



BUSINESS CASE

Submitted to Clutha District Council
May 2019

Executive Summary

Proposed Council Investment & Recommended Option

This business case seeks formal approval for the Clutha District Council (Council) to invest \$3.1 million into a new build, multipurpose community, business and visitor hub for the Balclutha War Memorial Hall upgrade project, based on the current capital funding model. The new facility is estimated to cost a total of \$20 million, with the balance of the funding coming from philanthropic trusts and foundations, government funding, corporate sponsorship, and public donations.

As shown in this business case and backed by the feasibility study prepared by OCTA Associates, the existing facility is no longer fit for purpose for the community, visitors and local businesses.

This project ranked as one of the most important projects in the *Our Place Balclutha* consultation and is a significant component of the districts long term plan.

An early realisation based on the existing diverse usage was this project should be much more than delivering a first rate facility for the existing tenants and community groups, rather it has the potential to create, strengthen and enhance a wide range of outcomes benefiting the Clutha District as a whole.

The Clutha Community Hub put forward in this business case delivers the platform to:

- Inspire the current population and the next generation through wider access to arts, theatre, culture and local heritage.
- Enhance community wellbeing through providing spaces that are safe, promote inclusion, provide a sense of belonging, and enable building of partnerships between our children, families and the whole community.
- Enhance community pride and cohesion by delivering a centralised point to experience and celebrate the diverse cultural background of our district and through general day to day interaction within the space.
- Enable the local tangata whenua and iwi to share their own kōrero of the district, their role in being kaitiaki of the Clutha River / Mata-Au, and providing links to the river.

- Drive economic growth by providing essential infrastructure to deliver modern business, and attract and retain new businesses to the Clutha District.
- Increase visitor expenditure and engagement in showcasing the Clutha District as an attractive place to live, work, invest and play.
- Provide an innovative, state of the art facility enabling new and existing business development to share an inspirational environment of collaboration and networking.
- To increase the visibility of the Clutha District to attract new residents and new business.
- Create a high quality, core amenity instilling a sense of pride in the community encouraging engagement, and creating stimulation for delivering other high quality experiences.
- **Deliver a sense of what is 'Clutha'**

Options Considered

The three key options explored within this business case and feasibility study, include:

1. Refurbishment to address compliance
2. Redevelopment utilising existing structure
3. New build

After evaluating the three main options within the feasibility study, the recommended option is for a “greenfields” approach resulting in the build of a new facility.

The Clutha Community Hub Charitable Trust (the Trust) engaged OCTA Associates to undertake a feasibility study to explore the most feasible option to establish a multipurpose community, business and visitor hub on the current Balclutha War Memorial Hall site. The options OCTA explored needed to meet the needs of the Clutha District community now, and into the future. Their recommended option of a new build aligns with the trusts preferred option of a new build.

It is proposed that the management of the facility would be by a manager, whose position would be to promote the facility and promote growth. The governance and ownership would be through the transfer of asset from Clutha District Council to the community, via the Clutha Community Hub Charitable Trust.

Next Phase

Constructing the new facility is estimated to take 3 years, with an estimated completion date of October 2021, as indicated in the high level strategy programme included by OCTA. The trust is aware of funding sources application requirements so will be working hard to ensure that there is adequate material and backing to realise these, in a timely manner.

The next phase for this project is the design phase, which could commence in 2019 subject to funding, resource consents and regulatory requirements. Geotechnical testing is the first aspect to be commenced, in order to have a good understanding of the ground conditions of which the foundation design, positioning and wider grounds design will need to be centred around.

The design concepts allowed for addressing the current needs of the community as well as retaining a degree of flexibility as the needs of the community change and evolve in the future. The new facility would support a diverse range of users and have the flexibility to cater for many different events at any given time.

The vision of the Trust and committee for the Balclutha War Memorial Hall Community Hub (*The Hub*) project is to:

- Provide an inspiring, inviting, flexible, multifunctional hub that meets the needs of the Clutha District communities now and into its future, put Balclutha on the map, and honour it's foundations as a War Memorial Hall.
- Be financially sustainable.

Methodology

This business case follows the Treasury Better Business Cases methodology and is organised around the five case model, to demonstrate that the new build option:

- i. is supported by a robust case for change – the 'strategic case'
- ii. optimises value for money – the 'economic case'
- iii. is commercially viable – the 'commercial case'
- iv. is financially affordable – the 'financial case', and
- v. is achievable – the 'management case'.

The purpose of this business case is to put forward to Council (*The Council*) and the Clutha District community a case that we propose is the best option for realising the vision of the community. The business case will outline:

- The case for change and the preferred option for meeting this
- Establish the best option that optimises value for money
- Outline the investment requirement and assess the associated risks
- Demonstrate the proposed option is deliverable

Financial

This business case considers the detailed financial information for the new build as the preferred option, including the highlighting of capital and operational costs with the facility build.

The projected financial information that is set out in the subsequent sections represents assumptions based on current market estimates, and information the Trust has gathered from broad market analysis. The initial financial scoping and analysis is based on the space scheduled developed in the high level concept floor plans from the Feasibility Study, and would be refined and enhanced during the more detailed design phase.

A primary objective of this project is to limit the financial impact to the local community over the lifetime of the facility. An initial focus for the trust is the ability to generate recurring revenue to maintain viability and meet budgets while remaining affordable and desirable. The ability to offset the costs to the community will further enhance the experience for local groups through access to modern resources that may otherwise be out of reach.

Strategic Case

The case for change

Introduction

This section outlines the strategic case for progressing the current hall facility into a multipurpose, community, business, and visitor hub.

The determining of the key community priorities has been an iterative process, whereby all the consultation with community stakeholders has refined the list of core components and key themes about the hall facilities and future potential over time.

To date community consultation has been collected from a range of stakeholders. This, along with the submissions to the Clutha District Council's long term plan, have been analysed to form a collaborative and exciting future vision. This vision has formed the basis of options considered in the feasibility study, and the recommended option put forward in this business case.

The vision and outcomes that this project has the potential to achieve economically, socially, commercially, and strategically for the community, aligns well with the long term planning and vision of the Council and the current regional development strategies promoted by government.

Community Consultation

During 2016-17 the Council undertook a consultation process to contribute to the Our Place Balclutha Community Plan, where turning the Balclutha War Memorial Hall into a rejuvenated community hub ranked the second highest priority for the community (the first being the entrances to the Balclutha bridge). Over 400 submissions were received. A community coordinating group was developed, and subsequently a Charitable Trust was formed to progress the project to the business case.

Table 1: Coordinating Group Structure

Clutha Community Hub Charitable Trust (The Trust) Governance	Balclutha War Memorial Community Hub (The Committee) Committee
Chair: Dale Anderson Secretary: Natasha Munro Finance: Rodd Pearson Trustees: Ken Payne, Russel Carr* Trust Advisor: Jim Johnstone * denotes deceased	Chair: Ken Payne Secretary: Sarah Van Asperen Members: Alison Ludemann, Carol Sutherland, Dale Anderson, Gwyn Stevenson, Jean Proctor, Lisa Watt, Maureen Renton, Michaela Groenewegen, Natasha Munro, Rachel Jenkinson, Rodd Pearson, Russel Carr*
Purpose: Governance role of project, long term ownership and management of the facility, oversight of progressing project through key trigger points with Council, including feasibility study, business case, design and implementation stage, funding avenues, gaining charity status, eventual transfer of asset from Council to the Trust.	Purpose: Community engagement, execution of key tasks outside the scope of governance, community funding, media and social presence in collaboration with the trust.

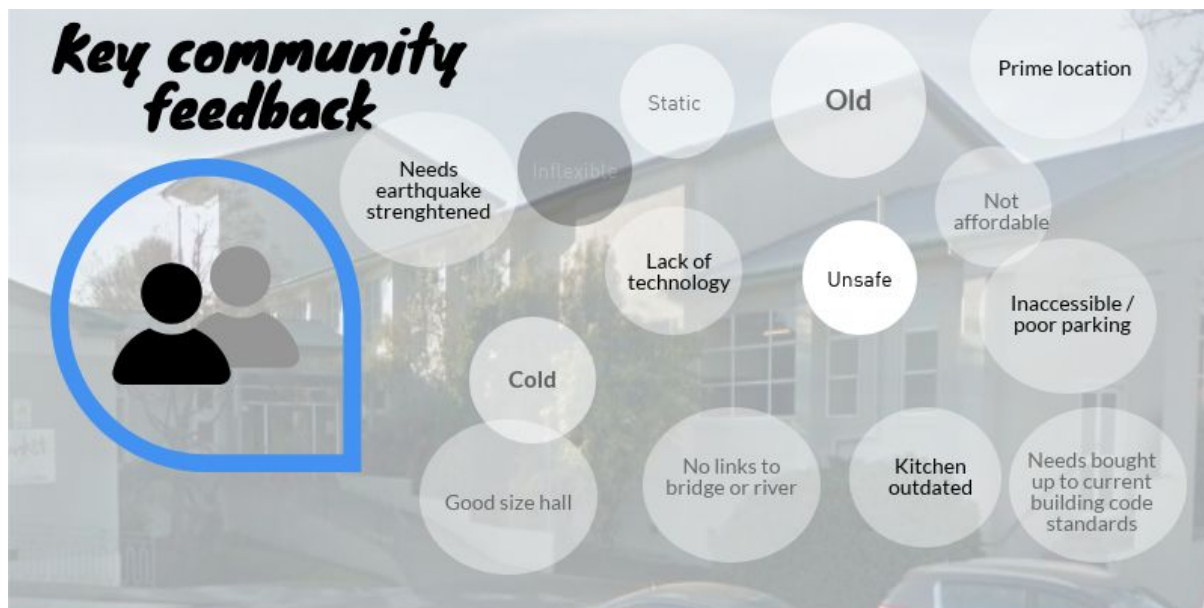
A terms of reference and a Memorandum of Understanding were developed with key reference points for the project between the Trust, the Committee and Clutha District Council. A key trigger point is the submission of a business case to Council. The current facility is owned by the Council, however, a key outcome is a successful transfer of the Council owned asset to our Clutha Community Hub Charitable Trust, owned and controlled by the community. The realisation here is that the long term operational costs of any option has to be offset by viable income streams, and the complex must be a self-sustaining entity.

Following the formation of the Committee, further community consultation was undertaken across the Clutha District. Existing leased tenants, ex-tenants, frequent users, casual users, and potential community users and tenants, and commercial businesses were all canvassed. The Trust and The Committee completed an overall analysis of key themes that highlighted the wider community perspectives and needs around the current Balclutha War Memorial Hall facility. The analysis delved deeper to establish the community's vision for the desired future facility.

This was also informed by previous wider and specific studies undertaken, including:

- Results Consulting- Scoping Document and Background Council Our Place Balclutha War Memorial Hall and environs redevelopment- April 2017
- South Otago Historical Society feasibility Study- Results Consulting and Philip Gilchrist Architect Limited

These perspectives were collated and analysed to give a list of non-negotiables, negotiable and potential uses for the facility.



