WELLINGTON CONVENTION AND EXHIBITION CENTRE

Business Case
December 2018

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Contents

Glossary

Abbreviation	Term
BERL	BERL – Business and Economic Research Consultants
CBD	Central business district
CC	Convention Centre
Council	The Committee of elected members for Wellington City Council
FTE	Full time equivalent (employee)
GFA	Gross floor area
Horwarth/HTL	Horwath HTL (Hotel, tourism and leisure consultants)
LTM	LT McGuinness (Construction company)
MACC	Movie Museum and Convention Centre
MICE	Meetings, Incentives, Conventions and Exhibitions
PwC	Price Waterhouse Coopers
RLB	Rider Levett Bucknall, Quantity Surveyors
SQM/sqm	Square metres
Te Papa	Museum of New Zealand Te Papa Tongarewa
vfm	value for money (in terms of the Commercial Case for Council)
VW	Venues Wellington, WCC's venue management company - part of Wreda
WCC	Wellington City Council (the organisation)
Willis Bond	Willis Bond and Company Limited (Development Management Company)
Wreda	Wellington Regional Economic Development Agency

1. Introduction

Council has long identified the need for modern and purpose built facilities in Wellington for our community to host events, particularly business events, in the form of dedicated convention facilities[1].

This business case outlines the proposal for a Wellington Convention and Exhibition Centre on the Council owned land on Cable Street opposite Te Papa. Key background points:

- The Preliminary Design phase for the building has been completed and Developed Design has been advanced. This has enabled the project to be costed with a reasonable degree of confidence.
- The building design incorporates a two level convention area and a ground floor incorporating a generous exhibition space for hosting large touring exhibitions, a grand arrival area, significant public thoroughfare from Wakefield Street to Cable Street activated with a café and courtyard.
- Event profiles, operating models, construction costings and financial analysis have all been updated to reflect the new proposal.
- The business case has placed significant emphasis on risk analysis and management which are covered within the Commercial and Management Case sections.

[1] See Dec-15 Indicative Business Case (IBC) for a Convention Centre and the Aug-16 Final Business Case (FBC) for a Convention Centre and Movie Museum

2. Executive Summary

The proposal is for WCC to build and own a three-storey building with a Convention Centre on the top two levels, and an Exhibition Centre with public walkways, café and grand entrance foyers on the ground floor. The proposed site is opposite Te Papa between Cable and Wakefield Streets and was purchased by WCC for this purpose. The Convention Centre business is proposed to be owned and operated by WCC through a management operating agreement with Wreda, although opportunities to co-operate with Te Papa will be explored.

The case for new purpose built convention facilities of a scale to host large full format multi-day conventions (up to 1,500 delegates allowing for exhibitors, plenary sessions, breakout sessions and a banquet) is strong for Wellington. The opportunity to incorporate a new visitor attraction in the form of an exhibition centre run in conjunction with Te Papa strengthens the overall success of the development on such a prominent site and location.

The Exhibition Centre component will activate the ground level of the building to the public throughout the year and weekends complementing and enhancing the Convention Centre activity. The façade will be an architectural design statement ensuring the development will become an eye-catching attraction in its own right and the next piece of legacy infrastructure in Wellington's history following the Michael Fowler Centre, Te Papa and the Westpac Stadium. All of these developments have become critical infrastructure making up the fabric of Wellington's resident and visitor events experience.

Each component will attract new visitors to the City and will grow the local economy. A Convention Centre will bring business delegates to the City and provide a venue to host and showcase Wellington's key industries from. An Exhibition Centre will stimulate domestic tourism by providing a venue to host large and popular exhibitions that tour internationally. These exhibitions can span genres from popular films to cultural, educational or historical exhibitions and will appeal to a wide audience demographic.

We know that successful conferences, and holidays, are determined not just by the quality of a venue, but by the destination and experience you have while there. Conference organisers in particular are looking for venues that will make their events unique and enjoyed by the delegates – we think the ability for delegates to visit an onsite exhibition, and having Te Papa across the road, will significantly enhance their time in Wellington without creating difficult logistical problems transporting delegates to offsite recreational opportunities. Added to these is the proximity to Wellington's restaurants, bars and 'golden retail mile'.

We also know this project will stimulate further development and improvement in the surrounding area. Land owners of several lots in close proximity of Cable Street have said they are waiting for Council's decision before deciding on the redevelopment opportunities of their sites. A Convention Centre will create additional demand for hotel beds that provides the confidence these owners need to invest in upgrading their buildings for that purpose. Other redevelopment/refurbishment will likely occur for other uses such as retail and food and beverage. This will add to the City's ratepayer base allowing the costs of this project to be spread over a larger property valuation base, making things more affordable for all.

This proposal goes to the heart of enhancing the Wellington visitor experience, which together with Wellington's already stunning waterfront, cafés, strong arts and cultural scene, resurgent retail scene and ease of getting around will ensure we continue to attract new visitors and extend current visitor length of stay in the city. This will add to our economy, stimulate secondary investment, create more jobs and ensure Wellington remains an internationally recognised and competitive city.

2.1. Overview of the proposal

The proposal develops a purpose built Convention and Exhibition Centre on the Council owned site directly opposite Te Papa between Cable and Wakefield Streets.

- The development will entail the construction of a three storey, 17,957 sqm building to house the Convention Centre (CC) and Exhibition Centre (EC) utilising Willis Bond as development manager, Studio Pacific Architecture as designers and LT McGuinness as the main construction contractor.
- The building will be owned and funded by WCC.
- The expected total development cost is $179.3 million for this project including the land already purchased by Council; we are in discussions with the Crown regarding them making a $25m contribution towards the costs which would reduce the total cost to Council to $154.3m.

2.1.1. Convention Centre

Under this proposal, the Convention Centre would cover 10,017 sqm and be able to host full format multi-day conferences up to 1,500 people, concurrent conferences of up to 800 people on each floor, banquets of up to 1,180 people and seat 1,930 people in a theatre style seating arrangement in a modern and purpose built facility.

The facility will meet a significant gap in Wellington's current market with two large flat floor levels. The top level (Level 2) contains a 1,736 sqm plenary with 1,151 sqm of pre-function/exhibition space and one dedicated break-out room. The middle level (Level 1) contains a 778 sqm plenary with a 2,000 sqm of pre-function/exhibition space. The location directly opposite Te Papa will open up opportunities for even larger events to be held through the combination with Te Papa facilities and/or other WCC facilities.

This capability is something the Wellington business events market has been significantly lacking, and having a dedicated venue allowing concurrent mid-sized events will be a strong offering to the market. The centre is expected to bring new business to Wellington in the medium-larger conferencing market; however the centre will target the majority of its business in the medium sized conferencing market where there is a greater volume of events.

The proposal will protect around 10% of Wellington's market share which it is anticipated will be lost when new facilities open in Auckland (NZICC) and Christchurch (Te Pae). Overall, it is anticipated that 111 new events will be attracted to the Wellington market each year, bringing 149,985 additional delegate days and the related economic benefits.

2.1.2. The Exhibition Centre

The Exhibition Centre will cover a total gross floor area of 1,651 sqm on the ground floor made of up exhibition space of just under 1,300sqm, and supporting front of house and back of house functions. It will host a year round programme of international touring exhibitions. With careful planning the exhibition programme will seek to provide strong popular appeal exhibitions targeting the traditionally quiet school holiday periods and also the prime summer visitor period when the convention business typically drops off.

2.1.3. Co-location of the Convention & Exhibition Centre

By co-locating an Exhibition Centre with the Convention Centre, the Council can make efficient use of scarce downtown space. There will be opportunities for cross-selling and marketing into both customer bases. The Exhibition Centre will be able to draw on convention delegates for visitation, and the Convention Centre will be able to offer a unique onsite recreation activity for delegates and their partners to experience while at their business event. This is seen as favourable by conference organisers as it meets the need to provide a separate 'event' for delegates during their conference with minimal logistical requirements when compared with the convention centres being developed in Auckland and Christchurch.

2.2. The strategic case

Wellington City Council (WCC) is currently pursuing a growth strategy that seeks to drive productivity, create jobs, grow business connections, grow knowledge-intensive exports, support innovation and deliver ‘smart’ infrastructure. Wellington is also a city that punches above its weight in the MICE, or business events, market and is currently ranked second in the country (to Auckland) in terms of hosting events. This is despite our venues not being designed or dedicated for this purpose.

Whilst the components of this proposal target and are driven by different markets, both are aimed at protecting and driving increased visitation to the city and boost our visitor economy. The Exhibition Centre is targeting tourist and leisure visitation, and the Convention Centre is targeting the business events market. Both create significant demand drivers on our visitor economy and will drive further investment in hotels, food and retail in the area to support that increased visitation. They will also support local industry to showcase their expertise, products and services through the creative works on display at the exhibition centre, and other industries that use the Convention Centre.

The key strategic points that support the investment in this proposal are:

- **Delivers on Council’s Economic Strategy:** The proposal delivers a key economic infrastructure project for the City and supports our economic growth strategy. It has long been envisioned new convention facilities would be built in Wellington, and that the City needs to add to our inventory of tourism product. This project delivers both of these initiatives.

- **Provides quality infrastructure to the market:** Wellington’s venues are aging, inflexible and their multi-purpose nature means they are not always available to the business events market during its peak season. A large modern, flexible, single purpose venue will allow Wellington to sell effectively into the market and reap the rewards of our compact, vibrant and cultural city which is attractive to convention organisers. The exhibition space will also add to the visitor market infrastructure and allow Wellington to host some of the international touring exhibitions that will drive domestic visitation.

- **Protects Wellington’s convention market position:** The convention market internationally is growing but NZ is not benefiting from this growth due to a lack of quality infrastructure. With new venues being built in Auckland (NZICC) and Christchurch (Te Pae), a “status quo” approach will be a step backwards for Wellington. This has been estimated as a loss of market share of 6%-13% of our delegate day market with the most likely outcome estimated at minus 10-12%.

- **Protects Wellington’s international competitiveness:** A “do-nothing” scenario for Wellington will have significant impact on the city’s competitiveness both domestically and internationally. Skilled talent in areas of food and beverage, hospitality, event management, production and technical support, will be attracted to work at the NZICC and Te Pae impacting the skills and businesses able to be retained in Wellington. Some of these skills go to the heart of our events, culture and vibrancy that is so important to Wellington’s identity and competitiveness.

- **Drives urban regeneration and secondary investment:** The visitor demand this proposal brings will stimulate private investment in the supporting services of a visitor economy, increasing the rating base of the city which makes the City’s infrastructure more affordable to individual ratepayers. It will also stimulate a transformation of this area of the City, better linking Te Papa and the waterfront to our Courtenay Place Precinct, and improving some “shabby” sites in this area which doubles as the entrance to our CBD. We know of several land and building owners surrounding the site who will make significant investment in their properties on the back of this project. Without it, they are intending to make lesser or no investment in their properties.

2.3. Economic and other benefits for Wellington

Wellington's economy will be protected and grow through investment in facilities / infrastructure to support and drive increased visitation to the city. As such, the expected benefits of the proposal include:

(1) protection and increased visitor numbers and expenditure in Wellington

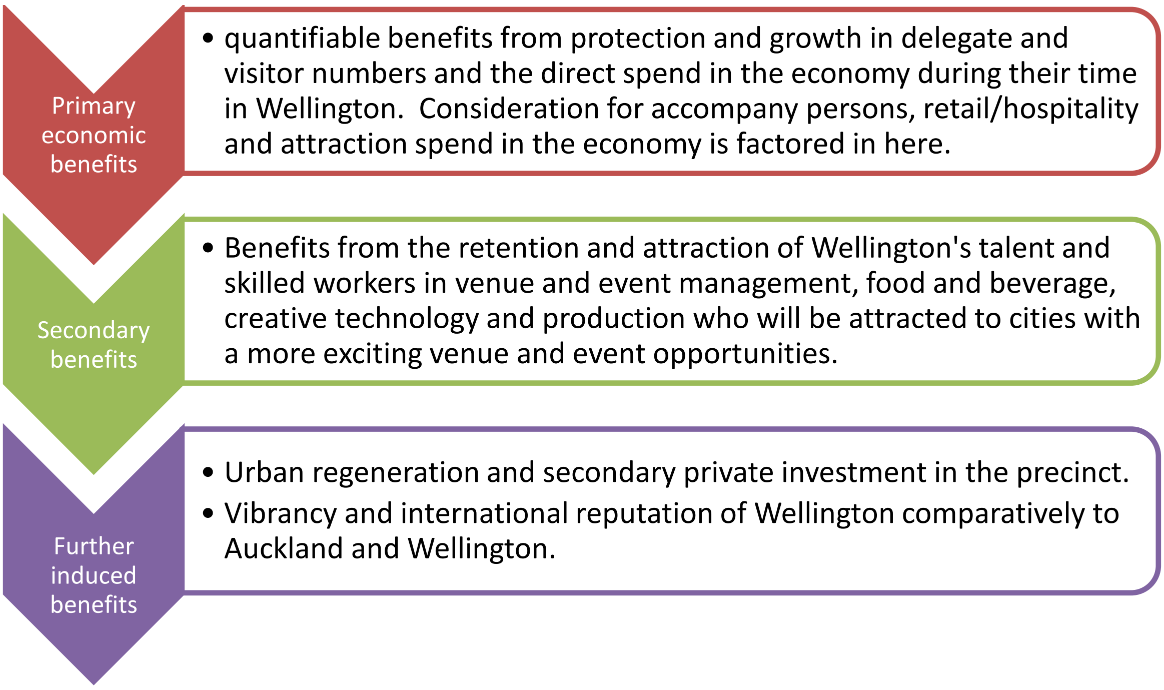
(2) protection of jobs, job creation and increased commercial activity

(3) generating secondary investment

(4) anchoring Wellington on the business events circuit and ensuring we remain competitive, relevant and visible with quality facilities to support all our key sectors

(5) Improving the reputation and liveability of Wellington city for residents and their businesses.

The benefits are expected to be grouped into the following three broad categories:



Only the primary economic benefits are able to quantified and easily attributed directly to the proposal, (and to a certain extent the value increase from secondary investment in the precinct).

The quantifiable primary economic benefits are significant and firstly related to the increased expenditure and job creation in the economy from the construction phase of the project. Once open, the operational phase benefits relate to the increased visitation to Wellington that is created by delegates attending new business events at the Convention Centre, and people visiting the Exhibition Centre. In addition to new business delegates, the new convention facility will protect our current business events market position which would have otherwise been eroded in the face of new modern purpose built facilities opening in other parts of NZ.

These benefits and phases can be best described in the following diagram:

Construction Phase

- The construction phase will have or deliver:
  - a 3 yr construction period
  - a bespoke building using local design and engineering talent
  - a Wellington development management and construction lead with local trades expertise
  - $171m of new expenditure in the the local economy
  - $76.3m of new GDP to the economy
  - 864 new jobs created

Operational Phase CC

- the Convention Centre will:
  - attract 111 new events delivering 149,985 new delegate days to the city
  - provide direct benefits to hospitality sector
  - anchor Wellington on the business events circuit
  - bring $54m of new expenditure to the economy per annum
  - bring $26.6m of new GDP to the economy per annum
  - create 328 new jobs

Operational Phase Exhib

- the Exhibition Centre will:
  - attract new visitiation to Wellington
  - increase length of stay in Wellington
  - increase visitor spend in the city
  - provide direct benefits to hospitality sector
  - bring $3.5m of new GDP to the economy
  - create 44 new jobs

Market Projection CC

- the Convention Centre will:
  - protect 6-13% of our current market share which would otherwise be lost if no investment was made in Wellington
- at 10% market share will:
  - protect $30m of expenditure per annum
  - protect $14.8m of GDP per annum
  - protect 182 jobs

In addition to these primary benefits, secondary benefits of the following will be achieved:

- secondary investment in new hospitality sector business such as hotels, restaurants, cafes, bars and retail (this is real and we are aware of several plans ready to go, but dependant on Council's decision to progress this project)
- Provide the necessary infrastructure to for business and enterprises to showcase their services and talents at conferences and events organised and delivered in Wellington
- increased ratepayer base making Council costs more affordable to all

In order to have secondary growth in the ratepayer base to offset the costs to ratepayers of this project over the next 10 years, an estimated $260 million of secondary investment in the City's capital stock is required.

2.3.1. Economic benefits quantified

BERL has estimated the benefits which are summarised in the table below.

- During construction, the project is expected to deliver $171.4 million of new expenditure, $76.3m of new GDP and 864 jobs to Wellington's economy.

- Once completed, the development is expected to deliver and protect $90.6 million of annual additional spending, annual GDP in the city by $44.8 million and 554 jobs.

Category	Construction (one-off)	Operational Phase (ongoing)			
	Combined	CC Market Growth	CC Market Protection	Exhibition Centre	Total Annual Impact
Total Expenditure ($m)	**171.4**	54.0	30.0	6.6	**90.6**
Total GDP ($m)	**76.3**	26.6	14.8	3.5	**44.8**
Total Employment (FTEs)	**864**	328	182	44	**554**

2.4. Consultation & Stakeholder Support

This concept has been discussed with a number of key industry stakeholders, and there remains strong support for a new convention centre in Wellington. The updated mood of key stakeholders is they want to see it happen and just want Council to get on and deliver this project.

Whilst this version of the proposal has been consulted upon, the previous public consultation for new convention facilities for the city (December 2014 business case for a Hilton Convention Centre, and the August 2016 business case for a Convention Centre and Movie Museum (MACC)) has shown strong support for the project.

The most recent proposal had 84% of the over 100 respondents supporting. The key supporting themes from consultation were:

- Good for economic reasons: increased visitation, drives growth, new facilities and visitor attractions are needed;
- Good to have synergies between the museum and convention centre: combined facilities creates a point of difference (some of this still applies to the Exhibition Centre);
- Reputational: project fits well with Wellington's image, and will be a great addition to the City's infrastructure

There were a minority group (16%) who were not supportive of the proposal, and the key themes of their opposition were that is was not Council's role to fund this sort of venture and put financial burden on the ratepayers, and the risk of the venture failing.

Other themes coming from the consultation were around the urban planning and the need to create good links to and from the site, especially with the waterfront and Te Papa, and back towards the Courtenay precinct, confirming the funding balance is right, and ensuring traffic and pedestrian congestion is managed. These comments have been fed back into our design process and the final designs show considerable thought has been put into these areas.

There was a strong view from some submitters that iconic offerings to the tourism market drive visitation. The intention of this proposal in its design, construction and operation is to ensure we have an iconic building that changes the pattern of Wellington's tourist visitation through a new visitor experience.

Stakeholders have noted that Wellington struggles to host large conference events, and the quality of our venues is now aging when compared to our competitors, and this will become stark when the NZICC and Te Pae open.

There has been strong public support for a new convention centre and visitor attraction in all prior consultation processes and general stakeholder feedback. From the recent stakeholder feedback we have received on the new proposal, this support remains, particularly from the commercial sector who will be paying the largest proportion of this development in their rates.

2.5. Financial implications

2.5.1. Initial Capital Cost

The following table summarises the costs:

Table 1 Proposal Cost Summary

$ millions	**WCEC Dec-18**
Land Cost (already purchased)	$21.5

Construction Cost & Professional Fees[1]	$151.3
Convention Centre Fit out	$6.5
Total Capital Cost	**$179.3**
Assumed Crown Funding	**$25.0**
Net Capital Funding Requirement	**$154.3**

[1] *based on the costed preliminary designs*

2.5.2. Opex costs during construction

During the construction phase, WCC will incur the normal operational costs of the land ownership, contract works insurance and the debt servicing costs. There will also be some "pre-opening" costs for marketing and readying the Convention Centre for opening. These costs total $8.0m are summarised in the table below:

Table 2 Proposal Pre-opening Opex Costs

OPEX $ millions (inflated)	**Construction / Pre-opening Phase**				
Project Year: Financial Year:	**Yr -3 2018/19**	**Yr -2 2019/20**	**Yr -1 2020/21**	**Yr 0 2021/22**	**Total WCEC Dec-18**
Interest and Depn Costs	0.7	0.4	1.5	3.4	6.3
Rates & Insurance	0.1	0.5	0.8	1.2	2.4
Total Building Costs	**0.8**	**0.9**	**2.3**	**4.6**	**8.7**
CC pre-opening Costs	-	0.2	0.4	0.7	1.3
Net cost to be funded	**0.8**	**1.1**	**2.7**	**5.2**	**9.7**
Less: New Rates Income	-	0.2	0.6	0.9	1.7
Net financial cost to city	**0.8**	**0.8**	**2.1**	**4.3**	**8.0**

2.5.3. Ongoing operational costs

Once the building is complete and the Convention Centre and Exhibition Centre are operational the normal revenues costs of operations will be incurred/received by WCC.

The net impact of these revenues and costs is expected to be funded from rates, and averages $3.8 million per annum over the first 10 years of operation.

When spread over 25 years, the average cost per annum reduces to $1.5 million per annum as the Convention Centre operating surplus and Exhibition Centre lease income increases.

Table 3 Average Cost to the City over 10 and 25 years from opening

OPEX $ million (inflated averages per annum)	**WCEC Dec-18**	
	10 Yr Avg	**25 Yr Avg**
Interest & Depreciation	9.1	8.7
Opex Costs (Rates & Insurance)	1.9	2.3
Total Building Ownership Costs	10.9	11.0
CC Operating Surplus	5.4	7.3
Exhibition & Other Rental Income	0.6	0.7
Net Rates Requirement	5.0	3.0
Incremental Rates Income	1.3	1.5
Net Financial Cost to City	3.8	1.5

Secondary capital investment required to offset net financial cost to the city	$257m	$102m

[2] Based on the first 10 and 25 years of operations of the Convention Centre to be comparable. Note the 25 year LTP averages are based on extrapolation of the Long-Term Plan.

Interesingly it would only require stimulated investment of $257m to fully offset the cost to ratepayers. This demonstates the importance of growing the ratepayer base and the urban regeneration opportunity cataylsed by this development has the potential to greatly exceed this level.

When compared to the combined opex budgets included in the 2018-28 Long Term Plan the final business case is less than the LTP budgets over 10 years.

2.5.4. Benefit Cost Ratio (BCR)

The proposal represents a strong economic return on WCC's investment in the city at 5.1, or $5.10 for every dollar invested in the project from now to the year 25 of operations (over 29 years). This is based on the protection and new GDP resulting from this proposal estimated at an NPV of $429 million (including the construction phase) using an 8% discount rate over 25 years. Over the same period the NPV of costs are $84.7 million.

Benefit Cost Ratio	**WCEC Dec-18**
Costs:	**$m**
NPV of Convention & Exhibition Centre cost	84.7
Economic Benefits (incl construction phase):	**$m**
Wellington operational GDP value add incl market protection (per annum)	$41.3m
Wellington construction GDP value add (one-off)	$76.3
NPV of GDP value add to end of year 25 of operations	$429.0m
Investment Returns:	**Ratio:1**
Wellington benefit to cost ratio	5.1

The final BCR at 5.1 is a strong outcome for the proposal, a BCR of 1 is usually sufficient to invest.

3. Strategic case

The strategic case includes detail of the proposal and with reference to supporting strategies, developments and plans, and outlines the strategic context for the investment proposal.

Key points:

- New and upgraded convention facilities have been a strategic priority for Council for a long time.
- Wellington has a range of aging and multi-purpose venues that service the existing convention market. Despite this Wellington attracts around 19.5% of the multi-day conferences in New Zealand making it the second largest provider in the country.
- The new facilities under development in Auckland and Christchurch represent an unprecedented investment in modern purpose build convention facilities and a step change for the industry in New Zealand.
- These new facilities will dominate the market for medium and large multi-day conferences both domestic and those international conferences coming to New Zealand.
- The convention market in Wellington generates approximately $240m in expenditure delivering $118m in GDP supporting employment for over 1,400 FTE's.
- Wellington stands to lose between 10 and 12% of its current market to these new facilities if there is no response in terms of significantly upgrading the City's facilities. The impact at 10% would be a loss of $30m of expenditure from the economy representing a $14.8m GDP impact and the loss of 182 jobs.
- A loss of 10% will mean around 84,600 less business delegates visiting Wellington, at 12% this rises to around 100,000 less business visitors to the City. This will impact on mid-week hotel, restaurant and bar patronage and challenge the viability of many of these establishments who rely on business visitors to support them being open during the week.
- Wellington has underperformed comparatively in terms of leveraging the strong growth in the NZ tourism sector. The competitive landscape is favourable a commercial exhibition programme as there are no directly comparable tourists attractions in Wellington or New Zealand and it can contribute strongly to driving visitation.
- The right investment on the Council owned Cable and Wakefield Street site can be a powerful catalytic investment that drives urban regeneration and secondary investment in this area resulting in growth in the ratepayer base.
- The Stage 1 urban regeneration opportunities in the immediate precinct are significant and are valued at in excess of $400m; these can be unlocked by investment in the convention and exhibition centre.

3.1. The Need

The need for investment in new Convention Centre facilities for Wellington broadly stems from the following factors:

- The need to improve Wellington's venue offering, which is aging and in the modern environment becoming increasingly compromised, and in the City's case expensive to operate and unfit for purpose;
- The potential loss of between 10 and 12% of the City's existing business events market in the face of unprecedented investment in venues being built in Auckland and Christchurch;

- The opportunity to participate in the growth in the number of international conferences seeking to hold their events in New Zealand and to cater for the large numbers of domestic events that are currently unable to hold their events in Wellington because of venue constraints.
- To build Wellington's reputation and liveability for residents and business and retain our talent.

This project provides a key economic stimulus project for the City and forms part of Wellington's Economic Growth Agenda included in our 2015 and 2018 Long Term Plans. Strong support has been received for a new convention centre through the both Long Term Plans, and also the separate consultation processes run on specific proposals.

Investment in new convention centre facilities is aimed at ensuring Wellington's presence in the business events or MICE[2] market is protected and able to grow to its potential. The value creation around business events is significant both in terms of the quantifiable tourism benefits, but also the known but unquantifiable benefits beyond the tourism benefits - knowledge creation/innovation, personal development, improved performance, increased productivity, increased awareness, enhanced destination profile/image to name but a few.

3.2. The Case for Change

Wellington currently receives a broad range of benefits from MICE activity, and holds a significant portion of the New Zealand market. However, this is likely to change as new convention centres are completed in other cities around the country, and as our facilities age and become too compromised for event organisers compared to other centres.

3.2.1. Impact of doing nothing

New Zealand's total MICE market is forecast to remain relatively static over the period to 2025[3]. However, when the new convention centres in Auckland and Christchurch open in 2020, they will be competing against other New Zealand venues for the existing pool of MICE activity, and will have strong competitive advantages in attracting the international delegate market, as a consequence of their new facilities and the ability to leverage off the Crown's investment in marketing NZ as a business event destination.

If no material investment is made into Wellington's facilities, then Wellington is expected to face a significant decline in total MICE activity and delegate days of around 10% of market share or 84,600 delegate days[4]. BERL have estimated a 10% loss in activity will result in a loss of total GDP of $14.8 million per annum and 182 jobs. These impacts, and the underlying assumptions, are discussed further in Section 5.

In addition to the quantifiable market impacts, it is anticipated the vibrancy of the city will be impacted with restaurants, bars and hotels being less busy and business confidence will likely drop as a result of other centres delivering on their infrastructure development promises at the expense of Wellington.

Highly skilled staff in the areas of food and beverage, hospitality, event management, production and technical support, being attracted to work at the NZICC and Te Pae will impact the skills and businesses able to be retained in Wellington. Talent in these fields will become highly sought after and those based in Wellington will be drawn to the modern new venues to further their skills and career progressions. This will be particularly evident if their businesses face a decline in Wellington due to the loss of market share, particularly the more prestigious events.

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[2] Business Meetings, Incentives, Conferences and Events are collectively referred to as the "MICE" market

[3] Fresh Info (August 2018), Analysis of New Zealand's MICE market.

[4] Fresh Info (August 2018), Analysis of New Zealand's MICE market.

Any loss of key personnel in the venue support area will impact the offering Wellington can give to customers and the Wellington experience and reputation of high quality food, beverage and creative tech could also be at risk.

These factors will be the visible impacts that go to the heart of Wellington's creative and vibrant reputation. Wellington's prominence on the international stage will significantly diminish in the face of new activity occurring in Auckland and Christchurch, without any response from Wellington.

3.2.2. Other drivers for change

There have been discussions for a number of years regarding a new convention centre for Wellington, driven by recognition of the constraints and issues with the current venue offerings. These include:

- **aging and offline facilities** - industry feedback is that Wellington is falling well behind our counterparts in quality convention facilities. Our convention spaces are not modern or purpose built, and traditional venues such as the Town Hall and the Amora Hotel Ballroom are no longer available and unlikely to come back in the future as business event venues. If Wellington wants to compete for domestic and international conferences, particularly attracting conferences with delegates attending from Australia and Asia, our facilities need significant improvement and investment.

- **size constraints** – our current venues can only host small to medium sized conferences, and cannot readily host large full format conferences, exhibitions, banquets and awards shows due to flat floor space restrictions (e.g. Halberg awards and gala functions).

- **limited capacity** – Wellington currently has significant capacity constraints due the shared use nature of our venues. For example, for up to 8 weeks each year Wellington is unable to host large conventions, or in fact any events in the TSB/Shed 6 as they are required to host the World of Wearable Art. This is in the middle of the peak conferencing period. On a day to day basis MICE events and performances have to work around each other in the same venues.

- **limited functionality –** many of Wellington's existing venues are not purpose-built or able to be optimally configured for MICE events and compromises are becoming less acceptable in the market place. This frequently results in either higher costs to event organisers or lower margins for the venue operator.

These factors result in Wellington missing out on a range of conferences and business events that would be available to Wellington if suitable facilities were available.

3.2.3. The opportunity from doing something

Wellington is the ideal and arguably best location in New Zealand for business events, the potential exists for the business to grow into the future. There are growth opportunities Wellington can pursue to further increase the benefits that this activity provides.

- Broad organic growth in the convention market. Wellington with suitable facilities would be expected to secure a share of the overall growth in convention activity.

- New international business. After 2020, it is expected that New Zealand will see an increase in international MICE activity. This will be supported by the government's significant marketing investment in this area to raise New Zealand's profile as a business events destination. In addition, the new convention facilities being developed around the country will increase the size and scale of New Zealand's offering and will add to the international profile through the centres' off-shore marketing activities. Wellington will only benefit from this growth if it has facilities deemed to be of a suitable international standard.

- Increasing domestic market share. In 2017 Wellington captured around 20% of the total New Zealand MICE market (as measured through delegate days). In addition to achieving growth through general market uplift as outlined above, a key opportunity for Wellington is to increase its share of the market through capturing activity going to other centres or by-passing Wellington due to lack of suitable facilities. In order to do this, Wellington needs to have a modern, fit-for-purpose facility to attract convention activity. In the absence of such a facility, Wellington will lose market share to the new facilities that are being developed in other regions.

- Stimulated growth. For instance from developing strong connections with local organisations and assisting them with hosting their industry or association conferences. Wellington is home to a great number of industry bodies and associations with appropriate facilities and a strong marketing focus this can be an opportunity to grow business and showcase Wellington.

A range of options have been considered before landing on the proposal outlined in the Business Case. These are detailed in section 4 of the Management Case.

3.2.4. Wellington's competitive advantage

Wellington as a convention location has significant competitive advantages compared to other alternative destinations. These are inherent in the City's character and are attractive to domestic and international convention planners. These provide strong confidence that with suitable facilities to offer the opportunites outlined for growth should be able to be realised. Some of these key points of difference are:

- **it's a compact city** – delegates can easily navigate between convention activity and other attractions and amenities, and the proximity of the CBD to the airport means that time spent in traffic is minimal.
- **it's the centre of New Zealand's government** – for large international conventions, being hosted in a capital city can be a significant draw card. In addition, the proximity to parliament provides opportunities for conventions to engage with government, such as getting a Minister to speak, and attracting attendees from the public sector and Wellington is the home of many professional associations.
- **it's creative** - Wellington is a magnet for creative thinkers and is widely regarded as New Zealand's arts and culture capital.
- **it's collaborative** – participants in the Wellington business events market work well together presenting a simple and attractive proposition to event organisers compared to other centres where significant competition means they work less well together.
- **it's vibrant** – the ease of access to our vibrant nightlife, waterfront and CBD is not comparable anywhere else in NZ which makes us a popular destination with delegates and ensures they stay or evening conferencing activities which is often a challenge for conference organisers.
- **it's amenities** – Wellington has great restaurants, shopping, nightlife and a good range of accommodation, all of which are necessary to encourage MICE activity to come to the city.
- **it's well connected** – Wellington is well connected to all parts of NZ by no more than a one hour flight, and internationally to Australia's east coast.

3.3. Strategic objectives

3.3.1. Strategic objectives of Wellington City Council

As set out in WCC's Economic Development Strategy, there is an urgent need for the Council to focus on economic development priorities that will deliver long-term sustainable growth. The strategy recognises the need to respond to challenges that are arising globally and nationally, including the increasing levels of public investment in Christchurch and Auckland.

One of the priority areas for WCC is to market Wellington as a destination, not just for tourism activity, but as a City that attracts talent, business and investment. Through this, and the strategy's other areas of focus, the Council seeks to drive income and productivity, create jobs, grow knowledge-intensive exports, support innovation and deliver 'smart' infrastructure.

Convention and Exhibition activities support and contribute to the Council's economic development agenda and growth strategy:

- **Delivery of 'smart' infrastructure**: quality venues enable the City to host a range of business events (conferences, meetings, trade shows, banquets) and exhibitions that will retain and attract visitors to Wellington. A modern and fit for purpose convention centre will ensure Wellington plays host to industry experts across a range of sectors ensuring knowledge transfer within our local business and sector ecosystems.

- **Building liveable cities**: residents and the people talent needed to start and grow our businesses, want activities and infrastructure that can showcase their expertise and support their lifestyle. A quality programme of events and exhibitions ensure the City is vibrant and gives people a reason to visit the City.

Business Visitors Matter

- **delegate spend** - domestic delegates stay an average of 3.1 nights in the event region spending on average $461 per night, while international attendees stay an average of 7.2 nights in New Zealand (4.4 in the region hosting the convention and 2.8 nights elsewhere in NZ) spending an average of $299 per night. The international business delegate spend is 50% higher per when compared to the average spend for all international visitors according to the International Visitor Survey (IVS).[1]

- **guest spend** - in addition to the revenue generated from the spending of conference delegates, there is also revenue from guests of attendees and the conference organisers. It has been estimated that between 15% and 30% of conference attendees in various locations across Australia bring additional guests, and they suggest that an additional 20% of expenditure is generated by these guests.[1]

- **smoothing tourism seasonality** - conventions in New Zealand are typically held between April and November. This timing offsets the peak tourism period, creating a much larger window for visitors to Wellington, and New Zealand.

- **creating future tourists** – studies have found that close to 60% of delegates visiting cities as convention delegates indicated that they would return as tourists.[1]

- **business growth –** MICE activity helps grow Wellington businesses by creating international links, promoting innovation and development and facilitating knowledge transfer.

- **increasing liveability** – business events bring a diverse range of people to the city and contribute to Wellington's international connectedness.

- **visitor activity** - financially supports a range of recreational utilities, such as museums and restaurant precincts, making the City a more attract place to live, work and invest.

- **vibrancy and viability** – business visitors support the hotel, restaurant and bar establishments through the Monday to Friday period. For many this custom is what allows them to open on evenings during the week and provides Wellingtonians with a fantastic array of eateries and bars and a vibrant city throughout the week.

