be 50 years, this is equivalent to a straight line depreciation rate of 2% per annum.
 - The useful life of the Theatre improvements was assumed to be 20 years, this is equivalent to a straight line depreciation rate of 5% per annum.

5. Financial Analysis: Owner Assumptions

Funding Assumptions

- It was assumed that the initial capital costs of \$70.0m would be 100% funded via equity, with the Council contributing a maximum of \$30.0m, Central Government contributing \$10.0m, and Momentum providing the \$30.0m balance from donor funds. Therefore, the base case assumptions assumed that debt funding would not be required.
- These assumptions are reflected in the table below.

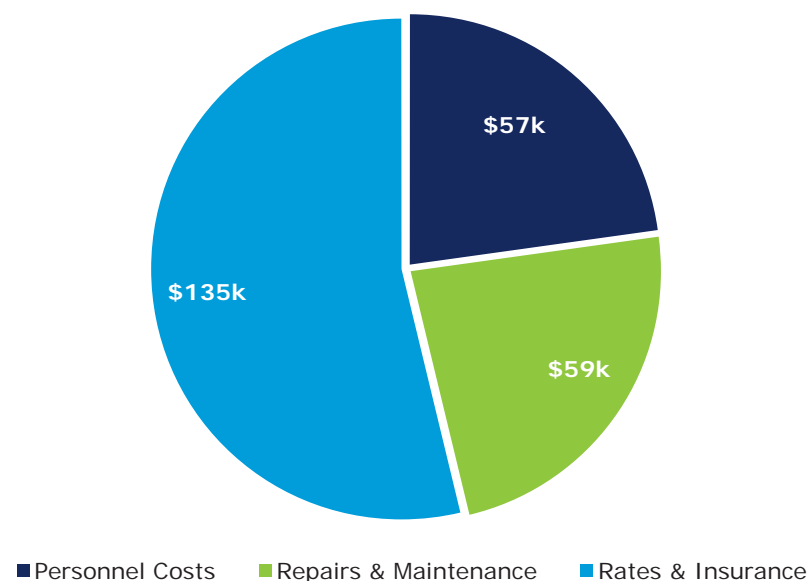
Funding Source	Proportion (%)	Value (\$)
Local Government	43%	\$30.0m
Central Government	14%	\$10.0m
Momentum Donor Funds	43%	\$30.0m
Total Funding	100%	\$70.0m

- In addition to the above, we understand that the local and regional councils will provide ongoing funding for the ownership costs of the Theatre, including maintenance capital costs. It is currently assumed that Hamilton City Council (HCC) will contribute \$1.1m p.a. and the regional councils will contribute \$300k p.a. combined.
- On the basis of Council's previous commitment to annual maintenance costs for Founders Theatre, current commitments for other community assets (e.g. Seddon Park, Claudelands Arena, and FMG Stadium Waikato), as well as the Council's Long Term Plan (where capital had been set aside for Founders), this assumption is not considered to be unreasonable. However, we note that this information has been provided by Momentum, and we have not had sight of any documentation confirming this or providing evidence to the contrary.
- The total \$1.4m p.a. is reflected in the forecast financial statements as 'funding for asset maintenance' on the income statement and cash flow statement, and the 'asset maintenance reserve' on the balance sheet.

Annual Ownership Cost Assumptions

- Annual ownership costs of \$251k (excluding depreciation) were assumed in the first year of operation, and are assumed to grow at the annual average rate of inflation.
- The cost assumptions were sourced from Deloitte proprietary research of similar theatres throughout New Zealand, as well as discussions with Momentum and H3 Group.
- The breakdown of ownership costs are illustrated in the chart below.

Breakdown of Annual Ownership Costs (FY20)



5. Financial Analysis: Owner Assumptions

Summary of Other Assumptions

- The assumptions tabled below apply to both the Owner and the Operator.

Assumption	Input	Comment
Income tax rate	n/a	As the Owner is likely to be a charitable trust, income tax calculations have been excluded from the Model.
GST rate	15%	The New Zealand statutory GST rate of 15% is applied where applicable.
GST basis	One monthly invoice	To maximise cash flows from GST refunds during the construction period.
Debtor days	30 days	Standard payment terms offered to debtors.
Creditor days	30 days	Standard payment terms offered by creditors.

Detailed Owner Financial Statements

- The results of the aforementioned assumptions are reflected in the detailed integrated financial statements (income statements, balance sheets, and cash flow statements) for the Owner on the following pages.



5. Financial Analysis: Owner Financial Performance

Forecast Owner Financial Performance

- The forecast financial performance for the Owner of the Theatre for years 1-10 is summarised below.
- Under the base case Owner assumptions explained above, the Owner of the Theatre is forecast to generate annual losses. The generation of losses is attributable to numerous factors, however, they are predominantly caused by the high level of depreciation due to the significant value of the Theatre asset.
- When the effect of depreciation is removed, the forecast annual losses of the Theatre are not considered unreasonable, particularly when considered in combination with the Operator (i.e. a consolidated view) and compared to a number of similar theatres throughout New Zealand (see Section 7 on Benchmarking for further information in relation to net service cost).

Owner of Waikato Regional Theatre: Forecast Income Statement FY19 - FY29

NZD \$	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenue										
Lease Revenue	1	1	1	1	1	1	1	1	1	1
Total Revenue	1	1	1	1	1	1	1	1	1	1
Expenses										
Personnel Costs	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730	67,045	68,386
Repairs & Maintenance	58,783	59,958	61,157	62,381	63,628	79,259	80,844	82,461	84,111	85,793
Rates & Insurance	135,000	135,000	135,000	142,500	142,500	142,500	150,000	150,000	150,000	157,500
Depreciation	1,822,705	1,825,464	1,828,279	1,831,149	1,834,663	1,838,247	1,841,902	1,845,631	1,849,434	1,853,313
Total Expenses	2,073,710	2,078,789	2,083,970	2,096,754	2,102,730	2,123,184	2,137,188	2,143,822	2,150,589	2,164,992
Net Profit / (Deficit)	(2,073,709)	(2,078,788)	(2,083,969)	(2,096,753)	(2,102,729)	(2,123,183)	(2,137,187)	(2,143,821)	(2,150,588)	(2,164,991)
Funding for Asset Maintenance Reserve	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Comprehensive Income	(673,709)	(678,788)	(683,969)	(696,753)	(702,729)	(723,183)	(737,187)	(743,821)	(750,588)	(764,991)

5. Financial Analysis: Owner Financial Position

Forecast Owner Financial Position

- The forecast financial position for the Owner of the Theatre for years 1-10 is shown below.
- Under the base case Owner assumptions, the Owner of the Theatre sustains a positive working capital and net asset position throughout the 10 year period.

Owner of Waikato Regional Theatre: Forecast Balance Sheet FY19 - FY29

NZD \$	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Current Assets										
Bank	1,076,335	2,116,946	3,153,070	4,177,732	5,174,304	6,152,759	7,117,570	8,076,049	9,028,699	9,968,516
Total Current Assets	1,076,335	2,116,946	3,153,070	4,177,732	5,174,304	6,152,759	7,117,570	8,076,049	9,028,699	9,968,516
Non-Current Assets										
Fixed Assets	68,281,335	66,561,992	64,841,956	63,121,215	61,421,692	59,721,288	58,019,985	56,317,765	54,614,610	52,910,501
Total Non-Current Assets	68,281,335	66,561,992	64,841,956	63,121,215	61,421,692	59,721,288	58,019,985	56,317,765	54,614,610	52,910,501
Total Assets	69,357,670	68,678,938	67,995,027	67,298,947	66,595,996	65,874,046	65,137,554	64,393,814	63,643,309	62,879,018
Current Liabilities										
Accounts Payable	18,316	18,428	18,541	19,365	19,483	20,961	21,820	21,972	22,128	22,996
GST Payable	13,062	13,007	12,951	12,800	12,460	12,215	12,051	11,980	11,907	11,739
Total Current Liabilities	31,378	31,435	31,492	32,165	31,943	33,176	33,871	33,952	34,035	34,735
Net Assets	69,326,291	68,647,503	67,963,535	67,266,782	66,564,053	65,840,870	65,103,683	64,359,862	63,609,273	62,844,282
Equity										
Contributed Equity	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000
Retained Earnings / (Losses)	(1,718,664)	(3,438,006)	(5,158,041)	(6,878,781)	(8,578,303)	(10,278,706)	(11,980,008)	(13,682,227)	(15,385,381)	(17,089,489)
Asset Maintenance Reserve	1,044,955	2,085,510	3,121,576	4,145,562	5,142,356	6,119,577	7,083,692	8,042,089	8,994,654	9,933,771
Total Equity	69,326,291	68,647,503	67,963,535	67,266,782	66,564,053	65,840,870	65,103,683	64,359,862	63,609,273	62,844,282

5. Financial Analysis: Owner Cash Flows

Forecast Owner Cash Flow

- The table below depicts the forecast cash flows for the Owner of the Theatre for years 1-10.
- As the Owner does not generate cash inflows from operations and there is an assumed need to maintain the Theatre to a modern standard, it is reliant on the \$1.4m in ongoing funding assumed to be provided from HCC and the regional councils.
- Please note that the cash flow statement is shown on a GST inclusive basis so that the GST refunded / (paid) line item reflects the actual amount expected to be refunded from or paid to the Inland Revenue Department.

Owner of Waikato Regional Theatre: Forecast Cash Flow Statement FY19 - FY29

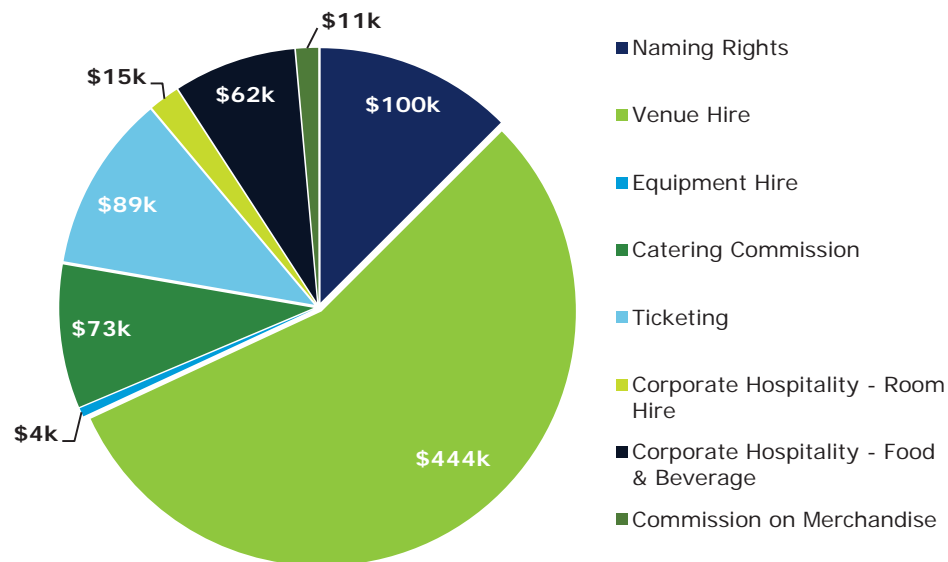
NZD \$	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Operating Cash Flows										
Cash Inflow from Operations	1	1	1	1	1	1	1	1	1	1
Cash Outflow from Operations	(270,339)	(291,212)	(293,932)	(304,621)	(308,159)	(326,200)	(338,720)	(342,767)	(346,173)	(357,562)
GST Refunded / (Paid)	(143,682)	(156,138)	(155,466)	(153,749)	(149,859)	(146,828)	(144,781)	(143,831)	(142,958)	(141,036)
Total Operating Cash Flows	(414,019)	(447,349)	(449,396)	(458,369)	(458,017)	(473,027)	(483,500)	(486,597)	(489,129)	(498,597)
Investing Cash Flows										
Capital Expenditure	(119,646)	(122,039)	(124,480)	(126,969)	(155,410)	(158,519)	(161,689)	(164,923)	(168,221)	(171,586)
Total Investing Cash Flows	(119,646)	(122,039)	(124,480)	(126,969)	(155,410)	(158,519)	(161,689)	(164,923)	(168,221)	(171,586)
Financing Cash Flows										
Funding for Asset Maintenance Reserve	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
Total Financing Cash Flows	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
Total Cash Inflow / (Outflow)	1,076,335	1,040,612	1,036,124	1,024,661	996,572	978,455	964,811	958,480	952,649	939,817
Opening Cash Balance	-	1,076,335	2,116,946	3,153,070	4,177,732	5,174,304	6,152,759	7,117,570	8,076,049	9,028,699
Closing Cash Balance	1,076,335	2,116,946	3,153,070	4,177,732	5,174,304	6,152,759	7,117,570	8,076,049	9,028,699	9,968,516

5. Financial Analysis: Operator Assumptions

Annual Operating Revenue Assumptions

- Annual operating revenues of \$799k (excluding community and corporate sponsorship income) were assumed in the first year of operation. With the exception of naming rights, these revenues were assumed to grow at the average annual rate of inflation over the life of the model.
- The revenue assumptions were sourced from Deloitte proprietary research of similar theatres, as well as discussions with Momentum and H3 Group.
- The above revenues are determined by a multitude of different input assumptions including: the mix of ticketed and non-ticketed events; the mix of small and large events; commercial versus community use of the Theatre; number of events held; occupancy; and tiered pricing for performance days, second performances in the same day, and non-performance days.
- The breakdown of operating revenues are illustrated in the chart below.