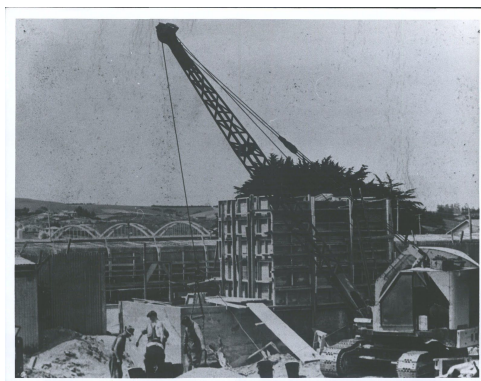
Feasibility Study - Summary

These results from the community consultation informed the vision for the space schedule requirements in the feasibility study. The Trust engaged OCTA Associates to undertake a feasibility study to explore the most feasible option to establish a multipurpose community and visitor hub on the current Balclutha War Memorial Hall site. See Appendix 1. Three options were explored as a minimum to meet the needs of the Clutha District community now, and into the future. The business case will provide alignment to their recommended option for change.

Balclutha War Memorial Hall - Current State

The key themes from consultation show the current hall facility is static, with many fixed features not realising their full potential to the community. The Trust acknowledges the previous iterations of the hall served the community well at a point in time. However the messaging shows that the hall is an underwhelming, under utilised core amenity that is no longer meeting the needs of the community.

The mission of the Committee is **“Inspiring the future by serving the present and honouring the past.”** The core aspect of this is that the existing hall is steeped in historical significance as a community built War Memorial Hall and any option considered will ensure that the war memorial prominence is maintained, whilst also meeting the needs of the community for the next 50 plus years.



Snapshot of current Balclutha War Memorial Hall facilities



FACTS

- ❖ Owned by the Clutha District Council
- ❖ Built in 1950-60s
- ❖ Located on the prominent corner of Clyde Street, Balclutha, State Highway 1 and Southern Scenic Route, next to the Clutha River and Balclutha Bridge
- ❖ 2 anchor tenants - Plunket, i-SITE/Clutha District Council service centre

<u>Floor area</u>		2016/2017 usage statistics	
Hall (Flytower, back of stage, kitchen & Somerville Lounge)	1186m ²	Income- facilities hire \$9090.00	
Hall foyer and toilets	90m ²	Hall	122/365 days hired
Former Council Borough Offices & Council Chamber (now i-SITE/ Council Service Centre, Plunket and static museum display)	328m ²	Sommerville Lounge <i>Note the hall/Somerville Lounge are not hired simultaneously</i>	28/365 days hired
Boiler house	40m ²	Council Chambers <i>Note: these highest tenanted facilities are no longer exist as they are a static museum room with no charge- resulting in a high loss of rental usage for meetings</i>	178/365 days hired
TOTAL AREA	1644m²		

Desired State - The Future

It is clear from the analysis that there is demand and support for a larger scale, multipurpose community and visitor hub, that will meet the needs of the community now and in the future.

The core components the community felt were important to be considered within the options considered for the hub include:

Non Negotiable	Negotiable	Potential
Hall- improved seating- raked, large capacity audience - 400+, tables	Gallery/arts space	Water Fountain
Stage- accessible and safe	Visitor Info Centre	Movie Theatre
Commercial Kitchen- well equipped	Retail Space	Children Indoor Play Area
Commercial tenatable and office spaces (tenants)- Plunket, iSite/Council Service Centre, new spaces for other businesses	Cafe / Food (Leased Space)	Teen Space
Kitchen Facilities related to Rental Space	Better visibility to Hall entrance	Cenotaph- relocation from current site to a memorial garden near the bridge
Space for War Memorial (Interior)	Flytower	
Toilets (disability access) and not entrance space	Museum space	
Heating	Chill out space	
Manager to operate the facility	Foyer	
Meeting Spaces (Small/Medium/Large all flexible spaces)	Lighting?	
Sound Proofing	Sustainable features- power, heating, (anything to keep the running costs sustainable)	
Sound System		
Lockable Storage		
Improved visibility of Facility (Entrance / iSite)		
Dressing Rooms- improved facilities, toilets etc		
Green Space		
Car Parking		
Technology		
Bar- flexible or static		
Advertising Space		
Encompass Bridge / River - linkages		

Business

The Trust intends to provide a facility that will be a catalyst to realising the objectives of current and future regional development strategies and stimulate district investment.

Initial analysis from the commercial and community sectors showed consideration needed to be made of:

- Poor connectivity and digital services, such as the lack of access to modern ‘plug in’ facilities, no fibre connectivity to businesses, and spaces to collaborate with others, especially small businesses and startups in the Clutha District.
- A lack of large conference spaces in the district.
- A shortage of consistent meeting spaces to book and of varying sizes for client or staff meetings.
- Lack of facilities to engage in the central position the Clutha District provides between Central Otago, Dunedin, and Southland.
- The insufficient availability of appropriately earthquake strengthened infrastructure and buildings for commercial tenants in Balclutha and the wider Clutha District.
- Commercial entities requiring street frontage or a central location for client access and visibility.
- Lack of parking and easy access for clients.

A consistent message we have heard from the local business community was an inadequate source of facilities to consistently meet even the primary requirements to meet and share information in the business sector. There is the potential to address the lack of infrastructure in the Clutha District through providing a facility that delivers modern, flexible business facilities and promotes the core values of networking, collaboration, innovation, business development and growth.

It is critical to the long-term growth of the district that we have facilities available to cater for the significant changes occurring in the rural sector. This is being driven by technology adoption to better manage productivity and minimise the environmental impact of farming intensification to meet both national and international demand.

The Clutha District derives a majority of its revenue from primary industries 44.4% of district GDP, with Clutha out performing both Otago and New Zealand on a per capita basis. With the prevalence of ‘Agri-Tech’ rising globally, New Zealand has seen a majority of this advancement being progressed outside of the rural areas it is targeting. These areas being seen currently as ‘consumers’ of the new technology with little ability to capitalise on this new avenue of growth directly associated. We see these advances being more effective being developed in the districts aligned with the technology. The key issue for Clutha currently being a lack of facilities in the district providing the spaces and connectivity required for modern business. The hub space provides the ability for these businesses to

communicate to the various sectors, as well as informing and educating from a central and prominent location from within the district.

Visitor

Currently only 3% (\$71million) of the Clutha Districts GDP is provided by Tourism. There is potential to grow tourism into being a significant contributor to the districts economy. The Council has identified in it's 2018/28 Long Term Plan the current forecasted tourist and visitor growth is set to increase annually by 2.4%.

These forecasts do not set targets. However, they show that with strategic thinking and planning, and with a sustained continuous effort, sustainable growth is possible within the Clutha District, and that this will provide for increased visitor expenditure, and more overnight stays. There is potential to grow a district wide approach to promoting tourism and visitor experiences and deliver this through the hub by:

- Providing a visitor experience at the only i-SITE in the Clutha District, that encourages visitors and tourists to 'stop, stay and pay' through strategies, such as:
 - Delivering i-SITE services from a modern visitor centre.
 - Showcasing a district wide video of the communities/heritage in the mini theatre.
 - Providing ample parking for visitors, buses, campervan and e charging stations.
 - Capturing buses that pass through (currently 1 bus per week stopping, used to be 4 per day) and giving them a reason to stop- e.g. cafe space, plug in/wifi facilities, retail space, indoor toilets.
 - Showcasing local art in the gallery space.
 - Providing quality, well-serviced indoor toilets in the facility.
 - Provide storage facilities including bikes.
- Encompassing *all* communities and promoting their unique heritage and place from within the hub.
- Capturing the high volume of Free Independent Travellers (FIT) to encourage them to explore and stay another night.
- Maximise the potential of the tourism growth forecast and supporting visitors to travel wider in the Otago region enabling regional dispersal, but also grow the Clutha District as its own distinct destination.
- Building strategic partnerships, such as the recent campaigns linked between Australian and Dunedin airports.

The predominant port of call within the district from a tourist perspective is the Catlins. While the Catlins community has done an exceptional job rightly promoting itself as a global tourist attraction, a key to this facility is the ability to drive further interest inland

and retain this audience to allow Clutha as a whole to benefit. This would occur through both the retention of the tourist traffic already occurring, and also by showcasing the historical significance, and unique features, currently overlooked in the district with many of our small towns having had an important role in the past.

By encouraging tourism and visitor growth across the whole of the Clutha District from the hub, it can directly benefit through increased expenditure across the whole community. Direct benefits include more jobs and increased productivity for local businesses. There is the potential to provide the means to regain support of operators in the district, and allow both national and international travellers to make more informed decisions, and increase interest into areas which are not currently seeing a significant number of visitors.

With the majority of visitors originating from New Zealand, as the Clutha District we have the opportunity to open a percentage of these visitors' minds to look into becoming residents. There is an average of 50 jobs listed on the district's Job Portal at any one time¹. Even if as little as 10% of these jobs were filled by new residents to the district each month, there is 60 people who may need access to office facilities. While the majority (32.9%) of employment in the Clutha District is within the 'Agriculture, Forestry and Fishing' sector, and 'Manufacturing' the second largest sector (16.9%), the need to accommodate partners who relocate to the district is essential.

There is an increasing number of jobs that offer employees the ability to work remotely, or from home. We believe that the future facility can support those working remotely, or those looking to start a new business venture to be a part of a co-working space, as well as meeting room facilities. Whether someone is in town for a day, week or a month, we have the opportunity to provide a space which meets all needs. The Clutha community supports all business types. From small to multinational, this is a facility that can be used district-wide.

Community

Small individual and isolated community groups run their own single premises, and are struggling to operate with all of the overhead expenses, and with an already stretched volunteer pool. The consultation and data analysis shows that there is definite need for affordable meeting spaces for community groups to book and also have access to storage for records etc.

¹ <https://www.cluthanz.com/jobs>

Early years support services

One of the key existing tenants is Plunket, which operates in a facility that does not meet the modern delivery expectations for them or their clients. They are delivering core services for under 5s and their family in the Clutha District, along with subleasing to other drop-in services for families.

Wider consultation with other services delivery agencies for children aged under 5 has indicated that a lack of accessible and affordable rental spaces, a lack of access to outdoor space, and a lack of accessible parking for clients is a challenge for some groups.

The importance and investment of the first 1000 days of life has been shown as producing better economic return later, and better community wellbeing outcomes. There is definite interest and willingness to explore the potential to provide a space within the hub that caters to the social, health, and educational needs for families in the district to better deliver that supporting village. This is important in the Clutha District, given the vast size and the smaller population base resulting in more people being isolated. These can be shared spaces such as utilising clinic spaces, meeting spaces, a shared play space and changing/feeding facilities through a booking system, and has the ability to create its own hub aspect within the wider hub facility.

Arts

The Clutha District has an exceptional arts community covering a wide range of disciplines. While a number of individual areas have great facilities to meet the needs of the local artists there is concern like many other community groups around upkeep of the facilities and limited numbers able to contribute to such, a key aspect also missing is a space to promote and showcase the districts artists that is easily accessible to the public.

The consideration of this community within the new facility will allow the districts artists a high traffic, highly visible space to display their works while also allowing the local public easy access to experience a wide range of media.

Theatre

A cornerstone of the existing facility has in the past been the theatrical engagement. At its prime the hall saw numerous national and international shows and productions frequent it alongside many local counterparts.

A primary goal of the options considered was a reintroduction of this significant asset back into the community being at a level to pique the interest of the larger touring groups, once again providing the potential to make these larger cultural performances easily accessible to the Clutha District.

The space would also allow for significantly more configuration options meaning it can more than meet the requirements of a larger touring company while still providing an intimate space for local productions catering to a smaller audience.