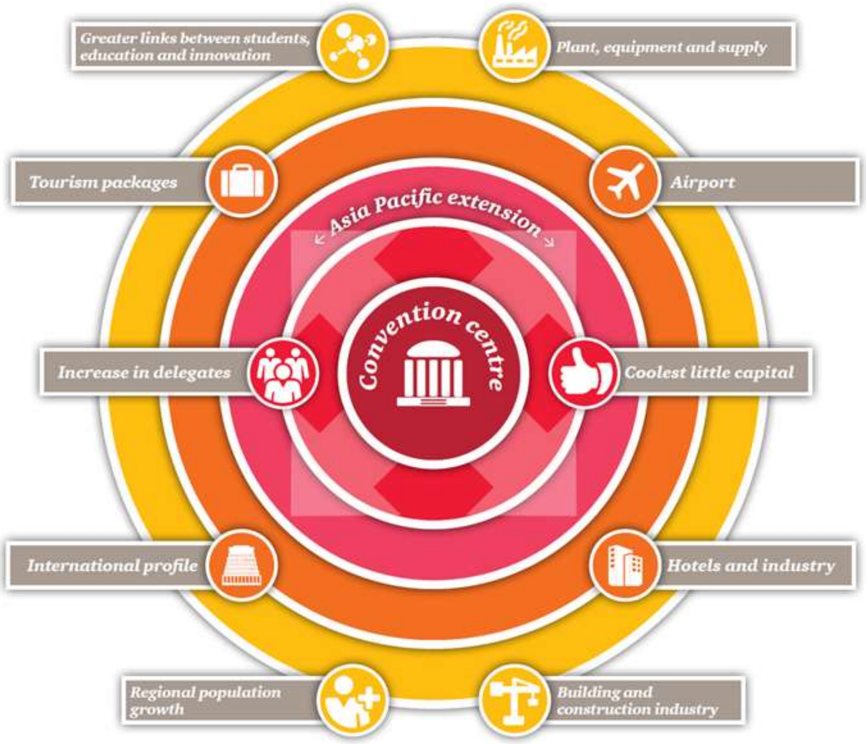
3.3.2. ‘Beyond the Value of Tourism’ of Business Events

There is a wide recognition of the ability of business events to attract large numbers of delegates and visitors to a host destination. The increased spending that such visitation generates has underpinned the substantial investments that a growing number of destinations have put into providing the infrastructure needed to foster this important industry. This aspect has proven measurement techniques that are reliable and quantifiable, however the industry is also well aware there are significant broader benefits ‘beyond the value of tourism’ of business events.

Figure 1 The benefits of business events ***(Source ICCA 55 Year Report, 2017)***[5]

It is considered that the impact of business events is substantial and like an iceberg, the tourism impact of the business event is the visible impact that sits above the water line, but is dwarfed in size by the beyond tourism impact below the surface.

The infographic below provides an illustration of how the benefits from the protection and growth of the business events market flow through the economy producing induced and secondary benefits. This is not intended to be all inclusive but represents how the investment in new convention facilities can flow out through the economy.



[5] ICCA 55 Year Report, 2007, Piece by Professor Leo Jago OAM, Professor of Events and Head of Department at the University of Surrey (UK)

3.4. The Market

This section considers the current situation for both the business events market and the local tourism market.

3.4.1. NZ & Wellington's Business Events Market

The two key sources of data for the business events market in New Zealand come from the following reports compiled by MBIE. There is a need to understand the purpose, data sources, and their limitations, in order to properly evaluate and understand the differences in each:

MBIE Market Data:	Data source and purpose:
Business Events Activity Survey or "BEAS" (formally the Convention Activity Survey or CAS)	• Measures business events activity (event type, size, duration and delegate origin) at qualifying NZ venues on a quarterly basis. • 14 out of NZ's 19 Convention Bureaus participate in the survey so it does not represent all business activity in NZ, but covers a significant majority including the main centres of Auckland, Hamilton, Rotorua, Wellington, Christchurch, Dunedin & Queenstown. • If a qualifying venue does not submit, an estimate based on previous submissions is used.
Business Events Delegate Survey or BEDS (formally the Convention Delegate Survey or CDS)	• Measures the spend of delegates attending multi-day conventions and conferences in NZ (single day events are excluded as they generate significantly less spend per delegate to the host region). • Data is collected from a sample of local, domestic and international delegates through an online survey completed after the conference/convention. • The FY 2017 Report had 4,143 delegates from 126 events complete the survey. These results were weighted to the total estimated population of 401,512 multi-day delegates from the Activity Survey, with the international component weighted using the International Visitor Arrival data (IVA). • Regional measures of delegate spend cannot be derived from the data due to the weighting techniques used. • This report makes comparisons against the International Visitor Survey (IVS) and IVA card data providing useful analysis of changes over time.

These data sets show that for the year ending June 2018, business event activity resulted in just under 844,000 delegate days in Wellington, which equates to just under 20% of the total New Zealand market.

The origin of Wellington's delegates closely follows the NZ averages with the exception of Australia where we have a much lower share of this market than the national average. Wellington's higher share of the delegate days (19.5%) compared to delegate numbers (12.4%) reflects the higher proportion of multi-day events that Wellington receives compared to other regions in NZ. Table 4 outlines this data.

Table 4. Delegate days and Origin for Wellington and New Zealand – YE June 2018

	Delegate Days	**Delegate Origin:**				
	Total	*Local*	*Domestic*	*Australian*	*Other Int'll*	*Total*
Total NZ	**4,320,092**	1,367,049	405,877	37,504	65,735	**1,876,165**
Wellington	**843,683**	178,823	44,705	2,570	7,392	**233,489**

Wellington Share	***19.5%***	*13.1%*	*11.0%*	*6.9%*	*11.2%*	***12.4%***

Source: MBIE Convention Activity Survey June 2018

When looking at the BEAS for the year ended June 2018 for just Wellington, by event number and type, there have been reduced levels well in excess of any trend in the levels of business across the country. The following key comparisons to the year ended June 2017 for Wellington can be made:

- A reduction in the total number of events of 16%
- A reduction in the total number of delegates attending business events of 17%
- A reduction in the total number of delegate days at business events of 14%

According to the BEAS, the areas of slowdown appears across the board, but mainly driven by a reduction in the number Conference/Convention and Special Occasion events. This is summarised in Table 5 below.

Table 5. Wellington Business Events Activity – YE June 2018

Event Type	Events	% Change	Delegates	% Change	Delegate Days	% change	Average Length	Average Size
Meeting/Seminar	4,526	-11%	370,569	-6%	424,912	-4%	1.15	82
Conference/Convention	991	-21%	105,984	-34%	166,856	-30%	1.57	107
Incentive activity	41	-49%	3,880	-34%	4,158	67%	1.07	94
Trade Show/Exhibition	120	3%	12,827	-11%	15,351	-5%	1.20	107
Special Occasion	1,035	-29%	211,564	-22%	232,406	-15%	1.10	204
Don't know	-	0%	-	0%	-	0%	-	-
TOTAL	**6,713**	**-16%**	**704,795**	**-17%**	**843,683**	**-14%**	**1.20**	**105**

Source: MBIE Convention Activity Survey June 2018, Horwath HTL

It is likely the full closure of the Amora Hotel in May 2017 will have contributed to the business decline and variations indicated in Table 5. The Amora was an important venue in the Wellington market for the small conferences and meetings business. It is likely some Amora business has transferred to other venues and may have been reported differently, however it is also likely some business would have been lost to other regions.

The BEAS also showed downward trends across the total New Zealand business, but not to the extent seen in the Wellington market. This is summarised in Table 6 below.

Table 6. New Zealand Business Events Activity – YE June 2018

Event Type	Events	% Change	Delegates	% Change	Delegate Days	% change	Average Length	Average Size
Meeting/Seminar	30,206	-7%	1,553,878	-6%	1,788,489	-5%	1.15	51
Conference/Convention	5,183	-3%	558,039	-7%	1,004,105	-2%	1.80	108
Incentive activity	776	28%	63,563	45%	76,326	33%	1.20	82
Trade Show/Exhibition	753	6%	122,251	-11%	143,195	-26%	1.17	162
Special Occasion	8,719	-4%	1,256,858	-8%	1,306,823	-6%	1.04	144
Don't know	9	0%	1,155	0%	1,155	0%	1.00	128
TOTAL	**45,647**	**-5%**	**3,555,743**	**-6%**	**4,320,092**	**-5%**	**1.21**	**78**

Source: MBIE Convention Activity Survey June 2018, Horwath HTL

In evaluating and testing these results with Horwath HTL, they advise us there are industry concerns about the reliability of the data coming from the BEAS and how estimates are used when participating venues or regional convention bureaus do not submit their data within the timeframes. Horwath state that the Director of Conference Management New Zealand ("CMNZ") and the CEO of Conventions and Incentives New Zealand ("CINZ") have both advised that the data reported in the BEAS does not accurately represent the trend in the actual level of business events activity that is being experienced 'on the ground' in New Zealand. They have advised that based on their experience, the current market conditions are generally positive and are not in decline, citing strong current demand for conference events.

Despite the current 'venue deficit' in Wellington it is still the second most popular region in NZ for multi-day events after Auckland, hosting more than double the amount of multi-day events than the next most popular region (Hamilton/Waikato) for the year ended June 2018.

Table 7 Wellington Multi-day Business Events and Market Share – YE 30 June 2018

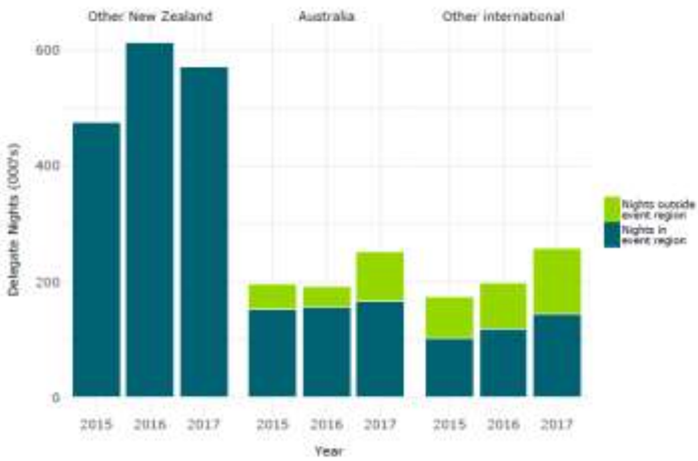
Event Type	2018	% Market Share	2017	% Market Share
Multi-Day Meetings	1,245	20%	977	17%
Multi-Day Conferences/Conventions	502	18%	685	23%
Total Multi-Day Meetings and Conferences	**1,747**	**20%**	**1,663**	**19%**

Figure 2 below shows the delegate day trend of Wellington compared to NZ over the last four calendar years. The trends are similar suggesting Wellington results will impact the national trends, especially in the multi-day event market. Despite the reported decline in delegate days in 2017 the trend is still strongly positive.

Figure 2. Delegate day's trends for Wellington and New Zealand since 2014

The BEDS for the year to December 2017 examines the trend in attendance at multi-day business events. Across NZ, conventions and conferences generated around 1.08 million visitor nights, of which 47% were generated by overseas delegates. Around 82% of those nights were spent in the region that hosted the event, and around 18% were spent outside the region. The graph below shows an upwards trend for Australia and other International delegates coming to NZ for multi-day business events and reflects the strong marketing efforts from Tourism NZ in promoting NZ as a conference destination:

Figure 3 Delegate nights inside and outside event region by delegate origin



Source: MBIE, Convention Delegate Survey Report – Year to December 2017

Domestic delegates each spent on average 3.1 nights in the event region. Australian delegates spent an average of 4.1 nights in the event region, and another 2.1 nights elsewhere within New Zealand.

Non-Australian international delegates spent an average of 4.8 nights in the event region and another 3.8 nights elsewhere in New Zealand.

On average visiting delegates spent more nights in the event region than the number of days that they attend the event. In 2017, a total of 107,819 additional nights were generated in the event regions compared to the number of days at the events.

When looking at the value of this to the local economy, the typical convention delegate involves a shorter stay with a high nightly spend that other international visitors. This characteristic is clearly seen when comparing the CDS spend to the IVS, where international convention delegates (CDS) have over 50 per cent higher average spend per night than the all visitors (IVS) to New Zealand. The table below compares estimates of average spend per night from the IVS to the current CDS estimate:

Table 8 Comparison of per-night delegate expenditure to IVS estimates

Source of spend (YE December 2017)	Average spend per-night
CDS-international delegates (Australia and other internationals)	$299
IVS - all visitors	$190
IVS - business visitors	$234
IVS - holiday visitors	$246

Whilst the length of stay of a typical convention visitor is less than an average international visitor, the addition of this type of visitor into the market increases the value creation of this sector.

3.5. Future Demand

The future demand for business events for New Zealand is positive when you look at how business events have grown internationally and in particular the growth that Australia and Asia have seen in this market. As New Zealand improves its venue quality, it is expected that these rotating markets will bring their meetings to New Zealand. New Zealand is well respected internationally in many fields, both private sector and public sector professions, meaning the knowledge, innovation and way we go about things is of interest internationally.

To assess the future demand of business events it is important to review recent and historic trends for the growth markets.

3.5.1. International Markets

The International Congress and Convention Association (ICCA) undertakes international research on association business (note this data does not cover any international corporate business) completing an annual Association Meeting Statistics Report. In 2017 ICCA also completed a 55 year trend report analysing the international association market trends since they began collecting data in 1963.

In its annual 2017 Statistics Report, ICCA captured a record number of 12,558 rotating international association meetings taking place in 2017 – up by 346 meetings taking place compared to 2016 results. This is the highest annual figure that ICCA has ever recorded in its yearly analysis of the immediate past year’s meetings data. This follows a long history of growth in international association meetings.

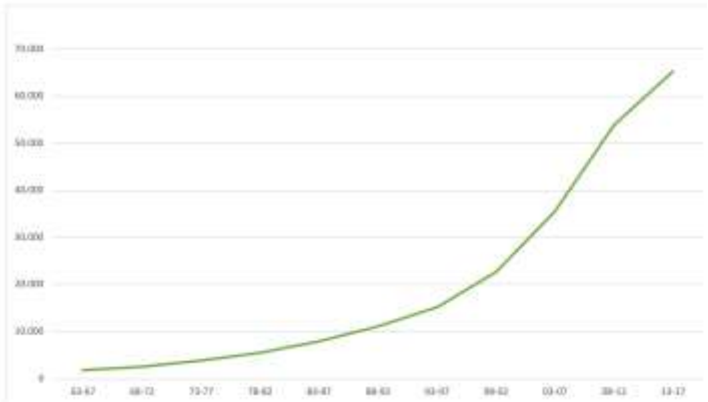
The report showed New Zealand has a worldwide ranking of 51st, having hosted 55 international association meetings in 2017. This compares to Australia who is ranked 14th having hosted 258 international association meetings. Wellington was ranked 266th in the City rankings having hosted 10 meetings. This compares to Auckland which is ranked 119th having hosted 22 meetings, Sydney ranked 26th with 76 meetings and Melbourne ranked 35th with 67 meetings.

Wellington is the home of many national and Australasian associations. This data shows there is considerable potential that Wellington will be able to capture and host this rotating association business, provided it has the appropriate venue to host international business in.

The ICCA 55 Year Report found that the number of international association meetings doubled every 10 years from 1963 to 2013. According to the current data, this exponential growth trend seems to have slowly transcended into a more mature, yet still solid, growth pattern in the last 5 years. The number of overall participants has increased across the board. The average meeting size has decreased, but more meetings are being held on a more frequent basis. The key trends are identified below:

- The exponential growth trend in the number of international association meetings continues
  - The number of meetings held has doubled every 10 years
- The average number of participants per meetings has decreased to 409 in the 2013-17 period
  - There are more, but smaller, association meetings taking place over the years
- As meetings get smaller, the overall number of participants rises
  - Overall participation in association meetings has grown almost exponentially with 25 million participants in meetings over the period 2013-2017 (compared to 2 million in the period 1963-1967)
- Duration of meetings is getting shorter
  - The average length per meeting is 3.65 days in 2013-2017, compared to 5.78 days in 1963-1967
- Europe remains the most popular region for meetings, but it's market share has declined
  - Asia has seen a slow but steady rise in market share
- Regional rotation a growing trend
  - The proportion of meetings rotating worldwide has been decreasing, with a clear trend towards more regional rotation. However, the World/International is still the biggest rotation meeting group.
- Number of annual meetings has drastically increased over the last five years
  - The more annual meetings, means more business rotating annually rather than bi-annually

Figure 4 International Association Meetings 1963-2017 (5-Yearly aggregated data)



The number of international association meetings has grown exponentially over the last 20 years

Source: ICCA_55 Year Report

This growth in Association meeting business in a world of disruption and unpredictability is a welcome trend, but is not that surprising. The world is in a period of revolutionary change in terms of scientific and technological advancements, which are transforming traditional association fields such as healthcare and trade. To make sense of the vast amounts of new data and information, association communities need to meet. Not just at their traditional, well-established meetings, but in new gatherings specifically invented to serve new academic fields or to reach out to new audiences. That coupled with international travel becoming more affordable, faster and convenient, are the reasons that ICCA believe the sector will continue to grow for many years to come[6].

The association market covers a wide range of meeting types and categories: medical meetings (the largest segment); scientific; other academic fields; trade organisations; professional bodies; and social

[6] International Congress and Convention Association, 2017 ICCA Statistics Report, Country and City Rankings

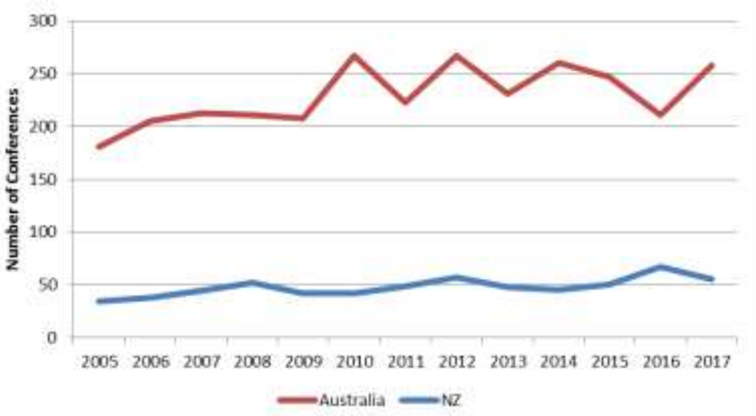
groupings. In terms of size, budget, duration and complexity, there are massive variations between and within categories. However, some similarities can be identified:

- Almost every 'speciality' has an association which holds one or more meetings.
- Most associations have meetings that are repeated at regular intervals. These can be annual, biennial, etc.
- The destinations rotate. They rarely return to the same destination within a very short period of time.
- The local stakeholder, e.g. the national association, is often the one who initiates the hosting of a meeting. If the national association proves difficult to motivate to organise the meeting, the chances are high that the meeting will be scheduled elsewhere.
- Association meetings have very long lead times; it is not unusual to find lead times of 5 years or more.
- It is estimated that a growing minority of about 25-30% of the decision-making processes no longer include an official bidding procedure, but have a "central initiator" who selects the location and venues based on pre-determined and strict criteria.

It is estimated that there are approximately 23,000 different association meetings organised on a regular basis globally.[7]

To understand the possible growth New Zealand could experience it is helpful to look at the growth in Australia following their investment in quality facilities.

Figure 5 NZ and Australia Association Conference growth, 2005 - 2017



From 2005 to 2014, New Zealand had a very modest growth profile compared to the Australian and the world's growth profile. The slower growth is likely to reflect New Zealand's small size and distance from the major sources of international conventions in the northern hemisphere. However, these results are also likely to be the result of a lack of investment in convention facilities and strategic marketing – a major focus for many Asian countries.

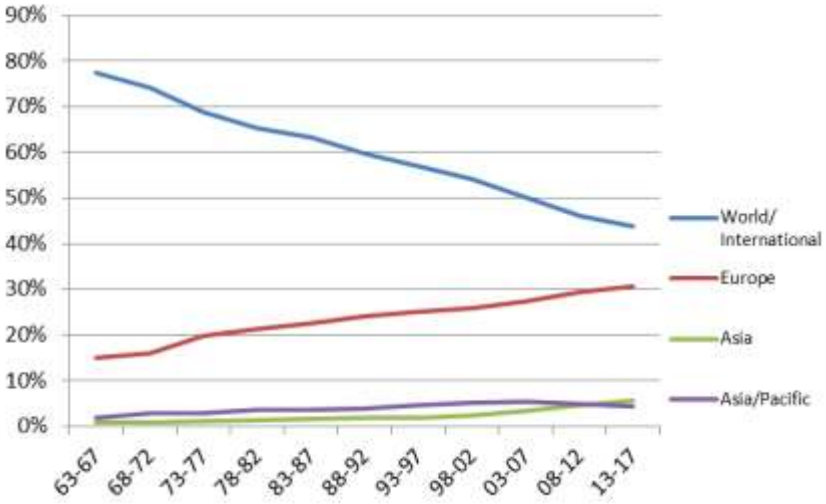
The NZ government have recognised this and have invested in building Te Pae in Christchurch and the NZ International Convention Centre (NZICC) in Auckland (both due to open in 2020), but they have also invested over $10 million per annum to market NZ internationally as a business events destination by creating a new and enhanced business events team. The aim is to attract a larger share of these international events, and Wellington will only benefit from this government investment with international standard facilities. Wellington currently does not feature in the NZ international conference marketing because it is viewed that we do not have adequate facilities.

While this marketing investment by the Crown is hoped to have a positive impact on the total number of business events being captured by New Zealand, the impact for Wellington needs to be considered in light of other competing venues nationally, as discussed in Section 3.4.

7 International Congress and Convention Association, 2017 ICCA Statistics Report, Country and City Rankings

Figure 6 shows the top four rotation regions for the Association business. Asia and the Asia/Pacific regions are growing in representation with Australia a significant player in these markets.

Figure 6 ICCA Top 4 rotation areas (% meetings)

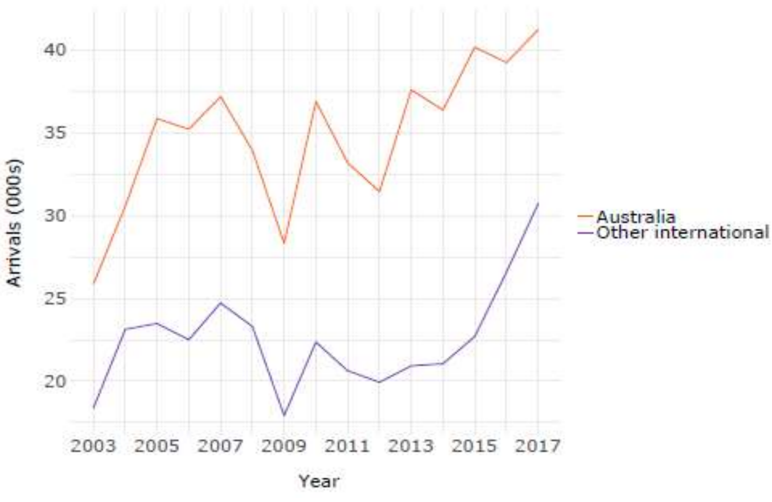


From the growth in the international association market together with the Australian and Asia-Pacific region share of this, some confidence can be taken that New Zealand and Wellington, with the right facilities, will attract enough new business to meet the projections in the business case.

3.5.2. Domestic Markets

The current state of the domestic market has been covered in section 3.7.1 above. In addition to this analysis, Statistics New Zealand's International Travel and Migration data can also be used to report on changes to the international component of conferences and conventions over a longer time period than the BEDS. This analysis shows a strong growth pattern for international convention arrivals into NZ. The number of overseas arrivals to New Zealand for conventions and conferences peaked in 2017 at 72,000, which is about 9 per cent above the 2016 number of 66,000. Beneath the overall change we can see that the two markets reported in the CDS ('International Australia' and 'Internationals Other') have showed different pattern in recent years as shown in Figure 7 below. Although both show an over upward trend, the number of international (other than Australia) delegates grew faster than Australia delegates. Comparing the year ended December 2017 to the previous year; arrivals from Australia were up 5 per cent while other international arrivals were up 16 per cent.

Figure 7 International convention and conference arrivals into New Zealand



Source: MBIE, Convention Delegate Survey Report – Year to December 2017

These trends give us confidence that the international conditions around convention and conference market is positive and growing, and that New Zealand is seen as an attractive destination by international delegates. Since 2014 when the NZ government put focus and additional investment of $34 million over three years into the sales and marketing of NZ as a business events destination there has been a steady increase in international convention and conference arrivals. The decline noted in 2009 is largely the result of the impact of the 2008 Global Financial Crisis and while this type of market shock has an almost immediate negative impact the underlying trend is re-established shortly thereafter.

It is worth noting that these growth trends have occurred over a period of relative difficulty for venues both in Christchurch and Wellington due to the effects of the Canterbury and Kaikoura earthquakes. From 2020 when the country has international standard, purpose built facilities in Auckland and Christchurch it is anticipated and expected that these statistics will grow even further.

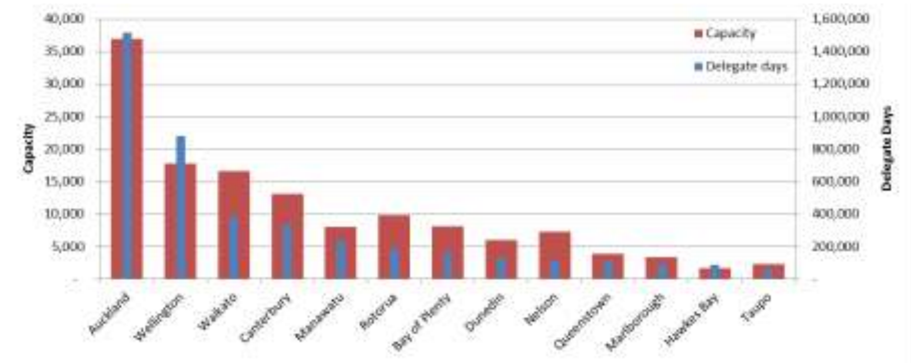
If Wellington is not able to participate in this market it will see a significant drop in market share for the higher value multi-day conferences, and the businesses required to support this type of event will also decline. Significant talent is needed to run venues and host business events. The specialist expertise in AV/tech provision, production requirements, high quality food and beverage offerings and event management is only retained if there is a strong market to support.

3.6. Competitors

3.6.1. Current situation

Wellington faces competition from regions around New Zealand when attracting domestic and international events. The BEAS survey covers 14 regions, Figure 8 below, shows the capacity of these regions, alongside the number of delegate days each area captured for the 2017 year. Wellington provides 13% of the total venue capacity in New Zealand, but accounted for 20% of the total delegate days in the year to 31 December 2017. Wellington stands out in this area and this is largely due to the strong inherent characteristics of the city and an approach to promoting the city as the host for business events.

Figure 8 Convention venue capacity in New Zealand[8]

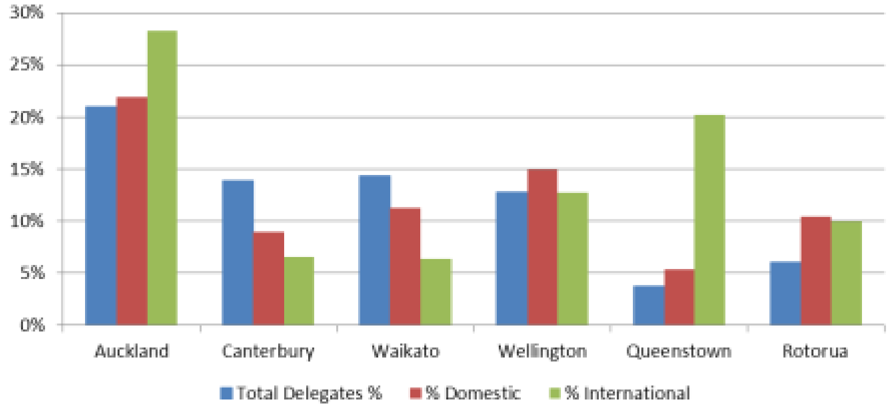


Source: MBIE CAS dataset, WCC analysis

When attracting domestic and international MICE visitors, Wellington's key competitors are Auckland, Waikato, Canterbury, Rotorua and Queenstown. As shown in Figure 9, below, Wellington comes second to Auckland in terms of both total and domestic visitor delegates. Wellington ranks third in terms of international delegates as Auckland and Queenstown each capture a significant portion of this market, closely followed by Rotorua, due to their international tourism destination status.

[8] Capacity is defined by the CAS as "the largest number of MICE delegates that can be comfortably hosted at one time in spaces regularly used to host MICE events within the venue. The estimate is based on minimal partitioning and theatre style set up of free-form spaces."

Figure 9 Market share of key competing regions (year ending Dec 2017)



Wellington ranks 2nd in NZ for its share of total and domestic delegates, but 3rd in NZ for its share of international delegates

Source: MBIE CAS dataset

3.6.2. Planned new developments

While these current state figures are based on existing convention facilities, we know the landscape for New Zealand will change significantly in 2020 when the large-scale NZICC in Auckland, and Te Pae in Christchurch are complete and open. These developments will not only increase the capacity of New Zealand's convention offering, they more importantly significantly improve the quality of New Zealand's convention offering with purpose built modern business event facilities. This will in turn significantly change customer expectations and provide more choice in the market.

Table 9: Business Events Venue Seating Capacity (by Region)

	2018	New	Total	% increase
Auckland	35,937	3,150	39,087	9%
Wellington	16,956	1,800	18,756	11%
Canterbury	13,130	1,400	14,530	11%
Other 10 regions	66,467	4,000	70,467	6%
Total NZ (est)	**132,490**	**10,350**	**142,840**	**8%**

(Source: Fresh Info, Horwath, WCC)

In total the expected new facilities, if all built, would provide additional capacity for 10,350 delegates (6,350 of which are major convention centre investments, 4,000 are additional capacity expected through hotel and other smaller venue development across the country), increasing the market capacity by 8%, assuming that other existing facilities are not decommissioned or re-purposed.

The new facilities will target and cater for the high end of the MICE market, seeking to attract large, international events new to NZ, and would be competing predominantly against the existing market leaders, including Wellington. The market share that will be captured by these facilities is expected to exceed the proportion of new capacity they provide, as the modern and purpose built nature of the developments mean they are likely to have higher appeal than average utilisation rates. Meaning Wellington will be negatively impacted.

Due to this, competition in the market is expected to increase markedly, both for international and domestic events. While the new facilities will seek firstly to attract large international events, they will also need to capture a significant portion of the top end of the domestic event market in order to fill their overall event calendar. Meaning Wellington will be negatively impacted.

While the government investment in attracting international business events is hoped to grow New Zealand's international market share, the introduction of these new venues and the quality of the existing facilities in Wellington makes it unlikely that Wellington will receive any of the potential growth without investment in its own facilities. In respect of domestic events, the total delegate day numbers have been relatively static for the last few years. Assuming there is no uplift in this market, Wellington's total number of delegate days would be expected to fall as market share is lost to the new facilities.

This reduction would, at best, be commensurate with the increased capacity in the market, but may potentially be greater as Wellington would be competing against newer, purpose built venues. The estimated reduction is up to 13% loss in our market share, this lost business will be the better quality events.

3.7. Commercial Exhibition Programme

The proposed Convention Centre includes a commercial exhibition space on the ground floor aimed at activating what will be a large and prominent building and also supporting and growing our visitor market through providing a dedicated space for commercial touring international exhibitions. Wellington has fallen behind in terms of benefitting from what has been a strongly growing tourism sector.

3.7.1. Domestic Tourism

MBIE also provide data on the NZ tourism market which has seen unprecedented growth over the last 10 years. The following graphs show the trends and analysis of Wellington tourism compared the NZ tourism (*Source MBIE, Year Ended 31 March)*.

Figure 10 Wellington Tourism Spend ($ and % of Total)

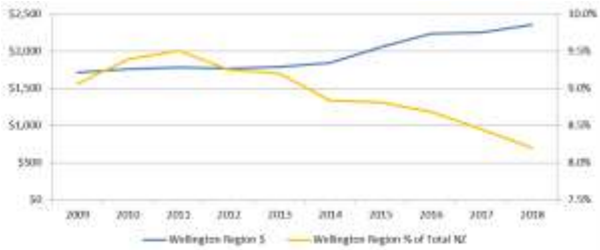


Figure 11 NZ Tourism Spend $m

The New Zealand tourism spend has grown by 52% over the last nine years from $18.9 billion to $28.7 billion. This compares to a 38% growth over the same period for Wellington tourism spend from $1.7 billion in 2009 to $2.4 billion in 2018. Figure 12 and Figure 9 show that the growth rate of both domestic and international tourism spend is slower than the rest of New Zealand and our relative market share of this spend is declining over time. It is clear that Wellington is not benefitting proportionately from the strong growth in tourism over the past 10 years.

Figure 12 Growth in Tourism Spend 2009-18

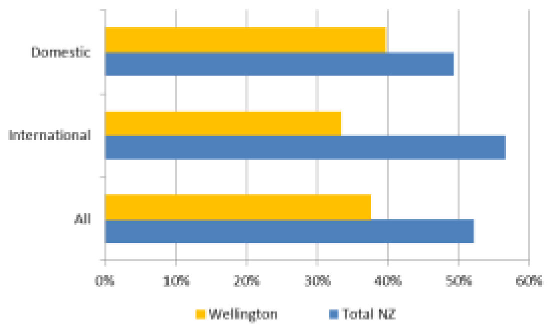


Figure 13 Wellington Market Share of NZ Tourism Sectors

There has been very little investment over this period in new tourism infrastructure. Wellington does well with our event programme, however other centres have improved their own events calendar and are competing strongly for our domestic tourism spend.

Should Wellington want to remain an attractive visitor destination there is a need to invest in quality infrastructure. New Convention Centre facilities will serve to protect and grow visitation. The inclusion of what is modest space to host commercial touring exhibitions will allow popular changing international product to be hosted in Wellington. This changing product will mean each exhibition can have a different target audience, or drive repeat visitation from the same audience. Te Papa have ventured into this area on occasions with exhibitions through their current exhibition space, however it is on a smaller scale[9] and Te Papa do not see their role is in hosting commercial exhibitions within the National Museum. It is expected the larger exhibition space will drive increased and new domestic visitation and will market its product significantly outside of Wellington.

This added domestic visitation will deliver good value to the city and provide strong weekend and school holiday demand in our hospitality sector which currently experiences a drop off in occupancy over these times.

3.7.2. The Exhibition proposition

A strong exhibition programme will drive domestic visitation and will provide activity to the building during the quieter business events summer months. The choice of adding a commercial exhibition element to the convention centre was developed through a series of workshops with Te Papa and WREDA looking at what would work best with a convention facility, deliver the activation of the building and surrounding precinct, and have popular appeal to visitors and Wellingtonians.

Importantly the programming can be tailored or targeted to meet specific objectives. Through the winter months school holidays are a period where Wellington suffers from a lack of quality events and activities, particularly indoor. Tailored exhibitions with popular appeal can be a significant visitor attraction to Wellington through this period as well as providing increased activities for our own ratepayers. For example a touring product such as Marvel through the winter period can be expected to be a strong visitor attractor.

