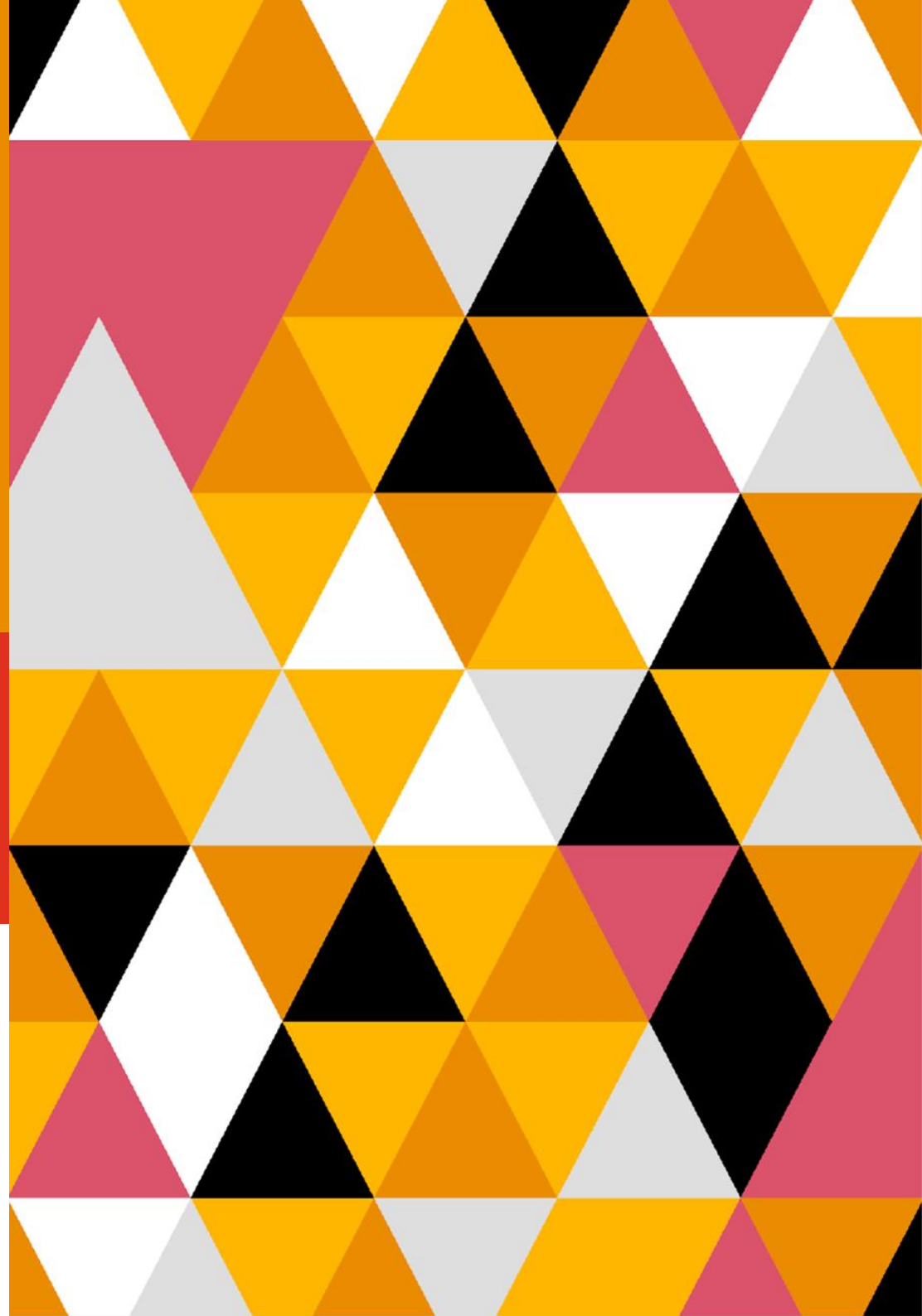


Kāpiti Gateway Options

Kāpiti Coast District Council

January 2021





Natasha Tod
Group Manager Strategy, Growth and Recovery
Kāpiti Coast District Council
175 Rimu Road
Paraparaumu 5032

29 January 2021

Dear Natasha,

Kāpiti Gateway Options Analysis

In accordance with the Letter of Engagement dated 11 December 2020, we provide you with our report.

In our report, we have:

- reviewed the project to-date, including documentation, design and analysis completed
- identified potential space uses and key operating model options
- assessed the identified options to create a shortlist of preferred options
- tested the assessment and preferred options with Council staff, and
- to the extent possible, benchmarked the options against other comparable tourism ventures.

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

Thank you for the opportunity to provide this advice.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R. Chung', with a stylized flourish at the end.

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Partner

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*“Whakarongo atu ki ngā tai o Raukawa moana e pāpaki mai ra, ia rā ia rā
Mutunga kore, pāpaki tū ana ngā tai ki uta
I tēnei rā kua pāpaki mai ngā tai o te ao ki a Te Āti Awa
Pī kē pea te piki atu, rere haere ai ki runga i te kaha o te ao hurihuri;
Me kore pea te kitea he maramatanga ki ngā whakaritenga o te wā e tika ai
tātou te iwi
Nō reira, whakarongotai o te moana, whakarongotai a te wā.”*

“Listen to the tide of Raukawa Moana as it crashes, day in, day out
This is how it will always be, the tide forcing its way onto the shore
Today, the tides of the world have been forced onto Te Āti Awa
Perhaps instead of ignoring the swell, we should set sail on the strength of the new wave
In the hope that we will realise what must be done now to put our iwi on the right course
Therefore I say, as you listen to the tides of the ocean, listen to the tides of time.”

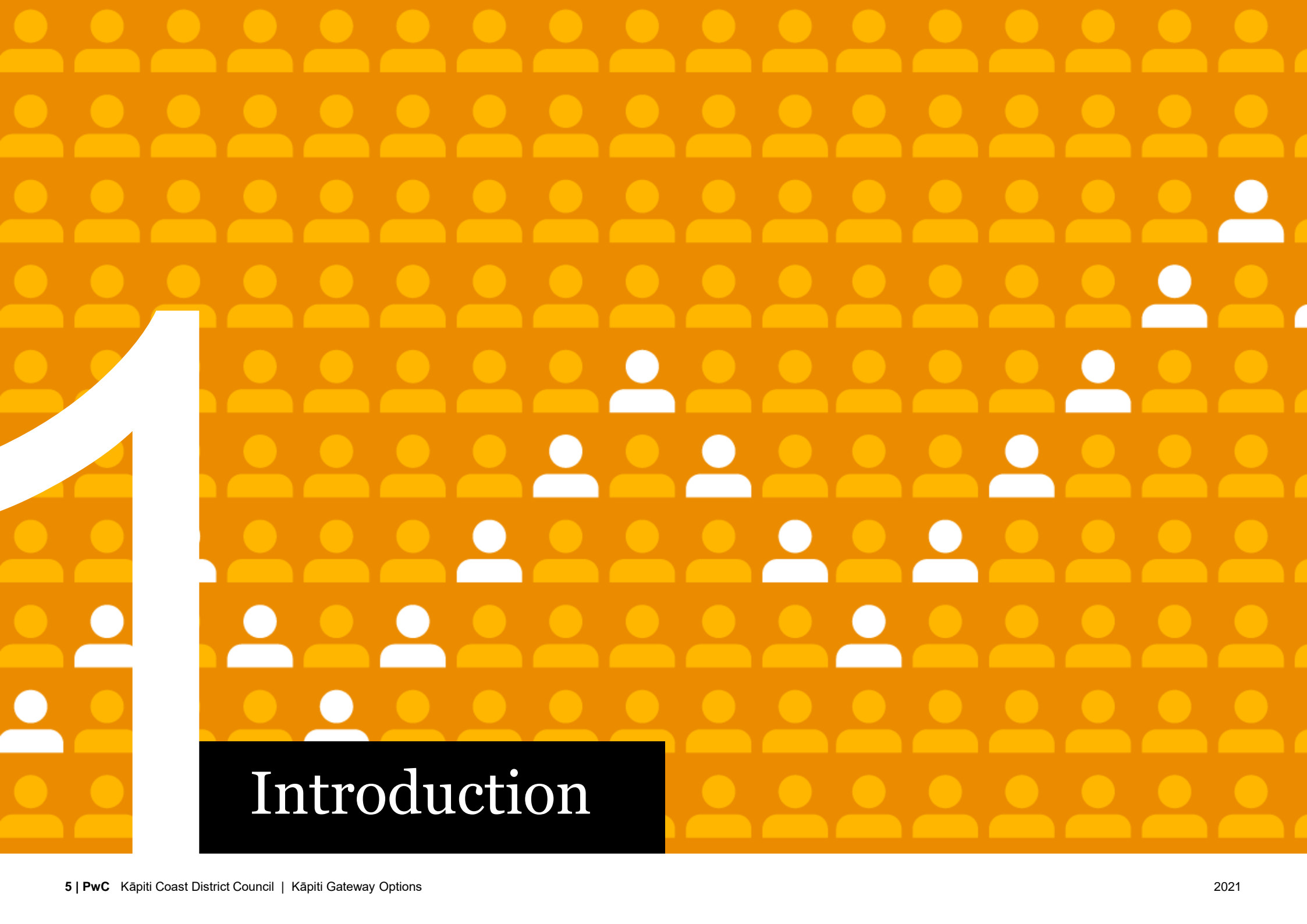
- Wi Te Kākāura Parata, Paramount Chief of Te Āti Awa and Ngāti Toa Rangitira, 1884.

Born on Kāpiti Island in the 1830's, Wiremu (Wi) was well rehearsed in the land, politics and adapting to change over time. Wi was also a champion of Māori and pakeha working together for the best outcomes for all.

Perhaps Wi's lesson remains as relevant today as it was in 1884, and it's time to establish a gateway to the Kāpiti district that protects, serves and celebrates its history, culture, land and people.

A new wave.

Sources: Kāpiti Coast District Council MacLean Park Reserve Management Plan and National Library Te Ara Encyclopaedia of New Zealand.



Introduction

Introduction

Purpose

The Kāpiti Coast District Council (Council) has considered a 'Gateway' at Te Uruhi / MacLean Park for at least 28 years. The main purpose of the Gateway would be promoting and enhancing Kāpiti Island as a tourist activity and supporting additional tourism and economic activity across the region, recognising that Kāpiti Island draws 80% of its visitors in from outside of the Kāpiti district.