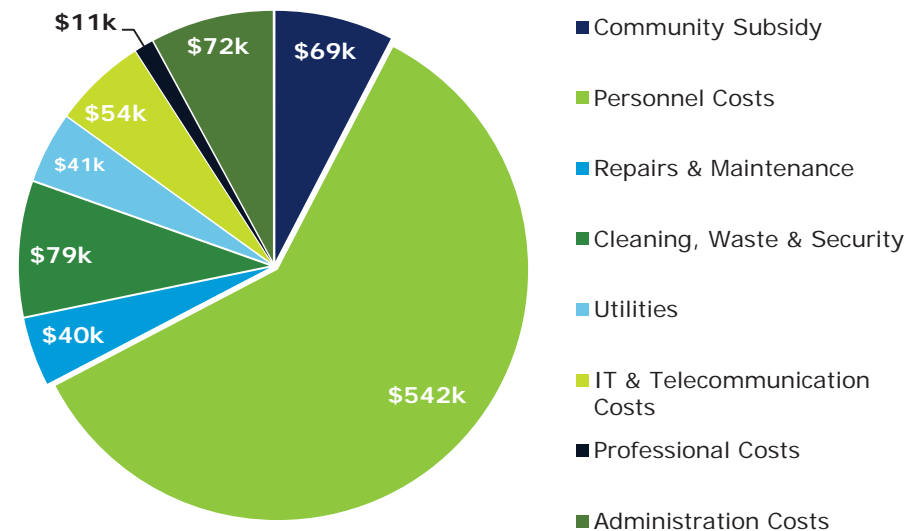
Breakdown of Annual Operating Revenues (FY20)



Annual Operating Cost Assumptions

- Annual operating costs of \$908k (excluding depreciation) were assumed in the first year of operation. These costs were assumed to grow at the average annual rate of inflation over the life of the model.
- As the Operator is assumed to hold no assets, with all office equipment and vehicles assumed to be leased, there is no depreciation for the Operator.
- The cost assumptions were sourced from Deloitte proprietary research of similar theatres, as well as discussions with Momentum and H3 Group.
- The breakdown of operating costs are illustrated in the chart below.

Breakdown of Annual Operating Costs (FY20)



Detailed Operator Financial Statements

- The results of the above assumptions are reflected in the detailed integrated financial statements (income statements, balance sheets, and cash flow statements) for the Operator on the following pages.

5. Financial Analysis: Operator Financial Performance

Forecast Operator Financial Performance

- The forecast financial performance for the Operator of the Theatre for years 1-10 is summarised below.
- Under the base case Operator assumptions explained above, the Operator of the Theatre is forecast to generate annual losses (before community and sponsorship income) until FY26. The generation of losses is attributable to numerous factors, including the high personnel costs assumed to be required and the subsidy offered for community use of the Theatre.
- The Operator generates a profit from FY26 onwards, as the number of events that the Theatre is forecast to attract increases from 73 events p.a. to 90 events p.a. over the modelled period.
- The initial forecast annual losses of the Operator are not considered unreasonable when compared to a number of similar theatres throughout New Zealand on a consolidated Owner and Operator basis (see Section 7 on Benchmarking for further information, particularly in relation to net service cost).

Operator of Waikato Regional Theatre: Forecast Income Statement FY19 - FY29

NZD \$	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenue										
Naming Rights	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Venue Hire	444,236	465,535	487,509	510,175	533,552	557,661	582,520	608,151	634,575	654,539
Equipment Hire	4,442	4,655	4,875	5,102	5,336	5,577	5,825	6,082	6,346	6,545
Catering Commission	72,729	76,216	79,813	83,524	87,351	91,298	95,368	99,565	103,891	107,159
Ticketing	89,180	93,455	97,866	102,417	107,110	111,949	116,940	122,085	127,390	131,397
Corporate Hospitality - Room Hire	15,425	15,734	16,048	16,369	16,697	17,031	17,371	17,719	18,073	18,435
Corporate Hospitality - Food & Beverage	62,051	63,292	64,558	65,849	67,166	68,510	69,880	71,278	72,703	74,157
Commission on Merchandise	11,278	11,819	12,377	12,953	13,546	14,158	14,789	15,440	16,111	16,618
Total Revenue	799,342	830,707	863,047	896,388	930,758	966,184	1,002,694	1,040,319	1,079,087	1,108,850
Expenses										
Community Subsidy	69,301	72,624	76,051	79,587	83,234	86,995	90,873	94,872	98,994	102,108
Personnel Costs	542,414	554,683	567,225	580,047	593,156	606,556	620,255	634,260	648,577	662,380
Repairs & Maintenance	40,055	40,857	41,674	42,507	43,357	44,224	45,109	46,011	46,939	47,897
Cleaning, Waste & Security	78,800	78,800	78,800	80,376	80,376	80,376	81,984	81,983	81,983	83,623
Utilities	41,000	41,000	41,000	41,820	41,820	41,820	42,656	42,656	42,656	43,510
IT & Telecommunication Costs	54,101	55,183	56,286	57,412	58,560	59,732	60,926	62,145	63,388	64,655
Professional Costs	10,924	9,020	7,577	7,729	7,883	8,041	8,202	8,366	8,533	8,704
Administration Costs	71,789	67,918	63,864	59,621	55,183	50,543	45,696	46,610	47,542	48,493
Total Expenses	908,384	920,084	932,478	949,100	963,570	978,287	995,701	1,019,293	1,041,042	1,063,829
Net Operating Profit	(109,042)	(89,377)	(69,431)	(52,711)	(32,811)	(12,103)	6,993	21,026	38,046	45,021
Community & Corporate Sponsorship Income	144,587	91,996	72,096	55,134	35,519	14,901	-	-	-	-
Net Profit	35,546	2,619	2,665	2,423	2,707	2,798	6,993	21,026	38,046	45,021

5. Financial Analysis: Operator Financial Position

Forecast Operator Financial Position

- The forecast financial position for the Operator of the Theatre for years 1-10 is shown below.
- Under the base case Operator assumptions, the Operator of the Theatre sustains a positive working capital and net asset position throughout the 10 year period.

Operator of Waikato Regional Theatre: Forecast Balance Sheet FY19 - FY29

NZD \$	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Current Assets										
Bank	-	-	-	-	-	-	4,304	23,030	58,506	101,822
Accounts Receivable	75,554	78,519	81,576	84,727	87,976	91,324	94,775	98,332	101,996	104,809
Total Current Assets	75,554	78,519	81,576	84,727	87,976	91,324	99,079	121,362	160,502	206,631
Current Liabilities										
Accounts Payable	34,592	34,538	34,524	34,883	35,012	35,136	35,487	36,393	37,096	37,945
GST Payable	5,417	5,816	6,222	6,592	7,004	7,431	7,841	8,191	8,583	8,843
Total Current Liabilities	40,009	40,354	40,746	41,475	42,016	42,567	43,328	44,584	45,679	46,788
Net Assets	35,546	38,165	40,829	43,252	45,960	48,757	55,751	76,777	114,823	159,843
Equity										
Retained Earnings / (Losses)	35,546	38,165	40,829	43,252	45,960	48,757	55,751	76,777	114,823	159,843
Total Equity	35,546	38,165	40,829	43,252	45,960	48,757	55,751	76,777	114,823	159,843

5. Financial Analysis: Operator Cash Flows

Forecast Operator Cash Flow

- The table below depicts the forecast cash flows for the Operator of the Theatre for years 1-10.
- The Operator is not expected to be cash generative and sustainable from operations alone between FY20 and FY25. During this period, the Operator will need to secure average ongoing funding of \$69k p.a., with the requirements being the largest in FY20 (\$145k). In comparison to similar New Zealand theatres, this level of ongoing funding appears to be reasonable and achievable (see Section 7 on Benchmarking for further information).
- The Operator is forecast to become cash generative and self-sustainable from FY26 onwards primarily due to the fact that the number of events that the Theatre attracts is assumed to increase from 73 events p.a. to 90 events p.a. over the modelled period.
- Please note that the cash flow statement is shown on a GST inclusive basis so that the GST refunded / (paid) line item reflects the actual amount expected to be refunded from or paid to the Inland Revenue Department.

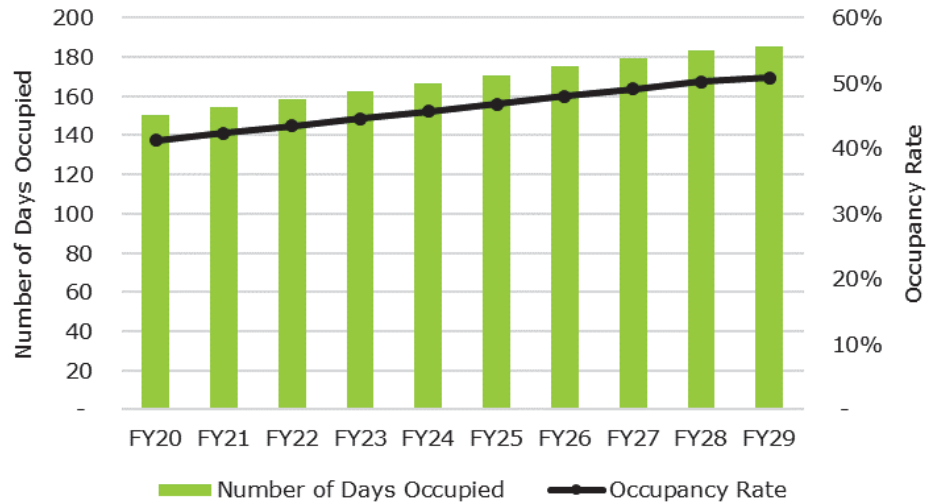
Operator of Waikato Regional Theatre: Forecast Cash Flow Statement FY19 - FY29

NZD \$	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Operating Cash Flows										
Cash Inflow from Operations	843,689	952,349	989,448	1,027,695	1,067,123	1,107,763	1,149,648	1,192,811	1,237,286	1,272,364
Cash Outflow from Operations	(928,688)	(974,948)	(987,280)	(1,004,099)	(1,019,003)	(1,033,922)	(1,051,667)	(1,076,141)	(1,099,209)	(1,123,197)
GST Refunded / (Paid)	(59,589)	(69,397)	(74,263)	(78,731)	(83,639)	(88,742)	(93,677)	(97,942)	(102,602)	(105,850)
Total Operating Cash Flows	(144,587)	(91,996)	(72,096)	(55,134)	(35,519)	(14,901)	4,304	18,727	35,475	43,316
Financing Cash Flows										
Cash Inflow from Community & Corporate Sponsors	144,587	91,996	72,096	55,134	35,519	14,901	-	-	-	-
Total Financing Cash Flows	144,587	91,996	72,096	55,134	35,519	14,901	-	-	-	-
Total Cash Inflow / (Outflow)	-	-	-	-	-	-	4,304	18,727	35,475	43,316
Opening Cash Balance	-	-	-	-	-	-	-	4,304	23,030	58,506
Closing Cash Balance	-	-	-	-	-	-	4,304	23,030	58,506	101,822