Currently the New Zealand market for year round touring exhibitions is largely untapped. The most significant participant is Te Papa who regularly host touring exhibitions. Their primary focus is on exhibitions that align and support their position as the National Museum. What is intended for is a straight commercial exhibition programme sourcing popular exhibitions. Te Papa has assisted with assessing the opportunity and their work has confirmed that there is a strong supply of suitable and available product and indicates:

- There are limited direct competitive threats to the proposed exhibition offering. The programming will complement rather than compete with Te Papa.
- There is a lack of commissionable attractions in the Wellington region.
- The outline program developed by Te Papa shows strong visitation with sustainable projected annual visitation of around 270,000 based on a strong year round programme.
- The programmes on show will generally be exclusive to Wellington providing a strong incentive to visit Wellington.
- The visitor origin profile is expected to mirror Te Papa’s experience around temporary exhibitions with 47% of visitors coming from within the Wellington Region, 32% being domestic visitors from out of the Wellington Region and 21% international visitors (this includes cruise ship visitors).
- There is strong demand for this type of product as demonstrated by the Te Papa Brickman Lego exhibition demonstrated the demand for highly commercial and popular short term exhibitions with 103,000 visitors over a 72 day season.

The opportunity to work with local creative talent to develop “home-grown” exhibitions and showcase the Wellington creative talents and potentially tour their exhibitions further showcasing Wellington. Weta were involved in the development of the Bug Lab exhibition with Te Papa and have indicated they would be strongly interested in this area of exhibition development in the future.

[9] The Te Papa space is 750 sqm

3.8. Urban Regeneration

Experience in Australia and elsewhere suggests that convention centres have the potential to act as anchor projects and therefore represent a catalyst for adjoining and residential development.[10]

The proposed convention and exhibition centre will serve to re-connect Te Aro and the City to the waterfront and establish a new precinct/destination. It has the potential to embody Wellington through its high quality built form, mix of cultural activities, entertainment and food and beverage experiences. The Council investment in this building will be a catalyst for the change, up-lift and private sector investment in the Te Aro and Waterfront precinct to define a new destination/precinct with a unique identity and role within the City. It will promote high quality fine grain, mixed use urban development that complements the city.[11]

However, the scale of the building and its location in a strategic mid-block area of the precinct can also have the opposite effect. Convention centres by their very nature are large imposing buildings that on their own lack activation outside of typical business hours. Careful thought has gone into this design proposal to ensure a strong mix of activity encompasses the centre during the day, evenings and weekends. This has been achieved through the addition of new East/West connections via a new laneway and a walkway through the centre itself. Food and beverage provision, display windows, the attractive and welcoming public foyer and the inclusion of a commercial exhibition space on the ground floor will enhance the experience. These together will ensure a vibrant and activated destination in the heart of this precinct.

Figure 14 The public walkway looking from Cable Street to Wakefield Street

We expect that the proposed centre will successfully activate this area and be a primary catalyst for secondary investment and a much needed regeneration of this under-developed area.

The precinct immediately around Wakefield Street and Cable Street could be characterised as a place for cars and car-parking. The estimated area of this precinct totals around 96,000 square metres of which some 33,000 square metres is taken up by car-parking. One third of this precinct in the heart of

[10] CBRE 2013

[11] Landlab – Te Aro – Waterfront precinct. Urban Design concepts Nov 2018

the City is car-parking. This relatively small precinct currently accommodates around 10% of all car-parking in the inner city[12].

Figure 15 Existing Wakefield Street view looking west with the convention centre on the right

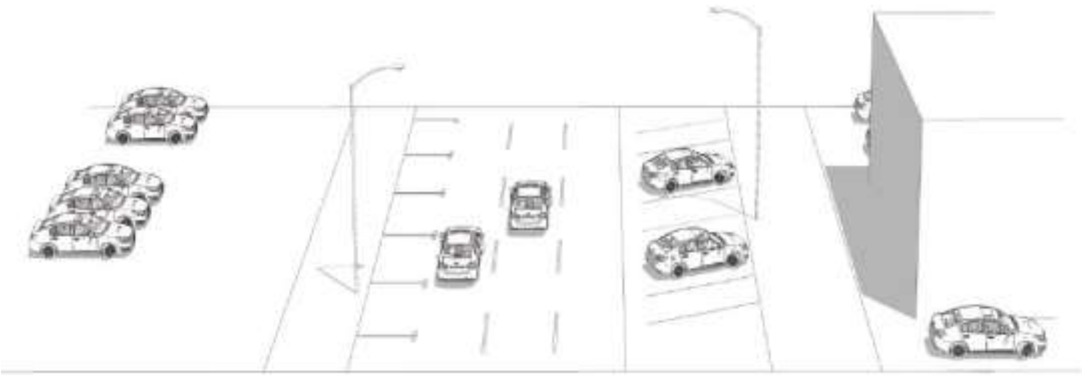
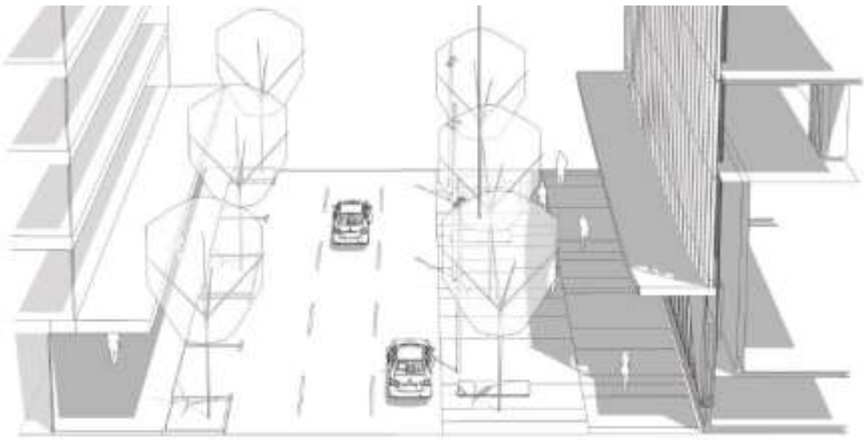


Figure 16 Wakefield Street illustration of activated view with both sites developed



The development of the Convention and Exhibition Centre will catalyse a transformation of both the built and urban environment. It is expected that investment by Council in the centre will lead to subsequent investment in a range of private projects in the area.

1. Known projects awaiting direction from Council include; the Reading complex, the Shark Park, West Plaza and 3 smaller buildings on Wakefield and Tory Street under common private ownership. These are seen as being stage 1 developments that would be directly influenced by the Council investment in the Convention and Exhibition Centre;

   Landlab assess the potential uplift in rateable values from those developments above to be in excess of $400m.

2. There are a range of prime development sites that will likely see subsequent development as the landscape in this area changes, these include; the BP site on Taranaki Street, the Mama Brown site; and the Clarendon site. These are seen as downstream investments that are likely to be influenced by the development and regeneration of the precinct; and

3. The development of sub-optimal sites including the Amora, the Oaks and the MFC carpark. The redevelopment of these sites is seen as being made more economically viable through the development of the precinct as a whole.

[12] Landlab – Te Aro waterfront precinct. Urban design concepts Nov 2018

Figure 17 The catalyst opportunity

The central location of Convention and Exhibition Centre as a catalyst for the transformation of this precinct.

Officers have spoken directly to the owners of the Reading complex, West Plaza and the cluster of 3 smaller buildings and they have confirmed that a decision by Council to invest in the Convention and Exhibition Centre will crystalise their investment plans. Reading are considering their options for their adjacent site and indicate their future plans will be strongly influenced by Council's decision for the Convention and Exhibition Centre development. The owner of the three buildings on Wakefield and Tory Streets will develop these sites as a mix of apartments and serviced apartments once Council proceeds or he will landbank the sites if Council does not proceed. The West Plaza development is likely to proceed regardless of any Council decision but a positive decision will influence the timing of any development. We have not engaged directly with the owners of the Shark Park building but expect they would develop their site if Council proceeds.

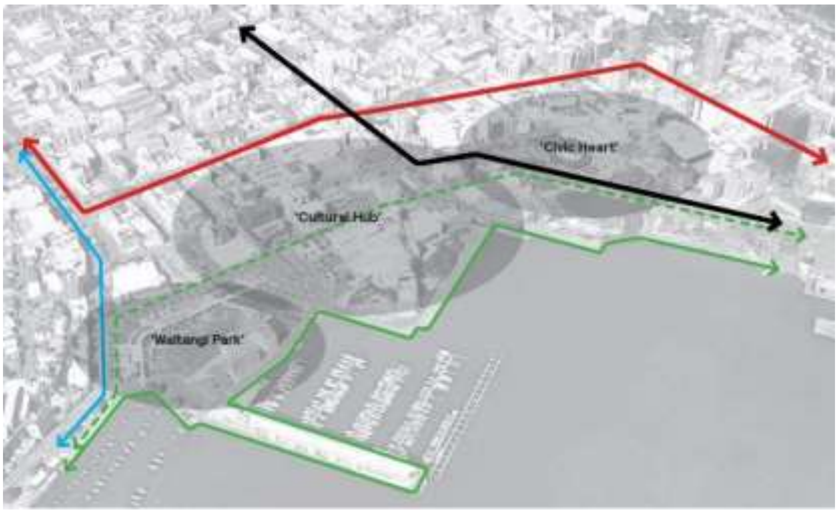
Increasing the ratepayer base is a key objective of the economic growth strategy of Council. A growing rating base is a sign of a healthy economy. In an environment where the cost of delivering Council services are ever increasing, growth in the rating base provides a basis for maintaining the levels of investment in services without primary recourse to raising rates. Development adds value to the city rating base and provides funding benefits to the existing ratepayers. In its simplest form a growing rating base provides incremental rates income to meet the costs of delivering services or reduces the impact of future rates increases on ratepayers (or both).

Figure 18 The precinct opportunity

This area has the potential for significant development but needs a strong kickstart

Landlab assess the potential uplift in rateable values from the full range of potential developments noted above to be well in excess of $1 billion. The Convention and Exhibition Centre will contribute strongly to the future shape of this area, and when combined with much needed transport improvements, will be a catalyst for change.

Figure 19 “To not Through” a new city precinct / destination



An opportunity to reconnect the city with its waterfront and reclaim Te Aro

4. The Proposal

Key points:

- The proposal is to build a convention and exhibition centre on the Council owned land opposite Te Papa (50-70 Cable Street and 197-221 Wakefield Street). The building will cover three floors and is proposed to have a gross floor area of around 17,957 sqm.
- The convention centre will occupy the two top floors of the building covering around 10,000 sqm and be able to host full format multi-day conferences of up to 1,500 people and large banquets of up to 1,400 people.
- The ground floor will incorporate the 1,293 sqm exhibition hall, a public café, a public walkway between Wakefield and Cable Streets, and the grand foyer entrance of the building.
- WCC will deliver the project under a design/build/own model, taking on the construction and cost risks. The estimated cost of the project (including the land already purchased) is $179.3 million. This amount would be reduced should Crown funding of $25.0 million be agreed.
- WREDA are proposed to operate the Convention Centre on behalf of WCC.

4.1. Proposal outline

This business case pertains to the development of a convention and exhibition centre, utilising the Council-owned site directly opposite Te Papa, between Cable and Wakefield Streets.

4.1.1. Background to the proposal

- Willis Bond held the rights to acquire two parcels of land (comprising 50-70 Cable Street and 197-220 Wakefield Street) at a cost of $21.5 million.
- In 2016 Council agreed to acquire the rights to these sites from Willis Bond in return for certain undertakings related to their future involvement with any subsequent Council development of these sites. Willis Bond novated their agreements to acquire these sites to Council.
- WCC purchased the two parcels of land for $21.5 million for the purpose of constructing the convention centre with the development then also incorporating the movie museum.
  - This has secured the land for this project. If for any reason no development proceeds, the Council can decide on what they do with the land (retain or sell). The net holding costs for the land are minimal due to the current lease income largely offsetting the ownership costs.
  - The latest 2018 QV rating valuation of the land is $28.4 million an increase of $6.9 million on the purchase price.

4.1.2. Overview of the proposal

- The proposal is to construct a three story building of approximately 18,000 square metres on the Council owned Cable Street and Wakefield Street sites.
- The building will provide approximately 10,000 square metres of space for a City scale convention centre which will be located predominantly on the upper two levels.
- In addition to providing a public foyer providing a sense of arrival befitting a significant civic building, the ground floor also incorporates:-

- an important activation to the building through the incorporation of a large public thoroughfare with an adjacent café connecting Wakefield Street with Cable Street, which also improves the connections to Te Papa and the Waterfront.
- around 1,300 square metres of space intended to provide a facility for hosting large commercial touring exhibitions
- the back of house operations which are accessed from a new service laneway to be created between Wakefield and Cable Streets.

- The Building will incorporate base isolation and the building will be lifted around 0.85 metres above the street level which will provide additional resilience against potential climate change impacts.
- The full cost of the construction project is $157.8 million (including $6.5 million of furniture, fittings and equipment (FF&E)) funded through borrowings. After the assumed funding contribution of $25 million expected from the Crown the net cost is $132.8 million.
- Willis Bond have provided project management services through the project to date and will be engaged as the Development Manager. A proportion of their fees will be performance based on delivery milestones related to vfm targets linked to completion, budget, time and quality.
- LT McGuiness who have been providing the early contractor involvement engagement through the project to date will be appointed as the Main Construction Contractor, subject to meeting a range of market tests and vfm conditions.
- Studio Pacific have been the architects on this project to date and it is intended that Studio Pacific will be confirmed as the lead Architect for the project.
- It is the intention that Wreda (PWV) will be appointed as the operator of the Convention Centre. Discussions have taken place with Te Papa around the potential to partner with Te Papa and WREDA to consolidate and combine the conference operations. This will be worked through over the coming year to finalise a preferred operating arrangement.
- Operating surpluses (and losses), before any building ownership costs, of the Convention Centre will flow back to Council under a management agreement with the operator.
- The Council property team will provide the building management services with best practice facilities management and asset management plans from the outset.
- The FF&E for the Convention Centre will cost $6.5 million and will be funded by the Convention Centre operator. Where this is WREDA then this cost would be funded through a loan from Council to WREDA. On-going maintenance and renewal of the FF&E will be funded out of Convention Centre revenues through the establishment of a reserve account.
- It is the intention that the commercial exhibition space will be run in partnership with Te Papa – the terms of this arrangement will be finalised over the coming year in conjunction with the discussions around a broader partnership model for the convention and exhibition business with Te Papa. In the event no agreement transpires then the operation of the commercial exhibition space would be through WREDA or a third party operator sought.

4.2. The Building

4.2.1. Floor Plans

The preliminary designs for the development and how that the total area of the proposed development will be just under 18,000 sqm. This can be broadly broken down as follows:

WCEC Nov-18 Prelim Design	Level	Total Floor Area (sqm)
Convention Centre (incl fire exits)	Ground lobby, Level 1 & 2	10,017

WCEC Nov-18 Prelim Design	Level	Total Floor Area (sqm)
Exhibition Space	Ground Floor	1,651
Public café	Ground Floor	553
Public space	Ground Floor	1,241
Services, Plant & Laneway	Ground, Level 1 & 2	4,495
Total Floor Area (sqm)		**17,957**

The Convention Centre will dominate the building in terms of use of space, however careful design consideration has gone into activating the ground floor through the inclusion of commercial exhibition space, a café and a significant public foyer and thoroughfare.

The convention levels have their main frontage with views to Te Papa and back towards the city. A separate laneway ensures all servicing of the building and events is kept away from the visitor interaction with the building.

The two levels of convention space allows for a strong proposition for hosting concurrent events with separation of access and function space by floor area. The centre is also able to be used as one for the large convention events across both levels. Each floor has permanent smaller meeting rooms ranging in size available for breakouts or smaller meetings and the ability for the plenary spaces to be sub-divided into smaller spaces. Both floors have back of house service areas and there is a finishing kitchen on both floors.

The premium convention floor is Level 2 and features a floor to ceiling height of 7 meters and a single plenary space of around 1,700 sqm. This space will be able to hold up to 2,000 people for a cocktail function, 1,700 people in theatre-style seating and host banquets for 1,300 guests. This floor has an attractive pre-function space of 934 sqm opening up to an outside terrace and enjoying views of the harbour and city.

Level 1 has a lower floor to ceiling height of 5.75 meters with a plenary space of 766 sqm. This floor features a large exhibition and pre-function space of around 1,450sqm and three permanent smaller meeting rooms of varying size totalling around 322 sqm.

The Convention Centre has been designed to maximise flexibility to be able to cater to a wide range of event organisers requirements and be able to deliver concurrent events without compromise. Initial customer feedback has been positive and suggests this design provides the best concurrent event capability for medium sized conferences (which are the bulk of the market) of the new developments in NZ.

The table below outlines the different sizes of the proposed areas, and the full range of different event types able to be hosted in the centre is shown in section 3.3.2.

Table 10 Convention Centre Floor Area Schedule

Area	Ground (sqm)	L1 (sqm)	L2 (sqm)	Total (sqm)
Lobby	268	-	-	**268**
Plenary Room (sub-dividable)	-	778	1,736	**2,514**
Breakout meeting rooms (different sizes)	-	322	128	**450**
Pre Function / Exhibition Space	-	2,001	1,151	**3,152**
Terrace	-	-	85	**85**
Sub total - Public space	**268**	**3,101**	**3,100**	**6,469**
Speaker Green Rooms/Lounge Area	-	-	134	**134**
Bathrooms	-	197	182	**379**
Back of house (including kitchens)	-	1,080	918	**1,998**
Escalators and lifts	26	88	25	**139**
Fire Exits	363	357	178	**898**
Total Convention Centre Area	**657**	**4,823**	**4,537**	**10,017**

4.2.2. Convention Centre Functionality and Capacity

The designs enable a wide range of options for events across the two convention floors. The table below outlines the proposed capacity of each space using the different seating and event options:

Table 11 Proposed convention centre venue capacity – Level 1

Level One	Area (sqm)	Theatre (pax)	Classroom (pax)	Banquet (pax)	Cocktail (pax)	Booths (pax)
Exhibition One	1,250*	1,300	830	950	1750	60-90
Plenary One	778	840	500	580	960	40
Room 1a	144	140	90	100	120	8
Room 1b	47	50	30	35	60	4
Room 1c	131	130	80	90	120	8

* Excludes pre-function space shown in table

Table 12 Proposed convention centre venue capacity – Level 2

Level Two	Area (sqm)	Theatre (pax)	Classroom (pax)	Banquet (pax)	Cocktail (pax)	Booths (pax)
Exhibition Two	934*	1,030	620	720	1,200	50
Plenary Two	1,736	1,700	1150	1,300	2,000	80
Room 2a	128	90	45	30	90	5

* Excludes pre-function space shown in table

The capacity for a full format conference featuring a trade exhibition, break out spaces, and food and beverage space requirements would be up to around 1,500[13] delegates. If required spaces can be reset for different uses by moving the operable walls during breaks in events, for example the plenary can be converted to breakout spaces during a break in the event.

13 Horwath HTL completed an assessment of the space and tested this with a reconginised professional conference organiser.

4.2.3. Commercial Exhibition Functionality and Capacity

The ground floor incorporates 1,651 sqm of exhibition space to support a year round programme of commercial exhibitions. This includes an exhibition hall of 1,293 sqm with the balance of the space being utilised for ticketing and back of house activities. The exhibition hall will have a 5.5m floor to ceiling height. This specification of size and height is sufficient to host the majority of all of the touring commercial exhibitions, the specification has been tested against the programme developed by Te Papa and all of the exhibitions identified by them are able to be accommodated within this space.

4.3. The location

The site is in the heart of Wellington's Cultural precinct opposite Te Papa encompassing and shown in green on the map below:

studiopacificarchitecture

Neighbouring Culture

The maps below illustrate the proximity of the Convention and Exhibition Centre to a range of hotels and accommodation options, and also to many of Wellington's restaurants, bars and hospitality areas:

studiopacificarchitecture

Neighbouring Hotels

4.3.1. Site attributes

Location

- Provides an opportunity to partner with Te Papa due to its close proximity.
- Te Papa attracts more than 1.5m visitors per annum and the ability to access these visitors will provide support to the commercial aspects of the Convention and Exhibition Centre and more generally create a cluster of tourism / visitor attractions.
- The site provides easy access to Wellington's waterfront for spectacular views and a vibrant atmosphere.
- This area is central to a wide range of accommodation options for tourists and business visitors.
- This area is the home to some of Wellington's best restaurants and bars.
- The public transport connections and availability of parking in the vicinity makes access for visitors straightforward.
- It is a short walk to retail and shopping experiences.
- The close proximity to Wellington's CBD and the relatively short distance and journey from the airport are strong attributes.
- Currently however a largely under-developed and unactivated area dominated by at grade car parking.

Physical

- The building features a striking façade design.
- The site is a large mid-block site and alternative developments could limit access and connectivity to the Taranaki Street and Tory Street routes.
- The proposal will provide improved connections to the waterfront and Te Papa and back from these locations into Courtenay Place.
- The public spaces and exhibition hall on the ground floor will provide much needed activation for this area and be a catalyst for further development in this precinct.

- The building will be built as an IL3 building and will incorporate base isolation. Other resilience features supporting use of the convention centre in a disaster response situation include the raised base being some 850mm above ground level on Cable Street and back up water supplies including a grey water harvesting tank. This will provide a significantly resilient building with large and clear floor plates, significant toilet and cooking facilities and a range of other resilience features.
- The building will incorporate and showcase strong sustainable principles in design, materials and operations.

4.4. Design

The Convention and Exhibition Centre will become a major new civic and cultural statement in the City. It will be a catalyst investment for the much needed rejuvenation and activation of this area.

4.4.1. Design outcomes

Preliminary designs have been completed and the proposal is that the building will:

- Be built to an extremely high resilience standard, including base isolation and exceeding 100 percent of the New Building Standard for an IL3 building
- Achieve excellence in accessibility (platinum standard)
- Be built to attain ISO 14001 accreditation (international standards that relate to environmental management)
- Incorporate strong sustainable principles into the design and build processes.

4.4.2. Unique Location

This is viewed an extremely important and strategic site that has the potential to spark quality development in this precinct but equally to stifle this through poor design and function.

Strong guidance has been provided by the City Planner that in considering the development of this site it is essential that we maximise the potential of the site both in terms of development e.g. height, as well as ensuring that the functions provided upon the site enable activity and attraction throughout the day (including evening and weekends), not just at peak hours. Additional functions beyond just a convention centre will mean that activity occurs beyond just the peak periods of conferences starting and concluding, particularly at the ground floor level.

4.4.3. Urban design

The redevelopment will significantly improve the urban landscape in this area. There are three aspects:

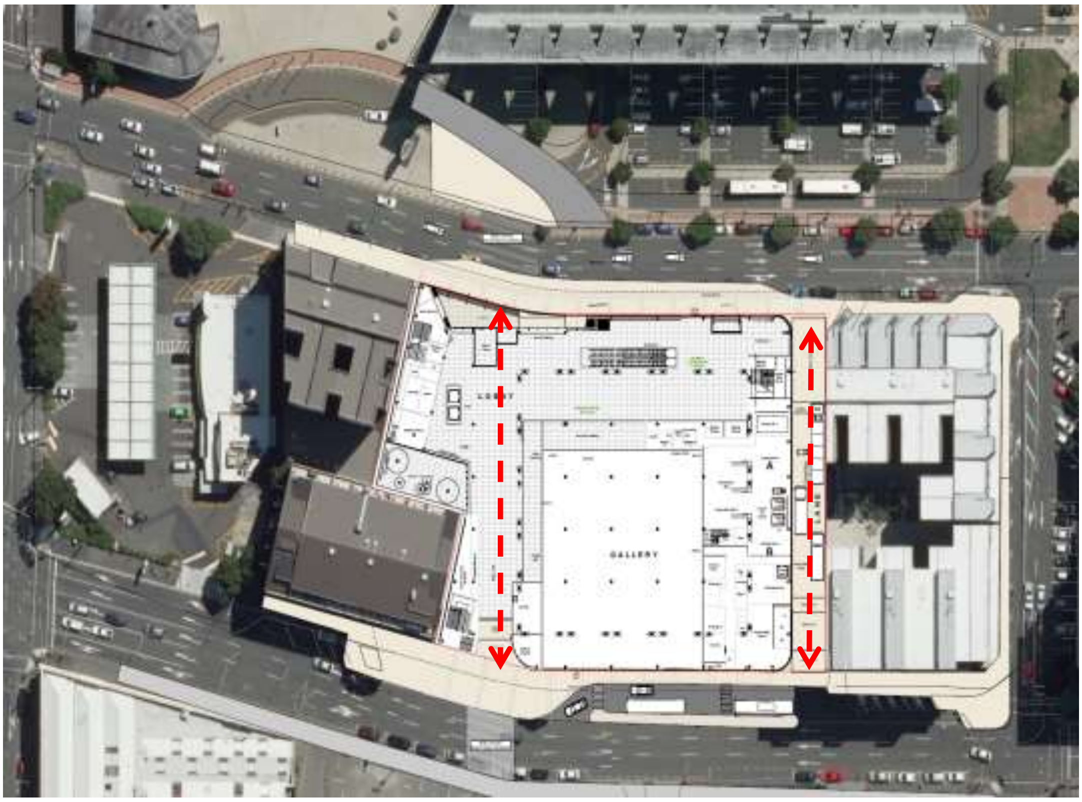
- An improvement in quality of the public realm
- A strong and active building edge along both Cable and Wakefield Streets
- An improvement of connections across the site linking the waterfront, through to Te Aro and the Courtenay Place area

While the connections will be improved through the public walkway in the Convention and Exhibition Centre and the addition of adjacent new pedestrian crossing on Cable and Wakefield Streets the potential of this precinct will remain suppressed by the extent of traffic on these streets.

In the longer term, as part of the 'Get Welly Moving' project it is proposed to reduce traffic on the Quays, Cable and Wakefield Streets and introduce light rail throughout the city. This will provide an opportunity to improve the amenity of both streets, in particular Cable Street connecting more into the waterfront public realm.

This image below illustrates what is possible in the future for this precinct essentially extending and connecting the waterfront to Te Aro.

The urban planning will also create more paving space outside the building on Cable Street for pedestrian congregation and creating safe areas where a small number of parking spaces currently exist. The following sitemap illustrates the connectivity and urban planning for the proposal.



This business case assumes that Council's Urban Planning and Transport Management teams will deliver the complementary public realm work that the Council will need to undertake in association with the proposal to ensure good traffic and pedestrian flows across Cable and Wakefield Streets, within existing Council budgets. This is consistent with previous proposals for this site.

4.4.4. Design evolution

A good design process is forever evolving as it needs to be tested against aesthetics, functionality, buildability and maintenance and financial constraints. The design team have tested a large range of internal and external solutions and have taken into account the design feedback through the public consultation on previous proposals for this site including the urban considerations noted above.

Council's Chief Planner and Head of City Design and Place Planning were involved in providing input into the preliminary designs for the exterior and the ultimate selection of the exterior design with both street perspectives illustrated below.

The preliminary design is expected to evolve through the developed and detailed design process.

5. Economic Case

Key points:

- If Wellington does not respond with larger and improved convention facilities, it will lose significant market share of the MICE business when new facilities are opened in Auckland and Christchurch in 2020. The status quo or a "do nothing" approach will result in a loss of between 6%-13% of our current delegate days with economic value of around $14.8m in GDP per annum (for the likely 10% loss).
- This loss will be noticeable from a reduction in city vibrancy and activity in our hospitality sector (especially mid-week), loss in our skilled talent in venue management, food & beverage and technology providers who will be attracted to work for the modern facilities in Auckland and Christchurch.
- The construction phase of the project is estimated to generate $171m in total expenditure, $76m in GDP and 864 new jobs for Wellington City.
- The operations phase of the project is estimated to generate and protect $90.6m in total expenditure, $44.8m in GDP and 554 new jobs for Wellington City per annum incorporating all three elements noted above.
- The proposal is forecast to provide an additional $5.10 of GDP benefits to Wellington for every $1 invested, including construction impacts, from now until year 25 of operations (in 29 years).
- Key impacts for the Convention Centre are:
  - new economic benefit through 111 new events which will deliver 148,985 new delegate days to Wellington (approximately 16% growth from the current position)
  - protection of 10% of our existing market share of delegate days
  - combined these components are expected to protect and deliver $84m in total expenditure, $41.3m in GDP for Wellington and 510 jobs annually.
- Key impacts for the Exhibition Centre are:
  - Generation of an additional $3.8 million in direct visitor spend in Wellington every year.
  - This has an estimated total GDP impact including indirect and induced benefits for Wellington of $3.5 million, and 44 jobs.
- Other less quantifiable benefits are expected relating to urban regeneration and secondary investment in the precinct in hotels, restaurants, bars, retail and supporting businesses due to the increased demand for accommodation and hospitality in Wellington. This will have a positive effect on the regeneration of this underdeveloped area of Wellington's CBD and grow the Council rating base.
- Associated economic impacts will arise, or be lost, from the ability of our different business sectors to host their premier industry events in Wellington and showcasing Wellington innovation and expertise. The reputational impact of this can be significant.

5.1. Introduction

The economic case compares the proposed development to a baseline option, which is a do-nothing approach. The analysis presented here outlines and estimates the direct and wider economic benefits of the construction and on-going operation of the proposed Convention and Exhibition Centre.

5.2. Investment objectives

The key reason for WCC to be involved in this proposal is to protect and grow Wellington's economy through investment in infrastructure that addresses short comings in our venues and drives the visitor market as measured through a growth in Wellington's delegate days and domestic tourism through the commercial exhibition programme. The Convention and Exhibition Centre investment will also play a key strategic role in catalysing the regeneration of a currently and historically under-developed part of the city and maintaining the City's reputation of a great place to hold events.

5.3. Measuring economic value

5.3.1. Basis of measurement

Conventions held in Wellington will be attended by delegates from both within the region and outside of the region who will spend money in the Wellington economy. Similarly, visitors to the Exhibition Centre will be a mix of international, national and local visitors. Spending from delegates and visitors from outside of Wellington (and spending from Wellington convention delegates who otherwise would have travelled out of the city) reflects new spending in Wellington attributable to the proposal. In measuring the economic benefits we consider the incremental spend resulting from the investment decision and the existing spend protected from this investment decision.

The total impact of this delegate spending is comprised of direct, indirect and induced components. Examples of direct spending by delegates/visitors could include accommodation, food and beverages, retail, entertainment, transport, or other spending made by the delegate attendees and visitors. Indirect impacts reflect the upstream impacts on supplier industries such as food and beverage producers and manufacturers. Induced impacts reflect the downstream activity generated by the additional spending, such as consumption by the hotel or retail workers employed to service the new delegates/visitors.

The economic assessments and valuations were completed separately by BERL, but using the same measures of economic impact to enable an overall assessment to be made for Wellington City, Wellington Region and New Zealand. The approach adopted is consistent with previous convention centre projects which were also assessed using BERL.

Convention Centre Operations
For the Convention Centre, Horwath HTL developed event and operating projections for the proposed convention centre facility. Through evaluating Wellington's current market, a 'baseline' number of events has been assumed as relocating to the new venue, and deducted from the Horwath projections. This ensured that relocation of events from other facilities whilst factored into the operating projections, was excluded for the purposes of assessing economic benefit and only new events and delegate days that would be attracted to Wellington as a result of the project have been used to determine the economic impact.

Exhibition Centre Operations
For the Exhibition Centre, Te Papa has developed a touring exhibition profile for the centre over a five year period including estimates of the expected visitation levels of each exhibition. BERL have used assumptions around stimulated visitation, visitor origin and length of stays. This accounts for all current or substituted spending.

Convention and Exhibition Centre Construction
BERL have assessed the economic contribution attributable to the construction aspect of the project based on the project costings.

5.3.2. Scope of impacts

The economic analysis estimates the impact of net additional spending that would otherwise not occur in the Wellington and New Zealand economy without this proposal. The practical application of this definition is that net additional spending is only counted if it satisfies the following:

- Can be attributed to the proposal, or would otherwise not occur if not for the proposal
- Is new to the geographic area
- Is not cannibalising existing spending that already occurs in Wellington at other venues.

5.3.3. Basis for comparison

The economic impacts of the proposal need to be compared to a counterfactual baseline. In this case, the baseline is for no new convention centre development and therefore the Cable Street site remaining as a carpark and no stimulus to development in this area.

For the convention centre component, the counterfactual of no development does not mean the current convention business is maintained in Wellington. This is because of the significant convention centre infrastructure development occurring in Auckland (NZICC) and Christchurch (Te Pae). These will have a large disruptive impact on the business event market across Wellington, New Zealand, and even Australasia.

For the exhibition centre component, the counterfactual of no new development will mean Wellington will not gain a new visitation driver, and visitation profiles are not expected to change significantly from the current position.

5.3.4. Methodology

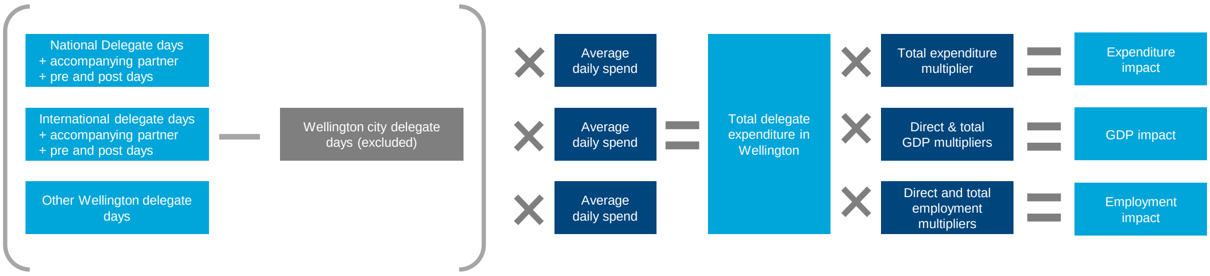
The methodology used to derive the base visitation impacts is tailored to each project's target visitation profile and source.

The approach for the Convention Centre is based on Horwath HTL's projections of the likely utilisation of the new facility with the types of events that it would attract. This has formed the base operating model for the new facility. An assessment was then made for the base market in Wellington and likely transferred business versus new business to Wellington (which is mainly at the upper end of capability that currently is lacking in Wellington) that would make up that utilisation. As part of these event projections the following key spend drivers were estimated:

1. average number of delegates by event type
2. average length of event by event type
3. estimated origin of delegates by event type
4. average spend per day by delegate by origin
5. average accompanying persons and their length of stay and average spend

BERL utilise an economic model to assess the direct and total impacts of delegate spending on the Wellington economy, in terms of GDP and also employment. Figure 20 below shows the logic flow of the BERL model calculating direct and total expenditure, GDP and employment.

Figure 20 Conceptual Framework of economic impact assessment for convention delegates



The approach for the Exhibition Centre is based on the exhibition forecasts provided by Te Papa which are derived from the expertise they hold in the touring exhibition market and from informed discussions with key participants in this sector, and their own experience. The likely origin of those visitors, stimulated visitation and their average length of stay has been based on Te Papa's visitation profiles, key tourism trends and statistics. The methodology for determining additional spend involves estimating:

1. Likely exhibition centre attendance and the mix of visitors
2. The impact or nature of this attendance, e.g. whether the attendee:
    i. is a new visitor who made a specific trip to Wellington to attend the exhibition
    ii. is a visitor who lengthened their stay in Wellington (at the expense of the rest of New Zealand)
    iii. spent more money in Wellington as a consequence of their visit to the exhibition.