While it is sensible to leverage this to promote the region, capital development cost has been a major barrier to-date in feasibly developing a locally-significant capital asset. The Government's Covid Response and Recovery Fund has the potential to 'shift the dial' in this respect, having offered to contribute 50% of capital development costs. Also, the Te Uruhi / MacLean Park reserve that the Kāpiti Gateway (the Gateway) would be located on is being redeveloped in accordance with the MacLean Park Reserve Management Plan 2017. A potential Gateway facility is featured in the management plan and would integrate with the park's redevelopment over time.

Council wishes to gain an understanding of the benefits, risks and feasibility of the Gateway project informed by its visitor forecasts, Covid Response and Recovery Fund contributions, current construction costs and estimated revenue.

Council has an initial concept design with associated cost estimates. The next step is to gain Council support in-principle to construct the Gateway and allocate funding. This support would enable the next phase of the project to begin; to develop the design of the Gateway (informed by Council's preferences and priorities, public feedback and market testing) to hone and better understand each supported use of space in the Gateway.

PwC has been asked to identify and analyse the options for potential uses of space within the Gateway facility, to inform Council's discussion and potential progression to the next phase.

Scope

In accordance with the agreed scope, PwC has:

- a) reviewed the project to-date, including documentation, design and analysis completed
- b) identified potential space uses and key operating model options
- c) assessed the identified options to create a shortlist of preferred options
- d) tested the assessment and preferred options with Council staff, and
- e) to the extent possible, benchmarked the options against other comparable tourism ventures.

Key assumptions

We have utilised data and information provided by Kāpiti Coast District Council as true and correct; including construction costs, visitor forecasts and consentable footprint limitations.

As specified by the Council, financial feasibility was analysed on the basis of revenue breaking even with depreciation and finance and operating costs, and does not include repayment of loan principal.

Where leases are mentioned, these refer to a commercial arrangement and may be leases or operating licences, as appropriate on a reserve (Council's own management plan allows commercial activity).

We note that the project remains in relatively early stages as regards design/construction, property use allocations and commercial arrangements with potential third parties. These will become better understood as the project is progressed.

History and overview

Understanding Te Uruhi / MacLean Park's history is important to help understand its potential future.

The site is of historic cultural significance to Te Ātiawa ki Kāpiti and Ngāti Toa Rangatira including as a pā site, waka landing site and access point to Kāpiti Island.

Since the early 1900's development of the park cemented its place as a community facility in the Kāpiti district, however it was not until the mid-2000's that piecemeal development was halted and development and management plans were consulted on with the public and finalised.

A 'gateway' facility of some sort has been discussed within the community for nearly 30 years. This was explicitly recognised in the 2017 MacLean Park Reserve Management Plan.

The proposed Gateway provides a platform to not only service the modern needs of the district and community, such as protecting and promoting the island and other tourism assets, but it can also serve to celebrate the area's history and cultural significance, and educate people on the environment, climate, flora and fauna.

Various redevelopment including basketball court, skate bowl extension, new kiosk building, and playground and pond upgrades. The pond continued to leak and was closed in 2016.

1820's

Prior to 1820's the wider area was occupied by the Te Uruhi Pā, by the Tikotu Stream.

1840's

Te Uruhi pā was well established and continued to be an important landing and departure point for waka travelling between the north, Kāpiti and surrounding islands, Mana and Porirua, and further to the top of Te Waipounamu (South Island).

1850's

The Native Land Court saw that Te Uruhi was divided up into various land blocks, resulting in Ngāti Puketapu's alienation from the land. The land was farmed by the MacLean family who owned a significant portion of land within the Paraparaumu Beach area.

1920's

The park was named MacLean Park at some stage in the 1920's, and subsequent development of the park occurred as the area saw the construction of the Marine Parade during this period.

1950's
-
1990's

Extensive development of the park including landscaping, skating rink, changing rooms and toilets, skateboard area, boating pond, sea wall and kiosk.

1980's

Facilities leased to private operator and a 'fun park' was developed including water slide and bumper boats.

2012 -
2016

2016

Council funding was allocated for a Development Plan to be consulted on with the community.

2017

MacLean Park Reserve Management Plan finalised, including allowance for a 'Gateway' on the south side of Titoku Stream following public consultation.

Site location





Summary

and Recommendations

Our summary

A gateway facility would promote and enhance Kāpiti Island as a tourist activity, provide a focus for Kāpiti as a tourist destination, and promote other attractions and activities in the region.

Tourism to Kāpiti Island has been steadily growing, from 6,284 visitors in 2013 to 15,959 in 2019. Approximately 78% of visitors to Kāpiti Island are from New Zealand. There is significant opportunity for further growth, with an annual capacity of 58,400 visits based on current conservation concessions¹.

A Council survey of 2,000 visitors to the island demonstrated that an island tour is a strong catalyst for visits to the Kāpiti district, with nearly 80% of island visitors from outside Kāpiti and around 40% staying on average two nights in the district.

While leveraging the district's major tourist attraction is important for economic prosperity, it is also crucial to protect the island. Kāpiti Island is one of New Zealand's most important eco-sanctuaries and breeding grounds for protected and endangered species, and the introduction of pests is a significant threat.

Visitors to the island are currently loaded into boats in the parking area of the Kāpiti boating club, or directly on the beach. Provision of a best-practice biosecurity function would significantly lessen the risks of pests reaching the island and in turn protect the district's most strategic tourism asset.

The proposed Gateway site is also significant ecologically and culturally, with the Tikotu Stream an historically significant landing site for local iwi. *continued over*

¹ the Department of Conservation has indicated they may be open to increasing this to 73,000. Data points on visitor counts provided by Council.

Our recommendations



Establish the option Council will support and agree in-principle to fund and build the facility



Establish a project team and plan, and begin the developed design phase for the option that is supported in-principle



Conduct due diligence in the next project phase on the space use options that are supported in-principle

Including layout and configuration, sponsorships and advertising, and any gift shop and/or food & beverage offering.

Our summary (continued)

There is currently no easily accessible way for locals or visitors to learn about and engage in this history. The Gateway facility could provide an important facility to educate locals and visitors on this history and the cultural importance of the area. Te Ātiawa ki Kāpiti and Ngāti Toa Rangatira are on the Governance Group for the Gateway project and support its development, and Ngāti Toa have indicated they wish to have an active role in the Gateway in the future.

A gateway facility would be well sited to help protect Kāpiti Island, support growth of visitation to the island and engage visitors in the district to increase tourism spend.

As well as sharing history and culture, the facility could also capitalise on its location and connection with Kāpiti Island, and educate people on ecology, climate change and the environment. This would be a tangible action supporting the Kāpiti Council to address the declared climate emergency. While the case supporting a gateway is strong from a tourism, biosecurity, environment, history and cultural point of view, it is also important that the facility is financially feasible. The Gateway will need to be able to generate sufficient revenue to cover its own costs in order to minimise, and eventually offset, any cost to ratepayers.

The facility will need to be multipurpose with uses to service both the local community and visitors. This will help mitigate some feasibility risk through maximising the potential customer base (customer profile as well as quantity) and attracting revenue from multiple sources and different industries.

We have assessed, at a high level as appropriate to this conceptual phase of the project, the potential revenue and risks of various uses within the Gateway including (in addition to the biosecurity and visitor centre/ticketing functions) a gift shop, commercial office, a daytime cafe and an evening bar & brasserie. These potential revenue-driving uses would each support the Council's Investment Objectives and would complement each other.

Our assessment of the potential cost, revenue and risks of each option indicates that Option K (incorporating all uses) would likely be the strongest overall option for the Council, however the next two strongest options (J and F) are extremely close and provide equally viable options for Council depending on its preference for uses.

The full suite of uses means Option K fully leverages the site and creates as many revenue-generating opportunities as possible. This does not come without additional risk, with Option K scoring the highest in terms of risks to manage. This is primarily due to the comparatively technical and specific nature of the hospitality and food & beverage industry (highlighting the importance of getting this function right, including contracting the right operator, selecting the right type of offering, and ensuring the commercial terms are right) and notably a food & beverage offering may not be permissible under the reserve management plan.

Option K has estimated costs of \$2.4m to develop¹, \$6.6m to operate over 20 years, and \$8.9m of estimated revenue over the same period. The breakeven point is in 2027/28, where the estimated annual revenue is anticipated to match (and from then exceed) the estimated annual costs.

There are some key risks however (these are detailed on page 24). Notably, nearly half of the anticipated revenue is directly dependent on the visitor growth forecast, presenting a tangible risk to financial feasibility should the forecast growth not eventuate.

If the food & beverage offerings are not supported by Council, Option F (with gift shop and office) would be the next strongest option, still breaking even around the same timeframe. Option F scored in third place behind K and J due to contributing less to the investment and general objectives, however the option also attracts less risk.

Based on available data, information and assumptions the Gateway is anticipated to eventually break even and not require ratepayer subsidy in the long term. To progress its conceptual design to the next project phase (developed design and further due diligence on the supported uses and revenue streams) Council needs to agree in principle on a preferred option.

¹ After Covid Response and Recovery Fund contribution (grant) of 50% up to \$2.3m

Other considerations

Food and beverage-specific challenges

The hospitality / food & beverage industry is very specific and niche, and takes substantial experience (and risk) to establish the right type and style of offering in the right place at the right time. This will be a crucial element to the success of the food & beverage offering/s in the Gateway. The Council should engage with experienced operators and/or a hospitality specialist consultant to ensure that the operator procured will be complementary to local businesses and is contracted in the right way to optimally benefit the Council, the operator and existing food and beverage operators.

Even if the food & beverage offering is designed to complement, and grow the value of, the existing local hospitality offering, it is possible the MacLean Park Reserve Management Plan requirement for *any commercial activity to not duplicate other facilities in the vicinity* could be interpreted to rule out any food & beverage offering.

It should be noted that public consultation on the management plan occurred between three and four years ago. Views can change over time and along with learnings from COVID-19 and an actual Gateway concept to engage with now; the community may show more support if it is delivered in the right way, and the Gateway is dependent on it to be feasible.

Showcasing local produce

The food and beverage offerings and gift shop could be designed to overtly support and showcase local produce, arts and crafts; thereby further supporting the local and regional economy.