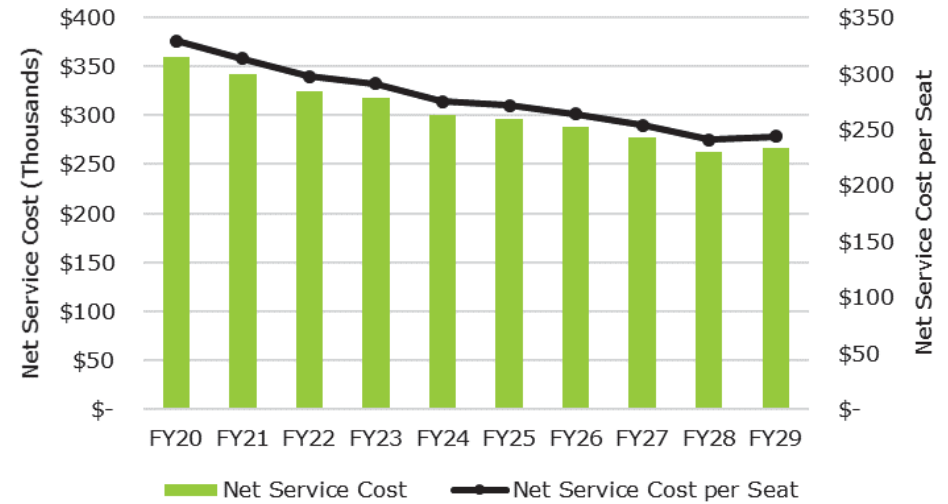
5. Financial Analysis: Key Performance Indicators

Key Performance Indicators

Occupancy Metrics (FY20 - FY29)



Performance Metrics (FY20 - FY29)



- To derive the occupancy rate, the number of days in which the Theatre is occupied is divided by the total number of days in a year.
- Over the modelled period, the occupancy rate increases from 41% to 51%. This increase is caused by the assumption that the number of events that the Theatre attracts increases from 73 events p.a. to 90 events p.a. over the modelled period. Subsequently, the number of occupied days increases from 150 to 185 over the modelled period.
- The number of days occupied and occupancy rate for the Theatre is within the range of other similar theatres in New Zealand (see Section 7 on Benchmarking for further information).

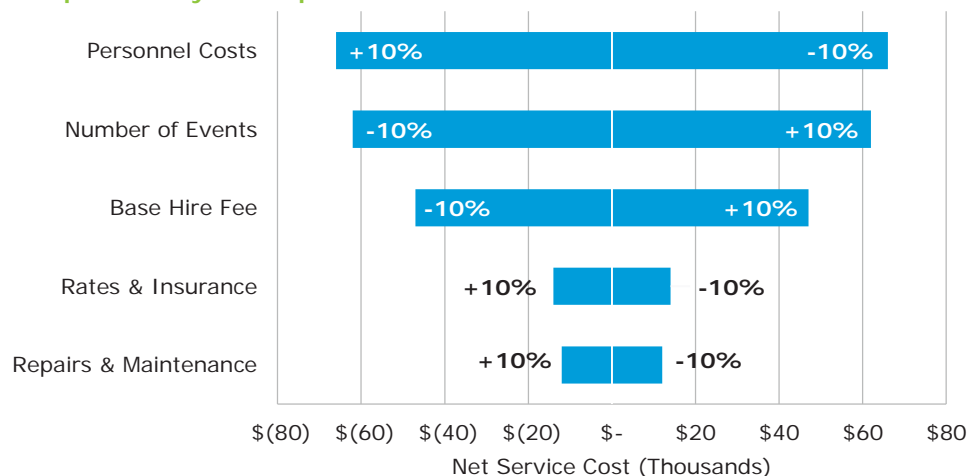
- Net service cost (NSC) is typically calculated as revenue less expenses. In order to more accurately compare the Theatre with other theatres in New Zealand, we have used: revenue excluding grants, donations and interest income, less expenses excluding interest and depreciation.
- The maximum NSC in the modelled period occurs in FY20 and is \$360k. The average NSC over the modelled period is \$304k.
- NSC per seat is calculated by dividing the NSC by theatre capacity (i.e. number of seats). This is calculated in attempt to make the figures more comparable by removing the impact of theatre size / scale.
- The NSC for the Theatre is within the range of other similar theatres (see Section 7 on Benchmarking for further information).

6. Scenario and Sensitivity Analysis

Sensitivity Analysis

- In order to understand the Project's sensitivity to key operating assumptions, we conducted a sensitivity analysis on certain key base case inputs as follows:
 - Changed the number of events held by the Theatre by $\pm 10\%$.
 - Changed base hire fee charged by the Theatre by $\pm 10\%$.
 - Changed personnel costs incurred by the Theatre by $\pm 10\%$.
 - Changed repairs and maintenance costs incurred by the Theatre by $\pm 10\%$.
 - Changed rates and insurance costs incurred by the Theatre by $\pm 10\%$.
- Please note that each input was sensitised in isolation, with the impact on average NSC over the modelled period shown in the chart below.

Impact of Key Assumptions on NSC



- The analysis indicates that, in comparison to the other sensitised inputs, a 10% change in repairs and maintenance has a low impact on NSC, while NSC appears to be most sensitive to a 10% change in personnel costs. A 10% change in the number of events and base hire fee also has a large impact.
- The outcome of this analysis is purely illustrative and would change depending on the other assumptions made.

Scenario Analysis

- Following on from the results of the sensitivity analysis, we conducted a scenario analysis in which the sensitivities were collectively changed in order to form a view on best case and worst case scenarios.
- The best case scenario involved increasing the number of events and the base hire fee by 10%, while decreasing personnel costs and repairs and maintenance costs by 10%. Conversely, the worst case scenario involved decreasing the number of events and the base hire fee by 10%, while increasing personnel costs and repairs and maintenance costs by 10%. All other assumptions remained unchanged.
- Certain key metrics of the best and worst case scenarios were compared to the base case and are summarised below.

Scenario Analysis Summary

Key Metric	Days Occupied	Occupancy Rate	NSC	NSC per Seat
Base Case	169	46%	\$304k	\$278
Best Case	<u>186</u>	<u>51%</u>	<u>\$98k</u>	<u>\$89</u>
Difference to Base Case	17	5%	(\$206k)	(\$189)
Worst Case	<u>152</u>	<u>42%</u>	<u>\$500k</u>	<u>\$457</u>
Difference to Base Case	(17)	(5%)	\$196k	\$179
Difference between Best and Worst Case	34	10%	(\$402k)	(\$368)

- The analysis indicates that, while the base case inputs have been selected based on research, there is the potential for the Theatre to perform significantly better or worse than forecast.

7. Benchmarking

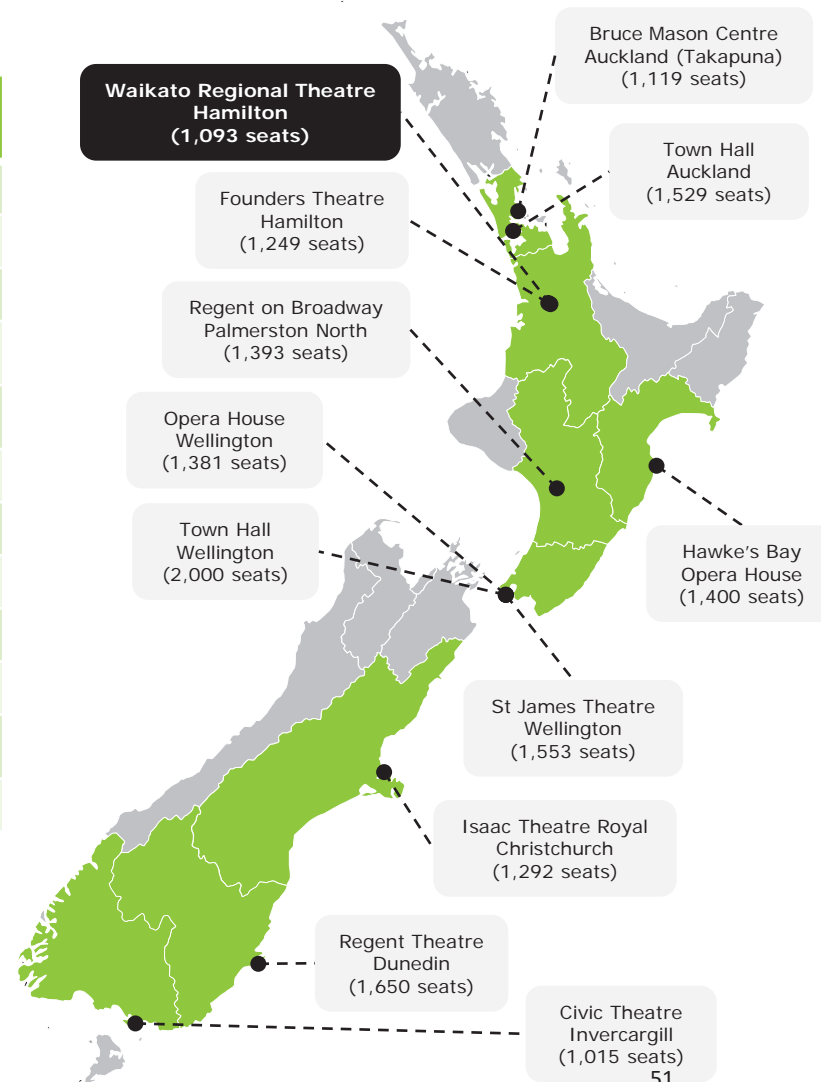
Overview

- To determine whether the base case assumptions were supportable, the outputs of the Model were benchmarked against theatres throughout New Zealand. The table below summarises the results and indicates that the outputs are within the range observed at other theatres.

Key Metric	Waikato Regional Theatre ¹	Founders Theatre (2015)	Benchmark Range	Benchmark Median	Benchmark Average
Number of events	82	59	55 – 102	68	71
Days occupied	169	149	100 - 302	162	176
Occupancy rate	46%	51%	27% - 83%	51%	51%
Revenue (excluding grants, donations & interest)	\$952k	\$507k	\$460k - \$2.9m	\$609k	\$992k
Expenditure (excluding depreciation & interest)	\$1.26m	\$1.2m	\$516k - \$2.5m	\$1.1m	\$1.2m
Net service cost ²	\$304k	\$700k	\$50k - \$843k	\$202k	\$327k
Net service cost per seat ²	\$278	\$561	\$49 - \$675	\$142	\$247
Annual funding requirement ³	\$1.44m	n/a	\$113k - \$1.6m	\$259k	\$420k
Annual sponsorship ⁴	\$69k	n/a	\$0 - \$190k	\$82k	\$92k
Annualised major works ⁵	\$934k	n/a	\$120k - \$1.0m	\$304k	\$498k
Annual maintenance capital costs	\$128k	n/a	\$0 - \$406k	\$46k	\$108k
Average base hire fee	\$4,250	\$5,320	\$1,600 - \$8,500	\$4,438	\$4,381

- Figures for the Theatre represent the average of the consolidated numbers based on base case assumptions over the modelled period with the exception of annual sponsorship, which is the average between FY20 – FY25.
- Isaac Theatre Royal was removed from this calculation as it was the only sampled theatre to generate a net surplus.
- Includes community and corporate sponsorship income (e.g. donations, sponsorship and fundraising income) as well as capital maintenance and ongoing ownership cost grants.
- Includes community and corporate sponsorship income (e.g. donations, sponsorship and fundraising income).
- Annualised major works has been calculated as an inflation adjusted total cost of major works performed on the theatre divided by the age of the theatre (in years).