5.4. Convention Centre

5.4.1. Economic impacts of the counterfactual

This component of the business case is based on Fresh Info's 2018[14] work on the impact of new facilities in Auckland and Christchurch on Wellington's market share. In the absence of the development of the Wellington Convention Centre, existing conventions held in Wellington are likely to relocate to these new facilities in other regions of New Zealand. This section discusses estimates of the impact of new convention activity elsewhere in New Zealand on the number of delegate days expected in Wellington, and the flow on impact of this reduction in the Wellington economy.

5.4.1.1. Reduction in delegate days

Due to the development of the NZICC and Te Pae in Auckland and Christchurch the national venue capacity is expected to increase by around 3.4% by 2020 when they are due to open.[15] However the nature of the new facilities is such that the share of demand they capture will exceed the share of capacity they provide, ie their utilisation rates are expected to be much higher than average. This means that the share of delegate days captured by the new facilities will be 3-5 times higher than their respective shares of capacity. The relatively small increase in capacity will therefore result in a much larger impact on existing venues in percentage terms. Table 13 shows the anticipated increase in national capacity to 2020. Wellington's share of national venue capacity is expected to fall from 12.8% to 12.4% without any investment in our capacity over the same timeframe.

This analysis does not factor in any other new venue developments around the country which is likely given the new hotel investment expected over a similar timeframe.

Table 13: Expected capacity growth from new developments 2018- 2025

	Capacity[16]
2018 Delegate Capacity	**132,489**
+ Auckland	3,500
+ Christchurch	1,400
2025 Delegate Capacity	**137,039**

Source: Fresh Info

The purpose built nature of these new developments and the major step change in quality and functionality means they are likely to capture a greater share of demand than the increase in capacity alone. Regions that are developing new capacity will gain additional market share from regions that do not invest in upgrading their facilities due to the superior quality and amenity the new facilities will provide to the market. This is especially true of Auckland and Christchurch who are well connected from a flight perspective, both nationally and internationally. These convention centres will drive demand and we are likely to see further intensification of demand in those destinations.

[14] This updates and builds on the previous analysis completed by Covec in 2014.

[15] Fresh Info

[16] Venue capacity is defined in the BEAS as "the largest number of MICE delegates that can be comfortably hosted at one time in spaces regularly used to host MICE events with the venue. The estimate is based on minimal partitioning and theatre style set up of free-form space"

Fresh Info, in their August 2018 report, modelled three scenarios estimating the likely impact of new convention capacity on the number of delegate days in the Wellington region.

Scenario 1: No growth in MICE demand in NZ

This scenario assumes zero national growth in the demand for delegate days through to 2025. Under this scenario, the number of delegate days is redistributed across New Zealand on the basis of changes in capacity. **Table 14** shows the projected change in the total number of delegate days for Wellington and the rest of New Zealand through to 2025. The total number of delegate days in Wellington is projected to fall by up to 12.9%.

Table 14: Estimated change in delegate days 2018-2025, "No growth in MICE demand in NZ"

	2018	*2025*	*Change*	*% Change*
Wellington	818,777	713,564	-105,213	-12.9%
Rest of NZ	3,413,456	3,518,669	105,213	3.1%
Total	**4,232,233**	**4,232,233**	**0**	**0.0%**
Wellington Share	19.3%	16.9%	-2.5%	-12.9%

Source: Fresh Info, August 2018

Scenario 2: 50% of international demand for new venues is incremental

This scenario assumes that:

- local and domestic delegate days remain unchanged between 2018 and 2025 resulting in a redistribution based on changes in venue centre capacity.
- 50% of international delegate days in the new convention centres in Auckland and Christchurch will be incremental. This means that 50% of international delegate days are new to NZ, and 50% will be redistributed from existing venues.

Table 15 shows that under this scenario Wellington could lose up to 94,566 delegate days per annum, which equates to 11.5% of current demand. Wellington's share of delegate days would fall from 19.3% to 16.8% in 2025.

Table 15: Estimated change in delegate days 2018-2025, "50% international incremental demand"

	2018	*2025*	*Change*	*% Change*
Wellington	818,777	724,211	-94,566	-11.5
Rest of NZ	3,413,456	3,580,209	166,754	4.9%
Total	**4,232,233**	**4,304,420**	**72,188**	**1.7%**
Wellington Share	19.3%	16.8%	-2.5%	-13.0%

Source: Fresh Info, August 2018

Scenario 3: 50% of all demand for new venues is incremental

Under this scenario it is assumed that 50% of all delegate days (local, domestic and international) attracted by the new convention centre capacity will be incremental. That means that 50% of all delegate days in new facilities will be redirected from existing venues across NZ. shows that under this scenario Wellington could lose up to 52,607 delegate days per annum, which equates to 6.4% of current demand. Wellington's share of delegate days would fall from 19.3% in 2018 to 17% by 2025.

Table 16: Estimated change in delegate days 2018-2025, "50% of all demand is incremental"

	2018	*2025*	*Change*	*% Change*
Wellington	818,777	766,170	-52,607	-6.4%
Rest of NZ	3,413,456	3,750,437	284,375	9.9%
Total	**4,232,233**	**4,516,608**	**284,375**	**6.7%**
Wellington Share	19.3%	17.0%	-2.4%	-12.3%

Source: Fresh Info, August 2018

Under this scenario, a redistribution of business to new facilities would cause a 6.4% reduction in delegate days for Wellington

A fourth option where all delegate days attracted to the new convention facilities is incremental. In this scenario, Wellington would not lose any delegate days, but it would lose market share as all growth would occur in the other centres. This scenario is viewed as being extremely unlikely.

Most Likely Outcome
The scenario analysis above represents a range of outcomes Wellington can expect with scenario 1 representing the worst case. Fresh Info reasonably suggest that the actual outcome is likely to lie closer to the worst case because the new venues will compete strongly for domestic multi-day events, which is a key source of delegate days for Wellington. They conclude the impact for Wellington will be a reduction in demand in the order of 10-12% as summarised in Table 17 below.

Table 17 Range of possible outcomes for Wellington

Scenario impact on Wellington Delegate Day:	*No growth in MICE demand in NZ*	*50% of Int'l demand for new venues is incremental*	*All Int'l demand for new venues is incremental*	*50% of all demand for new venues is incremental*
	Worst Case	*Likely Range*		*Best Case*
Delegate Days in 2018	818,777	818,777	818,777	818,777
Delegate Days in 2025	713,564	724,211	734,858	766,170
Change relative to 2018	**-12.9%**	**-11.5%**	**-10.2%**	**-6.4%**
Source: Fresh Info, August 2018				

In summary, in the absence of new venue development for Wellington in a market where new convention centre developments are occurring in Auckland and Christchurch, the number of delegate days in Wellington is likely to fall by 6% -13% over the next six years with the most likely outcome of a reduction of around 10-12%.

5.4.1.2. Quantifiable economic impact of lost delegate days

The reduction in delegate days to Wellington will almost certainly have a negative impact on the Wellington economy. BERL have modelled the impact of the reduction of 84,500 delegate days on the Wellington market reflecting a 10% reduction in the number of delegate days which is the bottom of the most likely range estimated by Fresh Info. Table 18 below presents these results.

Table 18: Economic impacts of counterfactual loss of 10% of delegate days to Wellington

Wellington city	*Total*
Direct Expenditure	$18.7m
Total expenditure ($m)	$30.0m
Total GDP ($m)	$14.8m
Total Employment (FTEs)	182
Source: BERL	

Under the scenario of a **10%** reduction, the results imply:

- A total loss of $30m in expenditure in the Wellington economy, of which $18.7m is directly related to delegates, with an additional $11.3m of flow on spend.

- A total loss of $14.8m GDP from the Wellington economy including that lost in flow on industries.

- A total loss of 237 jobs from the Wellington economy incorporating those directly related to conferences, and those in upstream and downstream industries.

5.4.1.3. Unquantifiable impact of the counterfactual "do-nothing" approach

The analysis is clear that a "do nothing" approach for Wellington in response to the quality venue offerings being developed in Auckland and Christchurch will have negative consequences to the economy from a reduction in Wellington's market share of MICE delegate days currently enjoyed.

The reality of this situation will be more widely felt. It is anticipated the vibrancy of the city will be impacted with restaurants, bars and hotels being less busy and business confidence will likely drop as a result of other centres delivering on their infrastructure development promises at the expense of Wellington.

Highly skilled staff in the areas of food and beverage, hospitality, event management, production and technical support, being attracted to work at the NZICC and Te Pae will impact the skills and businesses able to be retained in Wellington. Talent in these fields will become highly sought after and those based in Wellington will be drawn to the modern new venues to further their skills and career progressions. This will be particularly evident if their businesses face a decline in Wellington due to the loss of market share, particularly the more prestigious events.

Any loss of key personnel in the venue support area will likely impact the offering Wellington can give to customers and the Wellington experience and reputation of high quality food, beverage and creative tech diminished. This would negatively impact Wellington's creative reputation and Wellington's prominence on the international stage.

The negative consequences of the "do-nothing" approach represent the counterfactual to the new development. That is, any positive impacts resulting from the new facility should be considered additional to the impacts of not proceeding with the development.

5.4.2. Economic impacts of the new convention centre

The proposed convention centre will bring new delegates into Wellington, from elsewhere in New Zealand and internationally. These delegates inject spending into the Wellington economy, spending that will stimulate GDP and employment in the city. This section introduces estimates of economic benefits both directly and indirectly related to the operations of the convention centre development, including a discussion of the assumptions used and sensitivity around these assumptions.

5.4.2.1. Forecasting convention centre event projections

The proposed development is expected to host a number of events, ranging from large full format multi day conferences through to small banquets and meetings. Horwath HTL have prepared projections of the number of business event activities in the ten years following the completion of the development[17].

Table 19 below shows the projected number of business events over the ten year period, split across the different event types. The table also includes the assumed average attendees per event and the average number of days for each event, and shows the total number of event days for each year.

Table 19: Business Event Activity Projections

Event type	*Avg pax*	*Avg days*	*Yr 1*	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
Large Conferences	*1,250*	*3.0*	4	5	6	7	8	9	9	9	9	9
Medium Conferences	*600*	*3.0*	18	26	34	36	38	39	40	40	40	40
Small Conferences	*200*	*2.5*	50	50	50	50	50	50	50	50	50	50
Large Day Meetings	*500*	*1.0*	50	50	50	50	50	50	50	50	50	50
Small Day Meetings	*100*	*0.5*	100	100	100	100	100	100	100	100	100	100
Large Trade Exhibitions	*2,000*	*1.5*	3	4	5	6	6	6	6	6	6	6
Small Trade Exhibitions	*500*	*1.5*	6	7	8	9	9	9	9	9	9	9

[17] These have been completed in full knowledge of what is now being built in Auckland and Christchurch and Horwath have been involved in both of these developments.

Event type	Avg pax	Avg days	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Large Banquets	*690*	*1.0*	7	9	11	13	15	16	16	16	16	16
Small Banquets	*250*	*1.0*	36	48	60	66	72	73	74	74	74	74
Sundry Events	*250*	*2.0*	50	55	60	65	70	70	70	70	70	70
Large Public Shows	5,000	1.5	2	3	4	4	4	4	4	4	4	4
Small Public Shows	1,000	1.5	3	4	5	5	5	5	5	5	5	5
Total events			**329**	**361**	**393**	**411**	**427**	**431**	**433**	**433**	**433**	**433**
Total event days			*455*	*512*	*569*	*599*	*626*	*634*	*638*	*638*	*638*	*638*

Source: Horwath HTL

Once fully operational, the convention centre is expected to host 433 business events per year (averaging 408 events per year), encompassing an estimated 638 event days per year. Note that this reflects the projected number of events at the new venue including displacement of existing activity from within Wellington.

These independent projections form a core part of the economic impact assessments, where the contribution of delegate spending to the Wellington economy resulting from these events is assessed. They also form the basis for the core financial projections in Section 6 of this report. WREDA has assessed the Horwath projections and believe they are reasonable and achievable.

5.4.2.2. Estimating the number of new events at the venue

The key driver of the economic impacts of the proposed convention centre is the number of new events that the centre will generate for the Wellington region. Within the activity projections in Table 19 above, Horwath HTL have assessed the number of new events to Wellington as detailed in Table 20:

Table 20: Assumed New Business Event Activity included in Projections

Event type	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Average
Large Conferences	*3*	*4*	*5*	*6*	*7*	*8*	*8*	*8*	*8*	*8*	*5*
Medium Conferences	*8*	*16*	*24*	*26*	*28*	*29*	*30*	*30*	*30*	*30*	*25*
Large Trade Exhibitions	*2*	*3*	*4*	*5*	*5*	*5*	*5*	*5*	*5*	*5*	4
Small Trade Exhibitions	*3*	*4*	*5*	*6*	*6*	*6*	*6*	*6*	*6*	*6*	5
Large Banquets	*3*	*5*	*7*	*9*	*11*	*12*	*12*	*12*	*12*	*12*	10
Small Banquets	*11*	*23*	*35*	*41*	*47*	*48*	*49*	*49*	*49*	*49*	40
Sundry Events/Meetings	-	*5*	*10*	*15*	*20*	*20*	*20*	*20*	*20*	*20*	15
Large Public Shows	*1*	*2*	*3*	*3*	*3*	*3*	*3*	*3*	*3*	*3*	3
Small Public Shows	*1*	*2*	*3*	*3*	*3*	*3*	*3*	*3*	*3*	*3*	3
Total											**111**

Source: Horwath HTL

No growth has been assumed in the small conferencing or day meeting event types to reflect the likely target growth market for the facility which will be focussed on multi-day events, particularly medium conferences.

5.4.2.3. Displaced events from within Wellington

Table 19 and **Table 20** above show the total number events held at the convention centre, and the new business projections included within those total projections. The difference represents the level of events that are assumed to be displaced from existing Wellington venues. Delegate days that are displaced from existing venues are not included in the estimates of economic benefits, as they do not reflect new delegates to Wellington, and do not generate additional economic benefit.

Table 21: Displaced Business Event Activity

Event type	# Events

Large Conferences	1
Medium Conferences	10
Small Conferences	50
Large Day Meetings	50
Small Day Meetings	100
Large Trade Exhibitions	1
Small Trade Exhibitions	3
Large Banquets	4
Small Banquets	26
Sundry Events / Meetings	50
Large Public Shows	1
Small Public Shows	2
Total	**297**

Source: Horwath, BERL

The annual baseline of events assumed to transfer to the new facility totals 297, leaving an average of 111 new events per year as the estimate of the number of new events to Wellington. The reason for minimal displacement of conferences over 500 pax is that Wellington currently does not host very many of this scale. It is expected that large day meetings and banquets will prefer use of the new venue for their events, and that some trade exhibitions and public shows held in our current venues will transfer to the new venue. The Amora Hotel previously hosted many business events but it is unlikely to come back as a conference venue in the foreseeable future.

These displaced events are also representative of the business that will be lost to Auckland and Christchurch under the “do nothing” scenario. So whilst we do anticipate some ‘cannibalisation’ of the current Wellington market, it will be these same events that will be attracted out of Wellington and the proposal provides a competitive venue for them, and the benefits they bring to Wellington, to remain.

5.4.2.4. Delegate days

Converting the number of new events to an estimate of delegate days requires an assumption on both the length and size of events held. These assumptions can be used to estimate the total number of delegate days from the proposed convention centre. The new convention centre is assumed to host just over 160,000 delegate days per year on average over ten years.

Table 22 below shows the assumed duration and size of event, by event type, with the average number of new events over the first 12 years of operations, and hence the average number of new delegate days per annum over the same period.

Table 22: Assumed length and size of new events and impact on new delegate days

Event type	*Avg # Days*	*Avg # People*	*Avg # New Events*	*Avg # New Delegate Days*
Large Conferences	3	1,250	7	24,375
Medium Conferences	3	600	25	45,180
Large Trade Exhibitions	1.5	2,000	4	17,600
Small Trade Exhibitions	1.5	500	5	5,400
Large Banquets	1	685	10	6,505
Small Banquets	1	250	40	10,025
Sundry Events / Meetings	2	250	15	7,500
Large Public Shows	1.5	5,000	3	27,000
Small Public Shows	1.5	1,000	3	5,400
Total (average of first 10yrs)			**111**	**148,985**

Source: Horwath/BERL/WCC

The 111 new events to Wellington are expected to generate an additional 148,985 delegate days for Wellington, an increase of 16% on 2018 levels.

The 111 new events to Wellington used by BERL are expected to generate an additional 148,985 delegate days for Wellington on average over the first 10 years of operations. This represents about 16% over and above the June 2018 total delegate days for Wellington, however 32,400 of this growth is in high volume public shows which have a higher expectation of local visitation and therefore do not contribute significantly to any new value to the city.

In the context of events that our venues team know are turned away, and the new business anticipated, WREDA advise that this is considered a reasonable and achievable increase and target for the new venue.

5.4.2.5. Origin of delegates

Understanding the delegate origins is important because it is only those attending from out of town, for the new events, that deliver new economic benefit to the city through their spending and the flow on effects of this spending. There is very little evidential basis for delegate origin as historic data sets represent averages that include a high proportion of local business event activity. BERL have adopted the assumptions that have been tested with Horwath HTL which are forward looking and relate more to the new business the projections intend to deliver. They take into account the consideration of the expected changes in the event and delegate market as capacity and venue quality is improved in Wellington and focus on the growth market WREDA would expect Wellington to target.

The assumptions therefore assume a higher rate of domestic and international conference attendance for the new events than the historic BEAS averages for Wellington. This is expected as the new events are not assumed to come from local origins, and will be focussed on winning new business from other regions both domestically and internationally – this is the fundamental assumption underpinning the reason for investment and aligns with the purpose of the proposed convention centre. Although it is acknowledged that there is currently leakage from Wellington with events having to move out of Wellington because of venue capacity or availability constraints.

Table 23: Assumptions on origin of delegate days

Event type	*WLG City*	*Other WLG*	*Dom*	*Aust*	*Other Intl*
Large Conferences	25%	15%	50%	7%	3%
Medium Conferences	24%	20%	50%	3%	3%
Small Conferences	28%	20%	50%	1%	1%
Large Day Meetings	50%	20%	30%	0%	0%
Small Day Meetings	50%	30%	20%	0%	0%
Large Trade Exhibitions	56%	20%	20%	2%	2%
Small Trade Exhibitions	60%	20%	20%	0%	0%
Large Banquets	38%	20%	35%	5%	2%
Small Banquets	50%	20%	30%	0%	0%
Sundry Events / Meetings	75%	20%	5%	0%	0%
Large Public Shows	56%	20%	20%	2%	2%
Small Public Shows	60%	20%	20%	0%	0%

Source: BERL, WCC, Horwath HTL

The assumed origin of delegates is an important factor in the economic impact assessment, as the average daily expenditure by an international or domestic delegate is higher than a local delegate, especially for multi-day events where accommodation and food is required. A higher proportion of out of town delegates therefore impacts favourably on the economic impact of delegate spending in the region. From the table it can be seen that the assumptions around international delegate numbers are modest and an area where there is real opportunity to outperform these estimates. **Table 24** below outlines the average daily expenditure assumptions for delegates by event type and origin.

Table 24: Delegate expenditure by origin and event type (average daily spend)

	Wellington City	Other WLG	Domestic	Australia	International
Large Conferences	$142	$213	$461	$413	$386
Medium Conferences	$142	$213	$461	$413	$386
Small Conferences	$142	$213	$461	$413	$386
Large Day Meetings	$134	$134	$461	$413	$386
Small Day Meetings	$134	$134	$461	$413	$386
Large Trade Exhibitions	$67	$67	$267	$359	$336
Small Trade Exhibitions	$67	$67	$267	$359	$336
Large Banquets	$200	$200	$267	$299	$280
Small Banquets	$200	$200	$267	$299	$280
Sundry Events / Meetings	$33	$67	$100	$120	$112
Large Public Shows	$40	$40	$160	$359	$336
Small Public Shows	$40	$40	$107	$359	$336

5.4.2.6. Pre and post event expenditure, and partner spend

Delegates who have travelled significant distances to Wellington may choose to stay for an additional period, incurring additional expenditure. Additionally, delegates may have partners who choose to travel with them.

BERL have estimated the proportion of delegates who will stay extra days, the number of extra days they will stay, and the average daily expenditure for the pre and post event days. Additionally, BERL estimate the proportion of delegates who will be accompanied by a partner, and the average daily expenditure for the partners.

All expenditure incurred by delegates staying additional days and partners of delegates contributes towards the economic impact of the new venue, as this spending would not have taken place in the absence of the event.

5.4.3. Economic impact of new delegates

Following the methodology set out above, BERL have modelled the economic impact of these new delegate days on the Wellington economy in terms of direct expenditure, GDP and employment. This provides a range of economic benefits to Wellington from the 148,985 new delegate days.

Table 25 below shows the range of impacts of the proposed new venue; the values reflect the annual average over the first 10 years of operation.

Table 25: Proposed economic impact of new venue (average over first 10 years)

Category	Year 1	Year 10	Average
Direct Expenditure ($2018 m)	12.4	49.5	33.7
Total Expenditure ($2018 m)	20.0	64.9	54.0
GDP ($m)	9.8	31.9	26.6
Employment (FTEs)	121	394	328

Source: BERL

GDP in the Wellington economy will grow by $26.6m per annum on average over the first 10 years of operations from additional delegates

Direct delegate spending from the new convention centre is expected to be $12.4m in year 1 growing to $49.5m by year 10, with an average $33.7m per year over the first 10 years. When including indirect and induced expenditure this expenditure is expected to support a total of 394 workers by and result in an uplift of GDP of around $31.9m per year by year 10.

For context, Wellington GDP in the retail, accommodation and food services industries was just under $1.58 billion; the additional GDP generated by the convention centre is equivalent to approximately 1.7% of Wellington GDP in relevant industries.[18]

5.5. Net economic impacts

The net economic impact of the proposed development represents the difference between the impacts of the development, less any impacts of the counterfactual option to not develop. Given that the counterfactual option has negative impact resulting from lost delegate days, the net impacts will be higher than the impacts of the development alone.

Table 26 below presents the impact of the proposed convention centre, using the "most likely outcome" of a 10% reduction in delegate days in the counterfactual option combined with benefits described above.

The ongoing net economic impact of the convention centre component of the proposed development on the Wellington economy is:

- $84.0m of total expenditure annually
- $41.3m of total GDP annually
- 510 FTEs annually

Table 26: Net economic impacts of proposed development ($m)

	Impact of development (market growth)			Impact of "Do Nothing" (10% market protection)	Net Economic Impact (combined market growth and protection)		
Category	Yr 1	Yr 10	Avg	Per annum	Yr 1	Yr 10	Avg
Direct expenditure ($m)	12.4	40.5	33.7	18.7	31.1	59.2	52.4
Total expenditure ($m)	20.0	64.9	54.0	30.0	50.0	94.9	84.0
GDP ($m)	9.8	31.9	26.6	14.8	24.6	46.7	41.3
Employment (FTEs)	121	394	328	182	303	576	510

Source: BERL

5.6. The economics of the construction project

Not only will the project deliver economic benefits from its ongoing operations as outlined above, the construction aspect of this project will make a material contribution to the Wellington economy through the expected three year construction period. This will be in terms of contributing to the regional GDP and supporting a significant number of jobs through the construction period.

BERL have assumed that 70% of total construction costs will be spent in Wellington City, 80% will be spent in Wellington Region and 100% will be spend within New Zealand. The resulting benefits for the construction of the proposed Convention and Exhibition Centre costing $178 million (including $21.5m of land) for Wellington City are outlined in **Table 27** below.

Table 27: Economic impact of constructing a Convention and Exhibition Centre on Wellington City

Category	*Direct*	*Indirect + Induced*	*Total*
Total expenditure ($m)	110.6	60.8	171.4
GDP ($m)	45.0	31.3	76.3
Employment (FTEs)	611	253	864

Source: BERL

The construction phase of the proposed facility will directly support 864 new jobs in Wellington City

[18] The Wellington GDP figure was derived from the regional GDP estimates published by Statistics New Zealand, and reflects the sum of GDP in the "*Retail Trade"* and *"Accommodation and food services"* industries. The values are 2015 estimates, which is the most recent data series published by Statistics NZ.

Based on the BERL work a convention and exhibition centre would deliver $171.4m of new expenditure, $76.3m of new GDP and provide around 864 new jobs in the Wellington City economy through the construction period.

5.7. Exhibition Centre

5.7.1. Forecasting exhibition centre attendance

BERL have based attendance forecasts on the estimates provided by Te Papa over the first five years of operations, and assumed a similar exhibition programme will continue for the next five years.

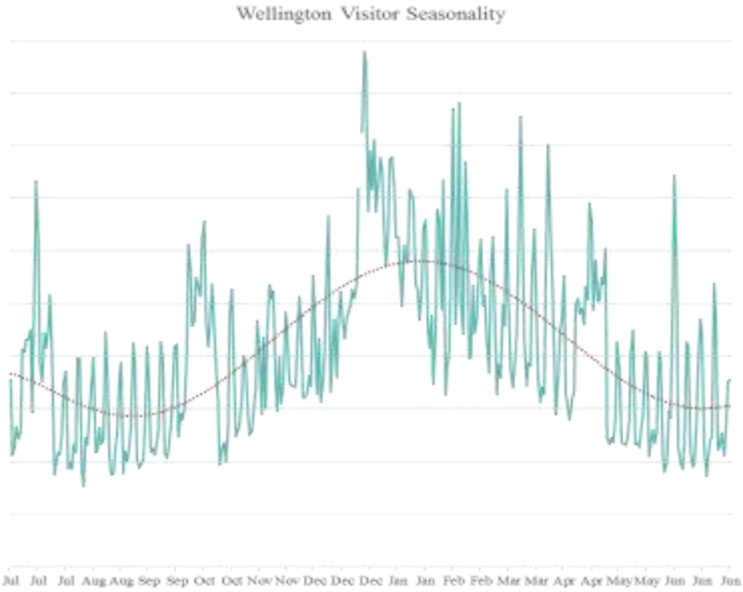
These projections were developed based on research and the experience Te Papa has in the touring exhibitions market over that last decade. An exhibition profile for the first five years has been based on actual available product to best inform the visitation profiles, popular appeal and likely mix of genre of exhibitions. It is expected the exhibitions will range in genre and duration and appropriate downtime has been allowed between exhibitions to allow de-install/install time between them.

Exhibitions are scheduled to take advantage of the peak visitor periods as seasonality changes in Wellington's visitor profile and to target times of the year where there is a lull in activity in Wellington, for example school holiday periods. The following key assumptions underpin the forecasts:

- *Visitor seasonality:*
Based on Te Papa's seasonal profile which has been used as a proxy to shape visitor volumes throughout the year

- *Peak Season:*
Runs mid-December through to the end April (Summer through to April school holidays)

- *Complements Conferences:*
The seasonal peak through summer is a good counter balance to conferences which tend to peak through winter.



- *Demographics:*
Exhibition demographics are expected to be consistent with Te Papa's historical experience around exhibitions, with the following origin break down for exhibition visitors:
  47% from Wellington Region
  32% NZ (outside of Wellington Region)
  21% Overseas (including cruise ships)

- *Product availability and exhibition pricing:*
The potential programme of exhibitions and the pool of available touring exhibitions is strong. It is expected to drive strong demand and be an additional reason for visitors to come to Wellington or extend their stay. The NZ market for this type of touring exhibition product is largely untapped and the only notable player with any scale or regularity is Te Papa therefore if people want to see this type of product, Wellington will largely be the only place in NZ where it can be seen. This should support strong out of town visitation.

Pricing assumptions have been based off the historical prices adopted by Te Papa for temporary exhibitions and tempered by their strong view that anything above $20.00 for an adult provides a barrier that impacts visitation. The standard adult ticket price assumption has been assumed to be $19.50 with an average price of $12.75. These prices have been tested against the international prices charged for the same exhibitions overseas and in all, but the case of Ballet Russe, the Te Papa assumed prices are significantly lower.

The programme developed is a commercial programme focused on popular appeal. There will be opportunities to develop “home grown” product utilising the creative talents that reside within Wellington, however for the purposes of this analysis these have not been factored in. The forecasts cover a range of product that is available over the first five years and are shown in the table below:

Table 28 Possible Exhibition programme for the first five years of operation

Exhibition	Period	# Days	# Daily visitors	Total visitors
Avatar	Peak	120	1,250	150,000
Ballet Russe	Mid	61	750	45,750
Mars	Peak - Low	121	948	114,700
Wonderland	Mid - Low	121	700	84,750
Marvel	Peak - Low	122	950	115,900
Star Wars	Mid - Peak	123	1,074	132,100
Harry Potter	Mid - Peak	211	1,109	234,075
Diamonds	Mid	75	750	56,250
Game of Thrones	Mid - Peak	152	1,143	173,800
Pixar	Low - Mid	122	750	91,500
Vikings	Mid	75	750	56,250
Total		**1,303**	**956**	**1,255,075**

Source: Te Papa

5.7.2. Forecasting additional spend

BERL are forecasting additional spend as a result of the exhibition centre. The new expenditure comes from the following main areas:

- Additional visitation to Wellington, predominately from domestic visitors, who have specifically come to Wellington and/or New Zealand due to the exhibition centre.
- Visitors who were already in Wellington, but chose to spend more money in the city as a consequence of purchase of tickets and merchandise at the museum, rather than a free activity.

The key assumptions used by BERL in their calculations are:

- BERL have used the visitor projection numbers and OPEX data provided by Te Papa over the five year period covered.
- BERL have assumed that a similar pattern of exhibition will occur across the second of the five year periods. This has allowed an annual average impact for the 10 years to be calculated.
- BERL have assumed that 14.5% of total visitors will be new visitors to Wellington City who have come to see an exhibition. Of these new visitors to Wellington City 9% are Internationals, 36% are from the Rest of NZ, and 55% are from Wellington Region. In addition BERL have assumed that a further 15% of total visitors will spend an extra 0.2 days in the City. This translates to 8,200 additional nights spent in the city by visitors who have come for the exhibitions.
- BERL have also assumed that Regional visitors spend an extra $11 per day per visitor, Rest of NZ spend $83 per day per visitor and internationals spend $340 per day per visitor.
- BERL have assumed that on average Regional visitors will spend one day, Rest of NZ visitors spend 3 days, and Internationals spend 5 days in Wellington City during their visit.

- In addition to the visitor spend, BERL have included the economic impact of expenditure undertaken to operate the exhibitions which amounts to an estimated $1.8m a year.

Summary of additional spend is as follows:

Table 29: Economic impact of the Exhibition Centre operations on Wellington City

Category	Total
Direct expenditure ($m)	$3.8
Total expenditure ($m)	6.6
GDP ($m)	3.5
Employment (FTEs)	44

Source: BERL

The operations phase of the proposed exhibition centre add $3.5m in new GDP annually in Wellington City

5.8. Summary Economic Impact of the Proposal

The combined economic impact of the proposal is the sum of the economic impacts of each component of the proposal – the construction phase, the market growth and protection impacts of the convention centre and the operational phase for the exhibition centre. This reflects that the underlying data and assumptions are mutually exclusive of each other.

This shows the combined benefit to the city per annum from operations of the Convention & Exhibition Centre will deliver $90.6 million in new and protected expenditure, $44.8 million in new and protected GDP, and 554 new and protected jobs for Wellington's economy. During the construction phase, an additional $76 million of GDP and 864 jobs will be created. This is summarised in Table 30 below:

Table 30 Combined Summary Table of Economic Benefits for the Proposal

Category	Construction	Operational Phase			
	Combined	CC Market Growth	CC Market Protection	Exhibition Centre	Total Annual Impact
Total expenditure ($m)	**171.4**	54.0	30.0	6.6	**90.6**
Total GDP ($m)	**76.3**	26.6	14.8	3.5	**44.8**
Total Employment (FTEs)	**864**	328	182	44	**554**

5.9. Benefit cost ratio (BCR)

Benefit cost ratios have been estimated from now through the end of year 25 of operations (a 29 year period). Using an 8% discount rate, the NPV of economic benefits including the business event market protection and construction benefits over this period is $429 million.

An economic cost of the project can similarly be determined based on the capital cost of the project, and the ongoing operational impacts. Using the same discount rate the estimated NPV of costs to the city of the project over the same period is $84.7 million.

Applying these estimates of economic impact to the end of the first 25 years of operation generates a benefit cost ratio (BCR) for Wellington of 5.1 for this project. This means that for every $1 invested new GDP of $5.10 is generated for Wellington. This represents a strong case for investment – a BCR greater than 1 represents the usual benchmark that would justify investment.

Table 19 Estimated ratios of GDP benefits from the proposal, to proposal costs

BCR	Dec-18

Costs:	$m
NPV of Convention & Exhibition Centre cost to year 25 of operations	84.7
Economic Benefits (incl construction phase):	**$m**
Wellington operational GDP value add incl market protection (per annum)	$41.3m
Wellington construction GDP value add (one-off)	$76.3
NPV of GDP value add to year 25 of operations	$429.0m
Investment Returns:	**Ratio:1**
Wellington benefit to cost ratio	5.1

5.10. Additional associated economic impacts

In addition to the pure economic and fiscal impacts associated with the proposal there are a range of associated impacts from the proposal that should also be considered in the overall context of the Business Case for investment.

5.10.1. The Precinct factor

The proposed development is strategically located on Cable Street, directly opposite Te Papa, and will effectively anchor this area as the visitor attraction and convention and business events precinct.

The area is in close proximity to a range of Wellington's hotels and venues and also a range of tourism and cultural attractions, entertainment venues, restaurants and bars.

The development will drive further development in this area over the medium and longer term delivering gains to the City in terms of growing the ratepayer base, enhancing the vibrancy of this precinct area and contributing to economic growth. We have already seen some development proposal for other sites in this area.

Discussions with Te Papa about the potential opportunities for us to work together spans a range of opportunities including hosting larger events, development of touring exhibition product, working with Wellington's creative sectors to deliver unique experiences. Recognising the power of Te Papa as a national tourist attraction working together to further our respective interests and deliver benefits to the city is a significant opportunity provided by this proposal. The design process has involved urban design considerations to ensure the link between this site and Te Papa and the waterfront.

5.10.2. Supporting Wellington business sectors

The development will open up opportunities for Wellington to raise its profile and enable a range of key sectors to host their national and international counterparts at industry events they currently have to travel to. We know anecdotally that a range of prestigious events bypass or do not consider Wellington due to limitations in its facility offerings. A new offering would open Wellington up to be able to attract prestigious events like the Halberg Awards or similar high profile events, as well as allow our industry associations, tertiary sectors and research institutes to showcase their innovative work and expertise at their peer to peer meetings and conferences.

We know the way New Zealanders go about business, governance, conservation, scientific research, creative industry, innovation and technology is of keen interest internationally and we are world leaders in several areas. As such we can have confidence in our ability to attract events and grow our reputation in many fields.

Conventions are also a strong means by which core sectors of the Wellington economy can be supported. The WCC economic development strategy identifies the technology, film, education and service sector as key focus areas. A stronger convention offering would enable the city to cater for the needs of a range of complementary business events enhancing knowledge transfer, showcasing the strengths of these sectors in Wellington and providing direct networking opportunities for local interests.

5.10.3. A catalyst for the Wellington City Council's growth agenda

Council's economic growth agenda encompasses several key projects that whilst in their own right stack up, there are also significant interdependencies between them. As such, progressing with the Convention & Exhibition Centre could be viewed as a catalyst to the entire growth strategy.