Historical

The current facility conceived in 1948 and completed in 1962 was built by the community as a War Memorial Hall, and contains a memorial area in the current i-SITE entrance, with limited context to the significance of this display. Currently, part of the memorial acts as a thoroughfare to the museum display. Any future option for the facility would need to incorporate this memorial prominently in the design feature, as well as providing a space to tell the contextual stories of these local people.

The South Otago Historical Society already has a presence in the current facility, and we see this relationship providing mutual benefits going forward. Any new option would need to integrate space that enables showcasing of items and information of local historical significance, to help tell the story of the districts past, and provide further insight into local culture. This space would provide an opportunity for visitors to understand the stories which tell the history and culture of the Clutha District, enable the local iwi and tangata whenua to share their kōrero tuku iho, and to be a conduit to the heritage places and museums across the district.

There is no facility in the Clutha District that allows for small, flexible and interchangeable displays, based on local historical stories, travelling exhibitions, or access to the Otago Museums resources. The ability to rotate exhibitions ensures that there is ongoing engagement and interest in the facility.

Part of the consultation indicated that the public supported the relocation of the existing Cenotaph, which is currently located on an unassuming road corner intersection and grass verge on Renfrew Street, Balclutha. An assessment of the condition of the Cenotaph has been undertaken on behalf of the Council indicating this could be moved successfully and restoration work completed at the same time. For the design concept, a movement of the cenotaph to the garden area between the hall and the bridge, is to be considered as part of this project. Here a memorial garden could be integrated in the green space to give it a more prominent location. This idea is supported by the South Otago RSA. Any funding required to this would be considered as an additional project alongside this hall project.

Other opportunities to integrate historical aspects of the existing hall facility into future options for the hall would be considered in the Stage 2 design phase, for example timbers in the existing hall.

Sports

We see the Cross Recreation Centre as being a significant community asset in regards to sports within the District and intentionally did not want to provide facilities directly competing with the core sporting services they provide. The only consideration in this area was to try and meet the needs of the existing community groups hosting events within the current Hall, predominantly being South Otago Indoor Bowls and South Otago Small Bore rifle club. Any future option will provide synergy with the existing sporting facilities, and could support future events being held in the district that requires a volume of indoor space.

Other Considerations

- Library- full inclusion
- Inclusion of the South Otago Museum

Adequately providing the needs and footprint for either of these facilities would have removed the ability to deliver on the objectives set out by the community consultation. Therefore allocation of space to meet the requirements of full library and museum facilities was removed from the schedule early in the feasibility process.

Multipurpose Community Hub - Vision

This section will explore the vision and strategic aims of the Trust based on community wants and needs, and shows strategic alignment to regional plans and strategies set by the Council to:

- Make our neighbourhood a great place to live, work, play and visit.
- Provide an inspiring, inviting multifunctional hub for business, visitors and the community.
- Promote regional growth, and catering to the challenging and changing needs of the wider Clutha communities now, and into the future.
- Honour the foundations of the existing facility as a War Memorial Hall.

The trust's strategic goals include:

- 1. Develop a multipurpose facility that meets the community needs now and in the future.**
- 2. Be financially sustainable.**

Strategic goal: Develop a multipurpose facility that meets the community needs now and in the future.

The consultation has shown how the existing facilities do not meet the immediate needs of the wider district, they are inflexible and generally inhospitable. When the war memorial hall was originally delivered to the community in 1962 it was a place to be, the centre point of the community where you looked forward to heading to, generally experiencing something exciting and engaging. With the slowly evolving needs of the community and the building itself not moving with the times the shine is lost.

The Trust want to bring that place back to the community by providing a facility that attracts the interest of the professional touring groups of the past but is once again a facility you **want** to visit whether its to enjoy or partake in a local schools event, dance, local theatre, school ball, present a board report or inspire the community with a TEDX presentation, a place that inspires on every touch point at every age.

While the existing facility has a significant footprint and available space it is not usable. We want to deliver a space that not only meets the existing community needs but provides for a wider audience allowing more groups to be involved, the facility also supporting the ability to host multiple events simultaneously adding to the vibrant atmosphere of the collective space.

The trust envisage there will be wider outcomes we are trying to promote within the concept of a multipurpose hub that will have positive benefits and long term impacts on the community and wider Clutha District.

The hub will:

- Be a place to promote and grow collaboration and cohesion across the Clutha District.
- Be the place to make links, connections and build networks for community groups, businesses, education, heritage, historical, health, culture and tourism.
- Be a centre point to promote local heritage, arts and culture and be the conduit to other key community assets and areas.
- Be a conduit to visitors to the region to stop, stay and increase visitor nights across the region
- Promote the primary industries that make up our local economy/jobs
- Be a place to be deliver services to clients in an integrated, collaborative way for children and whānau.

- Be accessible and affordable to all community users.
- Be a centrally located business hub of the district.
- Be a focal point for the cultural and arts aspect of the community.
- Promote the growth of the region by delivering services that support the principles outlined in the living, working, and investing in the district strategy.
- Support the Council's LTP goal of investing in infrastructure in the district to promote economic growth.
- Deliver core Council services to the Balclutha community and wider district.
- Be a place for businesses to promote and use technology to link communities within the District and to other regions.

Links the project has to district, regional and national strategies

These outcomes align well with the core Council goals and outcomes as indicated in the Long Term Plan 2018-2028 (LTP) for the Clutha District. These include:



Two key Council priorities in the LTP for the Clutha District are:

- Facilitating growth
- Living and working in Clutha

The Council has identified challenges that the Clutha District faces over time, and some of these are responded to through planned strategies in the annual plan, and the 'Economic Development' and 'Living and Working in Clutha' strategies. These challenges are significant in the Trust's reasonings underpinning the vision.

Some of the relevant challenges identified in the LTP include:

- *Changing communities*
 - The population across the district is forecast to remain static until 2028 (approximately 17,500), then a gradual decline to 2048.
 - This decline is linked to an ageing population, where in 2013 people aged over 65 made up 16% of the population, and this is forecast to increase to 33% in 2048.
 - This compounds the issue of the proportion of people in the age bracket of 15 to 54 years who are forecast to decline from 63% to 50%, thereby having an effect on the make up of the districts workforce. The 2 Council strategies are focused on increasing the workforce.
- *Tourist and visitor growth*
 - Increase in visitor growth, placing demands on districts infrastructure.
- *Changes in technology*
 - The trialling of new and advanced technology is advantageous on a small scale in the District.
 - Council wants to promote the use of energy efficient technology.
 - The Trust view the opportunity to integrate energy efficient build methods and heating and facility infrastructure into the recommended option, to better understand efficiencies available to ensure the offset is for affordable facilities for community groups.

A summary of some of the strategies and actions the Council identified in the LTP (pages 81-96) to promote Living and Working that clearly align to the trust's key outcomes and vision and that would support the long term growth and viability of the facility include:

Council outcome	Activity Group	Actions
An economic environment that encourages growth in a way that sustainably supports the community	Economic and Community Development	<p>ECONOMIC DEVELOPMENT</p> <ul style="list-style-type: none"> • Contribute to business support services • Identify needs and help growing sectors develop e.g. tourism sector • Facilitate and support industry hubs/ networks/ clusters • Facilitate business support services • Facilitate tailored development programmes for the primary sector • Facilitate the promotion of events • Create a coordinated marketing strategy for the district. • Develop an Events Strategy for the district to focus on attracting residents and visitors • Support and facilitate group initiatives within communities such as cycle trails, wetlands and community facilities. • Support the development of job and training opportunities • Invest in attraction and retention of people in the workforce • Develop a Live, Work and Invest in Clutha promotional tool and website. • Develop Clutha District as a destination <p>COMMUNITY DEVELOPMENT</p> <ul style="list-style-type: none"> • Engage with communities on local community initiatives • Foster partnerships that facilitate better access to health and education services • Support community beautification projects • Investigate opportunities to utilise empty buildings • Promote and develop pride in the Clutha District

The hub concept aligns directly with the Clutha District Council's key goals around economic growth and its aspirations to promote the district's potential as an attractive place to live, work and invest. These strategies are responding to the demographic challenges the district faces (in particular an aging population and gradual population decline in some areas); the challenges of finding and retaining skilled workers; people struggling economically and facing social isolation due to the relatively vast unpopulated nature of the district.

This project aligns directly to outcomes the Council is promoting through its strategic goals, planning, and implementation strategies. Relevant outcomes include:

- An economic environment that encourages growth in a way that sustainably supports the community.
- Community facilities that sustainably benefits users and the wider community.
- A safe and supportive community.

This project links to the Provincial Growth Strategy in that it is seeking to ensure that the people living in the Clutha District can reach their full potential by helping build a regional economy that is sustainable, inclusive and productive.

At the time of writing this business case, a regional Otago plan was in the final stages of being signed off, as a collaborative set of goals for the whole of the region. It focuses on the region's people, communities, and environment, with an aim to improve wellbeing, create a vibrant region while sharing expertise and skills across the districts.

Strategic goal: Be financially sustainable

Part of this project is based on the Terms of Reference and MOU principle that this facility will be transferred from Council ownership to the community via the trust. The economic case is a major consideration for the trust when exploring the most beneficial and sustainable option for the trust to own and operate on behalf of the whole community.

Key considerations include:

- The project is rates neutral
- Ensuring the facility is affordable for all community groups to utilise as current suggestions that many siloed community groups cannot afford to run their own premises and that their core committees are dwindling in numbers.
- Ensure there is a revenue stream that allows for the hall facility to pay for it's own costs without seeking financial operating contribution from council in the longer term.
- The design concept utilizes sustainable design features to help offset the costs of the hall operating costs, such as through sustainable heating options and energy efficient lighting.

Having looked at recent builds within the wider region there was a significant recurrence of the spaces available not meeting the local demand and therefore limiting financial viability long term. One of the initial goals was to provide a significant component of reconfigurable space that would be utilized by local commercial entities to provide recurring revenue, but having this onsite also meant these resources were available to local community groups, the traffic brought in by both parties being mutually beneficial.

Project Links

This project, is one of many being implemented in Balclutha to enact the regional goals/strategies of the Long Term Plan.

Other projects with direct links to this project include:

Walking and Cycling Linkages around Balclutha and links/connections to neighbouring communities.

Residential development - Plantation Heights

Industrial development - Rosebank

Main street - upgrade

Naish Park - Walking and cycling track

Concept Summary

This unique, once in a lifetime opportunity to create a hub is a real opening to not only reintroduce a common meeting point the community is proud of, but deliver services in a different and more collaborative way. This project is one of a number of projects that can work towards providing community cohesion, promoting a space to network, link and build relationships across communities and the district. It is an opportunity for our district to pull communities together and to show this is a place to live, work, play, and experience modern user friendly services and facilities that promote a sense of community pride and growth in the Clutha District

The very backbone of economic growth.

The strategic case has highlighted the community perspectives and shown the vision for providing a multipurpose community hub, including to:

- Inspire the current population and the next generation through wider access to arts, theatre, culture and local heritage.
- Enhance community wellbeing through providing spaces that are safe, promote inclusion, provide a sense of belonging, and enable building of partnerships between our children, families and the whole community.
- Enhance community pride and cohesion by delivering a centralised point to experience and celebrate the diverse cultural background of our district and through general day to day interaction within the space.
- Enable the local tangata whenua and iwi to share their own kōrero of the district, their role in being kaitiaki of the Clutha River / Mata-Au, and providing links to the river.