Theatres Sampled for Benchmarking



8. Risk Analysis

Risk Analysis

- It is common for projects of this nature to have certain risks which could negatively impact the financial feasibility of the Project. These have been categorised into capital and development risks, operational risks, and financial risks and should be incorporated into your overall project plan to ensure steps are put in place to manage them at different stages throughout the Project.

Capital and Development Risks

Risk	Explanation
Underprovision of capital costs	<ul style="list-style-type: none"> Current capital costs of \$70.0m are based on estimates provided to us by Momentum. While we understand that the Governance Panel engaged Charcoalblue to provide this estimate, we have not had sight of any more detailed breakdowns or supporting documents for the assumed capital costs. The base case also assumes that the land will be made available for the Theatre development at no cost (i.e. no land acquisition cost is included in the base case). To the extent that the capital costs are materially different to those assumed in the Model, it could have a significant impact on the conclusions presented in this report. Furthermore, due to the lack of a detailed breakdown of the components of the capital costs, we were also unable to apply specific depreciation rates to the different components. This does not have a cash impact on the Model.
Ongoing maintenance capital costs including major works	<ul style="list-style-type: none"> The Model assumes that in addition to routine repairs and maintenance which are reflected in the income statement, the Owner's maintenance capital costs will range between \$104k and \$149k p.a. over the first 10 years. This assumption was based on a combination of our discussions with H3 Group and our own research. However, due to limitations in the granularity of the comparable information we obtained, the range of required capital maintenance capital costs is quite wide (\$0 - \$406k p.a.). We would recommend that further analysis is performed on this aspect as the Project progresses, to increase the level of confidence associated with this assumption. We also recommend that such further analysis accounts for the full life cycle of the Theatre (rather than just the first 10 years), in order to acknowledge the likelihood that annual maintenance capital expenditure levels will increase over time. Our comments on major works are based on research we have undertaken with regards to the capital costs for other theatres across New Zealand. Due to peculiarities of each of these theatres, the information obtained was not directly comparable and, therefore, there is a higher degree of forecasting risk associated with this assumption. For instance, the age of the theatres varied widely, the timing of any major overhauls was not always consistent, and details of the nature of and reasons for the capital costs incurred was not always apparent. Due to the degree of forecasting risk, our estimate of \$934k p.a. to be set aside into the asset maintenance reserve for major works is well above the average observed for other theatres, but still sits within the observed range. Notwithstanding the above, we believe the analysis performed provides an adequate basis for the major works assumption commented on in this report. As the Project advances, we would recommend that you obtain advice on this aspect from a technical expert. We recommend the development of an asset maintenance plan covering at least a 20 year period, to determine whether the \$934k p.a. will enable adequate maintenance of the Theatre asset over the long term. This will be particularly important for the purpose of approaching stakeholders to commit towards contributing to the major works amount going forward.

8. Risk Analysis (cont.)

Operational Risks

Risk	Explanation
Site layout and shared areas	<ul style="list-style-type: none"> • We understand that one of the opportunities being considered is whether additional commercial or other facilities can be added adjacent to the Theatre to increase the level of amenity around it and, in so doing, increase foot traffic and overall utilisation. More specifically, one such option relates to a new hotel development, where the hotel may work together with the Theatre in certain areas. • For example, the hotel may operate the function rooms within the Theatre, oversee catering for Theatre events, and / or share spaces within the overall precinct of the Theatre. • The Model currently contemplates that the Operator will earn a catering commission and functional room commission (for the use of the function rooms). The details of the shared operating model and specifics of such an arrangement have however not yet been finalised, and therefore the Model may not reflect the eventual economic relationship between the Theatre and a proposed hotel. This needs to be considered as discussions around potential shared area arrangements progress further.
Timing risk	<ul style="list-style-type: none"> • The Model assumes the Theatre will hold 73 events in its first year of operation. This implies that the Operator will need to market the Theatre and potentially secure some key events during the construction phase. There is a risk that some event promoters may be reluctant to over-committing themselves to the Theatre before it is completed. This should be factored into the Operator's marketing strategy. • There is also a risk that construction could be delayed or take longer than expected, which would change the annual projected operating cash flows.
Market demand	<ul style="list-style-type: none"> • In our discussions as well as the research we undertook, it was noted that even though theatre facilities across the country had the capacity to reach higher utilisation rates, the supply of high quality events was often not sufficient and the market not big enough to take up this excess capacity. This has been considered in the Model through the number of events assumed as well as the occupancy rate, combined with the assumption that overall occupancy will not increase beyond 51% in the first 10 years. • We also note that while the average number of events assumed for the Theatre is higher than the average observed at Founders between 2012 and 2015 (60), Founders included graduation events which have since moved to Claudelands and may not return to the Theatre. Off-setting this risk, however, is the fact that Hamilton does not have a theatre that can host modern productions and therefore, on balance, we believe the risk associated with market demand and occupancy has been appropriately reflected in the base case assumptions.

8. Risk Analysis (cont.)

Financial Risks

Risk	Explanation
Equity funding	<ul style="list-style-type: none"> The base case assumes 100% of the capital costs will be equity funded. As such, the feasibility is based on there being no bank debt and no interest cost. There is a risk that the Project's financial feasibility could be undermined if the capital costs are not fully covered by equity contributions.
Ability to fund any cash deficits	<ul style="list-style-type: none"> In addition to the initial capital required to fund the development, the financial feasibility of the Theatre depends on annual funding being sourced to address the ongoing net cash outflows caused by asset ownership and operating costs. Therefore, the ability to secure this funding on a sustainable basis will play an important role in ensuring the longer term viability of the Theatre. We understand that the local and regional councils will provide ongoing funding for the ownership costs of the Theatre, including maintenance capital costs. The Model assumes that HCC will contribute \$1.1m p.a. and the regional councils will contribute \$300k p.a. combined. However, this information has been provided by Momentum, and we have not had sight of any documentation confirming this or providing evidence to the contrary. Furthermore, we understand that the net cash outflows from operating costs between FY20 and FY25 will be funded through community and corporate sponsorship. While this level of ongoing funding appears to be reasonable and achievable based on our benchmarking of similar theatres across New Zealand, it is completely dependent on the level of support the local community ultimately provides to the Project.

9. Conclusion and Recommendations

Key Findings

- The Project is considered to be financially feasible under the base case assumptions, provided that Momentum is able to:
 - 1) Fund 100% of the initial capital costs of the Theatre via equity funding, thereby requiring no bank debt and incurring no interest costs;
 - 2) Secure average annual sponsorship funding of approximately \$69k p.a. between FY20 and FY25 to cover the projected operating deficit; and
 - 3) Secure average annual ownership funding from the local councils of approximately \$1.4m to be utilised as follows:
 - i. \$467k p.a. to fund the average annual ownership costs; and
 - ii. \$934k p.a. to be contributed to a asset maintenance reserve for future maintenance, including maintenance capital costs and major works such as replacing the flying system, and earthquake strengthening.
- Based on our research, the level of ongoing sponsorship funding appears to be reasonable and achievable and is typically sourced from public donations (such as a 'Friends of the Theatre' programme), fundraising activities, and operating grants from a number of sources including charitable entities and local government.
- Based on the Council's previous commitment to annual maintenance costs for Founders Theatre in the Long Term Plan, the level of ongoing funding from the local councils is not considered to be unreasonable. However, the \$1.4m ownership funding assumption was provided by Momentum, and we have not had sight of any documentation confirming this assumption or providing evidence to the contrary.
- The Project is exposed to certain capital and development risks, operational risks, and financial risks. These need to be considered in assessing the overall feasibility of the Project and in managing the Project going forward.

Recommendations

- 1) Establish whether Momentum can source equity capital to fund 100% of the initial capital costs of \$70.0m.
- 2) Ascertain whether Momentum can secure average ongoing sponsorship funding of \$69k p.a. between FY20 and FY25 to fund the operating cash deficit of the Theatre.
- 3) Determine whether Hamilton City Council and the local regional councils will be able to provide approximately \$1.4m p.a. to fund the ownership costs of the Theatre, including normal ownership costs (i.e. rates and insurance), and maintenance capital costs (including future major works).
- 4) Where appropriate, and as pointed out in this report, seek expert advice with respect to the forecast maintenance capital costs, including major works, and establish a 20 year asset maintenance plan to determine whether the \$934k p.a. will enable adequate maintenance of the Theatre asset over the long term.

Appendices

Appendix 1: Restrictions and Disclaimer

Restrictions and Limitations

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- We do not assume any responsibility or liability for losses occasioned to Momentum or to any other parties as a result of the unauthorised circulation, publication, reproduction or use of this report or any extracts therefrom.
- We reserve the right to review all calculations included or referred to in this report and, if we consider it necessary, to revise our calculations in the light of any information which becomes known to us after the date of this report.

Reliance on Information

- In preparing this feasibility we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that is available from public sources and all information that was furnished to us by Momentum.
- We have evaluated that information through analysis, enquiry and examination for the purposes of forming our views on feasibility. However, we have not verified the accuracy or completeness of any such information nor conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Momentum. We do not warrant that our enquires have identified or revealed any matter which an audit, due diligence review or extensive examination might disclose.

Disclaimer

- This report has been prepared with care and diligence and the statements and conclusions in this report are given in good faith and in the belief, on reasonable grounds, that such statements and conclusions are not false or misleading.
- We cannot guarantee that any forecasts of future profits, cash flows or financial position of Momentum will be achieved. Forecasts are inherently uncertain. They are predictions of future events which cannot be assured. They are based upon assumptions, many of which are beyond the control of Momentum and its management team. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

Indemnity

- We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of this feasibility study to the extent that such errors or omissions result from the reasonable reliance on information provided by others or assumptions disclosed in this report or assumptions reasonably taken as implicit.
- Deloitte's Master Terms of Business forms part of the engagement letter with Momentum, dated 22 May 2017 (the "Engagement Letter"). The Master Terms of Business contains Deloitte's standard clauses relating to indemnity from third party claims and limitations of Deloitte's liability to Momentum.

Appendix 2: Sources of Information

Internal Information Sources

- Discussions with Leonard Gardner (Chairman) of Momentum;
- Discussions with Dr Julian Elder (Chair) of the Waikato Regional Theatre Governance Panel;
- Discussions with Sean Murray (Executive Director), Richard Sutherland (Business Development Manager), and Irene James (Finance & Commercial Director) of H3 Group;
- Discussions with Sarah Nathan (Chief Executive Officer) of Creative Waikato;
- Recommended location announced for Waikato Regional Theatre (media release) prepared in July 2017 by Momentum;
- Waikato Regional Theatre site masterplan, prepared in July 2017 by Jasmax and Charcoalblue;
- Theatre operating cost projections, prepared in July 2017 by H3 Group;
- Founder Theatre hirers list (FY12 to FY16), prepared in July 2017 by H3 Group;
- NZ venue information (theatres), prepared in July 2017 by H3 Group;
- Founders Theatre financial statements (FY13 to FY16), prepared in June 2017 by H3 Group;
- Waikato Regional Theatre location study report, prepared in May 2017 by Jasmax and Charcoalblue;
- Founders Theatre redevelopment single stage business case, prepared in February 2016 by Hamilton City Council;
- Founders Theatre redevelopment revenue generation strategy, prepared in January 2016 by Giblin Group;
- H3 activity management plan, prepared in June 2015 by H3 Group; and
- Hamilton City Council theatre review – draft report, prepared in January 2013 by the Stafford Group.