Alternative funding options

Alternative funding options could be explored to help fund the Council's capital contribution, such as targeted rates, crowdfunding from the community¹, a membership scheme or providing the potential corporate sponsor with benefits in return for an initial capital contribution.

¹ Potentially possible if the Gateway is operated via charitable trust (as Zealandia is)

Drawing in locals and Te Uruhi / MacLean Park users

Consciously designing the interface with the neighbouring Te Uruhi / MacLean Park green space and playground amenities could help draw in customers that otherwise would not have entered the visitor centre, ecological and cultural education, cafe or gift shop. These new customers could also be converted to Kāpiti Island visitors. This can be achieved by ensuring minimal/no physical barriers, visually attractive Gateway design from the Te Uruhi / MacLean Park perspective, and strategically installing temporary 'containerised' offerings (e.g. food & beverages, bike / kayak hire) in the area during peak season.

Leverage digital offerings

Digital promotion of the region, its attractions and goods is a low cost way of introducing visitors to all the region has to offer. This could be done inside the visitor centre and biosecurity area (e.g. while people are waiting for processing) as well as on the exterior of the Gateway. Enhancing this with 3D, virtual reality and interactive tools for experiencing the region could be powerful in improving the tourism economy.

Revitalising the Paraparaumu Beach township

The redevelopment of Te Uruhi / MacLean Park and the development of the Gateway both serve to act as a 'magnet' for locals and visitors, contributing to the local community and economy. The immediate surrounds (the beach township), however, are relatively 'tired'. Experience around New Zealand has shown that revitalised and beautified areas are important to attract both locals and visitors (e.g. Ahuriri in Napier, waterfront areas in Wellington, New Plymouth and Gisborne, Wharf St in Tauranga and the Wynyard Quarter and North Wharf areas in Auckland). Some revitalisation and beautification of the beach township could encourage economic development, support growth in visitor numbers and support better outcomes when done in conjunction with improving amenities in the area.



3

Investment Objectives

Objectives

Six investment objectives have been agreed that underpin strategy and planning for the Gateway.

The six investment objectives on the right have been developed by Council and agreed in consultation with the project's Governance Group.

The objectives have been selected to encompass the ecological importance of Kāpiti Island, education and history of the area including significance to Māori, tourism and the local economy, and benefit to the community.

These have been used to assess potential options for the Gateway facility and help identify those options that will provide the most benefit against these objectives. However, there are several other criteria of importance that are not considered by these objectives. Therefore we have introduced additional objectives against which the options were also assessed:

Deliverability objectives

- Financial feasibility
- Risk management

General objectives

- Te Ao Māori connection
- Promotion of ecology and the environment
- Meeting tourism demand
- Visitor cross-patronage

Collectively these 12 objectives provide a comprehensive method for assessing the different options for the Gateway proposal. Assessment is discussed further on page 19.

Investment Objectives



Provide education

Provide cultural interpretation and education about Kāpiti Island



Improve biosecurity

Protect Kāpiti Island through improved biosecurity measures



Growth in visitor numbers

Encourage more people to visit and experience Kāpiti Island



Share and celebrate history

Celebrate the rich history of Kāpiti Island and the Te Uhiri area and to tell its stories



Local economic benefit

Increase the economic benefit of tourism to the Kāpiti district



Better community integration

Provide the community with a dynamic, multi-purpose facility as part of the MacLean Park experience



Deliverability Objectives



General Objectives

Case for change

The current use of Te Uruhi / MacLean Park and biosecurity process for accessing Kāpiti Island do not contribute to the Council's objectives for the island and area.

There are three key functional components to the Gateway proposal:

1. A terminus for accessing Kāpiti Island for ecological and commercial benefit
2. A tourism gateway for the Kāpiti region, and
3. The provision of facilities that benefit the local community.

Accessing Kāpiti Island

Biosecurity processing is currently undertaken in open surroundings. While this is currently the most practicable solution, there are obvious biosecurity drawbacks to this approach, with a real risk of unintentionally providing carriage for unwanted pests such as seeds, animals and plant matter.

Given Kāpiti Island's ecological status, its function as a reserve should be prioritised. With this in mind, biosecurity improvements with a best-practice facility such as that within the proposed Gateway are crucial to meeting the objective of improving biosecurity, especially while also meeting growth in visitor numbers in a sustainable manner.



A tourism gateway for Kāpiti

There is currently no central 'hub' to promote the Kāpiti region's attractions, assets, activities and goods.

Kāpiti has a variety of visitor assets, including wedding venues, walks, a marine reserve and wildlife rivalling Kaikōura, cycling, beaches and arts and crafts. Currently, Kāpiti relies on the Wellington iSite (and online) for promotion.

With Kāpiti Island being the region's key strategic visitor asset and responsible for around 80% of visitor numbers, there is an opportunity to leverage this to promote the wider region.

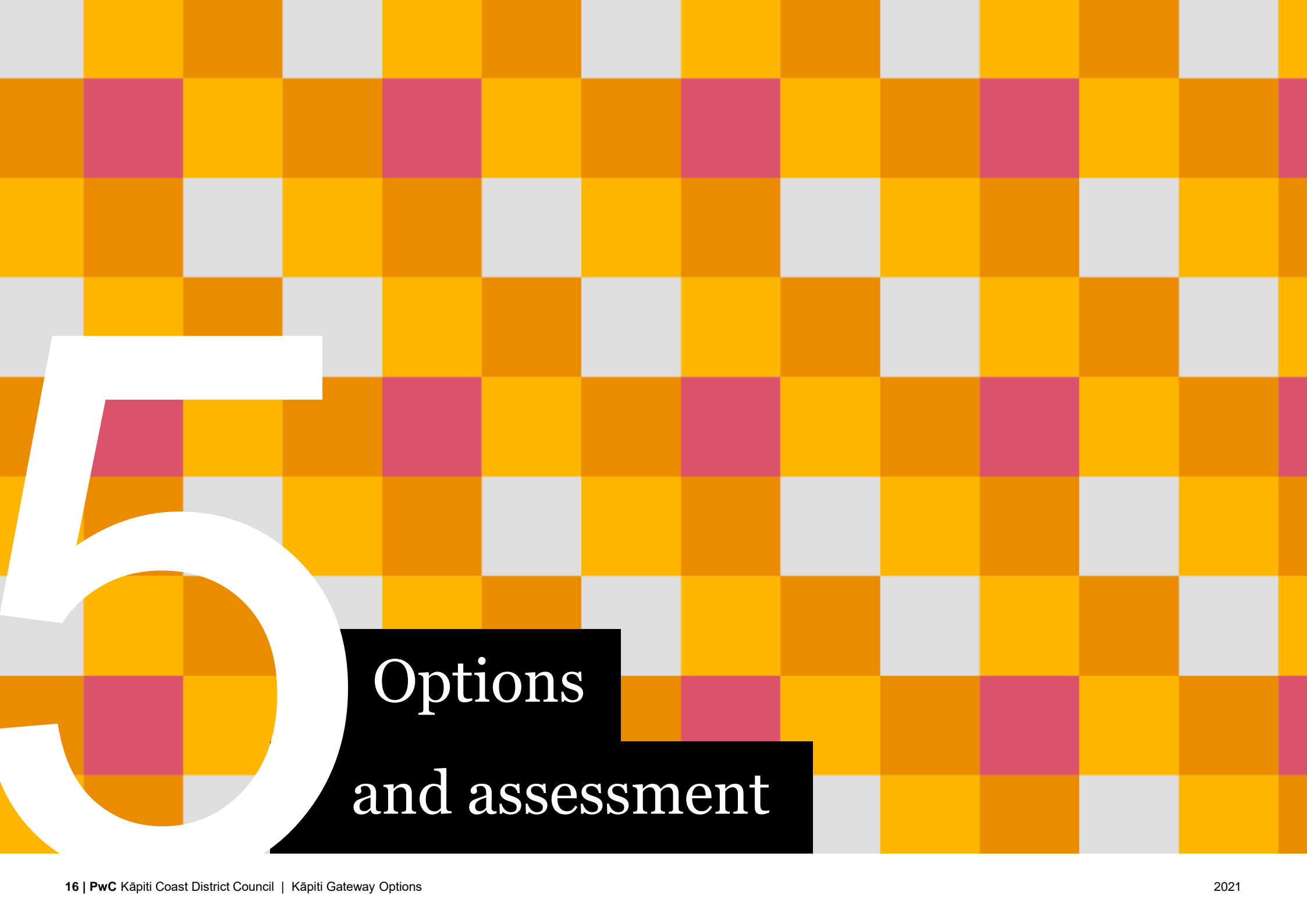


Benefitting the local community

The current use of the Te Uruhi / MacLean Park reserve and its amenities provides parking, greenspace and playground. While the revitalisation of the park has improved the attraction and usage of the reserve, without the Gateway it is unlikely to attract more visitors from across or outside the district.

Also, Kāpiti has unique historical, cultural and ecological assets. The current use of the reserve does not provide education opportunities or tell the story of Kāpiti Island and the Te Uruhi area. There is significant opportunity to tell these stories better than the current park and amenities do.

The Gateway will be crucial in meeting the Council's objectives for visitor growth, economy, history and culture, community and biosecurity.



Options and assessment

Potential uses

Several potential uses of the Gateway have been assessed.

Biosecurity

A biosecurity inspection room to process passengers before they are loaded onto the boats, a dirty store for goods before being inspected, and a clean store for goods that have been inspected and await a boat trip across to the island.

The biosecurity pod will be 160m², including office space and 44m² of toilets which will be self-contained for tikanga reasons. The main income of the biosecurity pod will be through biosecurity concession fees.

Cafe & Bar / Brasserie

A café or café & bar are two additional options for the Gateway. Council revenue would be generated by leasing food and beverage space of approximately 50m² to a third party¹. This assumes part of the 50m² deck space is utilised, toilets are shared with the main facility and an off-site production kitchen is used. This offering would require additional development costs, but assumes that the operator would complete the fit out. A brief market scan was undertaken to estimate a market rent of \$300-\$350 per m² in the vicinity of the park.

The food and beverage offerings in the area are varied and well established (see Appendices). This includes offerings for breakfast, lunch and ice cream/confectionary in daytime hours and restaurants and bars in the evening. While this means there is competition in the market, it establishes that there are a sufficient number of residents and visitors to meet demand and that there is potential for new food and beverage offerings. This is reinforced by another cafe (The Lockup) having opened at the end of 2020. The main risk of including a cafe and bar in the Gateway is the perception that Council is increasing market competition for existing food and beverage operators.