- Drive economic growth by providing essential infrastructure to deliver modern business, and attract and retain new businesses to the Clutha District.
- Increase visitor expenditure and engagement in showcasing the Clutha District as an attractive place to live, work, invest and play.
- Provide an innovative, state of the art facility enabling new and existing business development to share an inspirational environment of collaboration and networking.
- To increase the visibility of the Clutha District to attract new residents and new business.
- Create a high quality, core amenity instilling a sense of pride in the community encouraging engagement, and creating stimulation for delivering other high quality experiences.
- **Deliver a sense of what is 'Clutha'**

Economic case

Optimises value for money

Options Assessment

The economic case was a key consideration for the trust when putting forward an option that will provide the best value for money for the Clutha District community/ratepayers, as well as meeting the vision of the community.

The options assessment process as summarised in sections below involved:

- Developing from community consultation and the trust's vision, a list of negotiables/non-negotiables/potential spaces to be included in a multipurpose community and visitor hub. Then sharing these with the architect/project manager during the feasibility stage to create space schedules, and developing a range of options to best meet the vision of the community and trust.
- Determining the capital costings of each option by a Quantity Surveyor in the feasibility process.
- The trust and committee assessing options 1, 2 and 3 against set criteria as summarised in the options analysis table, to determine the preferred option that best meets the objectives within the assessment criteria.
- Determining the preferred options configuration, analysing the benefits- both direct and indirect against the vision of the trust, and determining any risks.

Assessment Criteria

The purpose of including the trust's strategic objectives is to provide a set of criteria of which to evaluate each proposed solution against in order to determine the preferred option. The Trust's strategic goals include:

- **Developing a multipurpose hub that meets the needs/vision of the community**
- **Being financially sustainable and optimises best value for money for the community**

The criteria used to evaluate each option include:

Criteria	Key objectives
A multipurpose hub that meets the needs/vision of the community	<ul style="list-style-type: none"> Meets the minimum space requirements set out in vision Efficiently meets the needs of the community now and in the future
Financially sustainable and optimises best value for money for the community	<ul style="list-style-type: none"> Capital building cost optimises value for money The potential operating income in order for the operating costs to be offset, have long term contingency funding for maintenance/ investment and ensure the community will always have affordable access to the facility

The Options:

The three key options explored within this business case and feasibility study, include:

- Option 1: Refurbishment to address compliance
- Option 2: Redevelopment utilising existing structure.
- Option 3: New build

The capital costs per option as determined within the feasibility process include:

Table : Capital costs per option (Source- Feasibility Study, page 44)

CAPITAL COSTS PER OPTION

The capital costs of each option were discussed in Section 6. The following table compares the relative costs between each option.

Rough Order of Costs

	Option 1	Option 2	Option 3	Difference between Option 2 and Option 3
	m2	m2	m2	
GFA	1644	3307	3052	(255)
	\$M	\$M	\$M	
Construction Cost	3.8	13.9	*14.6	0.5
Landscaping, Siteworks, etc	0.0	0.8	*1.0	0.2
Contingency @10.0%	0.4	1.4	*1.6	0.1
Professional Fees @17.5%	0.7	2.8	3.0	0.2
Temporary Facilities	0.0	0.3	0.3	0.0
Projected Project Total - \$M	4.9	19.3	20.3	1.0

Note that the cost of relocating the Cenotaph and Carparking to Charles Street Reserve is excluded from the project estimates.

**Note effect of "Rounding".*

Included in Option 2 and 3 above is an allowance of \$258,500.00 for rented temporary facilities on Charles Street Reserve for Plunket and i-Site (this includes rental costs plus contingency plus Professional Fees).

A cost that was not included in the capital cost total- was earthquake testing across the site, as this is a significant undertaking and would only proceed if the recommended option is implemented.

The Clutha District Council have indicated that the 2 key tenants: Plunket and ISite/Council Service Centre needing temporary facilities would be a cost covered by Council, so this indicative costing would be removed from options 2 /3 as allowed for by OCTA in their capital costing model.

The trust and committee undertook an options assessment exercise to determine which option best represented the criteria of the aims and objectives of this project. The trust evaluated each option against the options assessment criteria and the main conclusions are summarised under each heading.

Options Assessment

Description	Option 1:	Option 2:	Option 3:
Meets communities needs/vision	No	Yes	Yes
Best value for money	No	No	Yes

The preferred option for the trust that meets the communities needs, vision and provides best value for money is option 3, a new build. This aligns to the recommendation of the feasibility study.

Option 1: Refurbishment - To Address Compliance

This option was ruled out during the earlier phase of the business case and the feasibility process due to the misalignment to the objectives, aims and vision of the trust in creating a community hub to service the community's needs now, and in the future.

This option requires significant capital investment **\$4.9 million** from Council in order to bring the existing facility in line with current building code, without providing any additional enhancements to the current infrastructure to meet community aspirations as stated in the vision and objectives of this project or the ability to generate additional revenue to cover the capital costs, and ongoing operational expenditure. The income

would not offset the costs to maintain this facility into the future, therefore, another option would be need to be considered within the short term.

Aspects that were considered within this option included bringing all areas up to 100% NZ building code just to make safe for public use. Considerations included:

- Seismic strengthening, including <20% NBS
- Fire systems
- Disability access
- Toilets
- Non compliant areas for public use- messaine gallery, stage height etc., non compliant basement- head height access

Currently, there is huge inflexibility with the current hall space and the majority of the facility only been able to service a single event at a given time. One of the most utilized spaces was removed - the council chamber meeting room and is now utilised by the museum for a static pop up display, that is free of charge.

Option 2: Redevelopment - *Utilising Existing Structure*

This option was eventually ruled out, as it did not meet the criteria for best value for money

The Hall itself was the only portion of the facility deemed by OCTA as viable to maintain and with the cost - \$19 million, only just shy of a full redevelopment the savings were outweighed by a number of factors.

- The long term durability of the build with the new areas having to tie into the existing external hall structure.
- The rest of the facility lost some portion of optimal placement with the Hall residing in its current location on the section.
- The atrium space while significant lost potential usability over Option 3 due to its non linear nature and disjointed connections to the various spaces. We saw this limiting the adoption of the area as the intended core gathering point of the facility and its ability to further community interaction.
- While OCTA determined this option met the space schedule requirements of the trust, therefore met the vision of the stakeholders, it was achieved through having the largest floor area of the 3 options at 3307m². This results in a reduced potential to optimize the build during the design and procurement phase when compared to the new build option
- The build contingency risk is increased because you are still using part of the 'old shell'.
- Provided a barrier to pursuing a number of funding options.

Option 3: New Build

As determined in the options assessment- this option is the recommended option and emphasises best value for money.

A new build optimises value for money through:

- Efficiency of space
- Greater potential to reduce realised capital costs
- Lower build contingency risk with the use of new and modern building products, and modern build technologies.
- Longevity of a new facility for the community- reduces the risk to the community when compared to maintaining a long term facility that is not new build
- Meeting the community's vision for a multipurpose community, visitor and business hub.
- Allows for a higher utilisation of the space.
- Minimal additional expense at \$20.0 million when compared to a partial rebuild around the existing facility projected to be \$19.0 million

The contributing factors are outlined in the benefits analysis below

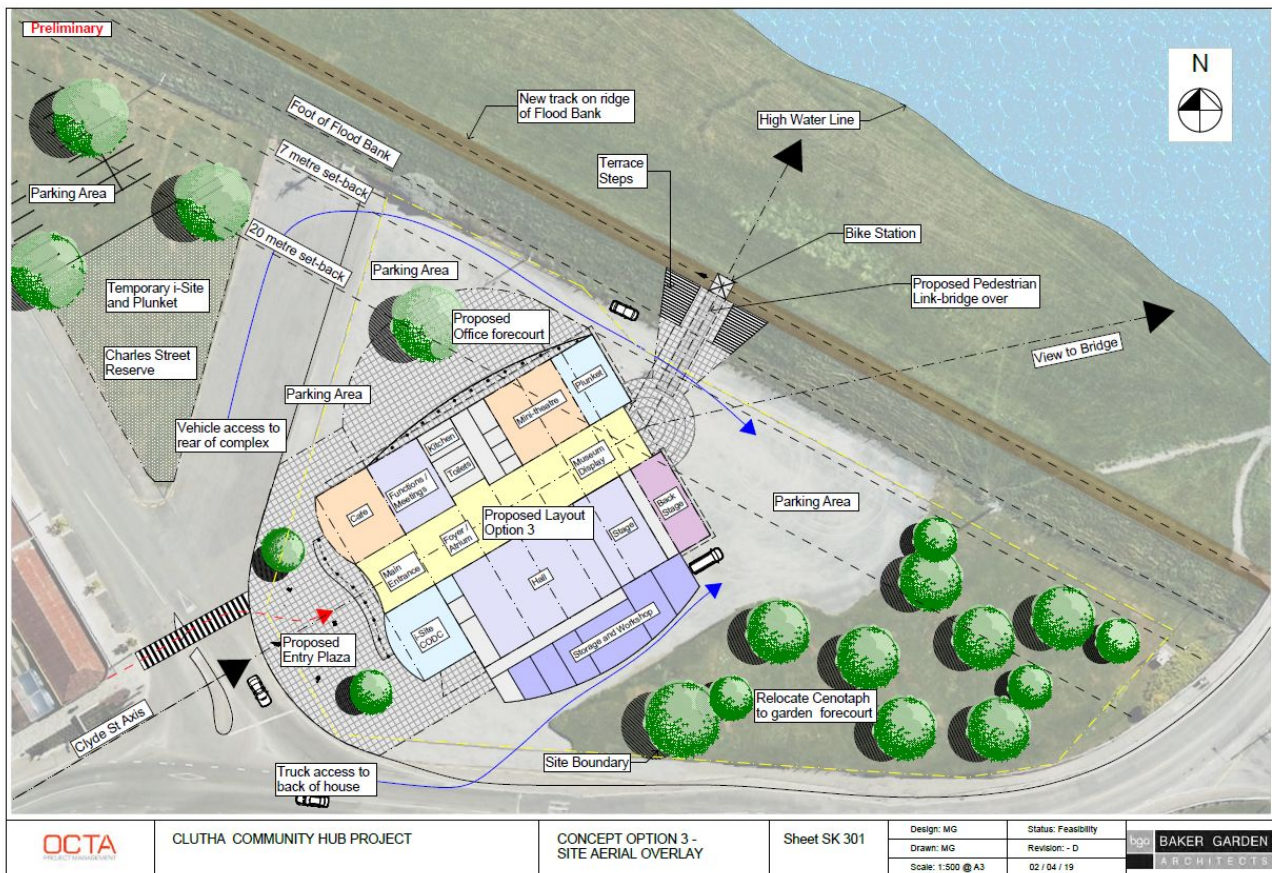
New Build Configuration - *Conceptual Bulk and Location.*

The following presents an indicative configuration of a new build option for the Clutha Community Hub, this is currently presented based predominantly on bulk area requirements to satisfy the communities feedback and the projects long term vision. The final design would be shaped and refined through phase 2 of the project to better reflect what is Clutha and optimise the outcome for all parties involved.

