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## Marine Education Centre

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### The Proposal

After the original proposal for a new visitor centre at Te Reakaihau Point was declined at the Environment Court, the Wellington Marine Conservation Trust (*the Trust*) has reviewed the proposal to establish a new marine centre at the former 'Maranui Depot' site in Lyall Bay.

The site lies to the landward side of Queens Drive, towards the western point of Lyall Bay, and is owned by the Council. While detailed design has not yet been undertaken, the concept plans anticipate that the new facility will be 3800m<sup>2</sup> in total (23% more than the previous proposal) with 2200m<sup>2</sup> of exhibit spaces (compared to 1100m<sup>2</sup> in the original proposal).

The Trust has completed a 'pre-feasibility' study<sup>1</sup> of the proposed marine centre, which is intended to operate in conjunction with existing operations and create hubs for marine related events and programmes along the Wellington South coast.

The Trust is seeking the Council's support to share the costs of the next stage of the project – the full feasibility study.

### Proposal Costs

The indicative costs and scope of the marine centre proposal are discussed here for completeness, however, this funding bid relates only to the next stage which is the feasibility study – the completion of which will be a key milestone for any future decisions regarding continued Council involvement.

The Trust has estimated that the feasibility study will cost \$400k - \$900k and propose that the Council fund 50% of that cost, contingent upon the Trust providing matching feasibility study funding. While it is expected that the cost of the study will be able to be reduced via the scoping phase, the funding bid is for up to the maximum amount of \$450k (i.e. 50% of the \$900k).

Project Component	\$000									
	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Feasibility Study	450	0	0	0	0	0	0	0	0	0
Total	450	0	0	0	0	0	0	0	0	0

This proposal would be funded by an increase in the general rates.

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<sup>1</sup> Summary document of the pre-feasibility appended as appendix 1.

## Outline of proposal

### Pre-feasibility study

The Trust has funded and undertaken a pre-feasibility study to investigate the suitability of the site in terms of the Trust's objectives and the financial sustainability of the proposed marine centre. The study was divided into three work streams:

- Concept Development and Exhibition Planning
- Site Development Planning and Feasibility
- Business Development Feasibility

The pre-feasibility study findings indicate that the establishment of a financially sustainable marine centre may be viable at the site. Potential costs for the marine centre have been assessed and are estimated to total \$27.9 m (excluding GST), consisting of:

Building, External Works & Fees	\$14.4M
Exhibits & Fitout	\$13.5M
	<hr/>
	\$27.9M