These projects individually and collectively will foster a growing economy, lift business confidence and encourage more investment in new businesses feeding a virtuous cycle of increased growth and living standards. A growing ratepayer base provides the means to deliver WCC's growth strategy. They are part of a drive to structurally change from a 'service economy' to an 'experience economy', where visitors come to Wellington for an experience.

5.10.4. Benefits of secondary investment

Growth in the ratepayer base is a key objective of the economic growth agenda and the Council's 2018-28 LTP. The ratepayer base is essentially the sum of the value of all of the rateable properties in the City. A growing ratepayer base enables the cost of the services provided by Council to be spread over a much larger base which effectively reduces the cost to each individual ratepayer. Conversely a shrinking ratepayer base has exactly the opposite effect and results in individual ratepayers paying more. It is important to recognise that this concept is not about the increase in pure value but rather the increase in new value. Meaningful growth in the ratepayer base only comes about from "new" investment.

In addition to the direct impacts there are secondary investment impacts that will feed through into the Wellington economy as a consequence of the investment in a Convention and Exhibition Centre. These impacts are related to the subsequent investment decisions that will follow as demand for goods and services unfolds. This will be seen through increased demand for hotel beds, restaurants, bars, transport services, retail, tourist activities and support services. As existing capacity in these sectors is consumed there will be an inevitable investment over time to increase capacity as demand increases.

These secondary investments represent the "new" investment that will drive growth in the rating base and arise as a direct consequence of the catalytic investment in this proposal. This is discussed in more detail within the Strategic Case section of the business case.

The level of secondary investment that would need to occur as a consequence of this investment decision that would fully offset this cost to the ratepayer is in the region of $257 million over the first ten years. The development potential from the urban regeneration catalysed by the development of the Convention and Exhibition Centre is assessed as being in excess of $400m[19].

19 Landlab – Te Aro Waterfront precinct Urban design concepts. Nov 2018

6. Financial Case

The financial case confirms that the proposal is affordable within available funding and details funding arrangements, the costing approach and financial impacts.

Key points:

- The capital investment in the development is estimated to be **$179 million**, including the $21.5 million land already purchased and $6.5 million of convention centre fitout. This will be financed by WCC debt and an expected $25m contribution from the Crown.
- The annual operational cost impact in the 'base case' varies significantly until the convention centre operations have stabilised in the seventh year of operations. Costs peak at $6.6 million around the opening of the centre when the full cost impact of the construction and depreciation crystalise, but the income levels are the lowest.
- Pre-opening costs total **$8.1 million** over four years from 2018/19 until opening in January 2023. It is suggested that additional borrowings and the City Growth Fund be used to minimise the rates impact over this period when there are no offsetting revenues.
- Once operating, the average estimated cost impact to the ratepayer over the first ten years of operations is **$3.8 million** on average per annum. The estimated cost over a longer 25 year period is **$1.5 million** on average per annum as revenues stablise and inflate, however funding costs begin to reduce as depreciation begins to repay debt.
- These figures all incorporate the additional rates benefit the project will deliver back to Council from to the capital value uplift for the city from this development (not secondary development).
- There are inherent risks in the underlying 'base case' assumptions which have been outlined in this section, but primarily relate to the following and will have a consequential flow on effect on rates if they evenuate:
    - $25m Crown funding - circa $1m cost impact per annum if not received in full (if only half received the impact would be around $0.5 million per annum)
    - Event projections – not achieving the event projections and revenue pricing assumptions will have various impacts outlined in section 6.9
    - Capital costs – +/- $60,000 opex cost impact (interest and depreciation) for every $1 million of capital expenditure under or over cost.
    - Interest rate risk – beyond the hedging programme outyear interest costs may be higher or lower than the assumed 5% p.a (+/- 0.5% equates to +/- $0.3 million impact).
- The estimated level of secondary investment required to offset this cost to ratepayers (through growth in the value of the ratepayer base) over the first 10 years is estimated at around $260 million of new development investment in the city – this is not an unreasonable expectation give we know what development options there are in the precinct and Landlab have identified these as in excess of $400 million. That growth in downtown commercial capital value is significant.
- The 2018-28 LTP included a capex budget of $165.5 million (excluding the land already purchased), and a total combined opex budget before growth of $50.2 million over the 10 year LTP period. The cost to ratepayers being $43.3 million removing the rates impact.
- The costs of this proposal compare favourably to the 2018-28 LTP requiring a capex budget of $157.5 million (excluding the land already purchased), and a total combined opex budget before growth of $45.6 million over the 10 year LTP period (encompassing the pre-opening phase and the early growth phase of operations). The cost to ratepayers being $37.0 million removing the rates impact.
- The financial strategy is maintained in this base case proposal with the exception of the additional rates increase in 2023/24 which we recommend use of the City Growth Fund to manage.

6.1. Principles of the financial analysis

The financial analysis is based on the following broad principles:

- WCC is financing the capital expenditure required to complete the Convention and Exhibition Centre development on the Cable/Wakefield Street land entirely through WCC debt, with the assumption that the Crown will provide a grant of $25 million over four years that will be used to repay a portion of this debt. The balance of the capital cost will be funded by a combination of user charges (eg conference revenue) and rates over the life of the asset.
- WCC is bearing the construction risk associated with the development.
- WCC will be the building owner and will be responsible for all asset management, maintenance, renewal and normal property ownership costs.
- WCC, through the Venue operator will bear the operational risks and rewards associated with the Convention Centre.
- WCC will likely work in partnership with Te Papa for the Exhibition Centre operations and will carry operational risks and rewards.

6.2. Financial structure of the proposal

6.2.1. Overview

The costs of the project WCC is responsible for and included in the financial case are outlined below:

Cost/Revenue Area	Responsibility
Capital investment in the development	• $179.3 million (including $21.5 million land already purchased and $6.5 million for Convention Centre FF&E) • Ongoing capital renewals
Source of capital financing	• Debt (offset by rates funded depreciation and an assumed $25 million Crown contribution)
Source of operational revenue	• Convention Centre net operating surpluses • Exhibition Centre lease revenue and net operating surpluses • Café/Retail lease revenue • Venue naming rights
Source of operational costs	• Building maintenance costs • Rates & Insurance • Debt financing costs • Depreciation • Any Convention Centre net operating losses • Any Exhibition Centre net operating losses
Source of funding	• The net funding requirement (operational expenditure less operating revenue after adding back rates) will be funded by a combination of general and targeted rates

6.4. Key Financial Assumptions

The financial analysis presented below is based on the following assumptions:

- Land costs of $21.5 million – already purchased by WCC in 2015/16 financial year, but included in total project cost of $179.2 million for the purposes of interest cost calculations. This land is now valued at $28.2 million dollars and the latest valuation has been used in the NPV calculations and analysis.
- Build costs (including project professional fees and contingencies) of $151.3 million are based on the preliminary designs costed through a market pricing exercise involving all sub-trades. These costs are spread over four financial years (2019/20 – 2022/23) based on scheduling provided by Willis Bond.
- Convention Centre FF&E costs are assumed to be $6.5 million and will be incurred over the 18 months before the facility opening date.
- The facility opening date is assumed to be January 2023.
- It is assumed that $25 million will be received evenly over four years from the Crown from 2019/20, and would be used to repay debt. The balance of capital costs of the project (construction and renewal costs) will be funded entirely by debt. Principal will be repaid in line with depreciation of the asset which will be funded by ratepayers.
- A funding and interest rate hedging programme for the project borrowings has been developed with based on advice from PwC Council's independent treasury advisors. Interest costs have been based on that programme. The average interest rate used over the first 15 years is 3.89% per annum. Beyond this an interest rate of 5.00% has been assumed for the remaining asset life.
- Depreciation is based on the assumed useful life of components of the asset as follows:

– Structure	60 years
– Roof	35 years
– Lifts/Escalators	35 years
– Plant	25 years
– Building Fitout	12-18 years
– Other Fitout	12-18 years

- Convention Centre operations are based on the operating projections from Horwath HTL for the first ten years of operations, and then extrapolated out to year 25. This is referred to as the "Base Case". Each year of operations has been adjusted by six months to reflect an opening date of January 2023. These projections have only been amended for items not related to core convention event activity such as FF&E funding, additional building ownership costs (including façade cleaning and maintenance costs), revenue from naming rights and the payment of a management fee to the convention centre operator.
- The management fee payable to the Convention Centre operator is assumed at 2.5% of Convention Centre gross operating profits has been included in the operating costs of the Convention Centre.
- It is assumed that the operator will own the FF&E, in the case of Wreda this would be funded by a loan from Council. A FF&E renewal fund will be established whereby 3% of revenue is deducted annually from Convention Centre operating revenues and held in a reserve to ensure FF&E is kept at a high quality standard. Timing and value of FF&E renewals has been assumed to equal the FF&E renewal fund for the purposes of modelling. This is conservative as in reality it is likely the reserve will build up in early years to be spent in later years.
- $0.5 million is provided annually(adjusted for inflation in outyears) within the Convention Centre operating projections building maintenance and operational costs. An additional $0.1 million growing to $0.6 million by year 5 has been provided for additional property, cleaning and maintenance costs related to the building.

- Annual costs of $290k for building insurance have been estimated based on advice from our insurers AON and inflated to the opening date.
- Rates are assumed to increase in accordance with capital value and inflationary increases over the construction period
- Rental income is assumed from the Exhibition Centre and commercial café spaces on the ground floor at between $200-$350 per square meter.
- The net financial position of the Exhibition Centre after accounting for the cost of working capital has been included in the operating projections.

6.5. Capital Costs incurred by Council

The capital costs to complete the Convention and Exhibition Centre development are outlined in the table below.

Table 31: Summary of initial capital costs of the proposal to WCC:

		Dec-18 WCEC Preliminary Design Proposal	
Cost Component		**$m**	**$m**
Land Cost (already purchased)			21.50
Construction Costs			
Construction Costing		114.17	
Construction Contingency	18%	20.73	
Professional fees	11%	14.08	
Total Construction Cost			**148.98**
Total project development cost			**170.48**
WCC independent costs (transformer, insurance, QS, legal)			2.30
Convention Centre Fit-out			6.50
Total Project Cost to WCC			**179.28**
Expected Crown Funding			(25.0)
Net Project Cost to WCC			$154.28

The project budget includes a contingency of 18% for design and construction, of which 5% is a contingency for cost escalation. Until the the construction contract is finalised post completion of detailed design, risk remains around the capital cost which will be managed through the capital budget process and the contingency. Costs incurred developing the project feasibility do not form part of the project cost.

6.6. Summary financial operating projections for the proposal "base case"

WCC is responsible for all ownership costs such as rates, insurance, building compliance and scheduled maintenance. Other utility operating costs such as energy and cleaning will be operational expenses of the Convention Centre.

Table 32 below summarises the detailed operating projections for the construction phase and first ten years of operations of the Convention Centre and Exhibition Centre. The annual costs vary significantly over the first ten years as interest costs grow and then are offset by Convention Centre operating surpluses which take till year seven of operations to stablise. The average cost to the ratepayer over the first ten years of operation (Yr 1- Yr 10) is $3.8 million per annum after accounting for the additional rates income that comes into Council from the development (circular rates expense and income). The average costs drop to $1.5 million per annum when the next fifteen years of operation are included.

Table 32 Financial summary for the proposal

OPEX $ million (inflated)	**Construction/ Pre-opening Phase**			**Operating Phase Year 1-10**											
Project Year: FY Ending 30 June:	**Yr-2 2019 & 2020**	**Yr-1 2021**	**Yr0 2022**	**Yr 1 2023**	**Yr 2 2024**	**Yr 3 2025**	**Yr 4 2026**	**Yr 5 2027**	**Yr 6 2028**	**Yr 7 2029**	**Yr 8 2030**	**Yr 9 2031**	**Yr 10 2032**	**Avg Yr1-10**	**Avg Yr1-25**
Interest and Depn Costs	1.1	1.5	3.4	6.8	9.3	9.3	9.5	9.4	9.6	9.5	9.4	9.5	9.3	**9.2**	**8.8**
Rates & Insurance	0.7	0.8	1.2	1.4	1.7	1.7	1.8	1.8	1.9	2.0	2.1	2.1	2.2	**1.9**	**2.3**
Total Building Costs	**1.6**	**2.3**	**4.6**	**8.3**	**10.9**	**11.0**	**11.3**	**11.3**	**11.5**	**11.5**	**11.5**	**11.6**	**11.5**	**11.0**	**11.1**
CC Operating Surplus[3]	-0.2	-0.4	-0.7	0.4	2.6	4.1	5.2	5.9	6.5	6.9	7.1	7.3	7.5	**5.4**	**7.3**
Exhibition Centre & Café Lease Revenue	-	-	-	0.3	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	**0.6**	**0.7**
Net cost to be funded	**1.8**	**2.7**	**5.2**	**7.6**	**7.8**	**6.3**	**5.4**	**4.7**	**4.3**	**3.9**	**3.6**	**3.6**	**3.4**	**5.0**	**3.0**
New Rates Income	0.2	0.6	0.9	1.1	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.4	1.5	**1.3**	**1.5**
Net financial cost to city	**1.6**	**2.1**	**4.3**	**6.5**	**6.7**	**5.1**	**4.2**	**3.4**	**3.0**	**2.6**	**2.3**	**2.2**	**1.9**	**3.8**	**1.5**

[3] CC Operating Surplus is based on Horwath HTL operating projections updated by WCC to allow for FF&E renewal fund, FF&E loan interest costs, Other property costs, Operator management fee and revenue for the naming rights to the Convention Centre.

When looking at the proposal over the first 25 years of operation, the average cost drops to $1.5 million per annum. This is mainly due to the longer period operating cashflows reflecting the Convention Centre surpluses at their expected 'normalised' projections.

The operating stages have been grouped into the following three time stages – pre-opening, first ten years and first 25 years of operation (first 10 + 15 years) to help describe the impact over time. This is summarised in Table 33 below.

Table 33 Opex financial summary for the WCEC proposal

$ million (inflated averages per annum)	**Pre-Opening Costs Total (2019-2022)**	**First 10 Yr Average per annum**	**First 25 Yr Average per annum**
Interest & Depreciation	6.1	9.2	8.8
Opex Costs (Rates & Insurance)	2.4	1.9	2.3
Total Building Ownership Costs	8.5	11.0	11.1
CC Operating Surplus	-1.2	5.4	7.3
Exhibition Centre & Café Lease	-	0.6	0.7
Net Rates Requirement	9.7	5.0	3.0
Incremental Rates Income[20]	1.7	1.3	1.5
Net Financial Cost to City[21]	8.0	3.8	1.5
Secondary capital investment required to offset net financial cost to the city[22]	n/a	$257m	$102m

Source: WCC

[20] The "incremental rates income" shown in the financial tables relates to the rates benefit current ratepayers receive from the growth in capital value on the Cable Street site as a direct result of this proposal. The increase in capital value on the Cable Street site means a greater share of rates will be allocated to this property compared to now. The additional rates cost is included in the expenditure, and the change in rates is included as an incremental benefit to ratepayers.

[21] Should the full $25m Crown funding not be received, these net financial costs would be $8.8m, 4.8m and 2.7m respectively over the pre-opening, first 10 year and first 25 year average analysis respectively, all other assumptions unchanged.

[22] The secondary investment value is calculated as the current Downtown Property valuation to generate sufficent rates to offset the cost from this proposal calculated using the 2018/19 rate strike.

Secondary investment in new hotels, hospitality, retail and other business (which increases the City's valuation and ratepayer base) reduces the impact on current ratepayers. The estimated amount to fully offset the cost of this proposal over the first 10 years is $260 million in additional downtown commercial rating property (capital value) base thus sharing the cost across a greater capital value reduces the impact on existing ratepayers. The potential private investment resulting in the urban regeneration in this precinct as a result of WCC's investment in this project is estimated at over $400 million[23].

Should the stimulated investment occur as expected in the precinct, the cost impact of this proposal to the ratepayer would be fully eliminated and more through growth in the underlying ratepayer base.

6.7. Key Financial Risks

Sensitivity analysis on the base case scenario is detailed in section 6.9, but the key risks in the financial assumptions and their impact to the base case are summarised below and are discussed in more detail and with mitigations in the Risk Register in Appendix A:

Capital Costs	• Every +/- $1 million construction cost results in +/- $60,000 per annum in opex cost (ratepayer impact).
Crown Funding	• If the Crown Funding is not received in full, the costs per annum will increase by $0.7m over the 'pre-opening' period and between $1m and $1.2m per annum over the first 25 years of operation.
Convention Centre Operating Projections	• The operating surplus from the convention centre provides the income stream to offset the asset ownership costs, which are certain. Sensitivity analysis on ratepayer impacts is detailed in section 6.8.
Interest Rates	• A 0.5% unmitigated change in long run interest rates would impact the base case projections from around year 12 or 2033/34 by +/- $0.3 million.

These risks are not incorporated into the base case financials presented in this business case, and this analysis is for the purpose of understanding the sensitivity of the projections to changes in assumptions. Risks need to be considered in the context of the nature of the risk and how that risk is managed or mitigated, this is covered in the Risk section of the Business Case and the Risk Register.

6.8. Detailed financial projections for the Convention Centre operations

This section describes the operating projections provided by Horwath HTL in their 29 November 2018 report to WCC and have been reviewed by Wreda. Total revenue for the proposed Convention Centre is expected to be generated through floor space rental, catering revenue, labour and other general revenue, and technical services provided to venue hirers. This revenue is offset by fixed and variable operating costs, management fees and property costs. A detailed breakdown of the financial projections for costs and revenues are provided in Appendix B & C.

[23] Landlab – Te Aro – Waterfront precinct – urban design concepts Nov 2018

The Convention Centre financials are based on the event projections outlined in the economic case. The following pricing was used by Horwath HTL to develop the financial projections from the event summary:

Event Type	Venue Rental (per day)	Pack in/out Venue Rental (per day)	Tech/AV Rental (per day)	F&B (pp/per day)	Labour and Gen Recharge (per day)
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
Large Conferences	$ 35,000	$17,500	$ 35,095	$81	$ 5,000
Medium Conferences	$ 20,000	$10,000	$ 23,395	$81	$ 2,500
Small Conferences	$ 8,000	$ 4,000	$ 11,700	$81	$ 1,000
Large Day Meetings	$ 5,000	-	$ 12,000	$40	$ 500
Small Day Meetings	$ 2,000	-	$ 4,000	$40	$ 250
Large Trade Exhibitions	$ 25,000	$12,500	$ 10,000	$5	$ 5,000
Small Trade Exhibitions	$ 12,000	$ 6,000	$ 5,000	$5	$ 2,000
Large Banquets	$ 5,000	-	$ 11,700	$141	$ 1,000
Small Banquets	$ 3,000	-	$ 8,775	$130	$ 500
Sundry Events / Meetings	$ 5,000	-	$ 2,925	$16	$ 500
Large Public Shows	$ 25,000	$ 12,500	$ 10,000	$5	$ 5,000
Small Public Shows	$ 12,000	$ 6,000	$ 5,000	$5	$ 2,000
Annual inflation (Yr 2-10)	*+1% p.a.*	*+ 1% p.a.*	*+4% p.a.*	*+2% p.a.*	*+2% p.a.*

Source: Horwath HTL

The pricing used in the financial projections is based on market rates from similar venues, but set a level that will be competitive should discounting from competitors occur.

For financial modelling purposes, year one includes only 6 months of operations from the January 2023 opening date therefore the Horwath HTL modelling is annualised differently in the business case model.

Pre-opening costs of $1.6 million are included in the Convention Centre Operative projections to support the need to employ key personnel well in advance of opening to ensure early sales and marketing initial activity and general operational planning is in place. This will help ensure the targets are achieved over the life of the project.

The Convention Centre is expected to generate operating surpluses and the projections for the proposed Convention Centre are shown in the table below. Projections show a small positive return of $0.4m in the first year growing to $7.5 million by year 10 as utilisation of the centre increases.

The operating revenue in the table includes a 7-year growth of event programming to reach the full utilisation and occupancy targets for the venue by 2028/29 for the facility, with the first year (2022/23) including only 6 months of operations (opening date January 2023).

Table 34 Convention Centre Operating Surplus after other operating costs/income

$ million (inflated)	**Pre-opening**	**2022/21[1]**	**2023/22**	**2024/23**	**2025/24**	**2026/25**	**2027/26**	**2028/27**	**2029/38**	**2030/39**	**2031/10**	**10 Yr Avg**
Operating Revenue	-	9.4	21.2	25.9	29.6	32.3	34.6	36.2	37.3	38.2	39.2	**30.4**
Variable Costs	-	-5.9	-13.1	-15.8	1-7.9	-19.5	-21.0	-22.0	-22.7	-23.2	-23.8	**-18.5**
Gross Operating Surplus	**-**	**3.6**	**8.2**	**10.1**	**11.7**	**12.8**	**13.7**	**14.2**	**14.6**	**15.0**	**15.3**	**11.9**
Fixed Costs	-	-2.3	-4.6	-4.8	-4.9	-5.1	-5.2	-5.4	-5.5	-5.6	-5.8	**-4.9**

$ million (inflated)	Pre-opening	2022/21[1]	2023/22	2024/23	2025/24	2026/25	2027/26	2028/27	2029/38	2030/39	2031/10	10 Yr Avg
Gross Operating Profit	**-**	**1.3**	**3.5**	**5.3**	**6.8**	**7.7**	**8.4**	**8.9**	**9.1**	**9.3**	**9.5**	**7.0**
Other costs/(income):												
FF&E Renewal Reserve	-	-0.3	-0.6	-0.8	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	-1.2	**-0.9**
Interest of FF&E Loan	-	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	**-0.3**
WREDA Shared Costs Fee	-	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	**-0.2**
Other Property Costs	-	-0.1	-0.3	-0.4	-0.5	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	**-0.5**
CC pre-opening costs	-1.2	-0.5	-	-	-	-	-	-	-	-	-	**0.0**
Naming rights revenue	-	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	**0.3**
Net Operating Surplus	**-1.2**	**0.4**	**2.6**	**4.1**	**5.2**	**5.9**	**6.5**	**6.9**	**7.1**	**7.3**	**7.5**	**5.4**

[1]Note operating year 1 includes 6 months of pre-opening costs and 6 months of operations from January 2023.

Source: Horwath, WCC

Under the assumed operating model, WCC will receive all cash operating surpluses for the Convention Centre (after the FF&E Renewals Reserve, interest on FF&E loan, naming rights and other income and the deduction of an operator management fee. The Horwath HTL operating projections for the convention centre project a surplus from the first year of operations, which steadily grows over seven years then stabilises.

These surpluses will be used to offset the building ownership costs noted above. Sensitivity and scenario analysis on the Convention Centre operating projections have been completed in section 6.9.

6.9. Sensitivity analysis on financial projections

The financial projections presented above and in Appendix B & C are based on assumptions provided by Horwath HTL for a Base Case. Event projections, pricing, margins and operating costs for the facility and have been reviewed and supported by Wreda (VW).

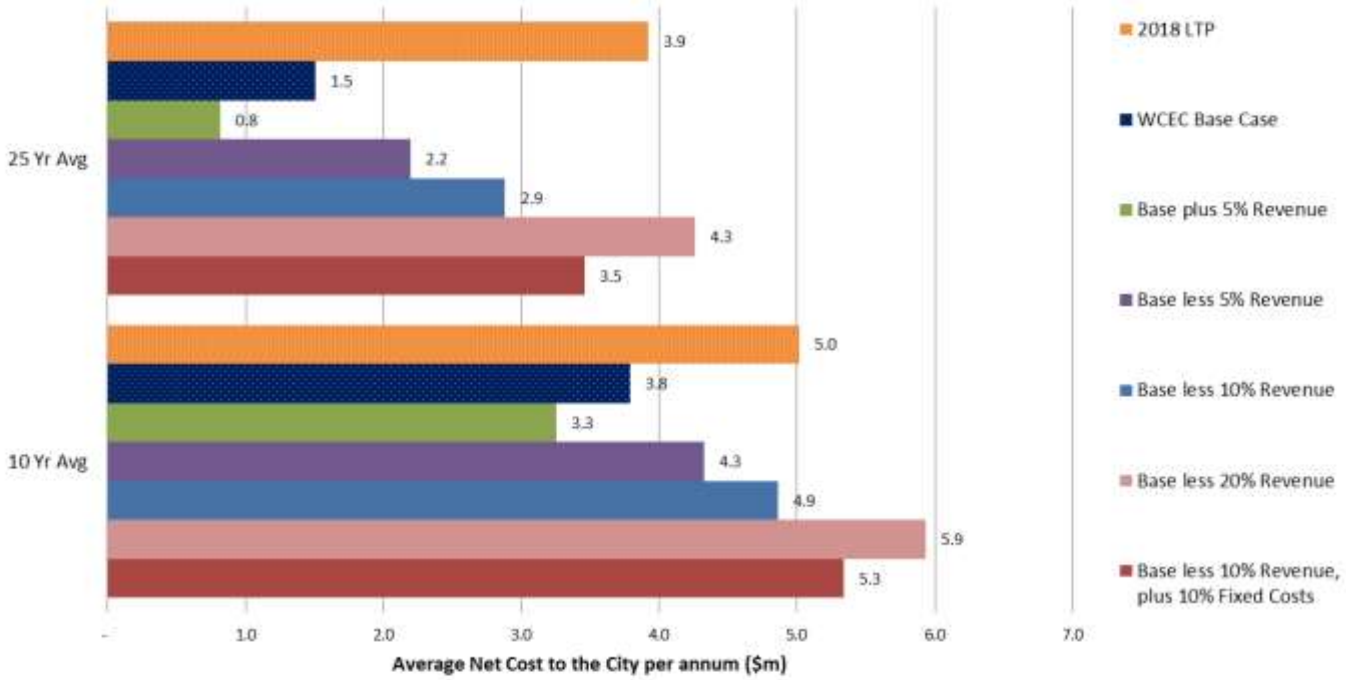
The building ownership cost assumptions (interest, depreciation, rates & insurance) are based on estimates prepared by WCC, including maintenance and building service costs which were based on cost estimates provided by LT McGuiness.

Convention Centre Operating Surplus Sensitivity Analysis:
The sensitivity analysis below shows the unmitigated impact of the Convention Centre not meeting event projections resulting in a reduction in the revenue. The following scenarios have been modelled to show the degree material changes would impact the average costs over the first ten years of operations and the then the next 15 years (25 years in total) compared to the base case:

Sensitivity Scenario	Cost Impact v Base Case ($m)	
	First 10 Yr average impact	First 25 Yr average impact
+/- 5% less revenue (and corresponding variable cost)	+/- 0.5	+/- 0.7
10% less revenue (and corresponding variable cost)	1.1	1.4
20% less revenue (and corresponding variable cost)	2.1	2.8
10% less revenue (and corresponding variable cost) + 10% more fixed costs	1.6	2.0

The relativity of these impacts compared to the base case can be seen in the following graph:

Figure 21 Convention Centre Operations Sensitivity to the Average Net Cost to the City



The scenarios above show the sensitivity in the convention centre operating projections to the overall ongoing proposal cost. This risk is mitigated by the use of industry expert partners Horwath HTL who were also involved in projections for the NZICC and Te Pae, and completed these projections in full knowledge of those venues opening in 2020 Wreda have also reviewed the projections and think the targets are achievable knowing what is out there in the market, and the interest in Wellington as a destination for their events.

Building Ownership Costs Sensitivity:
A second area of risk in the building ownership costs relates to the interest expense on the borrowings incurred to develop the facility. The areas that can impact this are capital cost increases, crown funding changes or changes in interest rates. Other costs of rates and insurance whilst subject to change, have been based on quotes by our providers, inflated by normal inflation rates and the risk around this is considered low. Rates is something WCC incurs, and effectively has a neutral impact in that increases in rates expense also increase the incremental rates benefits to WCC given they are paid to ourselves.

Sensitivity analysis has been performed is on the areas that can affect building ownership costs compared to the assumptions used in the base case.

The current financial climate and ability to hedge against interest rate risk for fifteen years (until 2033 or year 11 of operations) gives us comfort that our interest rate risk is low until that time. A programme of funding and interest rate hedging has been prepared with advice from PwC and we have a high level of comfort that funding will be able to be secured at the rates at least at the levels used in the business case modelling until 2033.

Beyond 2033 a rate of 5% per annum has been used to calculate the interest cost. This implies an increase in the OCR to around 3.75%, it is currently 1.75%. To put this in perspective the last time the OCR was above 3.75% was in 2008. Actively managing interest rate risk is core business for Council and an active hedging programme will be maintained minimising risk each year that passes as the hedging programme extends year on year.

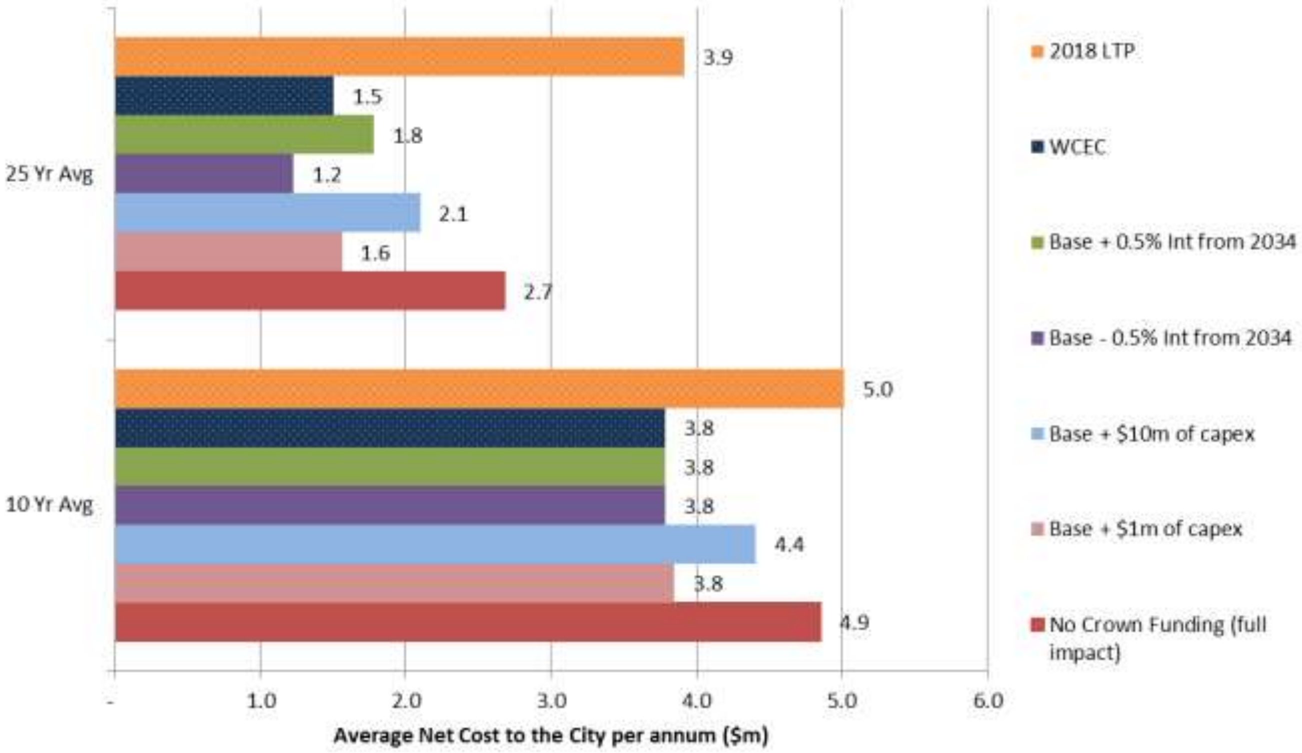
In the following scenarios, interest rates have been held to the same levels as our base case until 2033 or year 11 of operations, and increased to the rates indicated for the remaining period to year 25.

Additional scenarios have been modelled around no receipt of Crown funding, and higher capital costs to show the impact of those possible outcomes and their impact on the average costs over the first ten years of operations and the then the next 15 years (25 years in total) compared to the base case:

Sensitivity Scenario:	Cost Impact v Base Case ($m)	
	First 10 Yr average impact	First 25 Yr average impact
Base +0.5% Interest from 2034	-	0.3
Base - 0.5% Interest from 2034	-	-0.3
No Crown Funding (highest risk)	1.1	1.2
Base + $1m of capex	0.1	0.1
Base + $10m of capex	0.6	0.6

The relativity of these impacts compared to the base case can be seen in the following graph, and all remain within the costs in the 2018 LTP:

Figure 22 Building ownership costs, sensitivity to the average net cost to the city

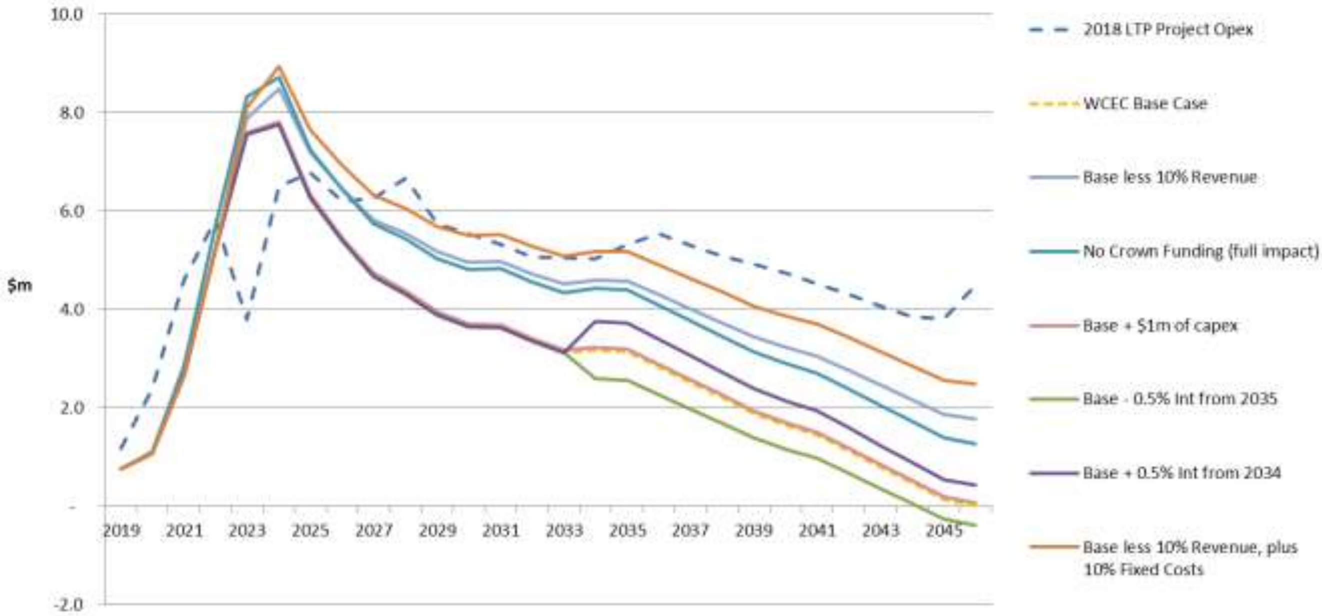


The interest rate impacts are only evident over the 25 year analysis period as no change has been modelled until beyond year 11, the impact of the change in interest rate is not as material as no receipt of the Crown Funding, or changes in the operating projections.

In reality hedging interest rate risk is an on-going practice that the Council employs to reduce our exposure to adverse interest rate changes, so the impacts of any interest rate increases are likely to be less, and later, than tested above due to the rolling hedges that will be in place and the Council practice of actively managing funding risks. In reality the chances of interest rates rising in 12 years time is the same as the prospect of interest rates decreasing, the key is actively managing the risk.