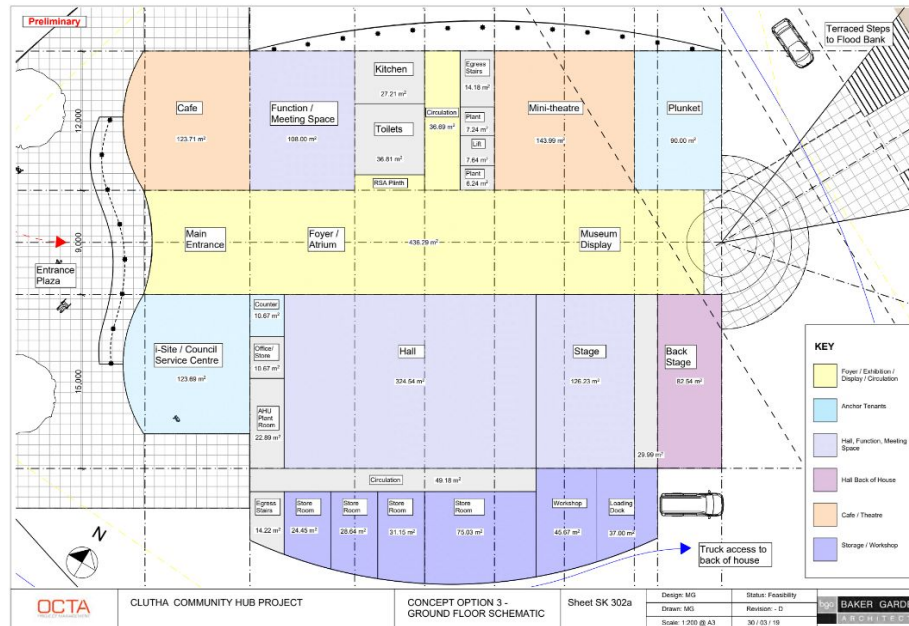




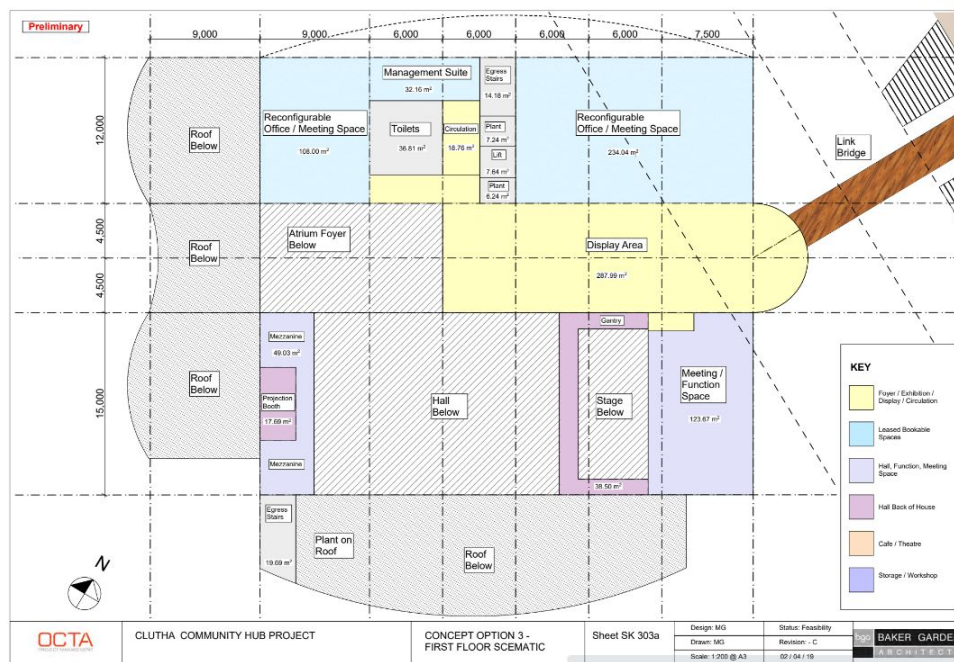
Possible Site Plan - Artist's impression



Possible Ground Floor Plan - Artist's impression



Possible Second Floor Plan - Artist's Impression



New Build Configuration

The possible core components that have been included in the architects concept impression plans for a new build and encompasses all of the minimum space requirements as defined by the trust for a multipurpose hub. The configuration as per the plan includes:

Utilising existing site Utilise existing Balclutha War Memorial Hall site

- Provides terrific rural and urban views and easy access to the Clutha River Bridge and the river itself.
- Located at the junction of some key roads, including State Highway 1, the Southern Scenic Route, and Balclutha's main street.
- Centrally located between Southland, Central Otago and Dunedin, and just 45 minutes from Dunedin International Airport.
- Links directly to other community enhancement projects including the Clutha Bridge entrance upgrade, cycling and walking trail developments, and urban streetscape improvements.
- Relocates the Balclutha Cenotaph into a more prominent location by creating a memorial garden between the hall facility and the bridge.
- A central front plaza area would provide a visual draw to the entrance area, and also provide a sunny, sheltered place for people to gather, sit and access the facility.
- Parking- the proposal includes improved parking facilities for visitors, residents and tenants.

Auditorium

- 400+ capacity raked seating that is flexible to the audience size, easily stowable/reconfigured, with storage at rear, under fixed compliant mezzanine floor (with external access)
- Flat floor area including stage that includes capacity for indoor bowl requirements, sheep shearing, and other current user requirements
- Theatre technology: Sound system, projection booth, gantry access to stage, lighting and set etc to meet the requirements for external professional theatre and music companies
- Easily constructed low stage for users who require a raised platform
- Storage for community group equipment
- Backstage- dressing rooms, with toilets, storage, set storage
- Meets a range of stakeholder requirements and future possible uses: Theatrical society/travelling theatre shows; indoor bowling space requirements; educational performances; conferences;
- Less natural light - A prerequisite for providing an optimal theatre experience.
- Sustainable heating

Reconfigurable Offices & Tenanted Spaces

- Business hub space - reconfigurable office spaces upstairs that provides a range of configurations to meet the needs across the board from startup to the large multinationals with a presence in the Clutha District.
- A possible cafe or other retail space- taking advantage of prime front facilities to cater to the community, visitors and business community, and providing a space for people to stop and spend money.
- Seminar/function spaces that cater to different size requirements with flexibility to be shaped into different sizes by using R rated concertina walls and doors, and at different levels in the complex- river views or street access. They can be integrated with the hall and used for seminar/ breakout spaces
- Inclusion of a mini theatre (20-50 pax capability) that can be used to deliver promotional videos of the region to visitors, that links the unique features on offer across the District, hired to show movies; or screen used to present to smaller groups.

Community Services

- Plunket - as an existing tenant there is an opportunity to provide more centralised and integrated service delivery for children and families under 5s. There is discussions with a range of stakeholders to make efficient use of space including, clinic rooms, offices, centralised play space for Playgroups
- Council Service Centre- this is currently integrated in the service delivery of community services from ISite team. There is potential for this to be delivered separately from I-Site tasks.

Tourism

- Dedicated space for the current iSite facility but modernised to deliver an enhanced visitor experience that aligns to modern ISite objectives, providing a conduit to the wider district communities.
- Provides a direct internal link to the river bank to view the river/ bridge/cycle/walking trail via a bridge concept onto second floor
- Potential to deliver promotional videos showcasing the wider Clutha District from the Mini Theatre
- Potential for visitor cycle and gear storage within the facility
- Dedicated camper and tour bus parking providing safe access to the facility

Atrium Space

- Provides a central entrance and circulation space
- Being a simple linear space through the centre of the facility it not only provides a direct connection from the town centre to the river it delivers a highly useful space for - retail spill, tourist use, markets, functions, theatre overflows, local cultural festivals and events, and direct links to the cycle and walking trails projects.
- Prominent space to locate the War Memorial monument from existing facility
- Device charging points installed in convenient locations throughout the atrium area and free wifi access throughout the complex.
- Natural light

Sustainable Features

- Heating - utilising a modern, sustainable heating system for the whole facility (reticulated river water or wood chip boiler heating - possible sustainable solutions the heating engineer suggested)
- Type 2 EV charging facilities at minimum
- Other opportunities to use sustainable features will occur in the design stage

Other

- Commercial kitchen - separated from the hall, so other spaces in the facility can also utilise.
- Toilets- inside facility rather than externally, to draw people into the facility (the 24 hour access toilets are replaced by destination toilets in the Plaza area in the middle of town)
- Bar facilities - integrated into any space by a flexible drinks serving system
- 100% compliant building
- Cenotaph- relocate the Cenotaph from Renfrew Street to a memorial garden by the bridge (would be a separate project with additional funding).
- Overall design concept: links to natural environment of Clutha District; links to streetscaping
- Parking- increase and better marked parking facilities for visitors, community and tenants from corner of grass triangle to behind hall in existing parking.

Temporary option for permanent tenants

- Part of the capital costs includes an allowance for utilizing portable buildings on the grass triangle on the west of the site to house at least 2 permanent tenants- I-Site/Council Service Centre and Plunket. An allowance for accommodating the needs of some new potential tenants through the construction process has been made.

Benefits

There are a number of benefits both direct and indirect for a new build option. These align to the outcomes of the district, regional and central government strategies for promoting economic growth, enhanced social cohesion and supporting community wellbeing, that this project is aiming to achieve for the community.

Direct Benefits

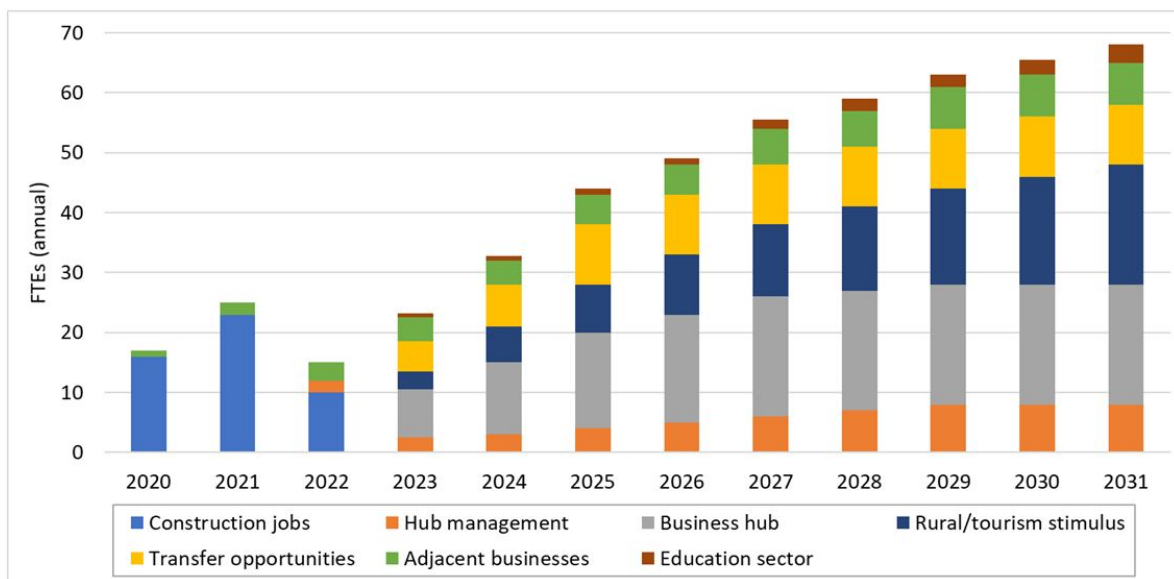
Economic stimulus/impact

- Job creation
- Increased visitor expenditure

Job creation

Through the focus on the hub being a place that stimulates wider district economic activity through the business hub and tourism, this has been reflected in the job creation forecast over a period of 10 years. From the construction phase to a fully operational business, community and visitor hub, these numbers based on the initial concept plans in the feasibility study.