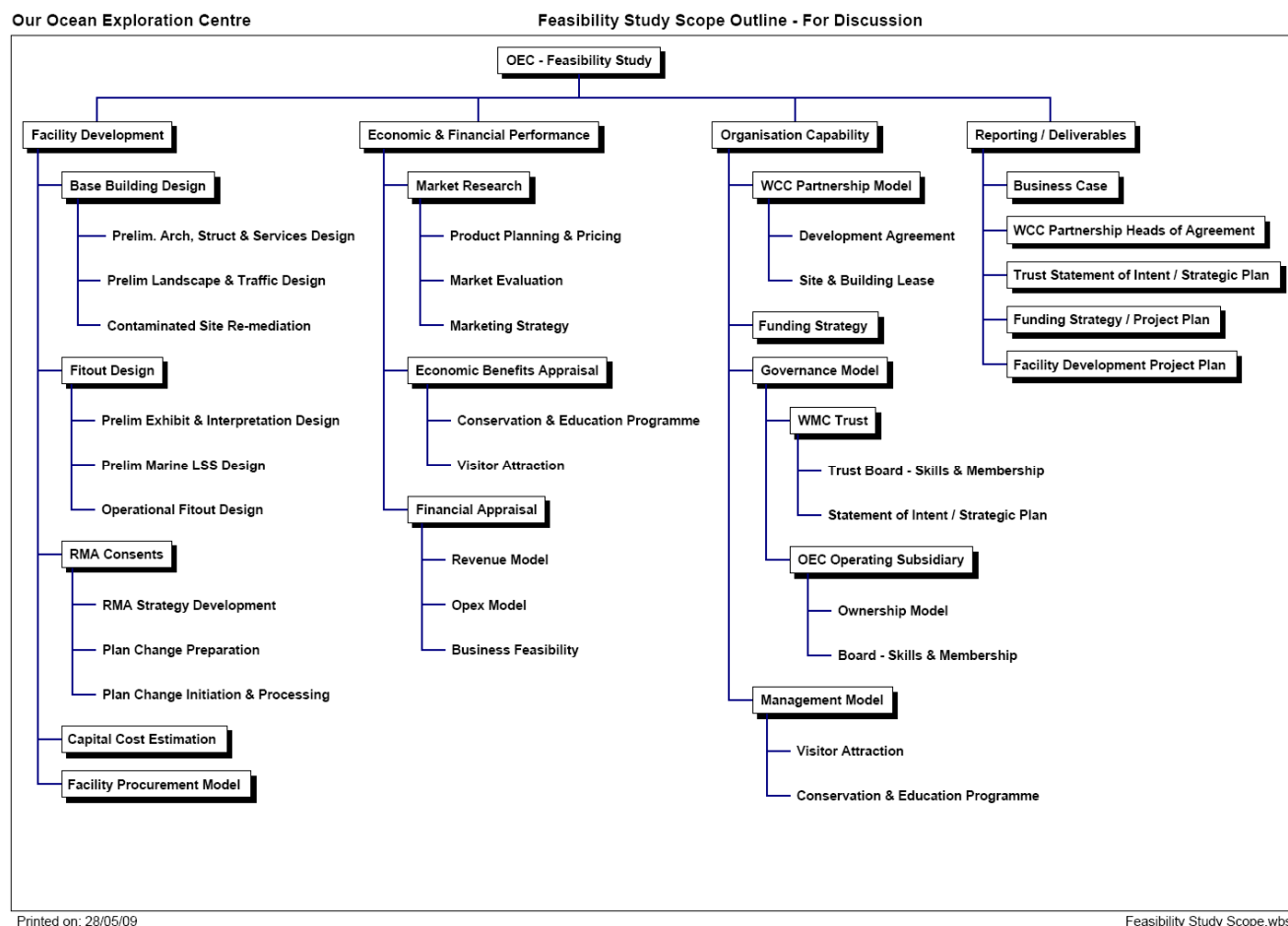
The Council's Project Management Office (PMO) has considered the pre-feasibility study and advised that at this early stage of the proposal, it is progressing reasonably well and that completion of a more detailed feasibility study will be required to close information gaps, highlight risks and explore mitigation strategies. From a project management perspective there are no fundamental flaws within the proposal, however, there is the need to be very clear about the projects vision and the subsequent linkages to objectives and outcomes. The initial PMO assessment has highlighted matters to be considered further and this is discussed further under the heading of Risks below.

### Full Feasibility study

As is the nature of a preliminary study; the findings are predicated on a range of assumptions and to a certain extent, estimates and projections that are subjective in nature. Accordingly, the next stage of the project will be the completion of a full feasibility study, which will provide:

- Comprehensive market research programme and business case
- Landscape, building and exhibit preliminary design
- RMA strategy preparation and process initiation

An indicative full feasibility study scope is outlined in the figure below.



The full feasibility study is anticipated to take 6 months to complete, once funding has been secured.

The Trust proposes that a project steering group (Feasibility Study Management Board) is established to provide oversight of the feasibility study work programme. Membership of the steering group would include a Council officer, private investors' representative, and a Trust representative.

Once the steering group has confidence that the feasibility study scope is appropriate and that the costs are competitive, the steering group members will report to their respective groups. Once Council officers and the social investors have confidence in the scope and proposed costs of the feasibility study and social funding is raised Council funds will be made available and the feasibility study can begin.