To give some context to the sensitivities over time rather than averaging, the following graph shows the net impact on the rates requirement compared to the base case projections, and the LTP budgets for several scenarios (separate and combined) from above.

Figure 23 Operational Cost Sensitivity Analysis over 25 years



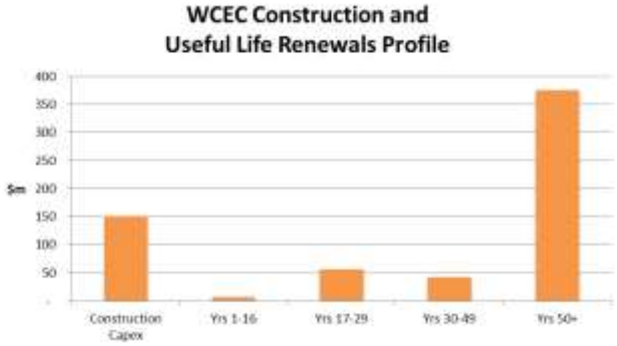
The scenarios above show a range of (mostly) downside sensitivities and their separate impact on the annual rates requirement of Council over the next 25 years, should they eventuate. These are sensitivities to adverse changes in the market place and assume that change exists for a full 25 years of operation. This is unlikely given risk mitigation and response strategies to negative impacts would be put into action to minimise their impacts as soon as the adverse change occurred.

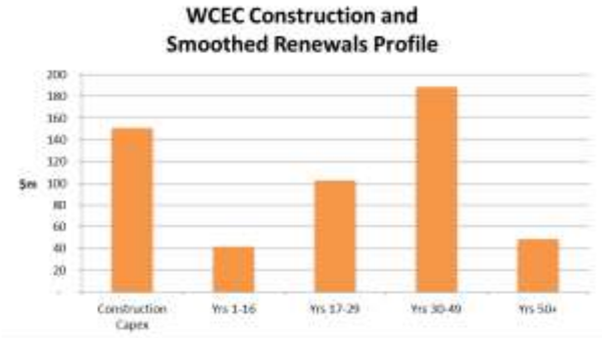
There is a reasonably high degree of sensitivity to the average net costs to the city relating to the operational performance of the Convention Centre. Project cash flows are also sensitive to Interest Rates, but to the lesser degree of significance when compared with the operations of the Convention Centre and are largely protected by hedging through to 2033.

Risk as it pertains to financial outcomes is discussed further in the Section 8.2.

6.10. Capital Renewals

Under the proposal, Council will be responsible for the capital renewals of the building. There are two general ways to approach modelling the capital renewals – either by renewal at the end of the useful life of each asset component, or a smoothed and averaged approach. A summary of the proportion of spend under each approach is shown in the graph below (noting that renewal values have been inflated and are therefore significantly higher than 2018 dollars by year 50+):





As can be seen from the tables above, the useful life renewal profile assumes the majority of the building will last for more than 50 years without need for renewal, however the smoothed renewal profile renews most of the building assets in years 30-49.

Capital renewal profiles are heavily influenced by the standard of the maintenance regime applied during the life of the asset. In addition it is important that the Convention & Exhibition Centre is maintained to a high standard given its use and need to remain attractive as a venue. The operational budgets of the Convention Centre include a $500,000 annual maintenance budget (adjusted annually for inflation) for building maintenance, building service costs and FF&E maintenance/breakage. An additional $225,000 per annum has also been included in the Convention Centre budgets growing to $385,000 by year five (inflated annually thereafter) to allow sufficient funds for all compliance, service maintenance contracts and any additional cleaning of the façade. Fit-out renewals is funded through the separate renewals fund and is not included in the graph's above.

Given the building will be adequately maintained, it can be assumed that the useful life renewals profile will be the more realistic profile compared to the smoothed renewals profile. This is the profile that has been modelled for the purposes of capital costs, on-going renewal spend, borrowings and interest calculations.

6.11. Borrowings Impact

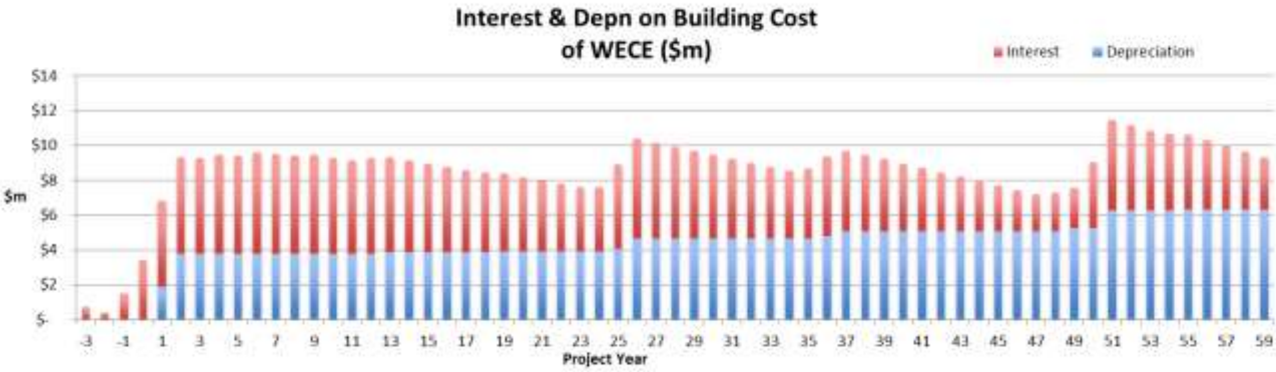
The capital costs incurred both on construction and renewals have an impact on Council borrowings. Depreciation on the building will be expensed and incorporated into annual rates strikes by WCC with the funding generated used to repay these borrowings and fund the capital renewals over its life. The impact on borrowings from repaying debt through the depreciation expense, and the asset renewals over its useful life is shown on the following graph:

The renewals profile follows an expected trajectory of early construction growth offset by depreciation (and Crown) repayments until renewals occur at the end of the component's useful life.

6.12. Opex impact of Capital Costs

The opex impact of the capital expenditure is predominantly depreciation and interest. Interest has been modelled using the interest rates based on a hedging strategy in up to 2033 then a 5% long run interest rate beyond that, and fluctuates depending on the level of borrowings in each year. In a normal construction contract, interest charges during the construction phase would be capitalised, however Council policy is not to capitalise interest during construction and this is the approach modelled.

Depreciation has been based on the useful life modelling, assuming as each asset component ends its useful life it is renewed, creating a consistent depreciation charge throughout the life of the asset.



The opex costs of asset ownership reduce over the life of the asset as borrowings reduce.

These costs differ significantly to the costs of a lease where CPI is applied to the lease cost at year one and then compounds over the life of the lease creating a significant increase in lease costs over time. The other major factor to consider in the cost comparison to a lease is that Council will own the land and building at the end of the period (compared to a lease) adding a significant asset in a prime location to Council's asset base.

6.13. Furniture Fittings & Equipment (FF&E)

It is also expected FF&E of $6.5 million will be required to fit out the Convention Centre. This includes the BOH fit out (kitchen, shelving, staff spaces, offices etc) and the front of house fit out (chairs, tables, stages, reception desks, all furniture etc). The key assumptions made in the model are as follows:

- FF&E is owned by WREDA (VW) as operator of the facility
- Council lends WREDA (VW) the $6.5 million to purchase the FF&E
- Council will on-charge the interest on this loan at cost, to be funded out of operations of the Convention Centre. Models have interest rates being charged at the same rate as construction costs.
- WREDA (VW) will create a FF&E renewals fund equal to 3% of revenue and fund all renewals from this fund
- The fund will be deducted from the operating surpluses before they are paid to Council at the end of each financial year
- For the purposes of the financial models, the actual renewals profile is assumed to match the creation of the fund. This is a conservative approach and in reality a reserve fund will be generated in early years to be spent in later years.
- Small breakages and repairs of FF&E will be funded though maintenance budgets of the operating company
- Depreciation of FF&E has not been modelled, but will be incurred in the operating company as a non-cash item and would be added back in a surplus payable to WCC calculation.

The technical services that are critical to the delivery of the Convention Centre operations are assumed to be funded by a private sector partner. This AV partner will own and install state of the art technical services to the Convention Centre, and deliver onsite technical and theming services tailored to each customer and event. These services are on charged to the customer as part of their cost of hiring the Convention Centre venue and allow the venue to be offering the latest state of the art AV solutions for their event. This is the same as the existing WREDA (VW) technical services provision at other venues and is common practice in venue management due to the rapidly pace of change with technology.

6.14. Financial projections for the Exhibition Centre

This section is based on projections from Te Papa for the operations of the Exhibition Centre.

6.14.1. Base case assumptions

With respect to the Exhibition Centre, total revenue is expected to be generated primarily through ticket sales, retail/merchandise sales, exhibition sponsorship and ticketing surcharges. The total operating costs are incurred throughexhibition fees and royalties, freight and insurance, management fees, exhibition day to day costs and the venue charge.

Te Papa projections include the following key assumptions:

- Average annual visitation of 272,591 is projected.
- A strong year round programme of product is readily available.
- Te Papa has developed a financial model tailored for each of the individual exhibitions.
- Average ticket prices have been modelled at $12.75 based off a full adult price of $19.50.
- Exhibition Fees and Royalties are based on the current cost indicated by the exhibition owner for each individual exhibition, through commercial negotiation you would expect to reduce these or balance the risk sharing aspect.
- A management fee of 5% of revenue total revenue has been assumed to secure the product.
- Exhibitions normally require a deposit of between 10% and 25% in advance of the opening date. A working capital allowance is required to ensure funds are available prior to opening and revenues being generated to secure the exhibitions.
- Working Capital interest has been calculated using the interest rates assumptions for the convention centre.
- The large and extremely popular exhibitions like Harry Potter and Game of Thrones command high exhibition fees and for these blockbuster exhibitions support from the major event funds or strong sponsorship revenues would be required.

Table 35 Exhibition Centre projections for the first 10 years of operations

$'000	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Revenue		4,352	4,435	4,524	4,619	4,716	4,815	4,916	5,019	5,125	5,232
Operating Expenses		4,272	4,354	4,441	4,534	4,629	4,726	4,826	4,927	5,030	5,136
Operating Surplus before Interest	**-**	**79.9**	**81.5**	**83.1**	**84.8**	**86.6**	**88.4**	**90.3**	**92.2**	**94.1**	**96.1**
Working Capital Cost	81.7	74.3	75.6	77.0	78.6	80.2	81.9	83.6	85.4	87.2	89.0
Operating Surplus after Interest	**-81.7**	**5.7**	**5.8**	**6.0**	**6.2**	**6.4**	**6.5**	**6.6**	**6.8**	**6.9**	**7.1**

Included within the Operating Costs above is a venue charge payable to the Convention and Exhibition Centre which is $452k in year 1 growing thereafter with inflation.

The projections show that not all exhibitions make a surplus, but overall the centre will deliver a financially sustainable programme.

6.15. Funding options

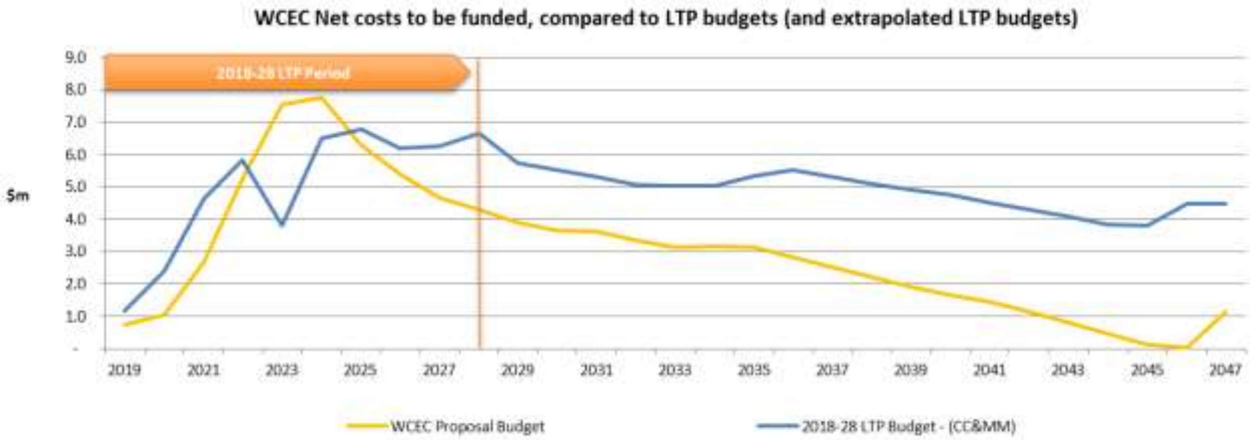
6.15.1. Capital funding of the proposed development

The $179 million project cost will be funded by Council borrowings. It is expected that the Crown will contribute $25 million towards the project over four years, and this funding has been applied to debt repayment to reduce financing costs. The Crown funding has a risk element and should it not fully eventuate, an additional $1 million per annum of interest costs would be incurred.

6.15.2. Operational funding of the proposed development

The 2018-28 LTP outlines that the Convention Centre operating costs would be funded through Activity 3.1.2 (100% from rates to be split 60% from the General Rate and 40% from the Downtown Levy).

The rates requirement for the current proposal is compared to the 2018-28 LTP budget in the following diagram:



This graph shows the WCEC proposal will cost the ratepayer less than the costs in the 2018-28 LTP budgets for the Convention Centre and Movie Museum proposal.

6.15.3. Other external funding options considered

PPP arrangements where partnering with the private sector to fund the capital costs of the project and WCC taking on a lease were explored extensively and were not economically viable.

Central Government Support:
Central Government is supporting development of the Auckland NZICC proposal through legislative changes giving Sky City long term gambling concessions to make the financial business case viable for a private developer, and in Christchurch Te Pae is being built through direct funding from Central government. These investments facilitated through the Crown will significantly improve the quality of New Zealand' convention offering and drive increased international conference business. However, the Crown intervention in this market will seriously disrupt the domestic market and will result in a material transfer of economic value to Auckland and Christchurch from the rest of New Zealand. Wellington has approached Central Government for funding support of $25.0 million to assist with this investment and whilst no formal commitment has been made, conversations with WCC are positive.

Claudelands in Hamilton ($70 million capital cost) was funded by the Local Council with no support from Central Government.

Support has been sought from MBIE to ensure Wellington is included in all promotional work from Tourism New Zealand's Business Event's team. The marketing of NZ and Wellington as a business events destination can influence the success and economic benefit of the Wellington proposal. Without an international standard purpose built facility Wellington will not feature in their promotions.

Bed Tax:
Auckland has recently introduced a form of bed tax and this is a funding option that has been flagged within the WCC 2018-28 Long Term Plan as something to be considered in the future.

6.15.4. Impact of growth on our ratepayer base

Direct impact
The rates collected from the development are approximately $1.2 million per annum (based on 2018/19 rates strike and excluding water usage rates). This represents a saving to other ratepayers as the

growth in the ratepayer base from this new development takes the $1.2 million share of rates that have previously been spread across the existing ratepayer base, however in this case they are paid by Council as owner of the property so they have a neutral impact.

It is worth noting that the latest 2018 valuations for the land are $28.2 million, a $6.7 million (40%) increase on the Council's 2015 purchase price.

Flow on impact
It is also likely that further to the immediate capital value increase from the development itself, there will also be investment in other commercial properties in the vicinity This could include additional hotels, hospitality and retail developments. Landlab completed an assessment of the Te Aro – Waterfront precinct and in their work they identified a range of developments that would likely occur if Council make the catalytic investment on Cable Street. The early stage developments identified are in excess of $400 million which would significantly increase the ratepayer base and particularly the commercial base.

Any flow-on development benefits all ratepayers by creating more capital value to spread the rates requirement across as discussed earlier in this document.

6.15.5. City Growth Fund contribution

The purpose of the City Growth Fund aligns strongly with this proposal's objective to deliver increased GDP and jobs to the city. For this reason, it is recommend that any funding required to ensure our rates increases and/or levels remain within the Council's Financial Strategy parameters is balanced and funded from the City Growth Fund.

This can be decided through the appropriate Annual Planning process with the Fund able to manage between $1-$2 million per annum over the early construction phase to minimise any ratepayer impact this proposal will have or to support pre-opening marketing, promotion or activation.

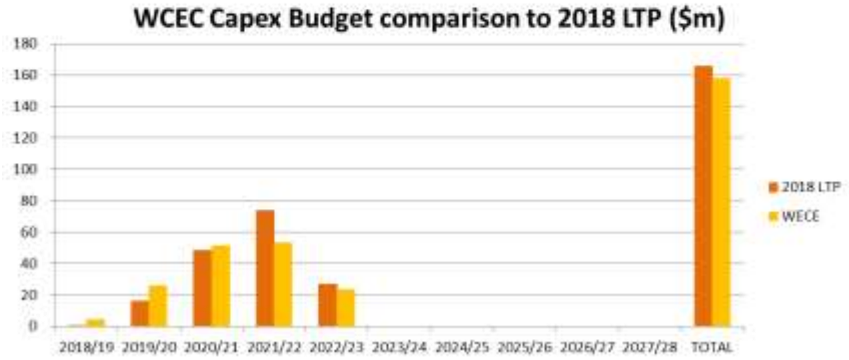
6.15.6. Indicative impact on current rates

Over the ten years of the 2018 LTP the rates impact has reduced by $2.1 million, however the LTP reflected the MACC proposal which was funded by two different activities (Galleries and Museums and Convention Centre activities). Under this proposal all costs will be allocated to the Convention Centre activity. Due to this change, there is a shift in cost from the general ratepayers to the downtown targeted rate under this proposal which over the LTP equates to additional rates of $8.2 million.
As the downtown commercial ratepayers are paying a significant portion of the costs of the proposal, the cost impact on them is greatest.

6.15.1. Long Term Plan and Financial Strategy Impacts

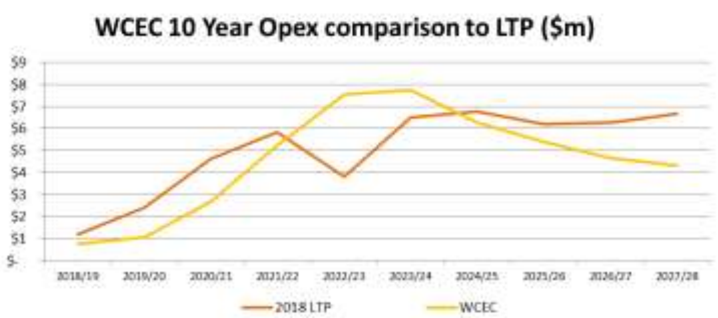
Analysis of the impact of the proposal on the Long Term Plan and relevant aspects of Council's Financial Strategy has been undertaken. The key areas are our capex, our projected debt profile and rate increase levels compared to the financial strategy parameters.

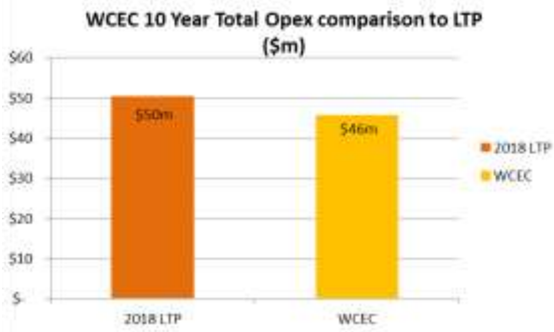
Capital Expenditure:
The 2018 LTP had provision for $165.5 million of capital expenditure from 2018/19 to 2022/23 to deliver the Convention Centre and Movie Museum proposal. The WCEC proposal requires a capex spend of $157.8 million over the same time period – $7.7 million less than the LTP.



Operational Expenditure:

The 2018 LTP had provision for $50.2 million of operational expenditure from 2018/19 to 2027/28 to deliver the Convention Centre and Movie Museum proposal. The WCEC proposal requires an opex spend of $45.6 million[24] over the same time period – a reduction of $4.6 million in operational expenditure over the LTP. After adjusting for WCC rates included in the opex spend the true cost to ratepayers is $37.0 million which compares to the $43.3 million included in the LTP.





Rates:

The final proposal results in a slightly lower rates requirement over the 2018 LTP of $2.1 million over the 10 years of the LTP. The current proposal does not have the movie museum element which had a funding policy that was weighted more to the general rate than the convention centre funding policy which as a 40% contribution from the downtown levy. So whilst over the rates change is not significant, there is a shift in cost from the general ratepayers to the downtown levy ratepayers under this proposal.

[24] Note this number does not includes any Council allocated costs

7. Commercial Case

This document describes the proposal in relation to the preferred commercial delivery model.

7.1.1. Development Management

One of the key risks associated with this project is in relation to inefficient project management. This is a large scale build project with key risks around delivery timeframes, cost and quality. The choice of the project manager, the design team and the early involvement of the contractor are key decisions and greatly influence the level of risk and how that risk is mitigated.

WCC has engaged Willis Bond to provide their services as the development manager for the project should it proceed. The key terms of their engagement are noted in Appendix G. The company has a strong track record of delivering successful and complex projects..

Willis Bond has been involved with this project since 2015 and has led the master-planning process through to completion of the preliminary designs. The same core team has worked on the project through this time and includes the following key advisors:

- Studio Pacific – architects and design
- Dunning Thornton – structural engineering and design
- Holmes Fire – fire engineering and design
- LT McGuinness – early contractor engagement, value based design, buildability, costings and construction
- Rider Levett Bucknall – independent QS on costings

Early contractor involvement (ECI) has been a critical part of the design phase driving value for money through:

- Buildability review and construction insight into design
- Cost review, including direct market testing of sub-contractors
- Programme review and optimisation
- Early involvement of the key sub-contractors and suppliers to input into design, construction methodology and buildability

The early contractor involvement should be reflected in a better understood design that limits the level of tags when taken to the market for contracting, better price certainty and early engagement with the market.

7.2. The Procurement Strategy

This section considers the procurement delivery model to meet the key objectives for the project. An inappropriate delivery model can increase the project risk and negatively impact on value for money, quality and timing. The Business Case sets out the justification for undertaking the project and also addresses how the project is delivered. The procurement delivery model is a key component of the delivery plan.

7.2.1. Procurement Strategy

The procurement strategy for the design, build and own project to deliver the Convention and Exhibition Centre is based on the Council's Procurement Policy. The key objectives that are sought to be delivered through the procurement approach are:-

Deliver Value for Money

Delivering value for money (vfm) has been and will continue to be a primary objective to guide decision making through the project and in particular around procurement activities. Vfm is the balance between time, cost and quality to deliver a fit for purpose building. The project proposal requires the development of a large scale bespoke building to house two complementary operations with exacting requirements. Significant input has been provided by the ECI contractor early in the process to ensure the building is able to be built and to be fit for purpose with a high degree of certainty around the cost and capacity to build.

Strategic Alignment

The project is complex and involves multiple parties. Early engagement, building strong relationships and building credibility to ensure the project can be delivered against agreed outcomes are critical factors. Collaborative opportunities to deliver vfm outcomes and other benefits including design excellence and cost reductions are a key consideration. To the extent intellectual property has been developed this should be capitalised on within a collaborative relationship supporting the delivery of vfm.

Risk Management

Time and certainty were key risks to this project in terms of having sufficient confidence to secure the land for the development. This project is a key plank in Council's Economic Development Strategy. Having embarked on previous attempts to deliver the project, risk management considerations should reflect a high weighting towards certainty and deliverability. The principles of on time, on budget and at the required quality, therefore delivering vfm, should be at the forefront of the project planning and procurement approach. Risk management cuts across many different aspects of the project, not just procurement, and is covered specifically in the risk section.

Supplier Collaboration and Economic Development

The procurement approach should use opportunities to drive supply chain performance through close collaboration between the project management, design and construction and suppliers, but also including the key tenants (WredaREDA). The procurement methods should favour the use of local suppliers, businesses and contractors within the overall vfm framework.

7.2.2. Procurement Principles

The procurement principles for this project have been developed in accordance with and are consistent with Council's Procurement Policy. Procurement planning and decisions will include consideration of the following key principles:

Accountability

Strong project governance arrangements should be put in place and maintained to oversee the use of public funds.

Openness

Transparency, within the bounds of commercial confidentiality, supports accountability and provides clarity to understanding roles and responsibilities. For example, in respect of all financial arrangements.

Fairness and Lawfulness

Decision making should be impartial. Council has a responsibility to act fairly and responsibly and to meet its legal obligations. Legal advice and/or review should be sought before entering into material contractual obligations.

Value for Money
The processes should be effective, without undue waste, and pay due regard to the total costs and benefits associated with the project. The vfm principle should guide decision making and should not necessarily steer processes to a least cost method rather than focus on the best outcome with consideration to total ownership costs.

Integrity
Officers involved should act with the utmost integrity, in an unbiased and ethical manner. Given the preference to use local services, within the broader vfm considerations, clarity around conflicts of interest will be managed on a transparent basis.

7.2.3. Other Procurement Guidelines

A range of other considerations factor into the choice of procurement methods and on-going procurement decisions. These include:

Health and Safety
Health and safety arrangements are a critical component of the project and procurement processes should ensure that suppliers have and are able to demonstrate appropriate health and safety practices in the delivery of their services.

Contract Management
The proposal is for Council to build and own the development. While Council will use a specialist development manager and main contractor for the project, Council needs to monitor and manage supplier performance to ensure Council that the overall process delivers vfm, as well as delivering the scope and quality required. The plan should set out the contractual frameworks that will be utilised and also the governance, monitoring and accountability framework.

7.3. Procurement Delivery Model

7.3.1. Procurement Scope

The procurement plan is to support the building of the Convention and Exhibition Centre and enable the objectives of the Business Case to be met. The financial scope of the project, and therefore the procurement requirements, are set out in the table below.

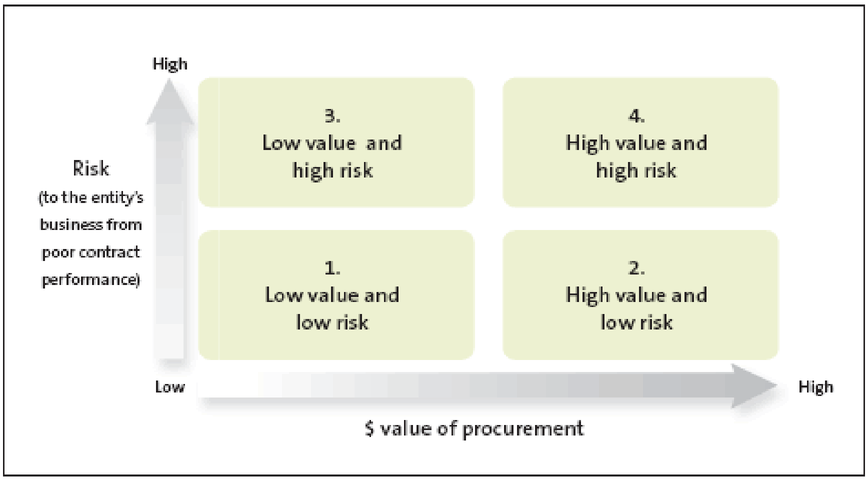
Table 36: Summary of initial capital costs of the proposal to WCC:

		Dec-18 WCEC Preliminary Design Proposal	
Cost Component		**$m**	**$m**
Land Cost (already purchased)			21.50
Construction Costs			
Construction Costing		114.17	
Construction Contingency	18%	20.73	
Professional fees	11%	14.08	
Total Construction Cost			**148.98**
Total project development cost			**170.48**
WCC independent costs (transformer, insurance, QS, legal)			2.30
Convention Centre Fit-out			6.50
Total Project Cost to WCC			**179.28**
Expected Crown Funding			(25.0)
Net Project Cost to WCC			$154.28

The scope of the procurement plan covers the Total Project Construction costs in the table above. The land on Cable Street and Wakefield Street has already been purchased by Council and is therefore not covered by this procurement plan. Aborted costs the movie museum project are not included within the costs above.

The Convention Centre fit-out cost of $6.5 million will require a specific procurement plan and this will be developed in accordance with the procurement strategy; this activity is scheduled to take place in year 3 of the programme.

The value of the procurement covered by this plan is the Total Project Construction Cost of $149.2 million. The Office of the Auditor General guidelines for procurement suggest the use of a four quadrant analysis to assist public entities in understanding and developing appropriate procurement methods. The four quadrant model is shown below.



In considering the project in this context it is clear that the procurement value aspect is high and, given the scale, nature and importance of the building, the need to deliver vfm and the requirement to meet specific venue requirements the risk aspect is also high. This indicates that the project sits within the upper right quadrant and consequently the procurement delivery approach should be appropriate for a project with those characteristics. This has been reflected in the proposed approach as set out in the following sections:

7.3.2. Procurement Delivery Models

The predominant range of procurement delivery models for non-residential building projects are:

- Construct only
- Design and Construct (plus variants)
- Managing Contractor
- Construction Management
- Direct Managed
- Early Contractor Involvement (ECI)
- Alliance
- Public Private Partnerships

A discussion of the options and their appropriateness for the project is set out in Appendix H, the preferred approach is utilise an ECI framework to deliver the most value through the early design stages through to tendering.

7.3.3. Early Contractor Involvement (ECI)

The project will utilise a delivery method that is based on ECI with respect to the engagement construction main contractor. This approach complements the balance of the procurement which will be delivered through alternative procurement methods. This section focuses solely on the ECI approach, the other services to be procured are discussed separately.

The ECI approach is suited to large and complex projects because it allows an integrated team time to gain a deep understanding of the project requirements, which enables innovation and value for money. This approach addresses key buildability questions up front within an integrated environment. The ECI model suits circumstances where[25]:-

The project risks are somewhat unknown, and some degree of innovation is required	✓
Project delivery timeframes are constrained	✓
A relationship model rather than a more adversarial model is preferred	✓
There is identified value in a collaborative stage 1 arrangement to drive innovation outcomes and provide for knowledge transfer	✓
There is a need to obtain price certainty and demonstrate transparency	✓
There are uncertain or complex interfaces, and flexibility on delivery is required	✓

To enable the successful delivery of a completed quality development befitting of a prime Civic Building, a project team has been assembled with the capability, capacity, experience and track record that is deemed essential to achieve the required result and reduce the risks associated with the project. That project team includes Willis Bond, who will be responsible for managing the delivery of the construction project, while Council will be responsible for the overall project including its funding and the fitout of the Convention Centre. By working with Willis Bond each party will be playing to their respective strengths.

Through a combination of Willis Bond's established track record as a leading development manager, the successful working relationship the Council has with Willis Bond, the extensive involvement in the master-planning of this project from inception, and the successful outcomes achieved over several other projects, the Council has elected to proceed along a single source route for the design and construction of this project. The well-established benefits of early contractor involvement, particularly when applied to unusual/complex projects, have been evident through the preliminary design stages and are expected to be realised in this case.

Council agreed key terms with Willis Bond in November 2015, appointing them as Development Manager of the project should it proceed, reflecting the specific and unique background and nature of this project and the use of ECI with a single source procurement route.

The terms agreed established LT McGuinness Limited as the construction contractor prima facie subject to WCC being satisfied that it is receiving value for money comparable to that achievable under a contested procurement or similar procurement process. This position is consistent with the previous proposal for the development of the convention centre with the movie museum. The construction

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contract documentation will be subject to an independent legal review and also a review by a qualified consultant to confirm the terms are in line with industry standards.

While the construction contract will be procured through a sole sourcing method, the sub-trades which make up around 65% of the value of the construction contract will be subject to competitive market processes.

Consistent with the procurement strategy the ECI approach provides the potential for cost and time savings, opportunities for innovation, improved integration of design and construction processes for optimising the design from a construction perspective, earlier commitment of construction resources and expertise to the project, and a better understanding of the project risks by all parties. The project has already benefited greatly from the ECI approach and this service has been provided to date on a "*no project no cost*" basis.

7.3.4. Key project team engagements

The project approach has resulted in the following contract services being, or planned to be, secured by direct engagement:-

Service	Planned Provider
Development Management Services	Willis Bond and Company Limited • Project management services from project inception through to the completion of the preliminary design phase. • Subject to the project being confirmed and the completion of a Development Management Agreement in accordance with the key terms agreed. • Willis Bond will undertake development management right through to completion of the building, including defects.
ECI and Construction Contractor	LT McGuinness Limited • ECI engagement from project inception on a "*no project no cost*" basis through to the completion of preliminary design. • Subject to the project being confirmed and the construction contract being on terms and at rates that are generally in line with the then prevailing industry rates for projects of size and complexity comparable to the project, undertaken on arms lengths terms. The contract will incorporate mechanisms to ensure Council value for money comparable to that achieved through a contestable process.
Design Services	Studio of Pacific Architecture Limited • Design services from project inception through to the completion of preliminary design. • Subject to the project being confirmed and the design services contract being on terms and at rates that are generally in line with the then prevailing industry rates for projects of size and complexity comparable to the project, undertaken on arms lengths terms.

Those services that are not procured through the direct sole sourcing route will be procured in accordance with Council's procurement policies and include the competitive tendering of the construction sub-trade contracts.

Significant additional risks would be introduced to the project delivery and cost if any of the parties directly engaged were substituted for any reason. The risks would manifest themselves through time and cost as any "new" party would need to get up to speed with the project which is at an advanced stage of design. In addition existing pricing arrangements would be subject to resetting in the current market which is likely to result in increased costs. The current project team which has worked to deliver the completed preliminary designs and commenced work on the developed designs are in place and resourced to seamlessly continue the process.

7.4. Demonstrating value for money to ratepayers

Having chosen to use the procurement route outlined above it is important that the strategic focus on delivering value for money is embedded into the processes, contracts and monitoring going forward. XIGO, who are independent experts in best practice procurement for large construction projects, have provided advice around the key processes and procedures required to meet Council's objectives. Their advice is reflected in the following sections on ensuring value for money and best practice.

7.4.1. Steps to ensure value for money

A series of processes and procedures to ensure robust management of construction, cost, programme and design are planned to be implemented to manage risk within the project and support the delivery of the Council's project objectives, including the delivery of vfm. These are set out below:

- Construction pricing mechanisms – to provide cost certainty and reduce cost risk. A Fixed Price Lump Sum approach with the main contractor is the preferred approach with minimal tags, this would be agreed following completion of detail design and all pricing reviews.

- Construction contract form – the contract will be a market standard contract utilising NZS 3910:2013 as the basis for the contract.

- Open book pricing – the construction contract will be subject to independent QS review referenced to current market rates.

- Sub-contractor works tendered – the key sub-trades will be tendered on a competitive basis with independent QS review referenced to current market rates

- Construction programme – the construction programme will be subject to independent review of the programme, the contract price and the overall design

- Contract engineer – an Independent Engineer to the construction contract will be appointed as agent for the principal (Council) and to act as an impartial quasi-judicial decision maker e.g. assessing the value of contractor claims, valuing variations, granting any extensions of time etc.

- Open book cost – in addition to the open book approach to the construction contract the independent QS will also provide cost estimating and cost planning advise throughout the design phase

- Design process management – the design process will be co-ordinated and managed through the development manager.

- Construction contract – this would only be awarded at the point where design is sufficiently complete, consents are in place, the construction programme has been agreed and the contract price has been vetted and confirmed by the independent QS. Enabling and early works may be approved where costs are consistent with the cost plans, and where there are time benefits or cost benefits to the programme relative to the risks of starting early.