Additional jobs supported by construction and operation



Job type	Description
Construction	Directly employed during construction phase; also supply & support roles.
Hub management	Manager & Tech Support, Grounds & Maintenance, Café, Event Management
Business Hub	New jobs enabled by provision of high-quality, leased office space (new or existing businesses are able to expand or develop new niche roles).
Adjacent Businesses	Staff employed by neighbouring businesses, due to additional hub activity (e.g. Hotel South Otago, Supermarket).
Rural/Tourism stimulus	<ul style="list-style-type: none"> New rural-sector jobs due to hub-based activity (advisory services, meeting places, increased collaboration with stakeholders) New tourism-related jobs due to greater visibility of, and improved links to regional scenic attractions (Tourism ventures collection base)
Education sector	New jobs enabled through partnerships with Telford and/or external tertiary education institutes (e.g. SIT, Otago Polytechnic).
Transfer opportunities	Existing agencies transfer to the hub, opening up retail space elsewhere, allowing for additional jobs in the vacated space.

Indirect Benefits

- Modern business environment to drive economic stimulus through collaboration, innovation, cohesion, networking, job creation, and employment attraction and retention.
- Increased number of new businesses engaging in District
- Increase in tourist engagement
- Stimulate investment in existing buildings
- Stimulate local business ventures
- Increased productivity in primary industry
- Positive impact on GDP
- Stimulate other investment within the district.
- Set a benchmark for other redevelopment.
- Inspire and motivate the district.
- Provide a platform to drive tourism into the wider district.
- Showcase what the district is and stands for.
- Enhance community wellbeing, sense of belonging, connections, identity.
- Being a new build there is minimal risk associated with the longevity of the structure and it allows for a high optimisation of space.
- Provides a synergy to existing facilities in Balclutha and wider Clutha District, making it highly flexible

Disadvantages

- The timeframe in which the facility is unavailable during the build phase.
- Inability to leverage previous community effort through not reusing any of the existing facilities structure in the build phase.

Operational Management

The trust considered a number of options for the operational management of the facility. Due to the multipurpose nature it is considered that an operations, facilities manager is employed for managing day to day activities and tenants, grow the facility and meet the strategic goals of the trust.

Technical capability would be contracted to manage the facilities infrastructure on an on call basis. This would also be the case for management of the Theatrical components which is a specialised role in itself. There is an opportunity to have this provided from suitably qualified people within the community.

Facility Ownership

Council

The terms of reference of this project were based on the premise that a transfer of ownership of the buildings would occur from Council to the community owned Clutha Community Hub Charitable Trust.

GOVERNANCE	MANAGEMENT
Clutha Community Hub Charitable Trust	Employed manager

Operating Hours

The facility would have 24 hour access to key tenants - via alarms/ fob access, and would be managed by after hours security. It is projected that, at full capacity, the facility would be open publically from **8am to 10pm, 7 days per week**. Operating wages have been projected to allow for this time.

We intend to engage with Council and the Clutha Licencing Trust to work through regulatory requirements and considerations to further the potential of ad hoc events operating outside of this window also.

Commercial Leases and Agreements

There will be initial Memorandum of Understandings drawn during the Stage 2 of the project. This is to outline the commitment agreements from key stakeholders, and to support early engagement in the design process to get optimal user input into the design phase.

Lease agreements will be drafted once the terms of the lease are mutually agreed upon with the respective parties.

Operating Costs

A projected summary of the estimated costs to operate the options 3, and the expected revenues are provided in the following table.

The projected financial information that is set out in the subsequent sections represents assumptions based on current market rental estimates, and information the trust has gathered from broad market analysis. These involve risks as variables to the forecasted income and expenses expenditure plan, may differ from the actual financial performances, as events and cannot be entirely predicted accurately. Adjustments would be made accordingly as regular monitoring and projections can be adapted.

Numbers are based on a lower participation and engagement in the first year and growing from there. The numbers are also based on the provision that the Council has transferred ownership of the asset to the trust to allow for the development of the new facility. The estimated operating costs are based on estimates from other like facilities, assuming the facility is owned and operated by the Trust.

Usage Projections

These predictions are based on current market rates both in Clutha and outside with adjustment based on meeting the local market.

The total revenue potential is realised on a maximum of 80% utilisation based on the turn around time to reconfigure spaces with minimal staff to limit costs, exit and lead times of larger shows, and the time to drive adoption through the district realising the opportunity within the space and ongoing marketing gaining traction.

Revenue Sources

The following revenue predictions are based around a number of assumptions and have been derived from a wide range of national sources, these have been outlined below.

A key premise is that the combined efforts of the current regional *live, work, play* strategies, the upcoming tourism strategy, and the facilities own marketing result in growth and retention to allow the 80% utilisation to be realised. Based on the engagement so far with no public visibility we believe there is every chance this is an achievable if lofty goal.

The retail spaces are currently targeting the high end of the spectrum within the Clutha District, however we believe it's realistic given the level of facilities, the location, the managed environment and traffic potential of the space.

The Seminar and Function facilities are aimed at the lower end of the market New Zealand wide and within line with the current facilities rates, the day rate being \$400, while still offering the benefits of the modern facility. This is to drive adoption and still make it within reach of larger community groups.

The Hall / Theatre space is currently projected only using the existing day rate of \$300, further engagement with the professional market in the next phase will allow us to further refine the commercial rate and obtain indicative show frequency.

The reconfigurable space is working around a conceptual layout that fits within the space providing offices, fixed desks and hot desk options at various price points based on Petri Dish and Innov8 models at ~ 15% reduction in price to incentivise working within the district.

The conceptual layout included:

- 4 Offices.
- 2 Meeting spaces.
- 10 Permanent desks.
- 6 'Hot' desks.
- 4 Ad-hoc desks.

We see these figures being adjusted as things progress through the next phase and key parties are finalised. This is to not only make sure the figures stay accurate but we want to work on further models to allow better access to the facility for the community as a whole.

Financial Schedules

See **Appendix 3** for a full set of Financial Schedules

Schedules provided include:

- Forecast Assumptions and Risks
- Forecast Capital Build Costs
- Forecast Funding
- Forecast Statement of Financial Position by year
- Forecast Statement of Comprehensive Revenue and Expenditure by year
- Forecast Schedule of Returns per m2

Forecast Assumptions:

The below reflects analysis done post the feasibility study and therefore will show some variation. We expect this to evolve as we work with partners to deliver the project.

Build Costs:

- Pre-feasibility work - 1 month
- Feasibility study - 2 months
- Consultation - 3 months
- Design Team appointed - 2 months
- Concept Design - 2 months
- Developed design - 4 months
- Tender period - 2 months
- Construction - 24 months
- Commission and handover - 3 months
- Have applied the standard S curve for construction.
- Have added \$250k for loose items regarding fit out

Revenue:

- Fixed Term Rental Revenue starts at with 2% annual inflation afterwards - based on market review with a premium
- Estimates have been made on utilisation by variable space per Revenue Projections:

- Permanent Desks - Up to 10 - growing from 2 to 8
 - Hot Desks - Up to 6 - growing from 1 to 5
 - Offices - Up to 4 - growing from 1 to 4
 - Mini Theatre Hire - - growing from 2 to 20% utilisation
 - Hall Hire - - growing from 2% to 33% utilisation plus Commercial Events
- To see what potential there is for the future we have included a column which shows the potential position if better utilisation of the facilities is made including salaries for the Facilities Manager and Technical Guru.

Expenditure:

- Overheads have been phased in.
- Major costs including Insurance, Electricity and Repairs and Maintenance.
- The full time Facilities and Marketing Manager and Technical Guru will only be hired when the Hub becomes profitable – after 2023 – bookings could be managed by existing council staff in the interim.

Depreciation and Fair Value Adjustment:

- Plant & Equipment Depreciation at 15%
- Furniture and Fittings Depreciation at 10%
- Revaluation on Buildings at 2% - Fair Value Adjustment on Investment Property

Risks:

- Build costs blow out
- Revenue projections not met
- Build takes longer
- Funding amounts and timing not obtained
- Expenditure blows out

Depreciation

The standard depreciation rate used on buildings is 2% of the cost per annum. This recognises the expected 50 year life of a building asset. It is anticipated that there will be minimal building deterioration in the first decade of use but will become a real cost to provide for thereafter. In time a suitable provision will need to be made to cover the future upgrade to the facility. A policy will be developed.

Financial case

Funding Requirements

The purpose of the financial case is to outline the capital expenditure plan including identifying a range of potential sources of funding for the proposed new build, to show how the funding will be obtained and to identify any risks.

The capital costs as per the schedule provided in the feasibility study by OCTA for a new build option is based on a gross floor area of 3052m². The Quantity Surveyor from Rawlinsons Limited estimated a new build with a residual cost of \$5000.00 per m² excluding non build items and landscaping, and conceive view this in the “upper-mid level of pricing” due to the more intensive public usage of the facility.

Based on this footprint and the space schedule, Rawlinsons have derived an estimated capital cost to build, including siteworks and professional fees of \$20.3M. Below is the high-level costings:

Elemental Estimate Summary		RAWLINSONS			
Project: Balclutha Community Hub Building: Balclutha Community Hub		Details: Option 03 - New Build Concept R1			
Item	Description	Quantity	Unit	Rate	Total
	GFA	3,052	m²		
1	Demolish existing buildings	1,735	m ²	200.00	347,000
2	New Hall	369	m ²	4,000.00	1,476,000
3	New Backstage Area	113	m ²	5,000.00	565,000
4	New Stage and Gantry including winches	127	m ²	7,500.00	952,500
5	Stage Lighting and Sound, Curtains	1	item	450,000.00	450,000
6	Retractable seating	1	item	250,000.00	250,000
7	Demountable stage	1	item	50,000.00	50,000
8	New Mezzanine	66	m ²	3,500.00	231,000
9	Hall Back-of-House	306	m ²	3,500.00	1,071,000
10	Cafe through to Mini Theatre	512	m ²	5,000.00	2,560,000
11	Commercial Kitchen Fitout	1	item	150,000.00	150,000
12	Cafe kitchen fitout	1	item	50,000.00	50,000
13	Plunket & I-Site	214	m ²	4,000.00	856,000
14	First Floor spaces	901	m ²	3,500.00	3,153,500
15	Foyer and Atrium	437	m ²	5,000.00	2,185,000
16	Boiler house and bunker	98	m ²	2,000.00	196,000
17	Plaza & External Paving	1	item	500,000.00	500,000
18	Landscaping & car park	1	item	150,000.00	150,000
19	Pedestrian Bridge and Terrace to Flood Bank	1	item	300,000.00	300,000
	Sub-Total				15,500,000
20	Contingency	10	%		1,550,000
	Total Construction Works		\$/m²	5,586.50	17,050,000
21	Professional Fees	17.5	%		2,983,750
22	Temporary Facilities	1	item		258,500
	Total Project				20,292,250
23	Exclusions :				
24	Relocate Cenotaph				
25	Carparking to Charles St Reserve				
					20,292,250

Note relocating the Cenotaph in Renfrew Street or constructing car parking needs on the Charles Street Reserve are not included in the values above.