Visitor / Discovery Centre

A display and exhibition space for the general public and those visiting the island. This will also include a small office for Council staff and some storage for related material.

The discovery pod will be 75m² with potential for it to incorporate a gift shop. The income generated by the Visitor / Discovery Centre is limited to advertising (e.g. signage attracting an annual fee), however, it is considered part of the core offering of the Gateway due to its direct contribution to the Investment Objectives and driving Iwi engagement.

Office

Office space for boat operators of 16m² has been included in the design of the Gateway (within the biosecurity pod). For this assessment, the office has been considered an additional option for the Gateway.

The boat operators would occupy the offices under a commercial lease which would generate a marginal income for Council. The lease cost is assumed to be \$275 per m² based on other Marine Parade retail / offices. Considering the small space and marginal revenue, Council could consider a lease agreement based on \$100 weekly rent.

Gift shop

A small gift shop is an additional option for the Gateway. A gift shop of approximately 30m² would be incorporated into the discovery pod, meaning the space for the visitor / discovery centre would be proportionately reduced. It is assumed that the gift shop will be owned and operated by Council with all revenues retained.

From case studies with other ventures, it is recommended that the gift shop focus on regional-made arts, crafts and souvenirs direct from the makers. This creates greater potential revenue and better supports Council's Investment Objectives.

¹ The successful restaurant 50-50 is located at 22 MacLean Street in proximity to the park and operates in an area of 74m² including a kitchen

Long list of options

Outlined below are eleven potential combinations of uses that we have identified for Kāpiti Gateway.

All of these options include Biosecurity Inspection and a Visitor / Discovery Centre including ticketing as 'foundational' uses. Option A represents the most basic foundational offering. Each option from B to K then explores the potential feasibility and merit of introducing different combinations of additional 'uses of space' to the Gateway facility.

| | | | | | |
|----|---|----|--|----|---|
| A) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre | E) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Cafe & Bar / Brasserie | I) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Office + Cafe & Bar / Brasserie |
| B) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Office | F) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Office + Gift shop | J) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Gift shop + Cafe & Bar / Brasserie |
| C) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Gift shop | G) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Office + Cafe | K) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Office + Gift shop + Cafe & Bar / Brasserie |
| D) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Cafe | H) | <ul style="list-style-type: none"> • Biosecurity • Visitor / Discovery Centre + Gift shop + Cafe | | |

Assessment criteria

We assessed the long list of options against four types of criteria, assigning a score for each type to identify a short list of the top options.

The four types of criteria for assessing the longlist of 11 options were:

- Investment objectives
- Financial feasibility
- Risk, and
- Other general objectives.

These were weighted, to ensure each had an appropriate proportional effect on assessment results. Weightings were agreed with Council.

Investment objectives was weighted the highest at 40% as it represents the strategic outcomes the Council is seeking.

Financial feasibility was weighted second highest at 30% due to the importance of this project being delivered in a fiscally prudent manner.

Risk and **General objectives** are evenly weighted at 15%.

Risk: While the facility itself is relatively straightforward in its design and delivery, there is still some risk associated with the revenue-related aspects of the facility.

General: These four objectives are important to consider as they are not entirely addressed by the three other types of criteria.

Weighting
40%

Investment objectives

Through consultation with the project's Governance Group and advisory group, six objectives for the project were identified (outlined in section 3). These provided clarity of the strategic outcomes that would be important from the facility.

Weighting
30%

Financial feasibility

A breakeven analysis was completed to assess financial feasibility. This provides a view of how long it would take for anticipated revenue to exceed costs on an annual basis.

1

2

3

4

General objectives

In addition to the investment objectives, and financial and risk-related criteria, we identified four additional objectives:

- Te Ao Māori connection
- Promote ecology and the environment
- Meet demand
- Visitor cross-patronage

Weighting
15%

Risk

We completed an assessment of risk by scoring each option against seventeen types of risk, with the primary risks given a higher weighting to represent their potential impact.

The full matrix of risks is in the Appendices.

Weighting
15%

Option shortlisting assessment

Each of the eleven options were assessed against the four criteria.

1

The options were assessed against the investment, financial and general criteria using a positive scale, and against the risks using a negative scale.

2

The scores were weighted according to the relative importance indicated by each criteria's weighting value. The risk score of each option is a subtraction from the positively contributing criteria.

3

The weighted scores were ranked from highest to lowest to identify the options with the most merit (strongest in balancing the positive effect against the objectives with higher risks).

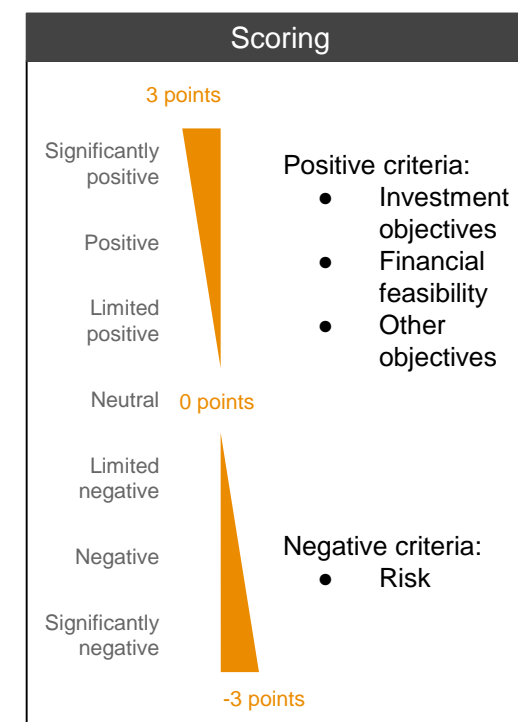
| Criteria | Weighting | Options (unweighted scores) | | | | | | | | | | |
|-----------------------|-----------|-----------------------------|------|------|------|------|------|------|------|------|------|------|
| | | A | B | C | D | E | F | G | H | I | J | K |
| Investment objectives | 40% | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.5 | 2.5 | 2.5 |
| Financial feasibility | 30% | 1.0 | 1.0 | 2.0 | 1.0 | 1.0 | 2.0 | 1.0 | 2.0 | 1.0 | 2.0 | 2.0 |
| General objectives | 15% | 1.3 | 1.5 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 2.0 | 2.0 | 2.3 | 2.5 |
| Risk | 15% | -0.4 | -0.4 | -0.4 | -1.1 | -1.1 | -0.2 | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 |
| Weighted score | | 1.3 | 1.3 | 1.7 | 1.3 | 1.3 | 1.7 | 1.3 | 1.6 | 1.4 | 1.8 | 1.8 |

Shortlisted

✓
Full offering of uses,
less food & beverage

✓
Full offering of
uses, less office

✓
Full offering
of uses



Shortlisted: Option K

Full offering

Option K includes the full offering of uses and is the strongest option demonstrating the most potential merit across the spectrum of objectives.

- Biosecurity
- Visitor / Discovery Centre
- Office
- Gift shop
- Cafe & Bar / Brasserie



Strengths

- Helps mitigate some feasibility risk through maximising the potential customer base and attracting revenue from multiple sources and different industries.
- Office space in the Gateway will generate efficiencies for the boat operators.
- Combining a cafe with an evening food and beverage offering will better utilise space.



Considerations

- Gift shops that sell low-price/value imported goods are more susceptible to external market shocks like Covid-19. Focussing on local/artisan arts, crafts and souvenirs direct from makers could help manage this risk and better support Council's Investment Objectives. Showcasing local talent also has a positive effect on political and market risk scores.
- Competition and political risks exist if the food and beverage offering provides similar offerings as existing local businesses.
- Additional due diligence should focus on gaining a better understanding of potential revenue sources e.g. Napier Aquarium has a gift shop at the exit.



Weaknesses

- The offices will have minimal financial upside. However, excluding them would limit the operational benefits to the boat operators and lessen visitor cross-patronage with the cafe, gift shop and ticketing if tourists need to visit the boat operator at a different location.
- The gift shop is not generally considered a difficult business, however Council has no specific experience running a gift shop.



Market

- There is demand for office space from at least one of the boat operators. This operator currently occupies 67m² nearby on Marine Parade and has a short term lease because of their intent to lease space in the Gateway.
- There are no existing gift or souvenir shops (only florists, interior design, clothing etc.), providing potential to showcase local arts, crafts and souvenirs (as at Zealandia in Wellington).
- Biosecurity and the visitor / discovery centre are considered foundational uses because they underpin the basis of the Gateway. In current market conditions there are some risks around tourist demand.



Indicative financial feasibility

Break-even period **6 years**

| | |
|-----------------------------|---------|
| Break-even year | 2027/28 |
| Development cost to Council | \$2.4m |
| Operating cost (20yr) | \$6.6m |
| Revenue (20 yr) | \$8.9m |

- The financial feasibility of the gift shop and biosecurity functions is based on forecast visitor growth. The feasibility of the Gateway is therefore highly dependent on the forecast visitor growth being realised.
- The financials which underpin the above table are included in the appendices.

Shortlisted: Option J

Full offering, less office

The key differentiator of Option J is that it excludes the offices for the boat/tour operators.

- Biosecurity
- Visitor / Discovery Centre
- ~~Office~~
- Gift shop
- Cafe & Bar / Brasserie



Strengths

- Removes the need for Council to act as landlord to two additional tenants and reduces lease management and related risks.
- The gift shop and cafe & bar / brasserie provide more upside in terms of potential revenue than the offices.
- Combining a cafe with an evening food and beverage offering will better utilise space.



Considerations

- Gift shops that sell low-price/value imported goods are more susceptible to external market shocks like Covid-19. Focussing on local/artisan arts, crafts and souvenirs direct from makers could help manage this risk and better support Council's Investment Objectives. Showcasing local talent also has a positive effect on political and market risk scores.
- Competition and political risk exists if the food and beverage offering provides similar offerings as existing local businesses.
- Additional due diligence should focus on gaining a better understanding of potential revenue sources e.g. Napier Aquarium has a gift shop at the exit.



Weaknesses

- Less visitor cross-patronage with the cafe, gift shop and ticketing if tourists need to visit the boat operator at a different location.
- Omitting the offices will inhibit the boat operators from being integrated with the other uses of the Gateway and potentially impact visitor cross-patronage.
- The gift shop is not generally considered a difficult business, however Council has no specific experience running a gift shop.