- Design documentation at time of tender – the completion of 100% fully detailed and co-ordinated design documentation is a condition of appointment of the design team.

- Peer review of the detailed designs – an independent peer review of the detailed designs will be conducted to verify and give assurance that they are complete to aid pricing certainty and reduce the potential for variations during construction.

7.4.2. Steps to ensure best practice

In addition to the steps set out above to deliver vfm, there a number of other key processes that will be followed throughout the design and construction phases that will assist in ensuring we meet best practice and achieve Council's objectives for the project. These include:-

- Restricted variations – maintaining tight control on variations following preliminary and developed design sign off, including any operator requested variations. The project manager will maintain a detailed and up to date register of changes and detailed cost consequences.

- Cost control – incorporating strong measures throughout the project to track cost, including involving the main contractor and the independent QS with reference to the market to ensure the project remains aligned to the budget expectations/cost plan.

- Complete designs – ensuring we have sufficiently co-ordinated and completed design prior to final contracting, ensuring consultants are contractually obliged to provide this and that the documentation produced is independently checked at the end of each design phase to ensure it meets these obligations.

- Enhanced collaboration – promoting clear, accurate, integrated and up to date communication through the use of building information modelling.

7.4.3. Process Validation

The ECI approach adopted, combined with single source procurement, whilst widely used for complex and large projects is a departure from the more traditional procurement methods such as tendering. For this reason, and partially in response to some feedback previously received around the non-tendering of the construction contract, a number of reviews were commissioned.

- Legal advice was sought from Bell Gully prior to embarking on this route to ensure that the approach was not in conflict with Council's Procurement Policy and the advice confirms the policy allows for a direct procurement process to be adopted for this project.

- Constructing Excellence (NZ) were engaged to provide an independent review of the procurement method adopted for this project and in particular the ECI with a single source procurement route. Constructing Excellence noted their "findings are that the procurement route chosen is appropriate", noting Council's procurement rules allow single source procurement, there are similar recent examples of this approach in the public domain, and that best practice in procurement is to provide and demonstrate value for money.

7.5. Procurement plan and timetables

7.5.1. Procurement plan timetables

Upon Council confirming the project the project will move straight and seamlessly into the delivery phase. The first steps will be to confirm and execute the development management agreement with Willis Bond and the other key consultants. The project design team will remain unchanged as this is the team that has produced the preliminary designs and advanced the developed design process.

Thereafter the procurement activities will sit alongside and support the delivery of the overall project construction plan as set out in the following section.

7.5.2. Project delivery schedule

Assuming that Council approval can be achieved in December 2018, then physical works would commence around the middle of 2019 with a three year construction period. This implies an opening date of late 2022.

In the event that Council approval is received at a date later than December 2018, then the programme would slip accordingly. Work on progressing the developed design will continue in order to minimise the impact of any delays in receiving Council approval on the overall programme and cost plan. However any significant delay will push the programme back and likely result in increased cost escalation.

The preliminary construction programme is attached as Appendix I.

7.6. Project Financing

This section considers the financing plan to meet the key objectives for the project. Given the relatively significant investment cost for the proposal, funded through an increase in Council borrowings, funding costs and the risk of adverse movements in funding costs are important aspects of the project and require strategic management.

7.6.1. Financing Plan

The total capital investment in the proposal is $179.3 million including $6.5 million for the fit-out of the Convention Centre plus utilisation of the Cable Street and Wakefield Street sites already acquired at a cost of $21.5 million.

The opening funding position is therefore the $21.5 million already incurred, as the project progresses through the design and construction phases the investment in the project increases until it peaks towards the point of project completion. All of the investment in the project will be funded through Council borrowings[26]. Having reached the peak cost, and therefore peak borrowing requirement, the related borrowings thereafter reduce annually through the application of funded depreciation to reduce the debt and create future funding capacity for funding renewals.

The financing plan has been developed with advice from PwC, Council's independent treasury advisor is guided by the following key principles:

Financing Requirement	Financing Plan
As a long term project the financial projections are very sensitive to changes in funding costs.	Interest rate hedging should be optimised in both value and term using long term fixed rate bonds or other hedging tolls. Credit margins

[26] Noting the expected $25m funding from the Crown is expected to provide a source of funding.

	should be managed through securing the project funding requirements early in the project cycle once the project has been approved.
Funding certainty is required to ensure the required funds are readily available as and when required and not subject to market disruption.	This will be achieved through securing the project funding early in the project cycle, once approved, with a mix of pre-funding through the issuance of fixed rate bonds and holding the proceeds of pre-funding on term deposit.
The funding plan will seek to optimise the opportunity to secure long term funding during a period where funding costs are at historic lows.	Significant pre-funding and interest rate hedging will be done shortly after the project has been fully approved.
The plan needs to accommodate the debt run-off and ensure that the risk of carrying excessive long term funding is avoided.	The debt programme will include a mix of maturities to enable appropriate debt reduction as required.
The strategy needs to provide flexibility during the design and construction phases where cash-flow projections are subject to significant risk around timing, both advanced and delayed cash-flows.	The flexibility required will be provided through a mix of pre-funding through floating rate bonds, short-term borrowing through the issuance of commercial paper and the use of bank facilities.
The outcomes of the funding plan should be able to be monitored and the true funding costs attributed to the project to promote accountability and aid the post project evaluation processes.	The funding plan and funding costs will be monitored and reported on a monthly basis. The financing plan will be managed on an on-going basis to ensure the financing risks are actively managed over the course of the project.
To the extent Council's existing Investment and Liability policies are in conflict with the agreed funding plan then the project funding should be treated as an exception to the policy.	There may be conflicts in terms of the Council's Investment and Liability policy which is developed to sit over Council's business as usual activity. The certainty of the funding requirements and the need to be risk averse may result in occasions where the project funding is in conflict with the existing policy. In these instances rather than adjust the policy artificially to accommodate this, the variance should be treated as an exception and reported as such for control and transparency.

To deliver on the key requirements of the funding plan the following financial tools will be available to be utilised:

Financial Instrument	Description
Commercial Paper	Short term debt raised by Council in the wholesale interest markets and is typically used for 90 day funding periods.
Bank Funding Facilities	Funding facilities provided through the banks that provide secure committed stand-by funding lines.
Interest Rate Swaps	Interest rate swaps are a derivative financial tool that allows interest rates to be locked in for periods of up to 15 years.
Floating and Fixed Rate Bonds	These are longer term debt that is issued by Council in the wholesale interest markets. This can be through the Local Government Funding Agency or through private placement with

	investors. Fixed Rate Bonds have a fixed interest rate for the term of the bond whereas Floating Rate Bonds are a variable interest rate which resets quarterly.
Term Bank Deposits	Deposits held with the trading banks on a short term basis generally up to 12 months but can be longer.

8. Management Case

This section details the arrangements needed to ensure the successful delivery of the project and covers the governance and project structure, risk management and the project reporting arrangements across the life of the project once approved.

8.1. Project Management Planning

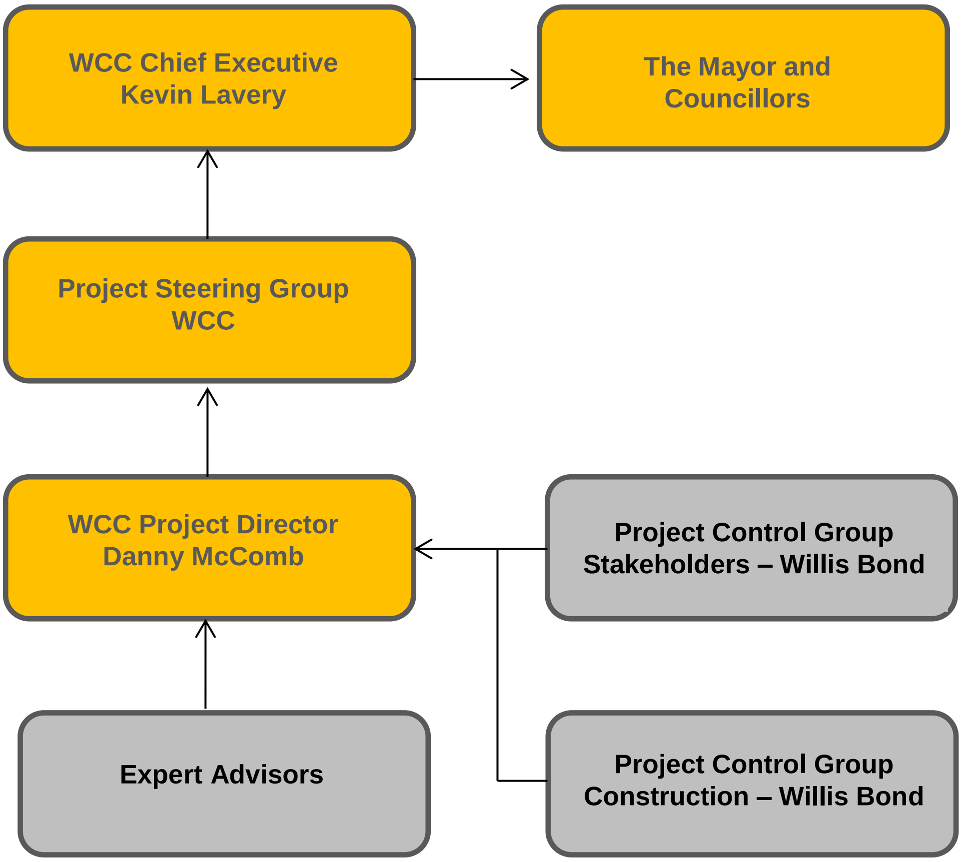
8.1.1. Governance Arrangements

The the Project Director, reports to the Steering Group whose sponsor is Kevin Lavery Chief Executive of Wellington City Council and leads the project. The Project Director will be responsible for and direct the project on a day to day basis.

Willis Bond will oversee design completion and construction as the Development Manager under the direction of the Project Director.

Project Structure

The diagram below illustrates the project structure:



The Project Steering Group consists of suitably experienced persons to provide project governance through its lifecycle. The steering group is guided by the Project Steering Group Terms of Reference.

The members of the steering group are expected to include:

Chairperson

Chief Executive, Wellington City Council – Kevin Lavery

Members

Chief Financial Officer – Andy Matthews

Director City Planning – David Chick

Chief Executive WREDA – Lance Walker

Rider Levett Bucknall Director – In an ex-officio capacity

The steering group represents a range of skills and expertise from across Council and Wreda and includes an independent expert with extensive experience with large construction projects and particularly around cost management.

The Stakeholder Project Control Group (Stakeholder PCG) is made up of representatives from Wellington City Council (the Project Director), Willis Bond as the Development Manager and Wreda[27] as the proposed operator of the Convention Centre. The role of the Stakeholder PCG is to co-ordinate the requirements of the various stakeholders to ensure that the design, construction and fit-out reflect an integrated and efficient process for the Convention and Exhibition Centre. The aim of this group is also to support the vfm principles and ensure the development occurs efficiently and meets the operational and aesthetic needs of the facility.

The Construction Project Control Group (Construction PCG) is made up of representatives from Wellington City Council (the Project Director), Willis Bond as the Development Manager, LT McGuinness as the construction main contractor and other technical experts as required (such as the architect or the structural engineer etc.). The role of the Construction PCG is to advance the designs, ensure the designs are well tested for buildability, quality and cost, seek vfm out of the process, and develop and maintain the programme timelines. As the project moves from design to construction the role of this group will move to a focus on the construction contract and delivery.

Project Reporting

Project reporting is a critical component of the project. The WCC Project Director is responsible for ensuring all of the reporting responsibilities are met in a timely fashion. The regular monthly reporting to the steering group will cover, amongst other matters:

- Health and Safety
- Financial reports – Actual versus budget and forecasts
- Variation register – approved variations and costs
- Progress against project timeline and project plan
- Updated risk and issues register
- Key activities

The project steering group will receive periodic reports at the appropriate stages of the development in accordance with the stage of the process. The stages have been broken into the following stages:

[27] Plus TePapa with respect to the commercial exhibition spaces and as their role in the operations evolves.

- Design stages
- Early works packages
- Contracting stage
- Construction stage (building and fit-out)
- Practical completion
- Post-project evaluation

Project Roles and Responsibilities

The roles and responsibilities for the steering group and project team are outlined below:

Role	Responsibilities
Project Steering Group	• Provide guidance and leadership • Define expectations and success indicators • Make final decisions on project recommendations • Review and monitor performance, taking appropriate actions as required to ensure the project's success
Chairperson – Steering Group	• Overall responsibility for the project deliverables • Chair the PSG meetings • Ensure project processes and outcomes meet Council standards • Reports to, and briefs, Council as appropriate
Project Leadership – The Project Director	• Accountable for the project outcomes to ensure the project is delivered on time, on budget and at the required quality. • Prepare for and participate in PSG meetings and reviews • Co-ordinate and liaise with external resources and other Council resources as required throughout the project. This would include Council finance, procurement, health & safety, risk assurance and transport and any other internal resource required. • Ensuring risk management and health & safety are at the forefront of processes, practices and reporting throughout the project. • Ensure project plans and reporting processes are developed, maintained and are monitored. • Manage the project on a no surprises basis ensuring the risk register is maintained.
Project Management – Willis Bond	• Project management services to deliver the project on time, on budget and at the required quality. • Lead respective PCG processes. • Maintain project monitoring and the project risk register. • Provide support and advice on procurement and contracting. • Manage variations and requests for info through design and construction • Manage the project on a no surprises basis. • A component (25%) of the fees payable to Willis Bond will be at risk based on successful delivery of the project within the agreed cost plan, in line with the agreed programme and against a range of quality factors.
Expert Advisors	• A range of expert advisors has been used to date and are intended to be used throughout the project at appropriate stages to contribute to the project deliverables. These include; Legal Advisor (Bell Gully); Development Management (Willis Bond); Quantity Surveyor (Rider Levett Bucknall); Procurement Advisor (XIGO); Construction Advisor (LT McGuinness); and Architects (StudioPacific).

Main Contractor	• To be appointed once the project is confirmed. • The construction contract will be awarded to LT McGuinness provided they meet a range of vfm tests and contract terms as set out in the procurement plan. • The main contractor will deliver on all aspects of the agreed contract.

Construction Programme

The programme is shown in Appendix I and will feed into the procurement timeframes. The construction programme envisages site preparation works being undertaken in the middle of 2019 with construction commencing shortly thereafter. Construction and fit-out completion is expected to be towards the end of 2022.

The table below outlines the proposed implementation programme for the project, noting that all of these dates are dependent on the timing of Council's approval of the project.

Proposed key milestone	Target completion date
Preliminary Design	Complete
Approval of the Final Business Case	December 2018
Resource Consents lodged	January 2019
Developed Design	April 2019
Detailed Design (early works and base build)	May 2019 / Aug 2019
Construction Contract finalised	Oct 2019
Site Establishment and Early Works Packages	July / August 2019
Practical Completion	End 2022

8.2. Risk Management

This section focuses on the approach to managing risk and how it will be managed throughout the project. The key risks associated with the project have been identified and a comprehensive risk register maintained. The current version of the register is recorded in the Risk Register set out in Appendix A.

It is worth noting that risk assessment is performed prior to risk mitigation strategies being considered. Once risk mitigation strategies have been implemented the potential consequences for Council should be reduced to fall within acceptable risk levels of low to moderate.

8.2.1. Risk Management Process

Risk management will be embedded into the project and will involve:

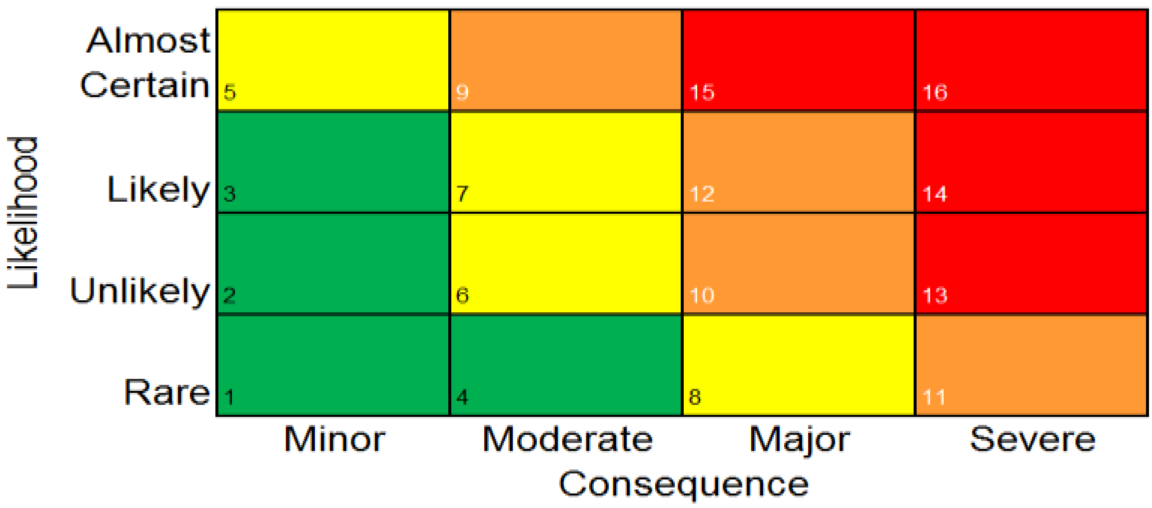
- Early and ongoing identification of risks to the project
- Analysis of the consequences of each identified risk

- Assessing the likelihood or probability of the risk eventuating
- Evaluating the significance, impact and materiality of each risk to identify those needing active mitigations
- Developing mitigation strategies and action plans to reduce, eliminate or avoid/transfer (or otherwise manage) the identified risks

The diagram below illustrates the Council risk management process which will be adopted and maintained for the project.

Project risks are categorised by the likelihood and the consequences of their occurrence using Council's standard risk matrix set out below.

Risk matrix



Assessing the items identified in the risk register against the Risk Matrix there are three particular risks that could potentially fall into the “Red” because of their potential financial exposure. These risks are:-

Risk	Discussion
Construction Risk	This is essentially the risk that construction costs are significantly higher than contracted due to either variations through the construction period, material delays in the programme, cost escalation or unforeseen issues where Council retains risk. A secondary risk arising from material delays in the programme is around a delayed opening and being unable to meet early bookings. This would have a cost and reputational risk. The risk likelihood classification falls between unlikely (could occur in the next 3-10 years) and likely (could occur in the next 1-3 years). The risk consequence classification falls between the major ($5m-$20m) and in an absolute worst case severe (>$20m)
Convention Centre operating projections	This is essentially the risk that the operating projections for the convention centre do not meet the projections on which the business case is based on resulting in increased costs to ratepayers. The risk likelihood classification is unlikely (could occur in the next 3-10 years) The risk consequence classification on an annual basis falls in the moderate category ($500k-$5m). However if the risk is considered on a cumulative basis over time then in an worst case scenario the risk consequences could fall into the major ($5m-$20m) or severe (>$20m) categories.
Crown Funding	This is the risk that the assumed funding from the Crown does not eventuate. Discussions have been ongoing with the Crown since 2017 regarding them making a funding contribution to the cost of developing the convention centre in Wellington. The request to the Crown is for a contribution of $25m towards the cost of the convention centre. The basis of the request is two-fold, firstly Wellington finds itself in a position where economic activity will undoubtedly transfer from Wellington to Christchurch and Auckland with the opening of their new conference facilities. The Christchurch and Auckland facilities have only come about through the direct intervention of the Crown in the conference market, and secondly the Wellington centre will contribute to the NZ economy through having an additional international standard convention facility in the Capital City, the construction project and the added value from the exhibition business. The risk likelihood classification is between likely and unlikely and the risk consequence falls into the severe category (>$20m) and is due to the additional $25m of borrowings that Council would require to deliver the project and the associated additional servicing costs of that amount c$1m p.a.

The risks and the mitigations are discussed in more detail within the risk register. The mitigations should serve to reduce both the likelihood of the raw risk occurring and the potential consequences.

8.2.2. Post Project Evaluation and Benefits Realisation

A post project evaluation will be conducted which will review the project from business case through to delivery of the benefits detailed in the business case. The purpose of the evaluation will be to confirm that the facilities are operating as intended and the project has delivered the intended outcomes including any assessment of the benefits and services proposed in the business case. The review will be conducted after the Convention and Exhibition Centre has been fully operational for at least 12 months.

The primary benefits from this project are to protect Wellington's convention market share and the economic benefits derived from this and to grow the events business. The realisation of these benefits will be measured annually in arrears based on industry reporting of respective markets shares. In addition the respective operators will provide an annual report on activity levels and visitor origins sufficient for BERL (or similar economic advisor) to assess the economic impact and compare this to the expected outcomes. The benefits realisation from the urban regeneration will be assessed 12 months post the opening of the centre and annually thereafter on a qualitative basis to understand and report observable progress or a quantitative basis using information from QV.

Reporting on the post project evaluation and the benefits realisation will be to the Project Sponsor, the Chief Executive of Wellington City Council.

8.3. Operational management arrangements

8.3.1. Convention and Exhibition Centre

A key principle of this proposal is that WCC will own the Centre which comprises three complimentary activities that can be operated together or separately. The key activities are:

- Selling, marketing and operating the convention centre;
- Selling marketing and operating the commercial exhibition space; and
- Operating the ground floor food and beverage outlets.

The business case is predicated on Wreda being the operator of the Centre, the commercial exhibition space being operated in partnership with Te Papa and the food and beverage outlets being independently operated.

There is a strong logic for operating the convention and exhibition in a co-operative framework involving Council, Wreda and Te Papa. Wreda and Te Papa have signalled a strong interest to work with Council to fully scope out what a co-operative model would look like. The decisions around the operational management model do not need to be finalised as part of the business case but should be settled on and agreed within 12 months of a decision to proceed with the project, having properly and fully assessed the co-operative model. Key considerations include:-

- Council has full control over the appointment of the operator for the facility and should seek the model that delivers the best outcome to the City from both a financial and economic perspective while optimising risks.
- Wreda and Te Papa are the most significant operators in the convention business in Wellington. Both will be negatively affected by the new facilities in Auckland and Christchurch and Te Papa would also be affected by the City's investment in new facilities adjacent to them.

- Wellington has a range of inherent characteristics that give it a competitive advantage and this project provides an opportunity to build on this with quality facilities and a co-ordinated citywide approach to how conferences and exhibitions are marketed and delivered. Selling Wellington as a venue together with quality facilities is a strong proposition.

- Wreda (PWV) is an established operator and the addition of the new Convention and Exhibition Centre can be absorbed without significant additional overhead structures.

- Te Papa is an established operator with the requisite operating experience to absorb the Convention and Exhibition Centre operations into their business without significant additional overhead structures but would rightly seek compensation through a form of management fee arrangement.

- Together Wreda (PWV) and Te Papa would be able to operate the primary facilities of the city and operate at a higher level as the marketer of business events and exhibitions to Wellington in combination with the delivery arm of operating a portfolio of facilities.

- Both are well respected operators in the NZ convention market and together would be well positioned to drive attraction of business events to the city.

- Te Papa are the only significant player in the commercial exhibition market in New Zealand and have the knowledge, experience and contacts to make the commercial exhibition spaces work. A partnership with Te Papa could exist at a number of levels from the provision of management services through to a joint venture type of arrangement.

- WCC has the ability to change operational structure to respond to the market during the life of the Convention and Exhibition Centre so retains all flexibility and control in this area.

- For co-operative models to succeed it is important that the parties involved have appropriate skin in the game and share the risk and reward. This will be fundamental in the design of any model.

8.3.2. Pre-opening Activities

Council will work with the appointed operator of the convention centre and exhibition hall to ensure that robust early marketing plans and activities and booking systems are in place for each. In addition to this programmes will be developed and implemented to ensure appropriate planning, systems, recruitment/training and operational contracts (food and beverage, AV suppliers etc) etc. are in place at appropriate times in readiness for a seamless opening of the respective operations.

8.3.3. Building Operations

The convention and exhibition centre is a large and complex civic building with a primary purpose of serving the business events market domestically and internationally. The investment in the building is significant and combined with its purpose requires a robust building operations strategy.

Comprehensive facilities and asset management plans will be in place on handover of the building. The Council property team will be responsible for the building maintenance and building assets renewals. This will include having a dedicated on-site resource, the Building Superintendent, who will be the primary responsibility for the day-to-day operation and maintenance of the building and liaising with each of the tenants or operators on site. Funding has been provided within the operating costs for the scheduled maintenance, reactive maintenance, facilities management fees and the personnel costs of the Building Superintendent. The borrowing profile incorporates the funding requirements for asset renewals, although with a new building these are not material in the early years.

8.4. Other options considered

Upgraded Convention Facilities

The investment in upgraded Convention facilities for Wellington has been a strategic imperative for Council for a long period pre-dating 2010. WCC has worked on or considered the following options and initiatives to deliver larger scale and purpose built convention facilities for Wellington. These include:

- In 2007 Council developed a build option on the Michael Fowler Centre carpark (adding exhibition halls and some foyer/breakout space to complement the MFC/Town Hall offering). The proposal was not advanced at that time.
- In 2010 Council submitted a proposal for Wellington to be the home of the NZICC, based on the work done in 2007, utilising the MFC and Town Hall and adding exhibition halls and some foyer/breakout space to complement on the MFC carpark. The Government of the day decided that the NZICC would go to Auckland with Sky City agreeing to build and operate the NZICC in return for a range of concessions around their gambling licences.
- In 2014 Council worked with a private developer on a proposal to deliver a Hilton Hotel and Convention Centre on Cable Street. This proposal did not go ahead as the developer could not secure acceptable terms on the Cable Street site to make the project economics work. The developer proposed moving his interest to a site made available by Centreport. We did not support the Centreport option as the site proposed was not, in our view, suitable and no development materialised.
- Other public private partnership options on Cable and Wakefield Street were explored during the master-planning process.
- Through 2015 and 2016 Council worked with The Movie Museum Limited (TMML) to deliver a combined convention centre and movie museum on the Cable and Wakefield site. The proposal was not advanced as the economics of the project from a TMML perspective did not work for them.
- Officers have re-looked at the possibility of building exhibition and meeting facilities on the Michael Fowler carpark site and connecting to the MFC to make use of the auditorium as a plenary. While this is possible the end result was a compromised convention centre and the likely cost being comparatively high.

All of these proposals were unsuccessful either in feasibility, delivery stage or in negotiating acceptable commercial terms.

Cable Street

The Cable Street site owned by Council is the preferred location due to its scale and largely regular size, central location, proximity to Te Papa and potential to drive regeneration of the surrounding precinct.

Site analysis has been undertaken, and a key for a convention centre's success is its proximity to other amenities. The benefits of the development on the Cable Street site are:

- Large land area footprint - allows flat floor spaces larger than most other sites
- Proximity to hotels – the Cable Street site is easy walking distance from a good range of existing accommodation (Museum Hotel, Copthorne Oriental Parade, Bay Plaza, West Plaza, Intercontinental), and also possible future hotel development sites.
- Proximity to Te Papa – allows operating synergies and co-hosting opportunities between the two venues, and a fantastic activity for delegates in break time
- Proximity to waterfront – provides delegates with a world class recreation space to enjoy in a break from conventions, or while in Wellington
- Proximity to CBD and the Courtenay Precinct – provides easy access for delegates to do business and entertain while in the city

- Stimulus for the regeneration of this area of the City which is a primary gateway and an area with several vacant lots and dilapidated buildings.

These key site characteristics meant other options simply did not stack up as preferable to this location or method of delivery for the site.

Project Delivery

Several construction delivery options have been considered for the project, which include different levels of WCC participation and risk.

- Private sector funds, builds, owns and manages the development and leases the building to WCC
- WCC funds, builds, owns and manages the development
- WCC funds, owns and manages the development, using Willis Bond, a specialist property development manager, to oversee the construction project

Commercial terms around a PPP/lease arrangement were simply not providing good value for money for ratepayers. However, the PPP/lease model does provide strong risk mitigation from the construction aspects of the project.

The preferred option from a risk/cost perspective is option 3. This combination matches WCC's balance sheet strength and AA credit rating in terms of funding and Willis Bond's expertise as a development manager to minimise the delivery risks of a significant and bespoke construction project[28].

Delay the project and land bank the site

This option would see the project put on hold for a period of time with the primary objective of revisiting the project at a future date. This is predicated on two considerations.

1. Undoubtedly the Wellington and New Zealand construction market has experienced a sustained period of cost escalation. By deferring the project the presumption would be that the market cools down and construction costs reduce over time.

2. Council has a number of large projects that require or will require funding. These include the Town Hall strengthening, the recently increased budgets for the St James, Let's get Welly moving and the Indoor arena etc.

This option is not preferred for the following reasons:

- There is no sign of the current conditions in the construction market changing any time soon. The perfect storm of strong demand coupled with a shortage of capacity in a number of trades and the demise of a number of players in the industry have fed a national trend in increasing construction costs.
- There is no evidence that construction costs materially reduce following a period of sustained increase. The construction cost indexes available from Statistics NZ[29] suggest that construction costs at best stop increasing during construction slow-downs but do not reduce. There may be localised opportunities where excess capacity comes free but again there are no signs of this in the market.
- The convention business is a significant contributor to the Wellington economy directly but also in the role it plays in supporting hotel and hospitality during the mid-week and winter

[28] This does not discount the future possibilities to sell and lease back the building to a third party, or to consider different operating models for the facility should future analysis and evaluation change this position.

[29] www.Stats.govt.nz/methods/price-indexes-for-the-construction-industry

periods that enable restaurants and bars to be open to service Wellington residents and visitors to the city. This is covered more fully in the Strategic Case.

- The funding for the Convention and Exhibition Centre is provided within the current Council long term plan and does not of itself increase the funding requirements on Council. This project is directly targeted at economic growth and supporting and showcasing Wellington business and creative talents.
- This is a variation of “do nothing” and will result in Wellington losing significant market share to the new centres in Auckland and Christchurch and see the Cable Street/Wakefield Street precinct remain a largely undeveloped area of the city.

Appendix A. Consolidated Risk Register

Risk Areas	Risk description	Risk mitigation
Convention Centre Operations	• Utilisation rates fall below the performance projections in the business case • Operating costs exceed the projections in the business case • Financial performance falls below the performance projections in the Business Case.	• Event projections and delegate numbers independently assessed by leading industry expert, in full consideration of other centre developments. • Event projections and convention centre functional capability aligned to ensure the projected events can be hosted. • Event projections reviewed by WREDA. • Designs tested with key stakeholders and customers to ensure designs will meet their needs. • Appropriate funding provided for marketing before opening and thereafter. • Options for venue to be operated independently or through a partnership between WREDA and Te Papa to leverage off existing customer and cost base and with active strategies to achieve targets. • Appropriate management structures and capability implemented. • Regular monitoring of the utilisation and financial performance of the centre. • Our precinct approach to marketing the city as a business event destination differentiates the offering from competing regions and facilities. • The exhibition programme will be an additional positive for certain convention event organisers and potentially tip the balance in selecting event locations.
Exhibition Programme	• Visitor numbers fall below the performance projections in the business case • Exhibition and operating costs exceed the projections in the business case • Financial performance falls below the performance projections in the Business Case. • Sky City working to establish a new	• Event programme and projections were independently developed by Te Papa. • Appropriate funding provided within the budgets for marketing before opening and thereafter. Most exhibitions come with a detailed marketing programme and collateral. • Regular monitoring of the utilisation

Risk Areas	Risk description	Risk mitigation
	exhibition centre in the old Sky City Convention spaces – compete for product and visitation.	and financial performance of each individual exhibition. • Leverage off a strong relationship with Te Papa who have proven experience and connections around exhibition attraction, hosting and development. • The precinct approach ensures there is always a core of visitors already in this area to draw on.
Impact on City's other venues	• The new Convention & Exhibition Centre attracts business away from the existing Wellington venues resulting in reduced utilisation, reduced revenues and increased costs at those venues.	• One of the strategic reasons for the investment in new convention facilities is to maintain the city's existing share which is otherwise expected to reduce as new capacity comes on stream elsewhere in New Zealand. • The economic case is based on attracting new events to the city rather than displacing existing events (although some displacement will occur) • There is a willingness and opportunity to develop a partnership approach with WREDA and Te Papa to develop a stronger city wide offering to grow the business and not a venue centric approach. • The utilisation rate of the City's other venues will be monitored closely to understand any adverse displacement impacts. • The existing city venues are multi-purpose and are also managed by WREDA who are charged with driving utilisation of all of the venues under their management which includes properly matching of events and venues. • There is already widely held views that the city civic venues are not available enough for community or performing arts activities, WREDA will develop a marketing plan to actively promote freed up capacity among these groups. • The new ticketing relationship with Ticketmaster combined with increased venue availability will support a stronger and varied event programme that will fill any displaced business events. • WREDA will increase their focus and efforts on attracting performance and events business to the existing

Risk Areas	Risk description	Risk mitigation
		venues to offset the impact of any loss of business events.
Project Governance and Management	• Lack of clear and timely decision making at a Governance level leading to project delays and cost increases. • Poor project planning resulting in delays, cost increases, quality issues, fit for purpose issues and reputational concerns. • Poor project oversight and cost management resulting in delays, cost increases and delivery issues. • Project Director not empowered to effectively make decisions, resulting in delays, cost increases and delivery issues.	• A formal project governance structure will be implemented incorporating a Project Steering Group with clear terms of reference. • The appointment of Willis Bond to provide independent and experienced project and development management expertise. • Good practice project management including regular reporting and alignment of payments to progress will be implemented. • The comprehensive Business Case specifically sets out the framework in accordance with good practice.
Contractual	• Delays in completing the key legal agreements for the project resulting in delays to the project with associated cost escalation consequences	• The Development Management Agreement is based off an agreed term sheet and is largely complete and has been reviewed by Bell Gully and also XIGO who have provided procurement advice. • The approach to contracting has been agreed based on accepted industry standards and contract form (NZ3910). • The procurement approach has been tested and understood. • Early sub-contractor engagement to ensure availability
Procurement	• Procurement processes and monitoring not in accordance with the procurement strategy to deliver value for money. • Perception that the construction contracts for these type of projects should be tendered as opposed to the early contractor involvement route adopted resulting in process challenge and potential reputational issues	• The Development Management Agreement has as one of its core purposes is to deliver value for money. • The early contractor involvement procurement route has delivered confidence around buildability, cost and provided value engineering and design cost focus. • The procurement method and approach is consistent with approach approved for MACC and was reviewed by Bell Gully and also been subject to an independent review by Constructing Excellence (NZ) who specialise in this area. • Design consultants were procured through a competitive RFP process (excluding SPA) • Subcontractors will be procured

Risk Areas	Risk description	Risk mitigation
		through a competitive tender process, with the option for early engagement of subcontractors in key trades to ensure availability and mitigate against cost and design risk. • A range of processes and procedures have been incorporated into the procurement plan around the delivery, monitoring and reporting of value for money. • Independent advice has been provided by XIGO to ensure a robust continues to be followed. • The comprehensive Business Case specifically sets out the framework in accordance with good practice.
Early Works package	• An early works package is proposed to accelerate the project to mitigate against the impacts of time, primarily cost related, and to bring forward the programme for delivery. • The early works package will be completed prior to final tender and the last of the price checks. • There is a risk at final tender pricing stage the project does not proceed due to the tender process delivering unacceptable costs and the early works investment will be a sunk cost.	• A process of staged price checks will be undertaken to ensure project costs remain on track. • The proposed early works are (relatively) minor in nature and cost compared to the remainder of project. No major works will be commenced on site until final tender price known. • Regular price checking will be through the ECI contractor and also separately through RLB the independent QS. • The ECI contractor has been engaged from the outset so the risk of cost surprises has been addressed through the design process. • The project budget includes provision for contingency and cost escalation based on advice from the independent QS and WB.
Cost escalation	• Construction costs escalate at a rate higher than budgeted for or expected between project confirmation and contracting. • Market capacity issues arise due to other potential projects coming on stream that impact sub-trade capacity and push pricing beyond normal market escalation assumptions	• The budgeted costings have been based off fully completed and integrated Preliminary Designs. • The costings have been carried out in November 2018 to ensure they are as up to date as possible to inform the Business Case. • The costings have been completed by the ECI contractor (LTM) with direct input from the market and at the same time by an independent QS (RLB). The two sets of costings are crossed checked against each other to identify and understand any material differences.