A high-level strategy programme was developed for this option and at a summary level is presented below:

Capital Funding Sources

The possible funding sources for the project are:

- Clutha District Council
- Third party sources- revenue strategy including funding coming from philanthropic trusts and foundations, central government funding, corporate sponsorship, and local fundraising
- Public donations and fundraising

Due to the multipurpose nature of the facility funding sources are going to be from a range of providers, and this creates a level of complexity for funders. It is intended that, where possible, the various spaces will be broken down in terms of the capital cost. The Trust has written the business case to show outcomes across the different areas.

The assumption is that the capital project will be funded 100% from equity sources, i.e no allowance has been made to service debt.

Table: Proposed Capital Funding Model

Funder type	Amount	Percentage
Government Funding	\$10,000,000	50%
Clutha District Council -funds already allocated/obtained to this project for earthquake strengthening (annual plan budget)	\$1,900,000	10%
Clutha District Council- funds above already allocated*	\$3,100,000*	15%*
Third party funding	\$5,000,000	25%
Total	\$20,000,000	

Risk Mitigation - *Variation on Funding.*

There is a risk that the application to the prime funding sources may mean a decline of the full amount requested or only partial funding.

If needed, consideration needs to be made of other funding models, including a mixture of grants and interest free loans. The Trust would be seeking support from Council for further financial modeling.

Government Funding

A central government funding source is a main consideration for the Trust, as it is designed to stimulate economic growth within the rural provinces which is considered key to sustaining and promoting population growth. The regions potential, lack of infrastructure and the alignment of objectives and key criteria, means this project is a good candidate to secure government support.

Funding objectives including:

- Creating jobs, leading to sustainable economic growth
- Increasing social inclusion and participation
- Improving resilience, particularly of critical infrastructure and diversifying our economy
- Enabling Maori to realise aspirations in all aspects of the economy
- Encouraging and environmental sustainability and helping meet climate change commitments alongside productive use of land, water and other resources.

Projects are assessed against a set of criteria.

Projects must:

- Lift the productivity of a region or regions
- Contribute to the government's objectives
- Create additional value and avoid duplicating existing efforts
- Have a link to the regional priorities and be supported by stakeholders, and
- Be well managed, well-governed and have appropriate trade-offs between risk and reward.

Clutha District Council Funding*

The Trust's objective is to minimise the impact to the rate payer and consider other funding avenues potentially available for this project. Ideally an outcome where the project remains rates neutral would be desirable. Given that all options considered are well above the already allocated funds, the Trust note that there is significant investment required to bring the current facility up to 100% building code - \$4.9million.

The multipurpose nature of this project goes beyond just refurbishing a static community hall, but investment in significant infrastructure promoting beneficial outcomes for the next 50 plus years.

\$1.9million already allocated to this project

The Clutha District Council have allocated \$1.9 million in the current long term plan (2018-2028) for capital works including the significant earthquake strengthening works. Council carried out seismic assessment of the current hall facility and have factored this into their budget.

\$1.9 million has been allocated specifically as per the terms of reference, therefore the Trust has acknowledged this as separate funding already set aside for the project.

Based on the proposed funding model above, and the already allocated Council Funds, the Trust would be seeking the remaining balance towards the hall cost. This would be \$3.1million from the Council based on the current high level capital costing in the feasibility process.

Worst case scenario: The Trust acknowledge worst case scenario for funding would be asking the Council for up to 50% funding towards a new facility, if the funding sources identified in the plan are unobtainable by the Trust. The Trust expects support from the Council to ensure the procurement and design process optimises best value for money.

Third party sources

The proposed capital funding source table highlights the key funders that the Trust have identified that they would be pursuing for significant contributions towards the capital costs. The Trust's strategy to engage these funders will be implemented once this business case has been submitted to Council with the key benefits analysed of the recommended option.

The funding strategy as indicated below will provide more in depth planning around all funding sources, once the design phase is initiated.

Some of these sources will only fund the capital cost of the construction aspect- not professional fees

Other funding considerations not allowed for

Other smaller funding avenues have been explored via the Generosity NZ system. However, due to the multiple areas this project covers, these funding options will be explored and detailed in Stage 2 of the process, once a more comprehensive and definitive design is completed and individual funding potential realised. The outcome of achieving this will likely result in less funding being required from the Clutha District Council, and therefore lessening the impact on the community rate payer.

An example of funding options that have not been included relate to particular design features for the build, such as sustainable features, connections to the natural environment and the specific areas targeting the various arts and culture. There are particular funding avenues that support sustainability of community facilities, such as using sustainable heating sources- INSERT example of a funder Other funds available support the inclusion of facilities such as eV chargers for electric cars.

Funding Strategy

As per OCTA's feasibility report page 45, they suggest that there is a high-level funding strategy after the submission of the business case. The development of a planned approach to secure the necessary funding would be the next objective. The trust have begun this process early in order to maintain momentum.

Consideration in the funding matrix will include funder, type, criteria/outcomes to satisfy, contact details, application deadlines, funding target amounts, and approach to engaging with that funder. Then aligning this to project stages, as outlined in the next section.

Management and Commercial Case

- *Procurement & Contracting Approach*
- *Project Delivery Approach*

Project Management Plan

The purpose of this section is to outline the possible procurement, contracting and project management approaches for the delivery of option 3- new build of a multipurpose community and visitor hub.

The point to which the business case has been progressed to was based on trigger points in the terms of reference developed by the Council. Subsequently, there are no identified trigger points identified beyond the business case, therefore the aim of this section is to identify the key stages and processes that will be used by the Trust alongside the Council in order to progress this project to completion.

Programme of Work

Stage 1	<ul style="list-style-type: none"> • Preliminary design concept and costing completed in the feasibility process. • The completion of the business case that includes- indicative capital costings, operational costs, forecasted income, and revenue generation planning. • This information is presented to Clutha District Council for endorsement to carry onto next stages for design stages and funding purposes. • There will be commitment of key stakeholders in this part of the process. • Confirm procurement process early.
Stage 2	<ul style="list-style-type: none"> • In depth geotechnical testing • Design process undertaken- and funding secured for this stage. • Written instructions with weighted evaluation method for design process stage, and procurement process undertaken timely to get contractors on board- to develop in depth designs to enable the necessary resource consenting and building application to be lodged. • Close engagement with stakeholders during the development and refinement of the final design. Also, engage with new stakeholders. • Implementation of the funding strategy plan for gaining the funding for capital costs. This includes identification of funding avenues related to particular areas of the build that are related to specific criteria/outcomes e.g. heritage or tourism etc.
Stage 3	<ul style="list-style-type: none"> • Finalisation of completed design, procurement process for the construction phase underway. • Tendering awarded to main contractors and external funding streams secured. • Necessary consents are obtained. • Existing tenants are temporarily relocated- Plunket/ISite/ Council Service centre • Building is handed over for the use of the multipurpose hub to the community.
Stage 4	<ul style="list-style-type: none"> • Operational stage over 5 years • Aim to increase the capacity of all areas- community usage, business engagement and tenants and visitor increases.

Key Milestones:

As indicated by OCTA in the High Level Strategy Programme for Option 3- new build, the project is estimated to take 3 years to complete. These have informed some key trigger points for the trust moving forward with estimated completion dates.

Key stages milestones	Estimated completion date
Feasibility Study	April 2019
Approval of business case	May 2019
Funding for design stage obtained	May 2019
Begin funding applications	June 2019
Funding strategy completed	July 2019
Completion of design	May 2020
Resource consent obtained	May 2020
Completion of consenting approvals	May 2020
Completion of fundraising	April 2020
Completion of tendering	July 2020
Construction phase completed	September 2021

Procurement Approach

The Trust is well aware of the communities expectations - to deliver a state of the art, technologically and architecturally advanced community hub, for a cost competitive price. The Trust also understands that determining an appropriate procurement process is absolutely critical to ensuring this objective can be met. The Trust's priority is to ensure that a collaborative working relationship is established from the outset, to achieve an architecturally stunning building, with a cost-effective design that can be built efficiently, and which will minimise long-term operating costs.

Within the overall project plan, the Trust has defined a specific stage where it will consider the various procurement options available, and make a decision about which of these they

will use. It is noted that the key elements of the procurement process for this project are the design, tender and construction phases.

OCTA recommended a structured approach within the feasibility study working through Design, Tender and Construction phases. We intend to assess a number of options to provide the optimal outcome for the community as a whole.

The final decision on procurement processes will be made in consultation with key stakeholders such as the Clutha District Council. During this stage, the Trust will establish a specialist procurement team, which will have independent oversight to ensure that the procurement process will be transparent, will ensure accountability, and will ensure that the best consultants and contractors will be appointed. The Trust will also ensure that its processes are aligned with the New Zealand Government's [Procurement Charter](#) - in particular:

- that there will be opportunities for local businesses to participate (of which there are several),
- environmental responsibility will be a priority (e.g. reducing waste and carbon emissions),
- there will be opportunities for businesses to provide new and innovative solutions,
- opportunities for local Maori, Pasifika and social enterprises to participate will be identified,
- risks will be managed appropriately, through a collaborative approach.

The Trust also understands the need to abide by the New Zealand Government procurement principles, which include:

- plan and manage for great results,
- be fair to all suppliers,
- get the right supplier,
- get the best deal for everyone, and
- play by the rules.

The Trust has already undertaken advice to determine a 'shortlist' of likely procurement strategies. At this stage it has not identified any preference, but as a minimum will consider the following possibilities:

1. Early Contractor Involvement (ECI).

This strategy initially involves a request for proposals (RFP) tender to select an architect. The Trust would ensure this selection was based on a number of key performance attributes such as how the design will incorporate local cultural values, and the ability to provide a high level of functionality and excellent aesthetic values.

Following the architectural appointment, an ECI selection process will be undertaken using a similar RFP process. The contractor selection will be based on a number of attributes such as management skills, track record, local contractor engagement, financial stability, capability, cost control systems and any additional attributes they can offer the project team. Also assessed will be hourly rates and margins and method of pricing work which will be utilised when estimating the finalised design package.

ECI seeks to draw on the agility of a design build contract, while still having high levels of client input. It utilises the strengths of the contractor for review of the client design, providing input on constructability, adequacy of information supplied and advice on solutions that will be most cost-effective to construct. This early involvement can lead to significant time saved in design and subsequent capital expenditure. An advantage of the ECI strategy is that it builds confidence and trust during the critical early phases of the process. As the margins have been agreed, the estimating is open book and therefore fair to all parties. Project construction variations and cost consequential cost blowouts are minimised as the contractor has been involved with the design from the start and therefore has strong project buy-in. With this process there is no obligation to use the appointed contractor as the constructor, however this is unusual, as the process generally builds confidence and trust.

2. Client Design and then Tender

This procurement strategy is a more traditional tendering approach. It is a well tested procurement method and has been used for many projects throughout New Zealand. The client typically engages an architect through the issuing of an RFP proposal document. This involves the consultant (normally the architect) gaining appropriate permits, consents and preparing tender documents for contractor pricing. Typically, a tender is either issued on the open market, or a select group of tenderers are chosen via a registration of interest (ROI) process. Tenderers can be selected by either a weighted attribute method, (normally 70% price, 30% attributes), or lowest price conforming.