External Information Sources

- Deloitte research and benchmarking utilised proprietary information, and also included publicly available information listed below.
- Financial information:
 - Theatre Royal Charitable Foundation, Financial Statements for the year ended 31 December 2016;
 - The Regent Theatre Trust of Otago, Performance Report for the year ended 30 June 2016;
 - Regent Theatre Trust Board, Annual Report 2015-2016;
 - Wellington Regional Economic Development Agency, Annual Report 2016; and
 - Invercargill Venue & Events Management Limited, Annual Report for the year ended 30 June 2015.
- Other information:
 - Wellington City Council mid-sized performing venues review, prepared in November 2016 by Research First;
 - Review of theatre, prepared in November 2015 by Creative NZ (Arts Council of New Zealand Toi Aotearoa);
 - Working paper: an economic profile of the arts in New Zealand, prepared in March 2015 by Creative NZ (Arts Council of New Zealand Toi Aotearoa);
 - Audience atlas New Zealand 2014, prepared in 2014 by Creative NZ (Arts Council of New Zealand Toi Aotearoa);
 - New Zealanders and the arts: attitudes, attendance and participation in 2014, prepared in 2014 by Creative NZ (Arts Council of New Zealand Toi Aotearoa);
 - Industry snapshot for Auckland: creative sector, prepared in November 2013 by Auckland Council; and
 - Economy of the arts in Wellington, prepared in January 2011 by Martin Jenkins.

Appendix 3: Waikato Regional Theatre Potential Sites

WAIKATO REGIONAL THEATRE																Revision c	
				PRIMARY CONSIDERATIONS					SECONDARY CONSIDERATIONS								
#	Site Location	Descriptor	Site Area	Urban Design	Site Area & Access	Transport	Manu Whenua		Sub-Total	Landscape Design	Sustainable Design	Building Controls	Site History	Site Aspect	Site Cost	Sub-Total	Total
1	University of Waikato	Park	667,502m2	3	9	7	6		40.5	9	8	6	8	9		40	80.5
2	Ferrybank Commercial (expanded)	Park	2779m2	7	8	7	8		52	9	8	5	8	9		39	91
3	Grantham Street	Reserve	14,670m2	5	6	7	9		45.5	9	8	5	9	9		40	85.5
4	Knox Street	Carpark	4,060m2	5	4	5	4		32	4	5	5	3	7		24	56
5	Cnr Victoria and Knox	Commercial	1,740m2	8	3	7	7		45.5	3	5	6	5	7		26	71.5
6	Ebbetts cnr Anglesea and Hood	Carpark	5,609m2	7	8	6	5		46	4	5	6	3	5		23	69
7	Cnr Collingwood and Tristram	Carpark	5,916m2	3	8	4	2		28.5	6	5	5	4	6		26	54.5
8	Cnr Collingwood and Tristram	Carpark & Commercial	4,261m2	4	5	4	3		28	6	5	6	4	5		26	54
9	Collingwood Street	Carpark	2,212m2	4	5	5	3		29.5	4	5	6	4	5		24	53.5
10	Cnr Victoria and Sapper Moore Jones	Historic	5,395m2	9	8	8	8		58.5	9	8	5	9	9		40	98.5
11	Artspost	Historic & Carpark	4,075m2	9	7	8	8		57	9	8	6	9	9		41	98
12	Existing Founders Theatre Site	Arts & Park	8,267m2	4	8	6	5		38.5	8	6	8	7	7		36	74.5
13	Wards Park	Park & Small Commercial	15,127m2	6	9	4	3		39	8	6	5	7	7		33	72
14	Nesbit Ward	Carpark & Small Commercial	1,583m2	4	3	4	3		25	4	5	5	4	4		22	47
15	Garden Place	Plaza	6,377m2	7	8	8	6		50.5	7	7	6	8	8		36	86.5
16	SkyCity Victoria Street	Carpark	1,613m2	7	4	7	6		43	6	5	5	8	6		30	73
17	611 Victoria Street	Carpark	2,535m2	5	5	5	4		33.5	4	5	5	4	7		25	58.5
18	Clarence Street	Small commercial?	2,019m2	4	5	4	3		28	6	5	5	5	7		28	56
19	Claudelands	Events Centre	163,569m2	3	9	2	4		30	8	7	6	5	7		33	63
20	London Street - St Paul's	Small Commercial	2,036m2	5	5	5	4		33.5	4	5	5	5	6		25	58.5
21	River Road - Sonnig	Carpark	9,760m2	5	9	7	8		48.5	9	8	5	7	9		38	86.5
22	HCC Municipal Building	Civic	6,315m2	7	8	8	6		50.5	8	6	5	7	8		34	84.5
23	HCC Central Library	Civic	1,937m2	7	3	8	6		43	8	5	5	7	7		32	75
24	Hamilton Gardens	Park	508,361m2	3	9	5	7		39	9	8	7	8	9		41	80
25	Garden Place	Commercial	1,283m2	7	3	8	6		43	8	6	6	7	8		35	78
		Weighting		2.5	1.5	1.5	1.5			0	0	0	0	0			

Sourced from Waikato Regional Theatre location study report, prepared in May 2017 by Jasmx and Charcoalblue.

Appendix 3: Waikato Regional Theatre Potential Sites



Sourced from Waikato Regional Theatre location study report, prepared in May 2017 by Jasmax and Charcoalblue.

Deloitte.

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Trust Waikato
TE PUNA O WAIKATO

22 November 2017

Leonard Gardner
Chair, Momentum Waikato
Waikato Regional Theatre
PO Box 9283
Hamilton 3240

Re: Proposed Waikato Regional Theatre

Dear Leonard

Trust Waikato is pleased to have granted funding towards the proposed development of the Waikato Regional Theatre, to be established in Hamilton.

The Trust has granted \$15million to the development of the theatre, representing an early commitment that will encourage other funders, including Government, to lend their financial as the benefits will be wide-ranging and positive for our communities.

Trust Waikato's vision is for resilient and vibrant communities and is a keen supporter of projects that strengthen communities, encourage participation and inclusion and support volunteers.

We believe supporting this project will transform the arts community of the Waikato and will add to the cultural, economic and creative opportunities across the region for many years to come.

Yours sincerely

Dennis Turton
Chief Executive
Trust Waikato

21st November 2017

Leonard Gardner
Chair, Momentum Waikato
Waikato Regional Theatre
PO Box 9283
HAMILTON 3240

Dear Leonard

Re: Proposed Waikato Regional Theatre

As part of the Gallagher Family I strongly support, via Momentum Waikato, the proposed development of the Waikato Regional Theatre to be established in Hamilton.

Our company, Gallagher Group, has made a commitment to assist with funding the project as well as contributing time and assisting where possible to make it happen.

This is planned to be a truly regional facility due to the proposed size and versatility. It will encompass many facets of the arts plus be of general use to the community.

As Waikato is one of the fastest growing regions in the country with a vibrant economy and strong ties to hapu and iwi, we think that a Waikato Regional Theatre will provide a high quality theatre venue to serve the communities of Hamilton and the greater Waikato region.

Yours sincerely



John Gallagher CNZM KSt.J JP HonD CFInstD
Director/Shareholder
Gallagher Holdings Limited



Trust Waikato
TE PUNA O WAIKATO

22 November 2017

Leonard Gardner
Chair, Momentum Waikato
Waikato Regional Theatre
PO Box 9283
Hamilton 3240

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We believe supporting this project will transform the arts community of the Waikato and will add to the cultural, economic and creative opportunities across the region for many years to come.

Yours sincerely

Dennis Turton
Chief Executive
Trust Waikato

The Waikato Community Trust (Inc)

Tel 07 838 2660 Fax 07 838 2661 Freephone 0800 436 628 Email tinfo@trustwaikato.co.nz

2 London Street, PO Box 391, Hamilton 3240 www.trustwaikato.co.nz

Jamie Strange

Labour List MP living in Hamilton East



22nd November 2017

Leonard Gardner
Chair, Momentum Waikato
PO Box 9283
Hamilton 3240

Dear Leonard,

Funding application for a Waikato Regional Theatre

As a Labour Member of Parliament, it gives me great pleasure to add my voice in support of a proposed Waikato Regional Theatre in Hamilton. There has been a gap in the market and a huge need for a theatre of this nature in the fourth largest city in New Zealand.

I believe having a new theatre will provide a great way for our community to participate, have a sense of wellbeing, and celebrate the wealth of talent in Hamilton. As a former music teacher I know how important this investment is for the arts community and the future of the Waikato region, particularly considering our expected population growth.

The new regional theatre will be utilised by the local communities, as well as offering a venue for nationwide and international acts of touring standard to come to Hamilton. The theatre will be a destination in its own right and is already attracting nationwide attention within the arts community.

I believe supporting this venture in Hamilton makes sound economic and regional development sense. It will create more jobs, increase tourism, grow the arts and provide opportunities for the local economy.

As the local Labour MP, I fully support the application for funding for a Waikato Regional Theatre in Hamilton.

Please feel free to contact me on 027 242 2771 or email jamie.strange@parliament.govt.nz if you have any questions.

Yours sincerely

Jamie Strange
Hamilton-based MP



From the Chairman's Office

401 Grey Street
Hamilton East
Hamilton 3216

23 November 2017

Private Bag 3038
Waikato Mail Centre
Hamilton 3240

Lottery Significant Projects Fund
WELLINGTON

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www.waikatoregion.govt.nz

To whom it may concern

I write in full support of the application by Momentum Foundation for your funding assistance towards their exciting regional theatre in Hamilton.

This project is aligned with Waikato Regional Council's policy on regional facilities and I note that Council is also being asked to similarly fund this theatre which will provide regional benefits.

As a region, we are extremely fortunate that a group of community minded leaders have put their hands up to lead this project that will meet the arts and culture aspirations of our Waikato region. It will provide a theatre where national and international groups will present to the people of the Waikato while, at the same time, budding artists have a great opportunity to learn, perform and be inspired. As well, its design and scale is such that it will be available for use by community groups such as schools.

This community led project has the benefit of not having political involvement and a decision that is influenced by the impact on rates. As well, they have displayed absolute professionalism by looking at site and building options with an open mind and, in doing so, have contracted a world leading theatre designer to provide a theatre that is of appropriate size and both capital and operating cost effective.

Importantly, a trust will be established to own and operate the theatre so as to maximise its use and effectiveness.

As a region we are extremely grateful to the initiative and commitment of Momentum Foundation and I endorse their request to you.

Yours sincerely

A handwritten signature in black ink, appearing to read "Alan Livingston".

Alan Livingston, ONZM
Chairman

Waikato Regional Council's Freephone 0800 800 401

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Taupo phone +64-7-378 6539
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ATTACHMENT TWO

Community Facilities Funding Framework

Contents

- 1 Purpose of the Community Facilities Funding Framework 2
- 2 Definitions 2
- 3 Scope of Community Facilities Funding Framework 2
 - 3.1 What can be funded 2
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 - 3.3 What will not be funded 3
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1 Purpose of the Community Facilities Funding Framework

The purpose of the Community Facilities Funding Framework (“the Framework”) is to enable local authorities in the Waikato region to make collective, strategic investments in new community facilities so that communities benefit from these investments now and into the future by:

- a. developing partnerships and leveraging funding from central government, community funders and other funders beyond local authorities;
- b. supporting aligned delivery of facilities to broader communities than just those defined by local authority boundaries;
- c. enabling a more financially robust delivery mechanism for local authorities in delivering community infrastructure;
- d. ensuring community facilities receive support from each local authority commensurate with the level of benefit to each authority’s community now and into the future; and
- e. identifying, analysing and funding sports, recreation, arts and culture facilities for the region on a prioritised basis over time using a robust funding framework.

The Framework therefore delivers on Waikato Plan action 1.5.1:

“1.5.1 Top priorities for regional facilities: Work with lead agencies to identify the most important sports, recreation, arts and culture investment opportunities for the region, and agree on a selection ranking and funding process to deliver these in a prioritised way”.

The Framework will also be a significant step towards meeting Key action 6 of the Waikato Plan “Encourage development of a nationally significant cycling and walking experience”.

2 Definitions

Community facilities - All community sports, recreation, arts and cultural facilities.

Contributing local authorities - Those local authorities from which beneficiaries are drawn for a proposed community facility.

Project provider - Any organisation or agency, public or private, developing a community facility within the Waikato region which is a legal entity with a track record that satisfies the contributing local authorities. Potential project providers include local authorities, iwi, central government, trusts, private organisations or a joint venture.