Market

- There are no existing gift or souvenir shops (only florists, interior design, clothing etc.), providing great potential to showcase local arts, crafts and souvenirs (as at Zealandia in Wellington).
- Biosecurity and the visitor / discovery centre are considered foundational uses because they underpin the basis of the Gateway. In current market conditions there are some risks around tourist demand.



Indicative financial feasibility

Break-even period **5 years**

| | |
|-----------------------------|---------|
| Break-even year | 2026/27 |
| Development cost to Council | \$2.3m |
| Operating cost (20yr) | \$6.3m |
| Revenue (20yr) | \$8.8m |

- In financial terms, Option J, without investment in office space (with its associated construction, financing and operating costs), may provide slightly better margins. However, accommodating the boat operators onsite does support other objectives.
- The financial feasibility of the gift shop and biosecurity functions is based on forecast visitor growth. The feasibility of the Gateway is therefore highly dependent on the forecast visitor growth being realised.
- The financials which underpin the above table are included in the appendices.

Shortlisted: Option F

Full offering, less cafe & bar / brasserie

The key differentiator of Option F is that it excludes the cafe & bar / brasserie.

- Biosecurity
- Visitor / Discovery Centre
- Office
- Gift shop
- ~~Cafe & Bar / Brasserie~~



Strengths

- Removes the need for Council to act as landlord to a food and beverage operator and reduces lease management and related risks.
- Removes the risk of the cafe & bar / brasserie not being in accordance with the MacLean Park Reserve Management Plan 2017.
- The owned and operated gift shop would provide the most upside in terms of potential revenue, whereas the cafe & bar / brasserie would be limited to an income based on a per-square-metre rate.



Weaknesses

- Less visitor cross-patronage with the gift shop and ticketing without the cafe & bar / brasserie attracting unique visitors to the Gateway.
- The gift shop is not generally considered a difficult business, however Council has no specific experience running a gift shop.



Considerations

- Gift shops that sell low-price/value imported goods are more susceptible to external market shocks like Covid-19. Focussing on local/artisan arts, crafts and souvenirs direct from makers could help manage this risk and better support Council's Investment Objectives. Showcasing local talent also has a positive effect on political and market risk scores.
- Additional due diligence should focus on gaining a better understanding of potential revenue sources e.g. Napier Aquarium has a gift shop at the exit.



Market

- There is demand for office space from at least one of the boat operators. This operator currently occupies 67m² nearby on Marine Parade and has a short term lease because of their intent to lease space in the Gateway.
- There are no existing gift or souvenir shops (only florists, interior design, clothing etc.), providing great potential to showcase local arts, crafts and souvenirs (as at Zealandia in Wellington).
- Biosecurity and the visitor / discovery centre are considered foundational uses because they underpin the basis of the Gateway. In current market conditions there are some risks around tourist demand.



Indicative financial feasibility

Break-even period **6 years**

| | |
|-----------------------------|---------|
| Break-even year | 2027/28 |
| Development cost to Council | \$2.0m |
| Operating cost (20yr) | \$6.3m |
| Revenue (20yr) | \$8.6m |

- The financial feasibility of the gift shop and biosecurity functions is based on forecast visitor growth. The feasibility of the Gateway is therefore highly dependent on the forecast visitor growth being realised.
- The financials which underpin the above table are included in the appendices.

Key risks

There are four key risks to keep in mind when considering support for any of the strongest options. Resolving, mitigating or accepting and managing these risks is crucial to successfully and viably implementing the Gateway.



Potential misalignment with the Maclean Park Reserve Management Plan

The management plan states no commercial activity will duplicate another facility in the vicinity.

- This is unclear. It could mean food & beverage offerings of the same type and target market (i.e. a fine dining restaurant does not duplicate a fish and chip shop), or it could mean no food & beverage offerings in totality are permissible. This should be clarified.
- Public consultation is three to four years old. There could be a different view in the community now.



Anticipated revenue dependent on visitor growth forecast

Around \$4.1m, or nearly half, of the anticipated revenue over 20 years is directly dependent on the visitor growth forecast being realised.

- Significant revenue loss would endanger the financial feasibility and/or extend the breakeven period.
- The Council should ensure it has confidence in its visitor growth forecast.



Competition with nearby businesses

There are numerous other food & beverage offerings nearby. These are quite diverse, from fast food takeaways to cafes and single-offering outlets (e.g. italian).

- Any food & beverage offering at the Gateway should be designed to contribute to and complement the existing offerings, as opposed to directly compete with.
- If the Gateway offering is directly comparable or in competition with existing nearby offerings it would likely not get support from the community.



Resource consent still needs to be secured

The Gateway's resource consent application is still underway and has not yet been secured.

- If the resource consent is not granted for the concept as submitted, the concept will need to be redesigned and the feasibility may be impacted.
- If the resource consent is granted, with conditions, it may impact how the Gateway is delivered and potentially its feasibility.

Operating models

A variety of operating models could be applied. The key to success will be simplicity and ensuring control and risks are aligned with the most appropriate parties.

At one end of the continuum, the Council could own and operate the entire facility and its functions, while at the other end it could be entirely outsourced to a third party to develop, own and operate¹. The key components in the middle options relate to the commercial elements of the facility, that could be attractive in the market and produce some revenue.

More
involvement

| OWN | | OPERATE | |
|--------------------|---|---|--|
| Council | + | Council | <i>Council operate the entire facility including visitor centre, gift shop and food & beverage businesses.</i> |
| Council | + | Third Party • food & beverage | <i>Council operate the visitor centre and gift shop, and lease out the food & beverage space.</i> |
| Recommended | | | |
| Council | + | Third Party • food & beverage • gift shop | <i>Council operate the visitor centre, and lease out the gift shop and food & beverage spaces.</i> |
| Council | + | Third Party | <i>Council outsource the operation of the entire facility and its functions.</i> |
| Third Party | + | Third Party | <i>Council outsource the development, ownership and operation of the entire facility and its functions.</i> |

Less
involvement

Note: the biosecurity function is consistently assumed to be operated by conservation volunteers supported by tour operators.

¹ Dependent on conditions of the Covid Response and Recovery Fund grant.

Recommended operating model

The recommended operating model initially would see the Council designing, developing and owning the facility as a strategic regional asset.

The Council own and operate model was discounted, as successfully operating food & beverage businesses relies on specific industry expertise, experience and knowledge. A review (in 2015) of the Council's operation of the Plunge Cafe in the aquatic centre highlighted some of the risks and impacts of this.

The opposite end of the continuum, where operation of the entire facility is outsourced was also discounted as it would likely not be attractive in the market. For example, a third party seeking to develop, own and operate would require a notional rental of around \$1,200 per m² just to cover operational cashflows before any return on capital investment. Completely outsourcing development as well as operation may also lead to the grant funding from the COVID Response and Recovery Fund being unavailable.

Importantly, the investment objectives also encompass more than simply a profit margin (e.g. promoting regional tourism growth, and cultural and environmental education) and these aspects could be given little focus under a commercially driven operator.

Of the middle ground, whereby the Council retains ownership and control of a strategic asset, the recommended model would see the Council lease out the food & beverage space (for reasons outlined above) as well as the office space. The Council would operate the visitor / discovery centre as it includes the promotional aspect of the region, as well as the gift shop which is generally a simpler business to operate than the food & beverage.

These two uses could be integrated (i.e. the gift shop within the visitor centre) and operated by the two staff assigned to manage the overall facility. Online sales from the gift shop would also add to revenue without substantially impacting costs. This leverages the staff already assigned to the facility, and retains the gift shop net income (or loss) which could directly benefit the Council.

Other potential operating models could be considered in the future, such as partnering with iwi or other socially-minded organisations for ownership and/or operation depending on future Council objectives.



Case studies

Case studies

No other venture that we contacted incorporates all of the components of the Gateway. Five ventures were identified which incorporate various components of the Gateway.

The proposed Gateway is a fairly unique proposition, as a focal point for tourism in the region, a terminal point for visiting Kāpiti Island, and a cultural and historical education and visitor information centre: all within an urban setting. The various components (biosecurity, visitor terminus and ticketing, regional tourism gateway, office, food and beverage, cultural and ecological education, and gift shop) are not incorporated together in any other venture in New Zealand to our knowledge.

This makes it difficult to identify any single venture that can provide a view as to the challenges, opportunities and lessons likely to be experienced by the Council in developing the Gateway. However, benchmarking separate components (for example a gift shop, food and beverage, or digital experience) of the Gateway is still a useful way to draw lessons from other related ventures.

We interviewed five ventures to understand their experience and lessons from integrating with their visitor facilities, a:

- Gift shop
- Cafe
- Bar / Brasserie
- Digital experience.

The ventures we have benchmarked components of the Gateway project against are:

Zealandia (Wellington), a unique urban ecosanctuary run by a Wellington City Council-controlled not-for-profit trust.

Zealandia has previously been in discussions with Council in relation to the Gateway, so our discussion was targeted around digital experience and cross-patronage of ecosanctuary, gift shop and cafe functions.

Sanctuary Mountain Maungatautari (Waikato), a 3,400 hectare ecological sanctuary surrounded by one of the longest pest-proof fences in the world.

Key interview topics:

- Visitor trends
- Gift shop viability, patronage
- Food and beverage size, viability, occupancy, operation
- Education (charged) usage, viability and trend

New Plymouth iSite, a visitor information centre embedded within the Puke Ariki facility operated by the New Plymouth District Council (museum and education centre similar to Te Papa in Wellington, library, gift shop and attached cafe / restaurant /bar).

Key interview topics:

- Visitor trends
- Perceived value of combining visitor centre with various other functions and assets

Whangārei iSite, a visitor information centre operated by the Whangārei District Council with gift shop and attached cafe.

Key interview topics:

- Visitor trends
- Perceived value of combining visitor centre with cafe

Tourism Central Otago, a Central Otago District Council function responsible for a recent operating model change to visitor centre facilities in central Otago, whereby tourism visitor amenities were partially outsourced to local businesses including cafe and accommodation providers.

Zealandia insights

Located in suburban Wellington and operated by a (Wellington City Council-controlled) not-for-profit charitable trust, Zealandia is the world's first fully-fenced urban ecosanctuary, with an extraordinary 500-year vision to restore a Wellington valley's forest and freshwater ecosystems as closely as possible to their pre-human state.