As the client is in control of the design process, they have sole control over the outcome. This can have a beneficial impact on the final capital costs of the works. The client will get exactly what they have described to the architect. This is generally successful if the designer and client have a common shared vision - accurate designs and specifications are therefore key documents to get absolutely correct. Missing an item or something not specified correctly can have significant cost implications during the construction process. The main advantage with this approach is the client may get a low-cost build if the specification and the design are accurate and there are a limited number of variations. However, for more complex builds, this may not be the case. As the tender process is more adversarial, contractors will seek to maximise their returns when a variation is encountered. This can lead to project cost blow outs, contractual disputes and litigation.

This high level of client involvement can have design cost implications and may also increase the cost of construction well above original budgets due to “wish list” inclusions. For specialist and very large contracts, there may also be a limited number of contractors that may tender for the work. This can lead to a contract with margins that are greater than normal along with the opportunity to increase these margins by variations.

3. Design Build

For this process a contractor is selected via an RFP process. It is very similar to an ECI style of contract, however the contractor has the overall control of the design with client input, whereas with the ECI model the client has the control with contractor input.

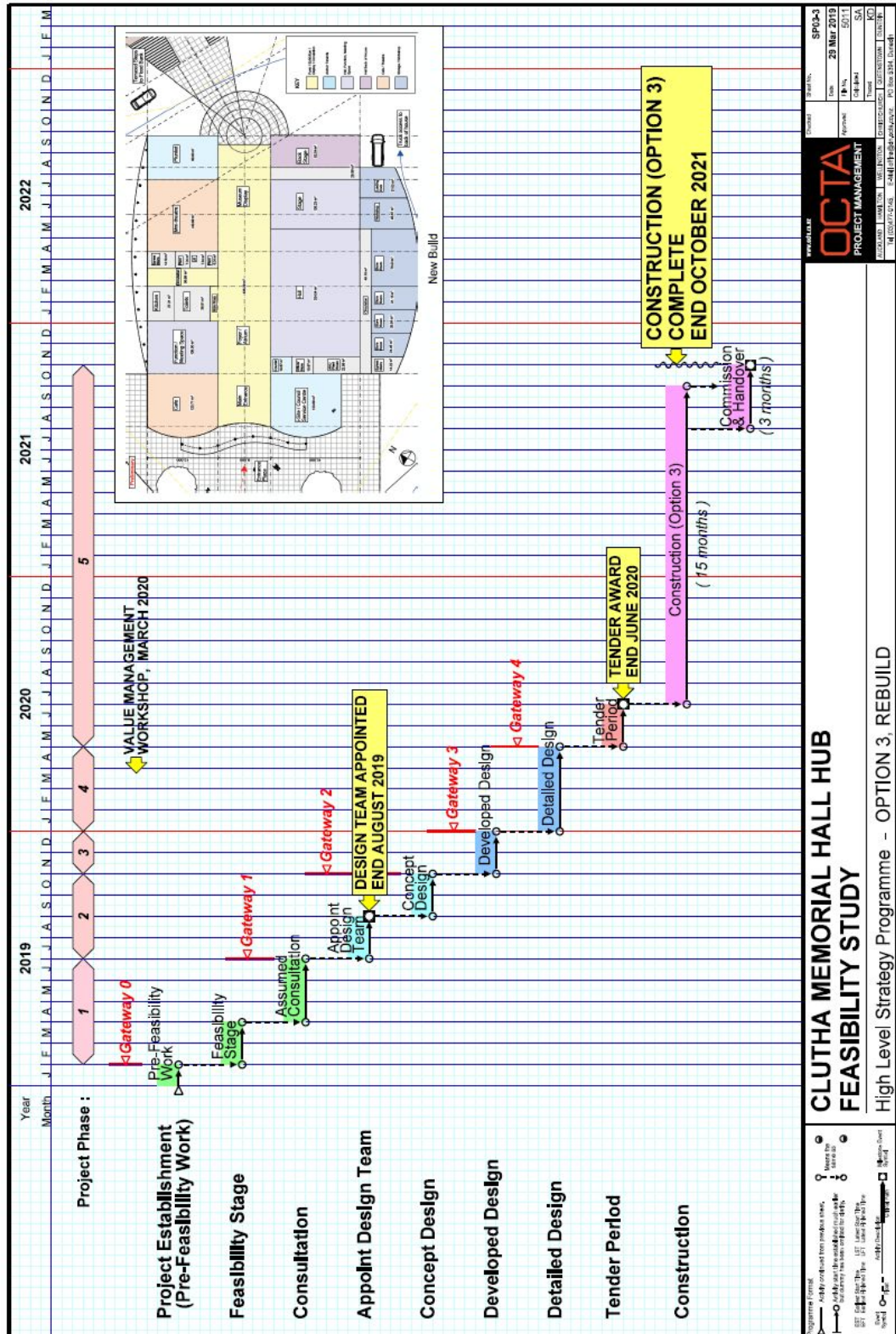
The Design Build approach requires first the writing of the client’s vision, scope and performance specifications. These specifications are then used by the contractor to engage a suitably qualified architect that meets these objectives. This ensures that a fit for purpose outcome is achieved while allowing the contractor flexibility to approach subcontractors and negotiate the best price. Responsibility for establishing an adequate supplier/design lies with the contractor. This procurement method is typically used where there is a tight capital budget and little client input is required. The process also allows clients to request a price guarantee from the contractor.

Potential issues with this method may include:

- The contractor could add significant mark-up on selected portions of the contract, thus increasing the overall project costs. To prevent this the client need the skills to critique the pricing and negotiate more realistic rates.
- The design specifications for this type of contract need to be very robust, as the client gets what they pay for. Additionally, each item must be checked to ensure it conforms to the specifications, potentially adding significant time during price evaluation.
- Clients may see Design Build as a way to avoid paying design costs however, this is misleading as the clients still pay for the design costs in the overall contract price.
- Clients essentially give away control over the design.

Scenarios where Design Build is more effective include where the client can leverage off the contractor’s specialist experience, and develop innovative, cost effective solutions. These cost savings are then passed onto the client in the overall price. It is an excellent approach for simple, yet functional projects.

An example programme of works included in the feasibility study, utilising a design, tender and build procurement:



Risks Identified

A number of risks have been identified throughout the sections in relation to a new build option and are summarised below. Each risk has been aligned to the different stage as indicated in the beginning of this section. The risks are generally associated with the delivery phase of the project and then the long term operating of the facility.

A risk analysis has been undertaken, and the mitigation approach has been considered, to ensure all perceived risks are identified early. Any risks identified during the process will be recorded and the trust will meet regularly to manage these accordingly.

The communication strategy developed by the trust has been included to show the expectations of how the trust and committee will keep the whole process open and transparent in order to mitigate any risks.

Risk	Stage	Level (Low, medium, high)	Mitigation
Lack of building contractors due to other projects in wider Otago/Southland district	3	Medium	Engage early with the building industry/contractor. Use a project manager to manage this relationship so risk is not on the trust/Council
Geotechnical issues are identified and this costing has not been allowed for.	2/3	Medium	The geotechnical testing has not been undertaken during the feasibility study as this required significant investment, and would only occur if the new build option progressed. There was no allowance for this in the capital costs. This would be undertaken during the early part of the design phase.
Consenting issues- such as being in close proximity to the river, flood bank and floodbank tow.	2/3	High	Early engagement with Council regulatory, and Otago Regional Council to identify issues, has begun during the Feasibility Stage, and will continue to work in partnership to address issues as they arise. For example being aware cannot dig within 20m of Riverbank tow.
Cost overruns during construction phase with additional rate funding	3	Medium	Early engagement with contractors and project management. Open communication and regular

needed			reporting from the project manager to the trust will be a requirement.
Delays in securing funding from philanthropic trusts and foundations, government funding, corporate sponsorship, and public donations.	2/3	High	A funding strategy is already being developed early in the Feasibility Stage in order to progress funding applications in a timely manner.
Usage over time is low from all users, resulting in a challenge to maintain operational costs	4	Medium	Make an extenuating circumstance application to Council for a one off operating grant. Monitor and plan engagement strategies in annual planning to promote engagement in the facility.
Operating costs of the facility are higher than forecast	4	Medium	Council agree to a contingency budget that supports the operation costs if needed. Alternatively look into an increase in the commercial side of the facility until a resolution can be identified.
Intended outcomes not achieved due to a change in economic and social priorities	4	Medium	The flexible operating model and use of the building would allow for creativity to engage with other areas to build use, and achieve other outcomes as planned for in the long term, strategic plan of the trust.
Health and Safety	3/4	Medium	Verify all parties involved within the construction phase are operating in accordance to the Health and Safety Act and the facility has a policy in place prior to operation

Communication Strategy

One key component of mitigating risks is to maintain effective communication with various stakeholders during the process, to keep the process open and transparent. This allows for early identification of risks, and developing a collaborative approach to mitigating the risks.

Some of the key principles of communication include:

- Have clear channels to ensure the dissemination of information is methodical and accurate from the Trust, Committee, Council, to stakeholders and the community.
- Central storage system and controlled access of information
- Clear points of contact established during the different stages and tasks being allocated.
- Clear dissemination of information surrounding key trigger points, e.g key benefits of project.
- Media liaison personnel allocated
- Clear and timely response to questions and misinformation.

Recommendations

The community has shown their desire to create a multipurpose community, visitor and business hub. The vision put forward by the Trust addresses the issues identified by the community in the current or lacking infrastructure.

This project is a visionary undertaking, with a scale of facility not yet seen in the Clutha District. It requires bigger picture and longer-term thinking by the community, and the 14 Councillors who represent these communities to support activities and decisions that are made in the best interests of the whole district and will impact the community now and in future generations. A collective and collaborative approach is needed by the district to promote economic growth, social cohesion and better wellbeing outcomes for the community.

The Trust acknowledges the Council's stance on ensuring promoting growth is done in a sustainable way, and the case put forward for contribution to capital funding encompasses rates funding that goes beyond being rates neutral, by requesting more funds than currently allocated to this facility.

The Trust has provided a well considered model that would enable the community facility to be financially sustainable within the modern demands of running a facility that ensures the operational expenditure would not require a ratepayer subsidy outside of extenuating circumstances.

The Trust asks that the Council considers the following recommendations for adoption to allow the project to continue to move forward in a timely manner and to align to significant third party funding applications.

The Trust recommends the Clutha District Council:

- Support the project **in principal** allowing the next phase to continue further refining realised costs, allowing commitment from key stakeholders, and pursuing capital funding.
- Support moving forward with Option 3
- Cover the cost of geotechnical testing mitigating risk to the project going forward
- Keep the option open to go to community consultation within the 2019 / 2020 period for the purpose of requesting additional funding should it be required.
- Show an initial commitment as a core tenant in the future facility, by undertaking an initial Memorandum of Understanding based on a successful funding outcome as outlined.

Acknowledgement:

The Trust would like to acknowledge the passing of trustee Russel Carr before the submission of this business case. He was a very valued and integral member of our team and was fully committed to delivering this facility in the best interests of the community.

Appendices

Appendix 1- Clutha Community Hub Feasibility Study by OCTA Project Management

Appendix 2 - Clutha District Council long term plan

<https://www.cluthadc.govt.nz/publications/plans/Documents/Long%20Term%20Plans/20180620%20Long%20Term%20Plan%202018-28.pdf>

Appendix 3 - Financial Analysis Information