### Developed Design

Pending the outcome of the full feasibility study, the next stage would be developed design which includes:

- Preparation and execution of development agreement with funding partners.
- Governance and operational management planning and capability development.
- Further development of building and landscape design required for Resource Consent application.
- Exhibit / fitout developed design.
- Procurement of Resource Consents.
- Capital funding procurement.

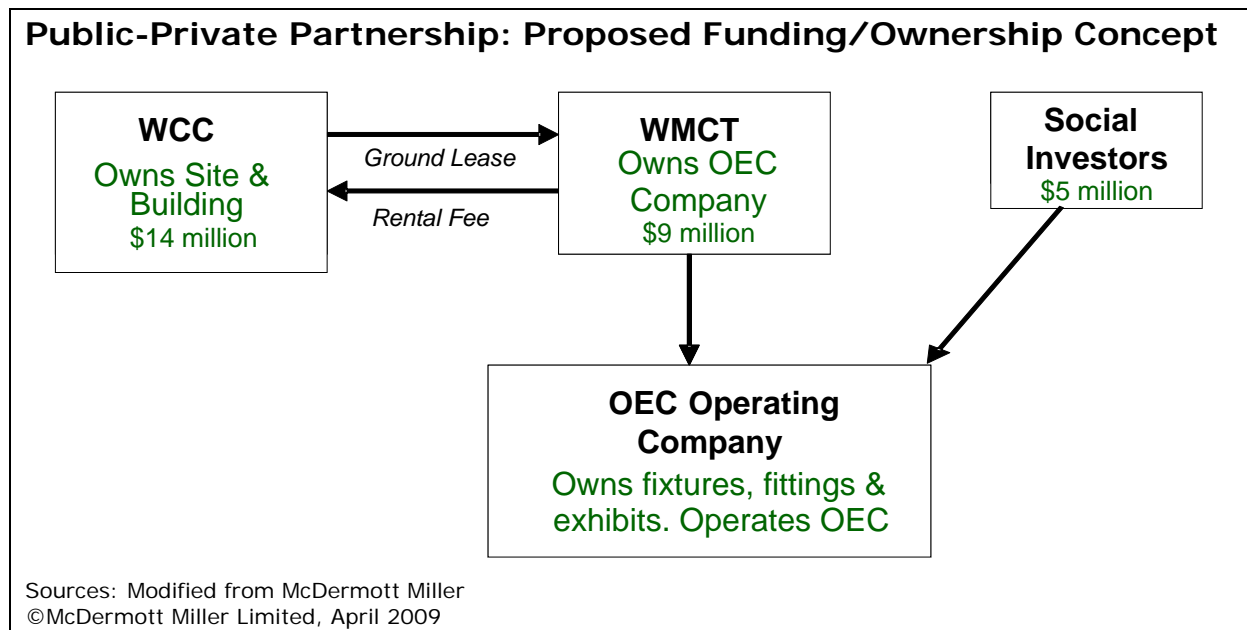
## Construction & Commissioning

Construction of the building would commence following preparation of the design and the achievement of any necessary resource consents. This would involve:

- Preparation of all detailed design.
- Procurement of Building Consents.
- Tender and award of external works and building construction.
- Tender and award of exhibits and fitout construction.
- Facility construction, commissioning & operations establishment.

## Governance model

The figure below illustrates the proposed funding and governance of the public-private partnership.



This model proposes that the Council funds and undertakes the construction (and all necessary consenting) of the building to accommodate the proposed centre. The building would be owned by the Council and leased to the Trust for an agreed rent (estimated to be \$1.2 million per annum). It is estimated to cost \$14.4 million to construct the building.

The Trust would establish a separate subsidiary company to operate the centre, while the Trust would maintain a strategic focus with the board representing the various partners, including a possible Council appointment. The operating company would employ staff and manage and operate all the activities at the centre and at the Bait House and the Island Bay Surf Club.