Comparability

- Conservation and ecology-related venture
- Ecosanctuary entrance with education, gift shop and food & beverage amenities
- Suburban location, separate but close to a main town/city
- Council-controlled at arms length

Key revenue sources

64 strategic and funding supporters including Wellington City Council, trusts, corporate partners, foundations and charitable grants, community organisations, iwi and individual memberships.

Key statistics (2019-20)

\$6.4M total revenue incl \$365,362 COVID-19 wage subsidy

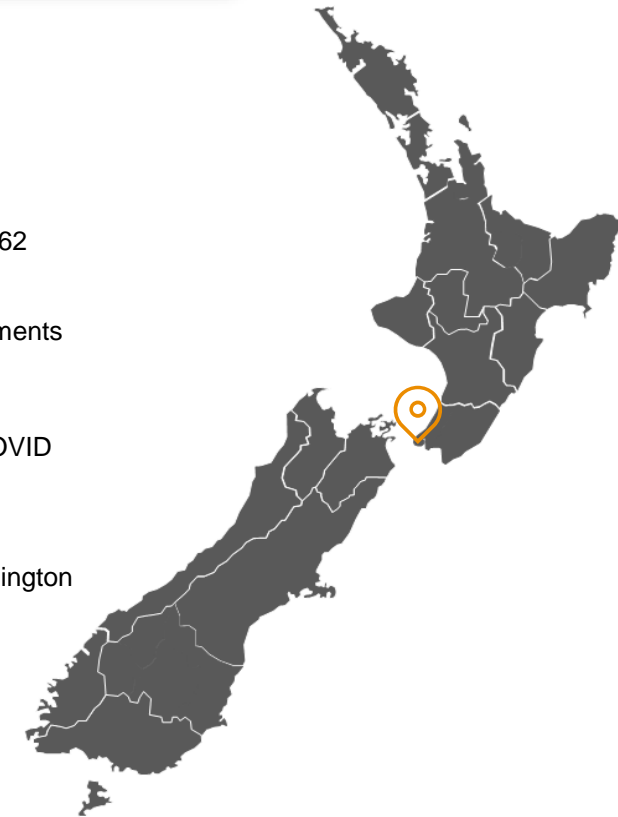
\$6.8M of buildings incl improvements

143,367 visitors

40% international visitors pre-COVID

\$903k net operating surplus

\$29.5M economic value to Wellington



Of note

Free entry between mid-May and end-June 2020 saw over 34,000 visitors. This contributed to a significant boost to paid memberships, which rose 28% compared to 2019 to be worth \$418,846 p.a. Zealandia also leveraged crowd-funding with a Givealittle campaign which proved popular.

Zealandia operate the food & beverage offering themselves. It has an operating surplus but this is largely due to few overheads (e.g. no lease), and generates a lower rate of profit than other commercial initiatives onsite. Pricing, competition and staffing are major ongoing operational issues being self-operated.

Demand continues for education school group visits.

Recently launched an online gift shop. Strong start but too early to assess its future viability.

Zealandia have a functions centre (up to 200). Popular for meetings and small seminars.

Key insights for Kāpiti Gateway

- Leasing out the food & beverage space to an operator is much more preferable than operating it yourself.
- Average gift shop spend per visitor is similar to 2019.
- Focus on local artists and artisan arts and crafts in the gift shop, differentiating from 'high street tourist trinkets'.
- Visitor experience is a focus, growing 'value added products' such as guided tours and a range of events and talks within the sanctuary.
- Crowdfunding can be successful. People are often keen to 'chip in' to support worthwhile initiatives. This acts almost like a voluntary targeted rate, but also opens up the opportunity to include donors from outside of the Council rating base.

New Plymouth i-SITE insights

Located within the multi-purpose Puke Ariki facility, colocated with the museum/discovery centre, gift shop, library, cafe and restaurant/bar.

Comparability

- Some ecological education with natural-world exhibitions in the discovery centre
- Colocation of various civic functions including visitor experience, gift shop and food & beverage
- Urban setting with neighbouring food and beverage offerings
- Council owned and operated, with food and beverage spaces leased out

Key revenue sources

Ticketing commissions and gift shop revenue, with the remainder subsidised by Council. Council consider it a 'civic service' to help drive the region.

The foyer and some meeting room space has been designed to be multi-functional and hired out for events, meetings and announcements. This has not provided a significant amount of income.

Key insights for Kāpiti Gateway

- Close partnership with local attractions and operators is key to effective promotion
- A 'Visitor Experience Lead' role has been very successful for New Plymouth and crucial to drive an overall strategy across various Council functions and operations plus liaising with local operators.
- The gift shop, especially with local artisan arts and crafts, is a profitable venture and helps reduce the Council subsidy required.
- There is significant cross-patronage of visitors between functions.

Key statistics

~30% international visitors pre-COVID

~4,000 visitors during busy season

~50% local visitors and 50% domestic visitors now

Booking commissions are down, gift shop sales are up

~30% visitors cross from museum to visitor information/gift shop and vice versa, where they would not otherwise have visited the other



Of note

Total visitor count is down (versus pre-COVID) but not significantly, but visitor spend in the visitor centre and gift shop is significantly up, indicating local and domestic visitors are spending more than internationals were.

There is a 'video wall' in the visitor centre to promote local attractions, and an interactive 'digital concierge' where visitors can build their own itinerary.

Gift shop sales have some 'tourist trinkets' but notably a supply of local artisan arts and crafts.

The cafe/restaurant space is leased on a revenue basis (5.4% of revenue, capped).

Whangārei i-SITE insights

Located in Tarewa Park, the i-SITE provides a ‘*comprehensive, impartial information and booking service for Whangarei, Northland and New Zealand for accommodation, activities, attractions and travel bookings*’.

Comparability

- Colocation of visitor experience, gift shop and food & beverage
- Council owned and operated, with food and beverage space leased out

Key revenue sources

Ticketing commissions, gift shop revenue and brochure/digital display membership, with the remainder subsidised by Council.

Colocation with the adjoining cafe helps drive customer counts and contribute to the various revenue streams.

Key statistics

~36% lower visitor count against pre-COVID

\$2.02 revenue per visitor, with profit of 88c per visitor (2019).

Extremely high cross-patronage of visitors from cafe to visitor information/gift shop and vice versa, where they would not otherwise have visited the other



Key insights for Kāpiti Gateway

- There is significant cross-patronage of customers between the visitor centre and cafe.
- The Council shifted to an outsourced food and beverage model.
- Visitor experience and service is crucial to success.

“Does it work to have an adjoining café? Absolutely, we compliment and look after each other.”

- Reana Te Hei, Team Leader, Whangārei i-SITE and The Hub visitor centre.

Of note

The Council used to operate the cafe as well as the visitor centre, but leased out the cafe in 2013.

The cafe space is leased on a space basis (\$/sqm).

There are two screens in the visitor centre to promote local attractions, However, there is little other digital offering as there is a preference to focus on manaakitanga or hospitality and knowledge of the visitor centre staff.

Gift shop has mostly souvenirs. Sales are down, one option being considered is to shift to local products to appeal to domestic visitors.

Tourism Otago insights

Tourism Central Otago is the Regional Tourism Organisation for Central Otago. They coordinate and facilitate the marketing of the Central Otago region as a visitor destination both within New Zealand and internationally.

Comparability

- Role of regional tourism promotion
- Colocation of visitor experience and tourism promotion with other businesses and space uses
- Recent business model change from inhouse operation to a mixed model across the region

Key revenue sources

No revenue from outsourced sites. Council funding and ticketing commissions are from remaining sites.

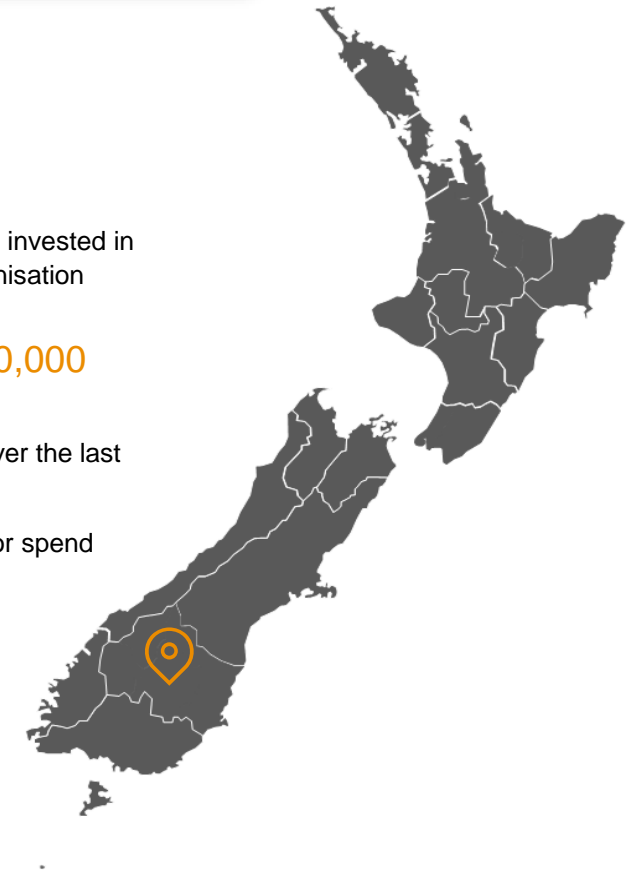
Key statistics (2018)

1.4% of total Council income is invested in the local Regional Tourism Organisation promoting the region

313,500 domestic visitors, **60,000** international

13% increase in room nights over the last five years

20% increase in domestic visitor spend



Key insights for Kāpiti Gateway

- In a similar way to Tourism Central Otago shifting away from a 'ticketing role' and towards a regional promotion role; with the ticketing function of a visitor centre now shifted to Coastlands Mall retailers, Kāpiti Coast District Council is free to focus on a regional-promotion type role with the Gateway (complementing digital and online activity).
- Central Otago District Council see little value in subsidising a ticketing service, however consider regional tourism promotion a core service offering worth investing in.

Of note

The Council had four i-SITE visitor centres (Ranfurly, Roxburgh, Alexandra and Cromwell). They have retained Ranfurly and Roxburgh (the latter housed within existing Council service centre/library, so minimal costs) and outsourced Alexandra and Cromwell.