3 Scope of Community Facilities Funding Framework

3.1 What can be funded

Contributing local authorities will consider making capital and operational contributions to projects that have a viable business case to develop a new community facility that is located in the Waikato region where beneficiaries span more than one local authority boundary.

3.2 Who is eligible to apply for funding

Any project provider is eligible to have a proposal considered for funding provided funding is not excluded by clause 3.3.

3.3 What will not be funded

3.3.1 Significant adverse impacts

Where it is determined at the time of assessment that any project would have significant adverse impacts on economic, environmental, social or cultural outcomes, the project will not be eligible for funding, regardless of the positive impacts.

3.3.2 Retrospective funding

Retrospective funding will not be provided.

No project expenses or costs will be reimbursed that were incurred before an agreement on the terms and conditions on which funding support will be provided is agreed between the project provider and contributing local authorities. This includes repayment of debt.

Proposals may be made for components of projects that have begun where components can be isolated into stand-alone projects. The benefit of the project will be assessed on the basis of the scope included in the project proposal.

4 Partnership approach

Partnerships with other funders will be sought for the construction and ongoing maintenance of community facilities covered under this Framework. This will help ensure aligned and strategic investments are made. It is expected that central government will contribute using this Framework to facilities owned and operated by government departments (including the Ministry of Education), national sporting bodies and so on. Other funders may include iwi, community trusts and private organisations.

Project providers are encouraged to identify potential facilities to contributing local authorities early in the development process to enable aligned analysis, prioritisation, funding and delivery of facilities.

Contributing local authorities will take a 'no surprises' approach with other contributing local authorities so that strategic and aligned debate and planning can occur.

Contributing local authorities will work with project providers, any independent experts appointed by contributing local authorities and other potential funders through the development, assessment and implementation process. Contributing local authorities will decide on a case by case basis whether parties other than the proponent of the project and funding partners will be involved in the development, assessment and implementation process, determined by their material contribution to each project or their particular expertise.

5 Process to assess and decide on project proposals

5.1 Lodging a proposal

1. Project providers should work with all contributing local authorities to develop proposals to ensure relevant information is provided to contributing local authorities for assessment.
2. A proposal may be lodged with the local authority in which the planned facility is located at any time and this local authority will call together all contributing local authorities to start the assessment process.
3. No proposal will be accepted without an accompanying viable business case supporting the proposal.
4. A proposal does not need to take a prescribed form but it must identify:
 - a. Location, purpose, scope and operational details;
 - b. Area of benefit;
 - c. Financial model to ensure long term sustainability;
 - d. Form of financial support sought;
 - e. Matters set out in clause 5.4; and
 - f. Matters set out in clause 5.5.
5. More information about a proposal may be sought by contributing local authorities to ensure a robust assessment can be made.

5.2 Assessment

1. Contributing local authorities will work collaboratively to assess project proposals.
2. Contributing local authority staff will administer the assessment process. The lead authority will be determined by contributing local authorities on a case by case basis. Staff will also undertake work as required to support assessment of proposals by any independent experts and recommendations by contributing local authorities.
3. Contributing local authorities will use clause 5.4 of the Framework to guide proportionality of funding between contributing local authorities.
4. Contributing local authorities will use clause 5.5 of the Framework to guide the quantum of local government investment, if it is determined that investment is merited.
5. Independent expertise may be sought by contributing local authorities to help provide due diligence on a proposal. Contributing local authorities will determine how this expertise is sought on a case by case basis. Costs of contributing local authorities obtaining this advice will be negotiated with the project provider. Any independent experts will assess proposals against the Framework and make recommendations to contributing local authorities:
 - a. Whether to fund CAPEX and/or OPEX of the project;
 - b. How much the project should receive;
 - c. Comments about any ownership interest;
 - d. The type of funding (e.g. grant or loan); and

- e. Conditions that should be attached to funding.
6. The collaborative group will seek to agree in principle on funding arrangements and make joint recommendations to each contributing local authority.

5.3 Decision making

1. Local authorities will consider investing in facilities on a case-by-case basis. Investment in any facility is at the discretion of each local authority.
2. Local authorities will make all final decisions on the funding of projects by individual Council resolution. This includes:
 - i. Whether the project(s) will be funded;
 - ii. How much each project will receive;
 - iii. Any ownership interest;
 - iv. The type of funding (e.g. grant or loan);
 - v. How funding will be raised by the local authority, eg. general, targeted or differential rates , UAGC, return on investment funds, loan; and
 - vi. Conditions attached to funding.
3. If a local authority decides to support a project with funding, it will issue a formal offer setting out the terms and conditions for funding to successful projects. This offer will include funding dates, milestones, accountability mechanisms, key performance indicators and evaluation requirements.

5.4 Local, sub-regional and regional community facilities

1. The decision about whether a facility is local, sub-regional or regional will be determined by evidence of how benefit accrues to the community.
2. Where beneficiaries of a community facility would be drawn from the community of one local authority, funding of the facility would fall outside the scope of this Framework.
3. Where beneficiaries of a community facility would be drawn from the communities of more than one territorial authority but not all, a facility will be considered as a sub-regional facility. Contributing local authorities will be expected to provide funding. Benefit, and therefore proportional funding from contributing local authorities, will be determined by considering:
 - i. where potential beneficiaries are located;
 - ii. population in close proximity to facility; and
 - iii. broader economic and strategic considerations.
4. For a community facility to be considered regional, the facility needs to:
 - i. be part of a national programme and accompanied by central government funding; and/or
 - ii. have potential beneficiaries drawn from the majority of territorial authorities; and/or
 - iii. provide significant benefit to the regional community.

Waikato Regional Council will be expected to provide funding towards a regional facility. Benefit, and therefore the funding model used by the regional council and any other contributing local authorities, will be determined by considering:

- i. where potential beneficiaries are located;
- ii. population in close proximity to facility; and
- iii. broader economic and strategic considerations.

5.5 Quantum of local government funding

In determining the total quantum of local government funding for any project and proportionality of funding between contributing local authorities, contributing local authorities will consider the criteria set out below. Each criterion will be weighted to reflect contributing local authorities' priorities on a case by case basis.

Criteria

- i. Strategic alignment – sub-regional, regional and national:
 - a. the extent to which the project is aligned with strategic sub-regional, regional and/or national direction¹;
 - b. the extent to which the project complements the vision of other organisations in the sub-region and/or region; and
 - c. the extent to which the project aligns with the users' needs;
- ii. Projected needs of the community within the core catchment area, now and into the future;
- iii. Extent and type of community benefit for each contributing local authority, now and into the future;
- iv. The priority of the facility, relative to other community facilities;
- v. Return on capital and operational investment;
- vi. Level of risk;
- vii. Potential for operational and/or capital partnerships between multiple stakeholders;
- viii. Level of funding from other funders, including other contributing local authorities;
- ix. Ownership mechanisms;
- x. The intended life of the facility;
- xi. Optimisation of the facility network;
- xii. Operational sustainability;

¹ As provided through relevant documents including, but not limited to, the Waikato Plan, Waikato Regional Sports Facilities Plan, Waikato Regional Creative Facilities and the regional cycle trail network business case.

- xiii. The extent to which the project provider demonstrates the capacity and capability to undertake the project;
- xiv. The extent to which the project is inter-dependent with other projects;
- xv. The consequence of not funding the project; and
- xvi. The relative priority of the facility when considered alongside other council works and services.

5.6 Funding mechanisms

Contributing local authorities may fund community facilities through different mechanisms. Once the characteristics of the facility and the needs of a project provider are known, a decision will be made on the funding mechanism(s). All parties will need to agree on the mechanism(s).

In general terms, there are four mechanisms that contributing local authorities may use:

- i. Grant – a direct grant by the contributing local authorities to the project provider, which may have conditions attached;
- ii. Loan – a loan by the contributing local authorities to the project provider, which is to be repaid at some specified, future date, with an interest rate specified by the contributing local authorities;
- iii. Equity – an equity investment in the project by contributing local authorities on condition of sufficient capital expenditure committed to the project and a satisfactory business plan and risk assessment and suitable governance arrangements; and
- iv. Underwrite – a direct grant by contributing local authorities to the project provider that will only be drawn upon in full or in part if necessary to meet agreed financial obligations.

More than one mechanism may be used to fund any particular project and the choice and conditions will reflect:

- i. the risk for contributing local authorities associated with the project;
- ii. the ownership model of the facility; and
- iii. the level of community benefit.

6 Review of the Community Facilities Funding Framework

The Framework will be reviewed at the start of each triennium. The operational component of the Framework will be reviewed annually.

The purpose of the three yearly review is to evaluate the efficiency and effectiveness of the Framework, funding process and funding decisions made. The review will include, but not be limited to the following matters:

- i. the extent to which the Framework has been equitable for contributing local authorities;
- ii. the extent to which the Framework enabled contributing local authorities to work together to fund facilities;
- iii. the extent to which funding has improved community outcomes;
- iv. the extent to which the Framework has assisted parties to undertake projects that have benefited the community; and
- v. how successful the Framework has been in attracting additional investment to facilities funding in the region.

The annual review of the operational component of the Framework will include, but not be limited to, the following matters:

- i. ensuring core catchment areas (now and into the future) and contributing local authorities can be identified;
- ii. ensuring criteria are useful to assess the benefits and impacts of projects;
- iii. ensuring there is fairness in the assessment process across eligible projects;
- iv. ensuring contributing local authorities are able to clearly and easily identify projects that provide the greatest value in respect to the Framework criteria; and
- v. ensuring the process is not so difficult that opportunities provided by the Framework are not taken up by project providers or local authorities.

ATTACHMENT THREE

*Regional theatre
proposal
assessment peer
review*

Waikato Regional
Council

Strictly confidential

19 January 2018



Strictly confidential



Strictly confidential

Mike Garrett
Chief Financial Officer
Waikato Regional Council
Private Bag 3038
Waikato Mail Centre
Hamilton 3240

19 January 2018

Regional theatre proposal assessment peer review

Dear Mike,

We are pleased to provide our peer review of the regional theatre proposal assessment.

This report is provided in accordance with the terms of our letter of engagement dated 21 December 2017, and is subject to the restrictions set out in Appendix A of this report.

If you have any queries, please do not hesitate to contact us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Walker', with a long horizontal stroke extending to the right.

David Walker
Director
david.a.walker@nz.pwc.com
DDI: 09 355 8033

A handwritten signature in black ink, appearing to read 'Craig Rice', with a stylized, cursive script.

Craig Rice
Partner
craig.rice@nz.pwc.com
DDI: 09 355 8641

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1 Introduction

1.1 Background

To enable local authorities in the Waikato region to make collective strategic investments in new regional facilities, the Waikato Regional Council (“the Council”) in collaboration with the City and District Councils, adopted a Community Facilities Funding Framework (“the Framework”).

The Framework was specifically designed to assess proposed facilities where beneficiaries span more than one local authority boundary. In doing so, framework assessment criteria are utilised to confirm whether proposed facilities are regional, sub-regional or local in nature.

If facilities are determined to be regional, the policy guides Council to:

- provide some funding
- determine funding quantum according to specific supplementary criteria contained in the policy
- allocate funding cost to ratepayers based on a range of factors including regional beneficiary distribution.

In addition, there is an expectation that any capital funding approved is provided by Council borrowing, and repaid over time by application of a targeted rate based on the funding determination above.

As part of the current three yearly Long Term Plan (LTP) cycle, the region has a single project to assess under the Framework, being the proposed Waikato Regional Theatre (“the Theatre”). The proposal was made through an application¹ supported by a comprehensive business case developed by the Momentum Waikato Community Foundation (“Momentum”).

Council has recently completed an initial assessment² (“the Assessment”) of the Theatre proposal against the requirements of the Framework.

1.2 Scope of this report

We were requested an independent peer review of the Assessment which has been undertaken by Council and captured in a separate report.