The proposed Trust structure would result in the Trust becoming a Council Organisation under the Local Government Act, but not a Council Controlled Organisation i.e. it will be less than 50% representation on the board.

The Trust would secure funding, of \$9 million, from Central Government, NZ Lotteries Grants Board and other public funders to capitalise its operational subsidiary to procure the fixtures, fittings and exhibits contained within the building and on the site.

Social investors would provide \$5 million to the operating company to fund the exhibits and internal fitout, with no expectation of a financial return on their investment.

The pre-feasibility study indicates that the operations of the centre will be financially sustainable. This will of course be examined in further detail via the comprehensive market research programme and business case to be undertaken under the full feasibility study.

## Risks

As discussed earlier, the PMO office has undertaken an initial review of the pre-feasibility study. That review has highlighted the potential risks that will need to be addressed within the full feasibility study, which in summary are:

- Strategic alignment – what is the role of the marine centre and how does it align with the Council's strategic objectives
- Resource consent process – approval risks
- Business case assumptions – revenue, costs etc
- Funding assumptions – private/ central government / Council – what is the degree of certainty, contingencies etc
- Project structure and governance – what obligations are incurred by the Council and what impact will there be on the Council resources
- Location suitability
- Feasibility study scope
- Building purpose and adaptability (for alternative uses in the event that the centre is discontinued)

While these matters present considerable potential risk to the *project*, at this stage in the process they do not present significant risk to the *Council*. Representation of a Council officer on the feasibility study steering group will enable the Council to influence the scope and costs of the study. This will ensure that all matters of concern to the Council will be considered and addressed through that process.

While the project role and alignment with the Council's strategic objectives is identified above as a matter to be considered further under the full feasibility study, it is important to note the Council's support of the previous Marine Education Centre concept. That concept and the Trust's marine conservation objectives were considered to support the Council's environmental and tourism strategies. While it is considered necessary to retest these strategic alignments, a certain degree of comfort can be taken from the previous concept that would warrant the Council's investment in the early investigative phase of the current proposal.

It is critical that the project is appropriately phased to allow for key milestones and potential exit points for the Council. The completion of the full feasibility study represents an appropriate point at which to reassess the proposal and continued direct involvement from the Council. Investment in a rigorous feasibility study will identify risks at an early stage and assist to 'smooth out the project' later in the process should it proceed further.

It should be made explicitly clear that should Councillors agree to provide funding towards the full feasibility study it does not infer an obligation upon the Council to embark on stage two, *developed design*, or further. Conceivably, the full feasibility study may highlight issues that either end the project or preclude further Council involvement. The risk to the Council in terms of current funding bid is therefore limited to the cost of full feasibility study, bearing in mind that this risk is shared equally by the Trust that will match the Council funding.

There are other potential risks to the Council (as bulleted above) should the project proceed beyond the feasibility study. The feasibility study will better inform the Council's decisions regarding those risks and it is recommended that these matters be reassessed more thoroughly at the conclusion of the study. There is also an additional protection mechanism with the Council appointment to the feasibility study steering group and that draw down of the funding will be subject to Council's approval of the feasibility study scope.

Following completion of the feasibility study, Council officers will report the findings to the Strategy and Policy Committee, providing further commentary on the project risks identified above.

### **Officer recommendations**

It is recommended that the Council provides funding to the Trust to a maximum of \$450,000 (excluding GST), for the purposes of the full feasibility study, with the actual value of the grant subject to:

- Appointment of a Council officer to the feasibility study steering group (termed by the Trust as the *Feasibility Study Management Board*)
- Wellington City Council CEO approval of the Steering Group report on the scope and estimated costs of the feasibility study
- Drawdown being conditional on the Trust obtaining a matching value of feasibility study funding from other sources.

### **Contact Officer:**

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