They acknowledge there could be *some* risk in the outsourced providers not promoting the region much where they perceive there to be no likely sales. However, they view the role of the Council as the Regional Tourism Organisation (RTO) as being to promote the region, whereas the visitor centres' role is to focus primarily on selling people attractions and activities etc.

Sanctuary Mountain insights

A 3,400 hectare ecological sanctuary surrounded by one of the longest pest-proof fences in the world.

Comparability

- Colocation of visitor experience, gift shop, food & beverage and education
- Based on an ecosanctuary offering

Key revenue sources

- Sponsorships and grants
- Contributions from Waipa District and Waikato Regional Councils
- Department of Conservation (contestable, not assured)
- Visitor entry
- Gift shop and cafe
- Education (school groups).

Key insights for Kāpiti Gateway

- The cafe is seen as a key offering and is being improved. There is no intention to grow capacity (30-40 seats).
- School groups pay \$13 per child and is growing with demand existing.
- Investigating more long term strategic sponsorship arrangements and memberships.
- More tours and package offerings are seen as an opportunity for higher value-added products.

Key statistics (2019-20)

\$1.8M total revenue

\$48k surplus after depreciation including a \$300,000 grant for education centre. Without this it would have been a net loss.

\$9.2M fixed assets

5% annual increase in visitors

64% increase in guided tour numbers

~14,000 total visitors, with 10,555 being domestic. Circa 21,000 visitors projected pre-COVID impact

2,127 guided tours



Of note

The cafe has contributed minimal revenue due to its limited offering (simple packaged food only). An expansion project is underway now (developing kitchen and preparation facilities) as this is recognised as a key offering.

There is no digital experience, excepting an 'audio trail'. This is seen as an opportunity and is on the to-do list.

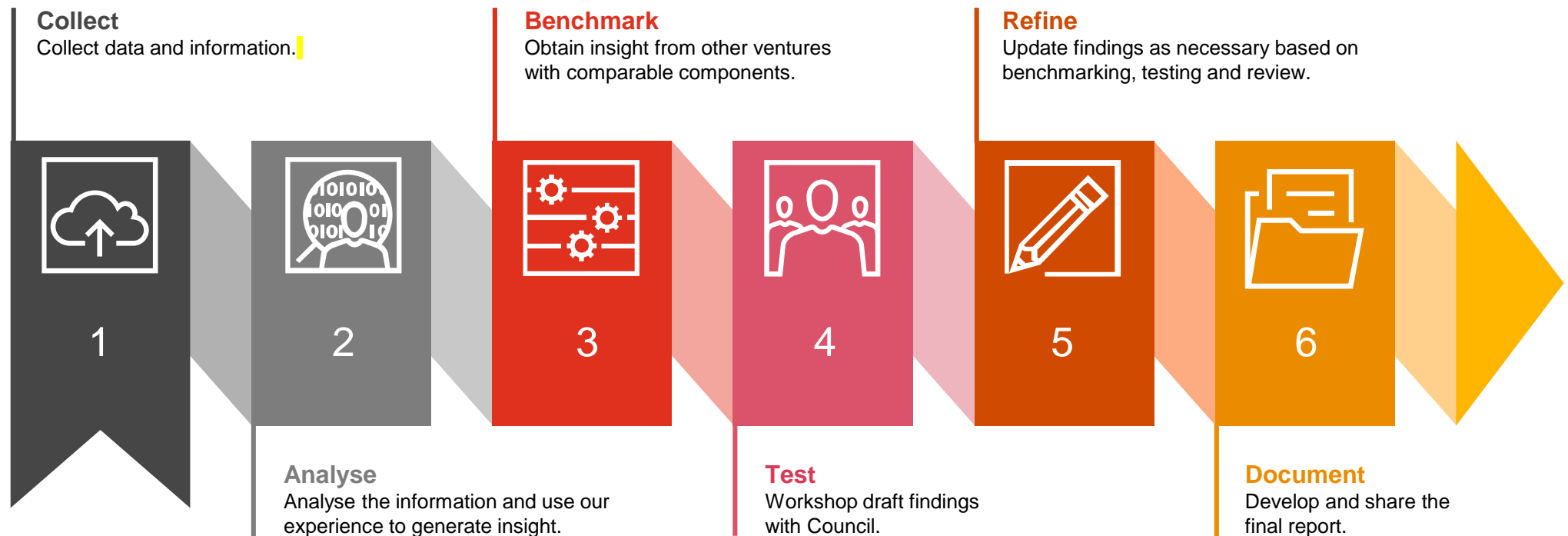
The (charged) education tours for school pupils is popular; around 5,000 children per year and is being expanded with a 3-classroom education centre being built.



Appendices

Our methodology

We collected data from the Council then informed our own analysis of this data and assessment of the options with conversations with other ventures that have comparable components before testing our findings with the Council. Council's feedback provided input to refine our thinking and help document our findings.



Key assumptions

The following are our general assumptions in preparing this report.

The total footprint of the facility will remain relatively constant (it will be impacted by Resource Management Act requirements and final construction design).

The biosecurity and visitor centre functions are considered 'foundation uses' and are included in every option.

The costed design, provided by quantity surveyor Rawlinsons, is correct and construction rates and assumptions are not materially different.

All data and information provided by the Council, e.g. visitor forecasting, is accurate and used as-is. Our scope did not include testing the value of the sponsorship, commissions, concession and advertising.

All space allocations for uses are in-principle and will be confirmed by Council working with its design and quantity surveying team and also reflecting final requirements from third parties e.g. DOC, operators, commercial tenants.

The area of a gift shop is 30m² and the area of a cafe & bar / brasserie is 50m². The food & beverage space will be leased out on a per-square-metre basis, as opposed to a percentage take of the operator's revenue, and will be accommodated within the building design and utilise some of the existing deck area of the concept design.

The Gateway is operational from April 2022.

Financial analysis is based on forecasted Kāpiti island visitors. There will be additional visitors (e.g. locals and mainland visitors), however, these have not been modelled as no visitor data or research on these numbers has been completed.

Assumptions, rates and measures agreed between the Council and PwC are substantially accurate and appropriate for this conceptual phase of the project. These are listed opposite and split by revenue and cost assumptions. For this report, these rates were applied on a pro-rata basis to estimated Gateway footprint areas. These assumptions, rates and area allocations will be subject to further due diligence during the next phase of the project (during developed design) dependent on which uses Council supports. They will also be influenced by occupier requirements.

Amounts are not adjusted for inflation/price and cost escalation (unless specifically noted, e.g. biosecurity concession fees)..

Key assumptions

The following are the key revenue assumptions that we agreed with Council.

We expect these assumptions will be tested during the next phase of the project (developed design) if the Council approves the current concept and supports a specified option/combination of uses.

Revenue Assumption

Commercial Sponsorship: \$26,000 p.a. based on \$6,000 p.a. of power being sponsored and \$20,000 p.a. provided from a separate commercial sponsor.

Commission on ticket sales: based on 10% commission.

Grants: \$70,000 in year 1, \$50,000 in year 2 and \$20,000 from year 3 onwards.

Advertising: growing from \$2,400 p.a. in year 1 to \$5,000 p.a. in year 4.

Gift shop: gross profit of \$4.34 per person, based off the gross profit achieved by Zealandia and forecast visitor numbers. Potential online sales have not been modelled.

Biosecurity concession fees: based on increasing adult and child rates and forecast visitor numbers. The fee per adult starts at \$4 with a gradual increase to \$10 and the fee per child starts at \$3 in 2023/24 and rises to \$5.

Lease revenue - cafe and bar / brasserie: A brief market scan was undertaken to estimate a market rent of \$300-\$350 per m² in the vicinity of Te Uruhi / MacLean Park.

Lease revenue - office: An estimate of market rent of \$275 per m² was based on Marine Parade retail/offices

PwC Commentary

As advised by Council and assuming that a corporate sponsor is secured.

As advised by Council.

As advised by Council and assuming that the annual grant is secured and ongoing.

As advised by Council; generally appears reasonable.

This assumption was derived from Zealandia Gift Shop. Zealandia advised they achieved a gross profit of \$4.34 per person, representing a gross profit margin of 39%. This gross profit per person was then multiplied by the forecast visitor numbers to Kāpiti Island. This revenue will be highly dependent on the forecast visitor growth being realised, and does not account for any sales to non-island visitors.

Generally appears reasonable. However, realising this revenue will be highly dependent on the forecast visitor growth being realised.

Generally appears reasonable.

Generally appears reasonable. Considering the small space and marginal revenue, Council could consider a lease agreement based on \$100 weekly rent.

Key assumptions

The following are the cost assumptions that we agreed with Council.

We expect these assumptions will be tested during the next phase of the project (developed design) if the Council approves the current concept and supports a specified option/combination of uses.

Cost Assumption

Staff: \$120,000 p.a. comprising 1 FTE at \$60,000 p.a. and 1 FTE at \$40,000 p.a., multiplied by 20% to allow for overheads such as superannuation, ACC, Employee Entitlements and Training.

Rates: \$13,000 p.a. based on boat club rates.

Water rates: \$600 p.a. based on the Maple Building.

Cleaning: \$10 per m² per month.

Repairs and maintenance: \$5,000 per year while the build is new and covered by warranties.

Security: \$2,400 p.a. based on patrol price of other Council sites.

Power, IT, and printing and stationery: power of \$6,000 is sponsored (see previous page). IT of \$1,200 and printing and stationery of \$2,000 is based on the Aquatic Centre.

Insurance: \$19,000 p.a. based on development value of \$4.46m

Depreciation: based off CAPEX budget for buildings, deck and bridge, with straight line depreciation of 44 years. No depreciation on landscaping, Pou, site services and artwork.

Interest: based on an interest rate of 3.45% in 2021/22, 3.15% in 2022/23 and 2.95% thereafter on development costs incurred by Council.

Grounds maintenance: None, can be included within existing MacLean Park services.

PwC Commentary

Infometrics reports that the mean annual earnings (salary) for Kāpiti Coast District in 2019 was ~\$49,000 p.a.. Assumption of employment costs at \$100,000 p.a. for two FTEs is consistent with this.

The Kāpiti Island Boat Club is situated near to the proposed Gateway. Therefore the assumption to use similar rates as the boat club is reasonable.

As advised by Council. Generally appears reasonable.

The Property Council of New Zealand 2018 Operating Expenses Benchmark has a median cost of cleaning of \$7.72 per m² for an A grade office building. This benchmark is an annual cost, therefore \$10 per m² per month appears to be high .