The peer review required consideration of both the Assessment and Framework. Although not subject of our review, we were also able to reference the Momentum proposal. Due to LTP time constraints our work had to be undertaken within a short period and in parallel with the finalisation of the Assessment which also had to accommodate updates from Momentum during the period of our review.

Our approach combined a comprehensive review of the analysis utilised by Council against the requirements of the Framework, overlaid with our knowledge and experience of public sector policy practice. This enabled us to consider the reasonableness of Council’s overall conclusions.

We based our review appraisal analysis on:

- consideration of how well the Assessment addressed the Framework purpose criteria outlined in section one of the policy
- appraisal of the Assessment detail which was based on a combination of the criteria contained in section five of the Framework supplemented by consideration of good public policy practice.

¹ Momentum Waikato Community Foundation, Application to Waikato Regional Council Community Facilities Funding Framework, 4 December 2017

² Assessment – Waikato Regional Theatre Proposal, 22 December 2017

2 Peer review analysis

As outlined in the introduction section of this report our appraisal analysis was undertaken in two parts and incorporates an appraisal rating for each criterion accompanied by supporting commentary.

2.1 General policy appraisal

Key: ✓ = met ~ = partially met x = not met n/a = not considered in this review

Criteria	Appraisal	Comment
(a) Partnership development and leverage	✓	The proposal is predicated on a partnership approach and is explicitly referenced in paragraph 9 of the Assessment
(b) Supports regional alignment of facilities	✓	Community of users extends beyond the host council (Hamilton City Council) boundary with user breakdown captured in paragraphs 4.2 and 4.3
(c) Enables more financial robustness	✓	Spreading the cost burden on a basis that broadly aligns with the user community outlined in (b) and the options excluding status quo are more equitable from a public policy perspective
(d) Ensuring local support commensurate with benefits	✓	Consistent with (c) above
(e) Identifying projects on a prioritised basis	x	No evidence of alternative project consideration although we understand there are currently no other current regional projects that could be subject to this policy (tbc)

2.2 Detailed appraisal

2.2.1 Appraisal summary

The following table provides a summary of the results from the detailed appraisal overleaf.

Key: ✓ = met ~ = partially met x = not met n/a = not considered in this review

Criteria	Appraisal
(a) Proposal lodgement	~
(b) Regional determination:	
i. National funding	✓
ii. Regional beneficiaries	✓
iii. Significant benefit to region	~
(c) Options	~
(d) Recommendations	✓

2.2.2 Appraisal

Key: ✓ = met ~ = partially met x = not met n/a = not considered in this review

Criteria	Appraisal	Comment
(a) Proposal lodgement	~	Section 5.1 of the framework prescribes a number of requirements for any proposal to be accepted for consideration. Paragraph 31 of the Assessment contains staff commentary on requirements outlined under 5.1.4 and potential information requirements under 5.1.5. In addition, it takes a high level view on the viability of the business case required under 5.1.3. This is captured under key risks in paragraphs 28 and 29.
(b) Regional determination:		
i. National funding	✓	The Assessment correctly identifies in para 38 that this criterion is not currently met but we note that the one third national funding requirements could be in place shortly if HCC incorporate their \$25m contribution and also form a view as to the adequacy of the business case referred to above and in paragraph 38.
ii. Regional beneficiaries	✓	Paragraph 42 highlights that this criterion relating to the degree of regional benefit, is met. This interpretation would appear to be a correct assessment of the criterion as it is currently laid out in the policy given: <ul style="list-style-type: none"> • 5.4.4(ii) states “have potential beneficiaries drawn from the majority of territorial authorities” • the data in paragraph 41, table 4 clearly shows historical attendances from residents of <u>all</u> the local authorities. The analysis highlights that the majority of beneficiaries are likely to come from a minority of local authorities that are proximate and have the largest share of population. However, Council has highlighted there are “primary” and “secondary” beneficiaries which is not explicitly part of the current policy. This introduction we consider helpful in the subsequent consideration of funding.
iii. Significant benefit to region	~	In the absence of a definition of significance, the Assessment utilises a combination of definitions contained in section 5 of the Local Government Act 2002 and interpretation of Council’s significance and engagement policy which appear appropriate. In this regard, it indicates that while the project is regionally significant, the benefits are weighted more toward sub-regional. On balance the report considers this criterion as met. The findings underpinning this are largely sound however we would note that in the absence of a definition of “regional community”, there appears to be an assumption that the geographic and population components are not of equal weight. It could be contended that population should receive a higher weighting given the inference that the majority of the community that benefit, will provide most of the funding.

Criteria	Appraisal	Comment
		<p>Accordingly, there would appear to be grounds to consider a positive determination for this criterion.</p> <p>In doing so, we note that further work would be desirable around significance. The current factors used to determine significance are very qualitative and also lack any explicit reference to the “counter factual” ie no facility at all. This latter point is recommended under Treasury’s “Guide to Social Benefit Analysis”³. The former could be strengthened through further consideration of the quantitative data already available from the business case and associated work. For instance, page 7 of the Momentum application highlighted that in 2008/9, 107,000 patrons attended the existing theatre which is a significant proportion given the overall regional population is 424,740 according to table 4, para 41. We note Momentum do raise this in section 5.4 of their report, but not in depth.</p>
(c) Options	~	<p>The provision of options is a positive initiative because it is considered good practice to consider different alternatives to address issues or objectives. In addition, they provide an initial basis from which refined or new options can be developed that may better address the particular issue or objective in question.</p> <p>The Framework provides some guidance under section 5.5 as to what criteria can be utilised when considering funding quantum for options. The Assessment explicitly considers these criteria from 5.5(i) as highlighted in paragraph 61.</p> <p>Paragraph 67 confirms that the funding model if adopted would be by way of capital grant which is consistent with the funding mechanisms outlined in section 5.6 of the framework.</p> <p>This grant mechanism would appear to be an appropriate choice although the report could usefully incorporate the logic for this choice.</p> <p>In terms of the options and taking account of the narrow choice combined background scenario of theatre closure, the structuring of options presented would appear appropriate:</p> <p>Option 1 “Do nothing” – provides the counter factual or “do nothing” scenario which would lead to service level reduction impacts as outlined in both the report and Momentum application.</p> <p>Option 2 “Support the proposal” – incorporates a funding structure through which the cost would be allocated across the region.</p>

³ Guide to Social Benefit Analysis, Part 1: Guide to Cost Benefit Analysis, 27 July 2015

Criteria	Appraisal	Comment
		<p>Option 2 assumes a return to the previous service levels with some enhancement, which appears from the Momentum report to be the only practical scenario other than status quo.</p> <p>The funding structure based on a 90:10 ratio between primary and secondary beneficiary authority/populations. The 10% allocation to secondary beneficiaries would appear appropriate as it is broadly based on the historical usage statistics outlined in paragraph 38.</p>
(d) Recommendation	√	A positive recommendation is provided for Council deliberation which is good policy practice.

3 Conclusions

3.1 Appraisal findings

Based on the analysis and results presented in this report, we consider that the Assessment and its recommendations are reasonable given the time constraints and the results of the appraisal. In regard to the latter, we note there was a spread of criteria that had been met or partially met, but weighted towards met. The only “not met” rating related to the identification of other competing regional community facilities projects, which we understand will be subject to a future exercise and is not available in any event for this current LTP process.

In coming to this conclusion our two main reservations are the:

- viability of the business case and how this will be tested
- degree of quantification of the “significance” to the region.

Given the ongoing development of the LTP and business case by Momentum combined with the requirements from other funders yet to be initiated, there should be time to more fully test these reservations before Council provides its final approval to commit to the project. In this regard Council is aware of the key risks as highlighted in paragraphs 28 and 29 of the report.

3.2 Framework policy application and refinement

Because this application represents the first opportunity for Council to utilise the Framework, it provides the opportunity to test and refine the policy further. For instance, the Assessment usefully introduces the concept of primary and secondary beneficiaries which already has some long established regional funding precedents including the MOTAT example highlighted by Council.

We accordingly recommend that Council utilise the opportunity presented by the Assessment to undertake a post project policy review to refine and improve the framework.

Appendix A - Restrictions

This report has been prepared for Waikato Regional Council (“Council”) to provide our peer review of the regional theatre proposal assessment. This report has been prepared solely for this purpose and should not be relied upon for any other purpose. We accept no liability to any party should it used for any purpose other than that for which it was prepared.

This report is strictly confidential and (save to the extent required by applicable law and/or regulation) must not be released to any third parties without our express written consent which is at our sole discretion.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this report and/or any related information or explanation (together, the “Information”). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of Council. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report, was not brought to our attention, or subsequently comes to light.

This report is issued pursuant to the terms and conditions set out in our letter of engagement dated 21 December 2017.

File No: 20 00 09
Doc No: 11774507



1 February 2018

Chris Ryan
Chief Executive
Waitomo District Council

Private Bag 3038
Waikato Mail Centre
Hamilton 3240, NZ

Tena koe Chris

waikatoregion.govt.nz
0800 800 401

Waikato Regional Theatre Proposal – request for feedback

As you will recall the Waikato Mayoral Forum unanimously endorsed the Community Facilities Funding Framework (the framework) on 11 September 2017 and invited all councils to adopt the framework to guide decisions about the funding of sub-regional and regional community facilities.

Waikato Regional Council discussed a proposal from Momentum Waikato Community Foundation (Momentum Waikato) for a regional theatre under the framework and made the following resolution at its 2018-2028 Long Term Plan budget meeting on 1 February 2018:

1. *THAT the report Assessment – Waikato Regional Theatre Proposal (Doc # 11618145 dated 18 January 2018) be received, and*
2. *THAT the proposed Waikato Regional Theatre request from Momentum Waikato be approved for consultation through the 2018-28 Long Term Process, noting that any Council contribution would be subject to full project funding being in place and key due diligence matters in Stage 2 of the project being resolved to the satisfaction of Council.*
3. *THAT Council confirm the preferred funding option for the proposed Waikato Regional Theatre as funding model 1 as set out in paragraph's 73-75 and*
4. *THAT Council request the Chief Executive to write to each territorial authority and seek their feedback on the preferred funding option for consideration at the 22 February 2018 Council meeting to enable a decision as to whether to include in the draft 2018-28 Long Term Plan for consultation as currently proposed.*

As per the above resolution, we are seeking a formal response from your council in relation to the funding option that was considered by the Waikato Regional Council. A brief summary is enclosed in the appendices. The detailed staff assessment, Momentum Waikato's proposal and the PWC independent assessment is available on the regional council's website <https://www.waikatoregion.govt.nz/community/whats-happening/council-meetings/agendas-and-minutes-for-council-and-standing-committees-from-28-november-2013/council/> - refer council agendas for 30 January 2018, book 2 page 305.

If you require further information to assist with your council's decision-making, please feel free to contact Ihsana Ageel (Ihsana.ageel@waikatoregion.govt.nz).

I understand the tight timeframes involved, however to allow Council to make an informed decision at its 22 February meeting, could you please respond by Monday 18 February 2018.

Nga mihi

A handwritten signature in blue ink, appearing to read "Vaughan Payne".

Vaughan Payne
Chief Executive

Summary

The purpose of the Community Facilities Funding Framework (the framework) is to enable local authorities in the Waikato region to make collective, strategic investments in new sub-regional and regional community sports, recreation, arts and cultural facilities. In addition to helping councils work together better, the framework will help develop partnerships and leverage funding from central government, community funders and other funders aside from councils. The Waikato Mayoral Forum recognised that a paradigm shift is needed in the way that we plan for and fund regional and sub-regional community facilities.

Waikato Regional Council adopted the framework in September 2017 for consultation through the 2018-2028 Long Term Plan. It is understood that Waikato District Council and South Waikato District Council have also adopted, while Hamilton City Council and Waipa District Council are in the process of adopting shortly. It is also understood that Hauraki District Council has 'noted the framework' and that Otorohanga District Council has stated that they are supportive due to the non-prescriptive nature.