The Gateway will be brand new and generally covered by warranties, therefore it generally appears reasonable that repair and maintenance will be minimal in the first few years.

As advised by Council. Generally appears reasonable.

As advised by Council. Generally appears reasonable.

As advised by Council.

Generally appears reasonable.

As advised by Council.

Generally appears reasonable.

Risk Matrix

17 types of risk were considered when assessing the 11 combinations of functions or uses.

12 risks were considered primary risks. These represent risk with greater potential likelihood or consequences, a higher level of unknown, or mitigations that are yet to be understood or agreed. Primary risks were given twice the weighting of secondary risks

Five risks were considered secondary risks, with less likelihood or consequence, potential impact, management difficulty or unknowns.



Funding Risk

Including suitability of funding structure, terms and conditions, and changes in finance costs.



Capability/ Experience Risk

Ability of team to deliver and manage the project, incl. suitability of structures and processes.
Leadership culture.
Retention of key personnel.



Demand Risk

Demand side risks including suitability and specification, uptake, pricing, customer forecasts.



Title Risk

Including land title constraints and any encumbrances.



Scope Risk

Management of any scope change or “creep”.



Physical Risk

Including topography, ground conditions, shape factor, neighbour interaction and existing improvements.



Programme Risk

Including programme changes, delays, slippage and events impacting costs.



Planning Risk

Including zoning, consenting, compliance and conditions.



Market Risk

Including macro and micro, cyclical and structural changes to anticipated market conditions.



Delivery Risk

Including form of engagement, contractor performance and default.



Feasibility Risk

Including understanding of costs, revenue, assumptions applied, dependencies and potential variables.



Infrastructure Risk

Including availability, capacity and delivery timing of services, traffic and social infrastructure.



Contract Risk

Including variations, type, specifications and disputes.



Political/Regulatory Risk

Support from local community, council, central government. Includes regulatory risk.



Environmental and Climate Risk

Including heritage, ecology and contamination risk, implications of adverse climate events on budget, programme and benefits.



Competition Risk

Characteristics of competing supply.



Consultant Risk

Including reputation, capability, capacity and recourse.

Existing daytime food & beverage options

We scanned the area to identify the existing daytime food and beverage options. Daytime food and beverage offerings include traditional cafes, coffee bars, ice cream parlours and takeaway restaurants.

Daytime food & beverage businesses

- **180 degrees** - Licensed bistro & cafe
- **Two Fat Chefs** - Breakfast and lunch cafe
- **Club Vista (Paraparaumu RSA)** - Restaurant with burgers and Italian food
- **Cafe Lane** - Breakfast and lunch bakery/cafe with scoop ice cream
- **Sunlong Takeaways** - Chinese food and fish & chips
- **The Pinetree Arms** - Sports bar with pizza menu
- **Ambience Cafe** - Western style breakfast and lunch
- **Fed Up** - Fish & chips and seafood restaurant
- **Marine Parade Eatery** - Fully licenced breakfast and lunch cafe
- **Thai Marina** - Fully licenced Thai restaurant
- **The Lockup** - Cafe food and coffee
- **Kilim Kāpiti** - Turkish restaurant
- **Star of India** - Indian restaurant
- **Spice Lounge** - Indian restaurant
- **Bimi Sushi** - lunchtime sushi



Proposed Gateway site

Existing evening food & beverage options

We scanned the area to identify the existing evening food and beverage options. Evening offerings have a range of international menus and several are licensed to serve alcohol.



Existing food & beverage businesses

- **180 degrees** - Licensed bistro with Western food
- **The Surfer's Mistress** - Italian eatery
- **Pram Beach** - Restaurant and cocktail bar
- **Umu Restaurant** - Restaurant and cocktail bar
- **Club Vista (Paraparaumu RSA)** - Restaurant with burgers and Italian food
- **Sunlong Takeaways** - Chinese food and fish & chips
- **The Pinetree Arms** - Sports bar with pizza menu
- **Papa Rossi's Take n Bake Pizza** - pizza restaurant
- **Fed Up** - Fish & chips and seafood restaurant
- **China Beach** - Chinese restaurant
- **Thai Marina** - Fully licenced Thai restaurant
- **Kilim Kāpiti** - Turkish restaurant
- **Star of India** - Indian restaurant
- **Spice Lounge** - Indian restaurant
- **50-50** - New Zealand fine dining
- **Soprano Ristorante** - Italian restaurant



Proposed Gateway site

Estimated shortfall for shortlisted options

The tables below display the annual revenue, costs and surplus to the Council for the three shortlisted options. All three options have a very similar breakeven period.

| Option K - full offering | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Option K breakeven | |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------------------------|---------|
| Council revenue (\$000s) | 56 | 240 | 278 | 269 | 322 | 335 | 392 | Breakeven year | 2027/28 |
| Council costs (\$000s) | 149 | 345 | 339 | 339 | 339 | 339 | 339 | Breakeven period | 6 years |
| Council surplus (\$000s) | -93 | -104 | -61 | -70 | -17 | -4 | 53 | Sum of shortfall (\$000s) | -349 |

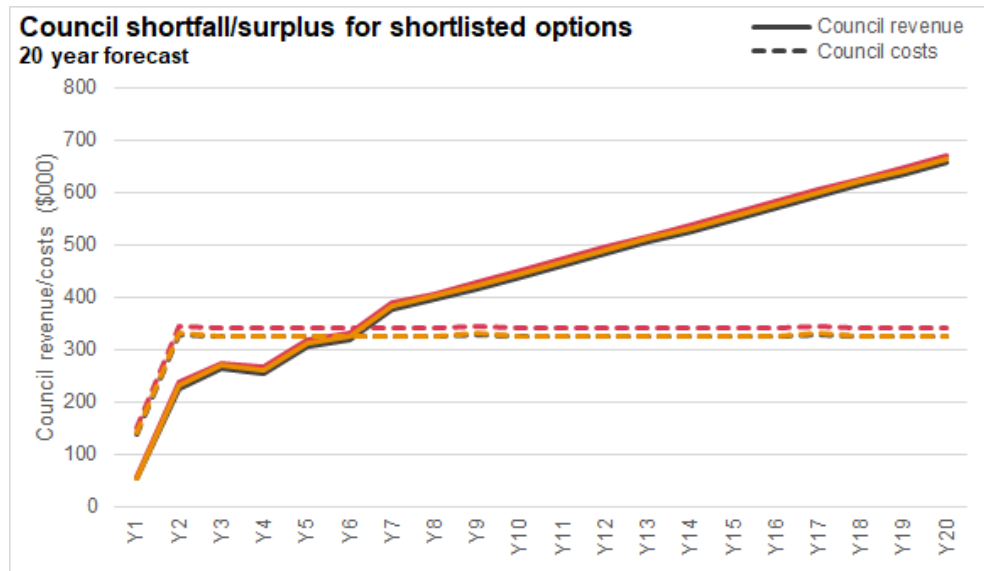
| Option J - full excluding office | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Option J breakeven | |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------------------------|---------|
| Council revenue (\$000s) | 55 | 235 | 273 | 264 | 317 | 330 | 387 | Breakeven year | 2026/27 |
| Council costs (\$000s) | 141 | 330 | 325 | 325 | 325 | 325 | 325 | Breakeven period | 5 years |
| Council surplus (\$000s) | -86 | -95 | -52 | -61 | -8 | 5 | 62 | Sum of shortfall (\$000s) | -302 |

| Option F - full excluding cafe & bar | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Option J breakeven | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------------------------|---------|
| Council revenue (\$000s) | 52 | 224 | 262 | 253 | 306 | 319 | 376 | Breakeven year | 2027/28 |
| Council costs (\$000s) | 138 | 329 | 324 | 324 | 324 | 324 | 324 | Breakeven period | 6 years |
| Council surplus (\$000s) | -86 | -105 | -62 | -71 | -18 | -5 | 52 | Sum of shortfall (\$000s) | -347 |

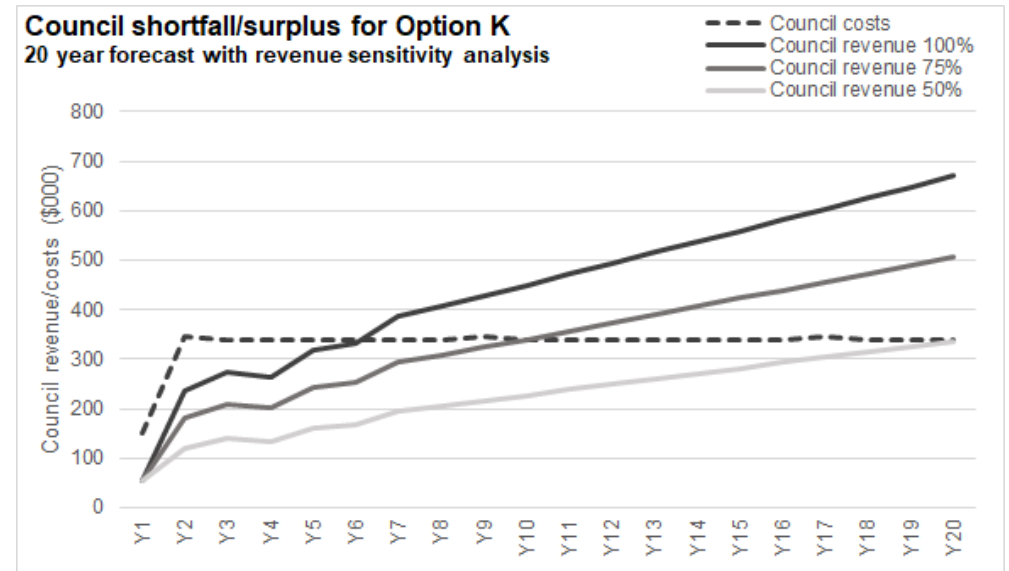
Breakeven sensitivity analysis

The charts below display the annual revenue, costs and breakeven points for the three shortlisted options and sensitivity analysis of the forecasted revenue.

The chart below displays the annual revenue, costs and breakeven points for the three shortlisted options. All three options have a very similar breakeven period.



The chart below displays the annual revenue and costs for Option K, and the breakeven points given various revenue scenarios.



Disclaimers and limitations

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We have not independently verified the accuracy of information provided to us. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

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

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

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

This report is issued pursuant to the terms and conditions set out in our engagement letter dated 11 December 2020 and the Terms of Business.



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