Momentum Waikato Community Foundation (Momentum Waikato) has submitted the 'Waikato Regional Theatre' proposal (the proposal), requesting \$5 million from Waikato Regional Council (WRC) towards the \$72.9 million capital cost of the project on the assumption Hamilton City Council contributes \$25 million, and requesting an additional \$300,000 for operating costs (starting year 3 of the LTP) through the framework approved by the Waikato Mayoral Forum.

The framework was applied to the proposal submitted by Momentum Waikato.

Under the framework:

- Where the beneficiaries of a community facility would be drawn from the community of one local authority, funding of the facility would fall outside the scope of this framework.
- Where the beneficiaries of a community facility would be drawn from the communities of more than one territorial authority but not all, a facility will be considered a sub-regional facility and contributing authorities will be expected to provide funding. No role is specified in the framework for Waikato Regional Council.
- 'Contributing local authorities' (where beneficiaries are drawn for a proposed facility) are expected to provide funding where a facility is determined to be a sub-regional facility.
- Waikato Regional Council is expected to provide funding where a facility is determined to be a regional facility.

It should also be noted that the wording of the framework indicates that only one of the three criteria will have to be met for a facility to be classed as a regional facility. The three criteria are:

- i. be part of a national programme and accompanied by central government funding; and/or
- ii. have potential beneficiaries from the majority of territorial authorities; and/or
- iii. provide significant benefit to the regional community.

Assessment against the framework

The Waikato Regional Theatre proposal is the first opportunity to test the practical application of the framework. Strict application of the framework suggests that not all criteria for a regional facility is met. As stated above, only one criteria need to have been met. However, the regional council when making its decision, gave consideration to due diligence to the principles or intent of the framework and how 'regional benefit' and 'significance' is determined.

Criteria 1: be part of a national programme and accompanied by central government funding; and or

- Criterion currently not met. However should Momentum Waikato be successful with government funding (as outlined in the proposal), this criteria will be deemed met.

Criteria 2: have potential beneficiaries from the majority of territorial authorities; and/or

- Criterion met. The available data (Founders Theatre ticket sales), suggests that potential beneficiaries are drawn from the entire region noting that the framework does not define levels of benefit. A fit for purpose theatre is expected to increase the benefit to the region including drawing in more people from the wider region.

Criteria 3: provide significant benefit to the regional community.

- Whether criteria is met was dependent on council's interpretation of significance. Council could consider significant regional benefit based on the number of territorial authorities or the percentage of population. Primary beneficiaries are potentially from Hamilton City, Waipa District, Waikato District and Matamata Piako District. They reflect approximately 70% of the regional population.
- Staff interpretation of 'significance' is as defined in the LGA and applies to the regional population as a whole – staff view the proposal as significant to the region as the proposal has a significant (primary) benefit to approximately 70% of the population of the region.

PWC peer reviewed the staff assessment. A copy of their assessment is included in the council agenda pack (details provided as before). PWC conclusions are copied below - *as stated in their report.*

Based on the analysis and results presented in this report, we consider that the Assessment and its recommendations are reasonable given the time constraints and the results of the appraisal. In regard to the latter, we note there was a spread of criteria that had been met or partially met, but weighted towards met. The only "not met" rating related to the identification of other competing regional community facilities projects, which we understand will be subject to a future exercise and is not available in any event for this current LTP process.

In coming to this conclusion our two main reservations are:

- *viability of the business case and how this will be tested*
- *degree of quantification of the "significance" to the region.*

Given the ongoing development of the LTP and business case by Momentum combined with the requirements from other funders yet to be initiated, there should be time to more fully test these reservations before Council provides its final approval to commit to the project. In this regard Council is aware of the key risks as highlighted in paragraphs 28 and 29 of the report.

Because this application represents the first opportunity for Council to utilise the Framework, it provides the opportunity to test and refine the policy further. For instance, the Assessment usefully introduces the concept of primary and secondary beneficiaries which already has some long established regional funding precedents including the MOTAT example highlighted by Council.

We accordingly recommend that Council utilise the opportunity presented by the Assessment to undertake a post project policy review to refine and improve the framework

Funding model 1

Summary

CAPEX of \$5M

- \$4.5 million collected from Waipa, Waikato and Matamata-Piako District Councils (targeted rate \$5.54 per rating unit /p.a.)
- \$0.5 million from the wider region excluding Hamilton City (targeted rate \$0.5 per rating unit /p.a)
- Funding by way of debt and recovered by a targeted rate over 20 years
- Rate would commence in year 2 of the LTP as part rate.

OPEX of \$300,000

- Waipa, Waikato and Matamata-Piako District Councils (targeted rate \$4.72 per rating unit /p.a.)
- Wider region excluding Hamilton City (targeted rate \$0.43 per rating unit /p.a)
- Rating to commence in year 3 of LTP

Based on the principle of geographical distance, a simple funding model would look at collecting the majority of the funding from the primary beneficiaries, which are Hamilton, Waipa, Waikato and Matamata-Piako. For the purpose of this funding model, Hamilton City has been removed as they will contribute \$25m through their own rates. The remaining \$5m has been distributed as outlined in the table below. \$4.5m from the three primary beneficiaries (Waikato, Waipa and Matamata-Piako Councils) and \$0.5m from the wider region to acknowledge the wider regional benefit. The impact on the wider regional payer is minimal (\$0.50 ratepayer per year). The sum collected is based on a loan repayment period of 20 years and all figures stated below are GST inclusive.

This model is reflective of council's existing funding models such as funding towards the Regional Emergency Services Fund, where every ratepayer contributes. This is regardless of where they are located in the region as each ratepayer has the potential to utilise the services of the emergency providers (i.e. surf lifesaving, air ambulance and coastguard) within the region. While the model aims for equitable distribution within a service - funding is diverted to where there is a higher need. For example, in the case of surf lifesaving the Thames-Coromandel area has more beaches and a higher demand in the region, therefore more funding is allocated to that area.

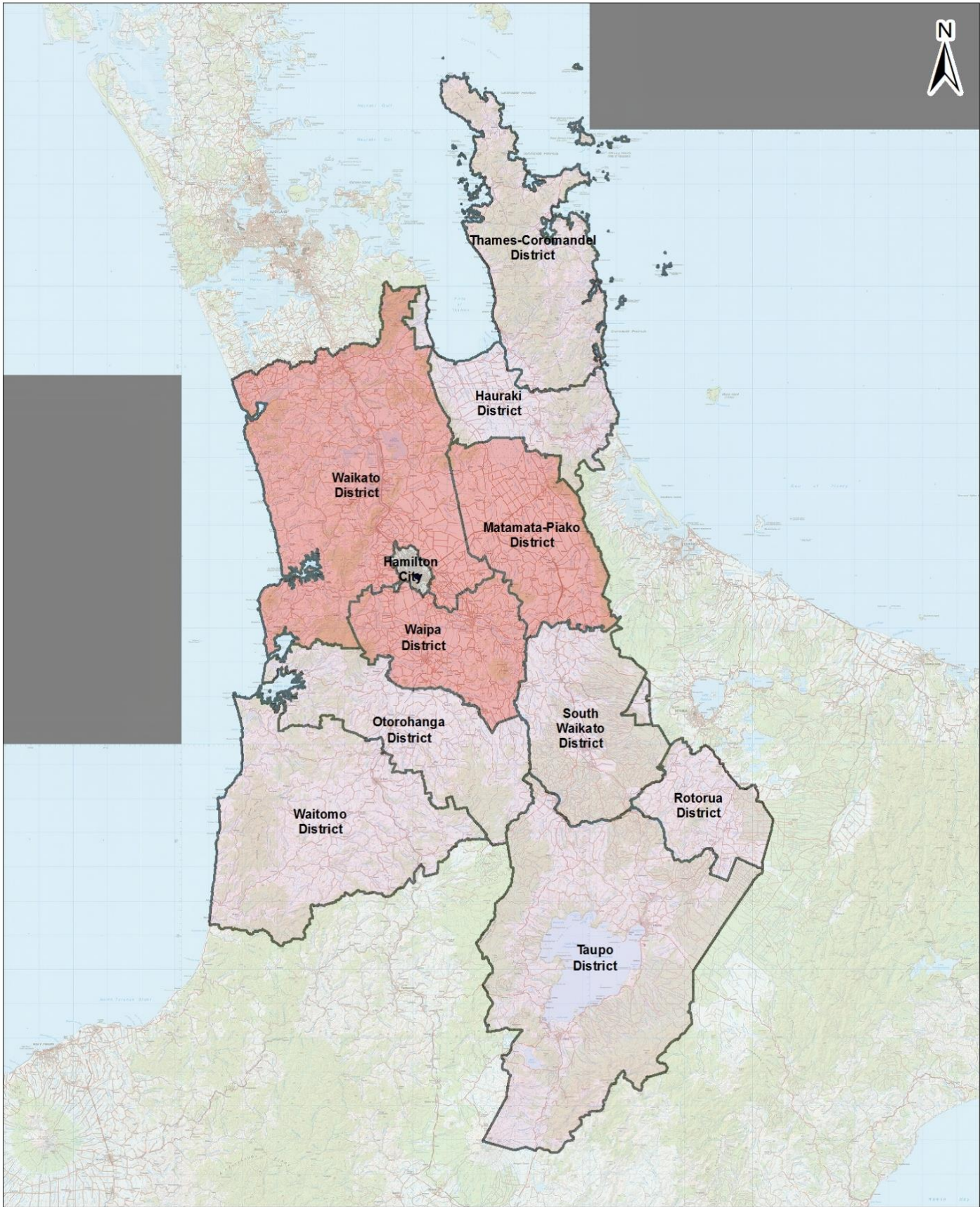
In the case of the regional theatre, there is a clear distinction between geographic distance and usage. Therefore instead of a uniform rate across the region, the model is adjusted to reflect the close proximity and ease of use for ratepayers who are located closer to the facility. Users from the wider region, will have a bigger cost (travel, and potentially accommodation costs) should they choose to attend the theatre, therefore a uniform rate across the entire region is not seen as equitable.

Capital expenditure \$5 million (excludes Hamilton City)			
Council	Rating per rating unit /p.a.	Total rates /p.a.	% contribution
Thames-Coromandel	\$0.50	\$ 13,615	3.4%
Hauraki DC	\$0.50	\$ 5,210	1.3%
Waikato DC	\$5.54	\$167,026	41.3%
Matamata-Piako DC	\$5.54	\$ 79,584	19.7%
Waipa DC	\$5.54	\$117,509	29.0%
Otorohanga DC	\$0.50	\$ 2,371	0.6%
South Waikato DC	\$0.50	\$ 4,836	1.2%
Waitomo DC	\$0.50	\$ 2,684	0.7%
Taupo DC	\$0.50	\$ 11,094	2.7%
Rotorua (part)*	\$0.50	\$ 648	0.2%
TOTAL		\$404,576	100%

NB: Hamilton City contributes 83% (\$25m) of the local government contribution. The region contributes 17% (\$5m).

Table below outlines the rate impact of the operational cost requested (GST inclusive)

Operating expenditure \$300,000 from year 3 LTP (excludes Hamilton City)			
Council	Rating per rating unit /p.a.	Total rates /p.a.	% of OPEX contribution of \$300k /p.a.
Thames-Coromandel	\$0.43	\$11,610	3.4%
Hauraki DC	\$0.43	\$4,443	1.3%
Waikato DC	\$4.72	\$142,413	41.3%
Matamata-Piako DC	\$4.72	\$67,872	19.7%
Waipa DC	\$4.72	\$100,215	29.0%
Otorohanga DC	\$0.43	\$2,021	0.6%

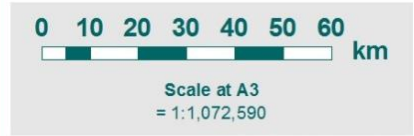


Funding Distribution

- Hamilton City
- Wider Benefit Area
- Primary Benefit Area

Regional Theatre Funding Areas (Simple Model)

For Waikato Regional Council staff only



Created by: SJF
 Date: 22/12/2017
 Version: 1
 Job No.: REQ129069
 File: Regional_Theatre_model.mxd



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