Risk Areas	Risk description	Risk mitigation
		• The project budget will include an appropriate allowance for cost escalation based on advice from RLB and WB. • The design team have advanced work on the Developed Design which will minimise the time exposure between the costings and the completion of the Detailed Designs for tendering. • A strong project governance structure and in particular around the Project Control Group. • Opportunities to advance procurement of certain key components will be considered. • Early and clear decision making will mitigate against delays to minimise cost escalation.
Tender pricing	• Final contractual pricing which occurs post completion of the detailed designs is higher than budgeted.	• The budgeted costings have been based off fully completed and integrated Preliminary Designs. • Work on the Developed Design is underway reducing the risk of cost differences from preliminary design to tender. • The costings have been carried out through a market pricing exercise in November 2018 to ensure they are as up to date as possible to inform the Business Case. • The costings have been completed by the ECI contractor (LTM) with direct input from the market and at the same time by an independent QS (RLB). The two sets of costings are crossed checked against each other to identify and understand any material differences. • The project budget will include an appropriate allowance for cost escalation and contingencies for design and construction. • Value engineering options will be worked up for consideration in the event of material cost variation. • A strong project governance structure and in particular around the Project Control Group.
Construction	• Construction costs are higher than contracted owing to variations resulting in an increased project cost or jeopardising the project quality or feasibility.	• Construction estimates will be subject to independent review on an open book basis by a QS. • ECI process includes review by LTM of construction methodology and

Risk Areas	Risk description	Risk mitigation
	• Delays to the construction programme resulting in risks to the programme, project costs and reputation. • Market cost escalation during the time from project approval and contract certainty resulting in higher construction costs • Poor construction quality resulting in issues with respect to the programme, reputational consequences and increased whole of life costs. • Health and safety incidents lead to temporary partial or full closure of the site resulting in delays.	buildability, and together these inform the construction programme. • Large site with staged construction programme able to potentially mitigate against delays (caused by, say, contamination) by continuing work on an unaffected part of the site. • Throughout the design process there will be regular cost estimate updates by the contractor and independent QS. • Close management of design during the design process to minimise scope creep and the potential for variations, including ECI contractor inputting into buildability, methodology and materiality and early sub-contractor engagement to review design. • Fewer “tags” in construction tender as a result of ECI, improving cost certainty. • Consultants engaged to fully design, reducing requirement for provisional sums. • Independent review and validation of design documentation to identify issues or gaps before detailed designs are finalised. • The procurement strategy for the construction contract is based on a fixed price lump sum to maximise cost certainty to the extent practical. • Use of industry standard contracts and terms. • Independent reviews of the construction contract by legal, QS and the engineer to the contract. • Utilisation of LTM as the construction contractor known for their quality, integrity and track record in running safe sites. • Utilisation of Willis Bond as the Development Manager known for timely delivery of quality developments, terms of engagement reflecting the requirement to deliver value for money. • Processes and controls around the approval of any variations following detailed design. • Cost escalation will be actively monitored and managed with strategies adapted to allow cost control and reporting.

Risk Areas	Risk description	Risk mitigation
		• A strong project governance structure and in particular around the Project Control Group.
In-ground conditions - Structure	• The site is on reclaimed land and there are risks around the in-ground conditions with respect to the piling structure.	• There have been a number of buildings built or proposed in this area and in-ground conditions for these are known and have been identified. • Tonkin and Taylor conducted a specific test drill in October 2018 on the site to better understand ground conditions and inform the structural design. • Test drilling has informed the in-ground structural design. • The structural design aims to minimise the amount of excavation work required through a slab raised above ground level, reducing the requirement to design for structure below the water table. • Look to maintain a separate contingency outside of the project budget to cater for uncontrollable cost variations.
In-ground conditions - Contamination	• The site is known and registered as a contamination site with a history of use that includes a previous petrol station. • While contamination is expected and will need to be remedied, the true extent will not be known until the site is excavated. • This is unlikely to be a risk that Council can economically pass to the contractor.	• There have been a number of buildings built or proposed in this area and the extent of contamination is generally known and has been identified. • Test drilling has informed the excavation and contaminated soil calculations. • Conservative planning assumptions been used as regards to contamination. • The structural design aims to minimise the amount of excavation work required through a slab raised above ground level. • Look to maintain a separate contingency outside of the project budget to cater for uncontrollable cost variations.
Programme Risks from Design	• Design costs are higher than planned resulting in an increased project cost or jeopardising the project quality or feasibility. • Delays to the design programme resulting in risks to the programme, project costs and reputation. • Design defects resulting in additional project costs, delays and reputational	• All design consultants locked into fixed fee arrangements to the fullest extent practicable before next phase of design commences. • Clear identification of each consultant's scope, role and responsibility. • Early confirmation of project approval including components and

Risk Areas	Risk description	Risk mitigation
	issues. • Inappropriate or sub-standard materials used on the project resulting in increased whole of life costs. • Façade designs take longer to finalise than anticipated resulting in delays to the programme and associated cost implications. • The Convention and Exhibition Centre designs are not fit for purpose and do not meet the needs and requirements of the conference and event markets resulting in negative publicity around the centre and lower utilisation. • The surrounding urban areas, including capacity for safe and efficient visitor egress including road crossing, are insufficiently developed negatively impacting on the venues reputation and ultimately utilisation.	key design specifications. • Clarity sought over design requirements to minimise the potential for design changes following preliminary design. • Regular reviews of the design documentation during the design phase by the Development Manager, Construction Contractor, Contract Engineer and QS. • Engage only leading design consultants familiar with local conditions and well-resourced practices. • Peer reviews of key design elements including façade, layouts and structural with key stakeholders. • Good practice maintenance of design risk register to identify areas requiring further review. • Processes and controls around the approval of any variations following preliminary design. • Independent review and validation of design documentation to identify issues or gaps before detailed designs are finalised. • Agreed strategy to proceed with proven or well tested materials only, with detailed review of key material selections. • WREDA are part of the PCG to ensure the convention and exhibition centre design delivers on expectations. • Independent review of design to verify aesthetics. • Independent review and validation of the Convention and Exhibition Centre design to ensure fit for intended purpose. • Clear urban design strategy incorporating connections, transport impacts and visitor egress developed and implemented.
Convention Centre and Exhibition Hall fit out issues	• Convention Centre and Exhibition Hall Fit-out are not defined adequately at the outset resulting in potential disputes, programme delays, added costs and reputation issues. • Fit-out delays resulting in overall project delays, uncertainty around opening dates, associated financial impacts and potential reputational issues.	• Through specific design sign off processes and timelines. • Key stakeholders have been and will continue to be part of the Project Control Group (stakeholders). • Independent review of the fit-out design and programme to assess the fit with the project timelines. • Timeframes to complete fit-out

Risk Areas	Risk description	Risk mitigation
	• Failure to complete the proposed fit-outs in line with the expectations impacting on the financial projections and financial viability and introducing potential significant reputation damage.	incorporated within the overall programme.
Legal	• Failure or delays in obtaining resource consents and building consents jeopardising the project, causing delays in the programme with resultant increased costs. • Failure to meet Health & Safety responsibilities resulting in breaches of legal obligations causing delays in the project, harm to workers/public and consequential fines for breaches. • Delays in negotiating the construction contracts. • Tension if we try to push all of the risk onto the ECI contractor through the fixed price contract. • Changes to Building Code. • Delayed issue of CCC / CPU, delaying occupation.	• Full review of resource consent risks during preliminary design phase. • Resource consent applications prepared at an early stage ready to be lodged as soon as project approval confirmed. • Early engagement with regulatory authorities around any consenting issues identified, including building consent pre-application meetings. • Regular monitoring and reporting through the PCG's and Steering Group. • Utilisation of LTM as the construction contractor known for their quality and integrity, excellent H&S record and good relationships with Council regulatory staff. • Agreed programme for CPU and CCC sign-off at completion of works. • Documented Health & Safety strategy and plan in place. • Processes in place to review, approve and monitor contractor health & safety plans and performance. • Through regular independent health & safety audits and inspections on site. • Pragmatic partnership approach adopted with a clear view on risk transfer and risk sharing. • Robust forward-thinking approach taken to design, in particular, structural design incorporating damage avoidance learnings from recent seismic events and base-isolating the building. • Market standard contract based off NZ3910 used for construction contract with legal review.
Funding	• The Building and fit out will be funded through an increase in Council borrowings and an expected $25m contribution from the Crown.	• Long-term funding and hedging strategy and programme developed with independent advice from PwC. • Funding strategy based on current

Risk Areas	Risk description	Risk mitigation
	• The risk from adverse movements in funding costs over time. • Once started the risk from market disruption and not being able to access to the necessary funding to complete the project. • The project results in Council exceeding the Financial Strategy set out in the 2018-2028 Long Term Plan or the approved project budget. • The interest rates exceed those assumed in the business case.	market conditions immediately prior to the completion of the Business Case. • A robust and comprehensive funding strategy aimed at reducing liquidity risk (the risk of obtaining funding when it is required), exposure to interest rate changes (wholesale interest rates) and exposure to funding cost changes (the borrowing margin cost). • Early adoption of the funding strategy to reduce risk. • Ongoing interest rate risk management including active hedging strategies implemented and maintained.
Financial	• Capital cost overrun. • Lower than projected contributions from the Convention and Exhibition Centre. • Whole of life costs being higher than planned.	• The key financial risks arise out of the individual or combined risks noted above. The identified mitigations and a commitment to ongoing and pro-active risk management will be used to minimise the adverse effects of the risks identified and future risks. • Strong project governance and financial monitoring and reporting processes will be in place.
Commercial viability of the Exhibition programme	• The financial returns from the exhibition component are materially lower than projected. • A sustainable funding model for the attraction and development of exhibitions is not conceived and implemented at the outset.	• Flexibility and options around operating the convention and exhibition centre on an independent basis, in partnership with Te Papa, independently through a third party or through WREDA. • Option to either use the exhibition space for alternative revenue generating activity (post construction start). • The exhibition component established with appropriate access to funding to support exhibition attraction and development.

Urban regeneration	• The Business Case identifies Urban Regeneration of the surrounding precinct as a material upside and benefit from the project.
	• The expected regeneration does not occur and Exhibition Centre and the area remains a largely under-developed area of the city.
		• Discussions have been held with significant land owners in the precinct and they strongly indicate their intent to develop should the Council commit including:
		  • Reading Complex
		  • Chris Parkin (3 properties)
		  • Bay/West Plaza
		• The investment logic has been tested independently by urban

Risk Areas	Risk description	Risk mitigation
		planners – Landlab
Business Case	• The Business Case is not of sufficient quality to support the investment decision.	• The key inputs have been developed in a robust manner using appropriate independent expert advisors. • The Business Case is consistent with the Treasury Better Business Case model and approach. • The Business Case has been independently reviewed by PwC.
Market Demand	• There are risks associated with the significant and unprecedented investment in "new" convention and exhibition facilities. • The convention market place across New Zealand overdevelops supply with insufficient demand for each centre to be economically viable. • Projected international market growth doesn't eventuate resulting in insufficient business to economically sustain the Wellington facility.	• Well-designed flexible facilities without over-investing. • Independent assessment of the respective centres indicates the proposed Wellington centre will be more attractive than Christchurch and able to compete with Auckland. • The capital investments by Auckland and Christchurch will incentivise them to drive utilisation but heavy discounting is unlikely to be sustainable. • The Auckland facility is run by a Casino brand that will impact its desirability as a venue option for some buyers. • Wellington has inherent advantages as a convention destination and by adopting a co-ordinated city wide approach to bidding for events, it is better placed to attract and retain business than other centres. • A combined city approach will negate the potential for internal price discounting within Wellington which would undermine the long term viability of the venues.
Urban outcomes	• The building represents a very large scale structure occupying a significant footprint. • Convention centres are notorious for creating a poor urban environment with little activation outside of operating hours (predominantly working hours). • The proposed site is in an area where Council wishes to see greater levels of activation and urban growth, a poorly designed centre would be counter to this and may not result in the expected regeneration of this precinct.	• The design incorporates a large scale public thoroughfare connecting Wakefield Street and Cable Street. • The public thoroughfare is activated by a combination of a café and display windows. • The exhibition hall provides a counter balance to the convention activities activating the building on weekends and after work hours. • Convention business has a predominantly winter seasonality which is counterbalanced by the exhibition activities which while year round have higher visitation through the summer periods. • The exterior design of the building

Risk Areas	Risk description	Risk mitigation
		will be such that it is a feature in its own right during the day and at night.
Resilience	• Risks from natural disaster and climate change factors.	• The building will be an IL3 structure at greater than 100% of NBS. • The building will be base isolated. • The building will provide the City with a resilient large scale building with significant open plan floorplates able to be used in a natural disaster. • The floor level will be elevated a minimum of 850mm above ground level which will mitigate against flooding and sea-level rise. • Rain harvesting and back up water tanks can be incorporated to provide potable water, operate toilets and supply the fire systems in the event of any water supply issues. • The building will have a "plug in point" for an external generator which could be utilised in any disaster relief situation.
Crown Funding	• Risk that the expected funding of $25m from the Crown does not eventuate, or a lessor amount is received.	• Continued engagement at the highest levels between the Mayor and the Minister of Finance. • Strong business case to be presented to the Crown and MBIE officials. • Willingness and ability to accept smaller amounts rather than a single lump sum payment. • Alternative funding sources explored such as the potential for the bed tax.

Appendix B. Convention Centre Financial Operating Projections

Horwath Base Case Operating Scenario

Revenue projections

The Convention Centre is expected to generate revenue from four sources:

- Space rental revenue, where conventions and other business event organisers will rent the floor space within the Convention Centre. Assumed rental revenue ranges from $35,000 per day for large conferences (increasing by 1% per annum), down to $8,000 per day for smaller events (increasing by 1% per annum) which may occur concurrently.
- Catering revenue, expected to cover around half of the total revenue for the centre.
- Labour and general services, comprising a small portion of total revenue.
- Technical support services; these are expected to be subcontracted through an external provider, ranging from $35,100 per day for large conferences to $11,700 per day for smaller conferences (increasing by 4% per annum).

Revenue has been allocated on a per event day basis; The Table 37 below shows a breakdown of total revenue across revenue area and event type from the Horwath HTL Report. When the centre is operating at full capacity by year 7, the centre is expected to generate more than $36 million per year in revenue. In the business case, these

Table 37 Total venue revenue projections ($000)

$'000	*Yr 1*[1]	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
No. of Events per year	165	345	377	402	419	429	432	433	433	433
No. of Event Days per year	228	484	541	584	613	630	636	638	638	638
Analysis by revenue type:										
Space Rental Revenue	$2,125	$4,748	$5,757	$6,537	$7,041	$7,447	$7,725	$7,907	$8,059	$8,219
Catering Revenue	$4,699	$10,584	$13,007	$14,938	$16,339	$17,549	$18,332	$18,799	$19,175	$19,559
Labour & General Recoveries	$249	$558	$682	$780	$844	$897	$933	$957	$977	$997
Technical Services Revenue	$2,390	$5,324	$6,452	$7,382	$8,082	$8,720	$9,229	$9,638	$10,014	$10,404
Total Revenue	**$9,463**	**$21,214**	**$25,899**	**$29,636**	**$32,307**	**$34,613**	**$36,219**	**$37,301**	**$38,225**	**$39,179**
Analysis by event type:										
Conferences	$6,075	$13,761	$17,051	$19,549	$21,219	$22,792	$23,954	$24,677	$25,253	$25,845
Day Meetings	$1,144	$2,327	$2,416	$2,520	$2,629	$2,745	$2,868	$2,999	$3,138	$3,286
Trade Exhibitions	$242	$552	$694	$842	$928	$950	$972	$995	$1,019	$1,043
Banquets	$1,207	$2,830	$3,681	$4,425	$5,058	$5,543	$5,796	$5,955	$6,092	$6,233
Sundry Events / Meetings	$624	$1,323	$1,473	$1,629	$1,790	$1,888	$1,921	$1,954	$1,988	$2,023
Public Shows	$171	$421	$583	$672	$684	$696	$709	$722	$735	$749
Total Revenue	**$9,463**	**$21,214**	**$25,899**	**$29,636**	**$32,307**	**$34,613**	**$36,219**	**$37,301**	**$38,225**	**$39,179**
Average revenue per attende	*108.62*	*109.86*	*112.20*	*114.91*	*118.57*	*122.69*	*126.43*	*129.75*	*132.96*	*136.28*

Source: Horwath HTL, WCC Adjustments by six months

Variable operating costs

Three sources of variable operating costs relating to the convention venue have been identified:

- Catering costs, assumed to cover all catering preparation and service staff costs, food costs, and other direct catering consumables and expenses.
- Direct staff costs, reflecting additional services staff costs
- Technical services costs, including the costs of technical services provided by a third party provider, and also rentals of technical equipment.

The table below shows the expected profile of variable costs of the Convention Centre over the ten year period.

Table 38 Variable operating costs

$'000	*Yr 1*	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
Variable Catering Costs	$3,853	$8,620	$10,465	$11,951	$13,071	$14,039	$14,665	$15,039	$15,340	$15,647
Direct Staff Costs	$211	$471	$569	$643	$688	$726	$756	$775	$791	$807
Technical Services Costs	$1,792	$3,964	$4,740	$5,350	$5,777	$6,191	$6,553	$6,843	$7,110	$7,387
Total Variable Costs	**$5,857**	**$13,055**	**$15,773**	**$17,944**	**$19,536**	**$20,957**	**$21,974**	**$22,657**	**$23,241**	**$23,842**
% Total Revenue	*62%*	*62%*	*61%*	*61%*	*60%*	*61%*	*61%*	*61%*	*61%*	*61%*

Source: Horwath HTL, WCC Adjustments by six months

Fixed operating costs

Fixed operating costs are allocated over a range of areas, including:

- Overhead salaries & wages
- Staff costs & training; recruiting costs uniforms training and general support.
- Administration & general; accounting and other professional fees, IT, office software and licensing, security and other misc costs.
- Sales and marketing; direct convention centre costs including travel, online marketing etc.
- Cleaning and energy; contracted cleaning services, and utilities.
- Repairs and maintenance; routine maintenance of leased assets (does not include capital asset replacements).
- Contingency

The table below shows the total estimated fixed operating costs of the Convention Centre over the ten year period as estimated by Horwath HTL. In estimating these costs it has been assumed some synergies will be achieved with the operation of other Council owned venues and leveraging the existing management structures (shared management structure, back office, financial systems and booking systems).

Table 39 Fixed operating costs

$'000	*Yr 1*	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
Overhead Salaries & Wages	$750	$1,519	$1,557	$1,596	$1,636	$1,676	$1,718	$1,761	$1,805	$1,850
Staff Costs & Training	$38	$76	$79	$82	$85	$87	$89	$90	$92	$94
Administration & General	$425	$859	$876	$893	$911	$929	$948	$967	$986	$1,006
Sales & Marketing	$325	$661	$685	$708	$733	$757	$780	$803	$827	$852
Group Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cleaning	$175	$359	$377	$396	$415	$432	$445	$458	$472	$486
Energy	$300	$615	$646	$678	$712	$740	$762	$785	$809	$833
Repairs and Maintenance	$150	$303	$309	$315	$322	$328	$335	$341	$348	$355
Contingency	$125	$254	$261	$269	$277	$284	$290	$296	$302	$308
Total Fixed Operating Costs	**$2,288**	**$4,645**	**$4,789**	**$4,937**	**$5,091**	**$5,234**	**$5,366**	**$5,502**	**$5,641**	**$5,784**

Source: Horwath HTL, WCC Adjustments by six months

Pre-opening costs

The centre will incur costs prior to opening in relation to marketing, staff recruitment, training, operating process development, menu creation. It is estimated that these costs will be $1.6 million and run through to the first six month of Year 1 of operations (2022/23). Note these costs are also included in the “Other Operating Company Costs and Income” table below.

Table 40 Pre-opening costs

$'000	*Yr -3*	*Yr -2*	*Yr -1*	*Yr -0*	*Yr 1*	*TOTAL*
	2018/19	*2019/20*	*2020/21*	*2021/22*	*2022/23*	
Staff Costs	-	-	55	312	257	**623**
Sales and Marketing Costs	-	155	250	245	150	**800**
Operational Costs	-	35	45	78	68	**225**
Total Pre-opening costs	**-**	**190**	**350**	**634**	**474**	**1,648**
					Source: WREDA, WCC	

Other Operating Company Costs & Income

Aswell as pre opening costs noted above, also deducted from the Horwath HTL Gross Operating Surplus are the following:

- FF&E renewal reserve: calculated as 3% of gross revenue and used held by VW to use for all renewals and maintainence of FF&E to ensure kept to a high quality standard.
- FF&E Loan Interest: charges on the loan to WCC for the FF&E purchases (come back to WCC as income).
- Shared cost fee to VW: to account for any increased shared cost of their operations or structure that may result from managing new facility calculated as 2.5% of Gross Operating Profit. No other management fees for the centre have been provided for.
- Other Property Costs: to account for building services contracts, planned and reactive maintenance and additional energy costs (that increase in accordance with the event growth) over and above the budgets allowed by Horwath HTL in their fixed cost allowances.
- Naming rights: income expected for the commercial naming rights for the building as estimated by Gemba Australia and cross referenced to the value of the TSB Bank Arena and Convention Centre naming rights.

Table 41 Other Operating Company Costs & Income

$'000	*Yr -3*	*Yr -2*	*Yr -1*	*Yr -0*	*Yr 1*	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
	2018/19	*2019/20*	*2020/21*	*2021/22*	*2022/23*	*2023/24*	*2024/25*	*2025/26*	*2026/27*	*2027/28*	*2028/29*	*2029/30*	*2030/31*	*2031/32*
FF&E Renewal Reserve	-	-	-	-	284	636	777	889	969	1,038	1,087	1,119	1,147	1,175
FF&E Loan Interest	-	-	-	38	159	250	255	272	277	294	298	302	315	315
WREDA shared cost fee	-	-	-	-	33	88	133	169	192	211	222	229	234	239
Other property costs	-	-	-	-	113	297	429	537	621	659	669	679	689	699
CC Pre-opening costs	-	190	350	634	474	-	-	-	-	-	-	-	-	-
CC Naming rights	-	-	-	-	- 164	- 328	- 328	- 328	- 328	- 328	- 328	- 328	- 328	- 328
Net other operating costs	**-**	**190**	**350**	**672**	**898**	**943**	**1,266**	**1,538**	**1,731**	**1,874**	**1,947**	**2,000**	**2,056**	**2,100**
											Source: Horwath HTL, WCC, WREDA, Gemba			

Summary P&L for Convention Centre Operations

The assumptions and detail noted above is summarised in the table below to show the net operating surplus from the Convention Centre operations that is expected to flow back to Council to offset the property ownership costs of the building development.

Table 42 Summary P&L for Convention Centre Operations

$'000	*Yr -2*	*Yr -1*	*Yr -0*	*Yr 1*	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
	2019/20	*2020/21*	*2021/22*	*2022/23*	*2023/24*	*2024/25*	*2025/26*	*2026/27*	*2027/28*	*2028/29*	*2029/30*	*2030/31*	*2031/32*
Income	-	-	-	9,463	21,214	25,899	29,636	32,307	34,613	36,219	37,301	38,225	39,179
Variable Expenditure	-	-	-	5,857	13,055	15,773	17,944	19,536	20,957	21,974	22,657	23,241	23,842
Gross Operating Profit	**-**	**-**	**-**	**3,606**	**8,159**	**10,125**	**11,693**	**12,770**	**13,656**	**14,245**	**14,644**	**14,984**	**15,338**
Fixed Costs	-	-	-	2,288	4,645	4,789	4,937	5,091	5,234	5,366	5,502	5,641	5,784
Net Operating Profit	**-**	**-**	**-**	**1,318**	**3,514**	**5,337**	**6,756**	**7,680**	**8,422**	**8,879**	**9,142**	**9,343**	**9,553**
Other Costs & Income	190	350	672	898	943	1,266	1,538	1,731	1,874	1,947	2,000	2,056	2,100
Net Operating Surplus/(Deficit) to WCC	**- 190**	**- 350**	**- 672**	**420**	**2,571**	**4,071**	**5,217**	**5,949**	**6,548**	**6,932**	**7,142**	**7,287**	**7,454**
											Source: Horwath HTL, WCC		

Property costs

Property costs for the new venue comprise rates and insurance costs. Rates are estimated based on 2018/19 rates payable for the expected CV growth during construction, inflated by 3.8% per annum being the LTP average rates increase. Insurance is based on a quote by our insurers AON, inflated to 2022/23 dollars. The table below shows the profile of the estimated property costs for the venue.

Appendix C. Summary 25 Yr Financial Projections

Table 43 Summary Financial Projections, Pre-Opening Phase to Operating Year 10

Wellington Convention and Exhibition Centre	Construction Period				Operations Period									
FY YE 30 June:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project Year:	Y-3	Y-2	Y-1	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Building Ownership Costs:														
Interest - on construction cost	710,910	413,720	1,519,974	3,408,795	4,953,071	5,530,272	5,497,958	5,705,304	5,654,172	5,829,152	5,734,163	5,634,657	5,695,377	5,513,224
Interest - on FF&E Loan	-	-	-	37,875	158,850	249,600	254,800	271,700	276,900	293,800	297,700	301,600	314,600	314,600
Interest income from Operating Company	-	-	-	- 37,875	- 158,850	- 249,600	- 254,800	- 271,700	- 276,900	- 293,800	- 297,700	- 301,600	- 314,600	- 314,600
Depreciation Building	-	-	-	-	1,881,745	3,763,490	3,763,490	3,763,490	3,763,490	3,763,490	3,763,490	3,763,490	3,763,490	3,763,490
Total Depreciation + Interest	**710,910**	**413,720**	**1,519,974**	**3,408,795**	**6,834,816**	**9,293,762**	**9,261,448**	**9,468,794**	**9,417,662**	**9,592,643**	**9,497,653**	**9,398,147**	**9,458,867**	**9,276,714**
Rates	217,192	458,508	793,219	1,152,706	1,302,696	1,352,198	1,403,582	1,456,918	1,512,281	1,569,748	1,629,398	1,691,315	1,755,585	1,822,297
Insurance	-	-	-	-	145,178	301,389	312,842	324,730	337,070	349,879	363,174	376,975	391,300	406,169
Other building ownership costs/(revenue)	- 177,133	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Building Costs	40,059	458,508	793,219	1,152,706	1,447,874	1,653,587	1,716,424	1,781,648	1,849,351	1,919,627	1,992,572	2,068,290	2,146,885	2,228,466
Total Building Costs	**750,969**	**872,228**	**2,313,194**	**4,561,502**	**8,282,690**	**10,947,350**	**10,977,872**	**11,250,442**	**11,267,013**	**11,512,270**	**11,490,225**	**11,466,437**	**11,605,752**	**11,505,180**
Gallery/Exhibition Rental Lease Revenue	-	-	-	-	226,617	453,233	459,851	466,564	473,376	480,288	487,300	494,414	501,633	508,957
Exhibition Centre Working Capital Cost	-	-	-	- 27,843	- 13,898	23,736	16,985	13,775	10,892	7,946	4,887	1,952	832	- 1,692
Retail/Cafe Lease Revenue	-	-	-	-	85,375	170,750	173,243	175,772	178,339	180,942	183,584	186,264	188,984	191,743
Convention Centre profit/(loss)	-	- 190,000	- 350,000	- 672,050	419,985	2,571,043	4,071,018	5,217,109	5,948,885	6,548,275	6,931,815	7,141,995	7,287,004	7,453,712
Project cost to City (Rates Requirement)	**750,969**	**1,062,228**	**2,663,194**	**5,233,552**	**7,550,713**	**7,752,323**	**6,273,760**	**5,390,997**	**4,666,413**	**4,302,764**	**3,887,526**	**3,643,763**	**3,628,131**	**3,350,768**
Additional Rates Income	-	233,063	559,207	909,802	1,050,561	1,090,483	1,131,921	1,174,934	1,219,581	1,265,926	1,321,140	1,378,556	1,437,259	1,498,305
Net Project Cost to City (after growth impact)	**750,969**	**829,165**	**2,103,986**	**4,323,750**	**6,500,152**	**6,661,841**	**5,141,840**	**4,216,063**	**3,446,832**	**3,036,839**	**2,566,386**	**2,265,207**	**2,190,872**	**1,852,463**
Average per annum (from opening for first 10, and first 25 years)														**3,787,849**

Table 44 Summary Financial Projections, Operating Years 11 to 25

Wellington Convention and Exhibition Centre	Operations Period														
FY YE 30 June:	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Project Year:	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Y21	Y22	Y23	Y24	Y25
Building Ownership Costs:															
Interest - on construction cost	5,342,086	5,494,007	5,478,405	5,285,624	5,092,843	4,900,062	4,707,281	4,592,572	4,476,810	4,281,924	4,087,039	3,892,153	3,697,267	3,718,494	4,853,786
Interest - on FF&E Loan	315,250	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000
Interest income from Operating Company	-315,250	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000	-325,000
Depreciation Building	3,763,490	3,763,490	3,855,621	3,855,621	3,855,621	3,855,621	3,855,621	3,855,621	3,897,714	3,897,714	3,897,714	3,897,714	3,897,714	3,897,714	4,035,169
Total Depreciation + Interest	**9,105,576**	**9,257,497**	**9,334,026**	**9,141,245**	**8,948,464**	**8,755,683**	**8,562,902**	**8,448,192**	**8,374,524**	**8,179,638**	**7,984,753**	**7,789,867**	**7,594,981**	**7,616,208**	**8,888,955**
Rates	1,854,734	1,887,748	1,921,350	1,955,550	1,990,359	2,025,787	2,061,846	2,098,547	2,135,901	2,173,920	2,212,616	2,252,001	2,292,087	2,332,886	2,374,411
Insurance	413,399	420,758	428,247	435,870	443,628	451,525	459,562	467,742	476,068	484,542	493,167	501,945	510,880	519,974	529,230
Other building ownership costs/(revenue)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Building Costs	2,268,133	2,308,506	2,349,597	2,391,420	2,433,987	2,477,312	2,521,408	2,566,289	2,611,969	2,658,462	2,705,783	2,753,946	2,802,967	2,852,860	2,903,641
Total Building Costs	**11,373,709**	**11,566,003**	**11,683,623**	**11,532,665**	**11,382,451**	**11,232,995**	**11,084,310**	**11,014,481**	**10,986,493**	**10,838,100**	**10,690,536**	**10,543,813**	**10,397,948**	**10,469,068**	**11,792,596**
Gallery/Exhibition Rental Lease Revenue	518,016	527,237	536,622	546,173	555,895	565,790	575,861	586,112	596,544	607,163	617,970	628,970	640,166	651,561	663,159
Exhibition Centre Working Capital Cost	-1,823	-1,856	-1,889	-1,922	-1,957	-1,992	-2,027	-2,063	-2,100	-2,137	-2,175	-2,214	-2,253	-2,293	-2,334
Retail/Cafe Lease Revenue	195,156	198,630	202,165	205,764	209,427	213,154	216,949	220,810	224,741	228,741	232,813	236,957	241,174	245,467	249,837
Convention Centre profit/(loss)	7,537,127	7,666,598	7,808,298	7,952,520	8,099,309	8,248,711	8,400,772	8,555,540	8,713,063	8,873,389	9,042,513	9,208,598	9,377,640	9,549,690	9,724,803
Project cost to City (Rates Requirement)	**3,123,410**	**3,173,538**	**3,136,537**	**2,828,207**	**2,517,820**	**2,205,339**	**1,890,727**	**1,652,020**	**1,452,145**	**1,128,807**	**797,240**	**469,288**	**138,968**	**22,350**	**1,154,797**
Additional Rates Income	1,524,975	1,552,119	1,579,747	1,607,867	1,636,487	1,665,616	1,695,264	1,725,440	1,756,152	1,787,412	1,819,228	1,851,611	1,884,570	1,918,115	1,952,257
Net Project Cost to City (after growth impact)	**1,598,435**	**1,621,418**	**1,556,790**	**1,220,341**	**881,333**	**539,723**	**195,464**	**-73,420**	**-304,007**	**-658,605**	**-1,021,988**	**-1,382,322**	**-1,745,602**	**-1,895,765**	**-797,460**
Average per annum (from opening for first 10, and first 25 years)															**1,504,513**

Appendix D. Procurement Method Options

Construct only	Design & Construct	Managing Contractor	Construction Management	Directly Managed	Early Contractor Involvement	Alliance	Public Private Partnerships
Client led design with contractor subsequently engaged for construction works.	Client engages a contractor to both design and construct the project works	Client engages the head contractor who manages the development of design and delivery of the works on behalf of the client.	Client engages designer and trade contractors directly and also the construction contractor to manage construction.	Client directly manages the full delivery of the whole of the project works and procures services as required	Two stage process, client works together with design and construction contractors to develop design then agree price for delivery	The client and another party work collaboratively to deliver the project sharing risk and reward.	Client and private sectors parties work together to deliver the project with allocation of risks/responsibilities agreed between them
Best suited to use for routine and uncomplicated works of a small to medium size and duration ✘	Best suited to projects where there is a need for a high degree of cost certainty at the time of contracting. ✔	Best suited to projects of a specialised nature requiring significant specialist input. Completion is relatively more important to cost. ✘	Best suited to projects of a specialised nature requiring significant specialist input and the client has experience in project delivery. ✘	Best suited for minor works and/or emergency works. Client retains control of all aspects of the project ✘	ECI is suited to large and complex contracts where an early understanding of requirements can enable vfm ✔	Alliances are generally considered suitable for extraordinary projects where the scope is uncertain ✘	PPP's are suited to projects where the project is complex and there is an opportunity for the client to transfer risk ✘

✔ Options	Design & Construct	Early Contractor Involvement
Advantages	Construction can commence prior to detailed design sign off High potential for innovation in preliminary design High degree of cost certainty for both design and construction if used with a lump sum arrangement Contractor generally warrants the design's fit for purpose Reduced disputes as single point of accountability	Potential cost/time savings Opportunities for early innovation Less adversarial resulting in fewer variations/disputes Improved integration of design and construction Open book approach to costs allows value for money verification Flexibility in timing/planning Earlier dedication of construction resources Better understanding of risks
Disadvantages	Tender costs prohibitive Designers duty to the contractor not the client Quality outcomes are only as good as the clients project specified requirements; can result in claims and disputes Design changes can be complex and expensive Risk design adjusted to meet price Uncertainties at tender are reflected in the price	Potential disruption if stage 2 price not acceptable Relationship driven and changes to key personnel can impact project performance If designs are novated to the contractor then potential loss of source of advice

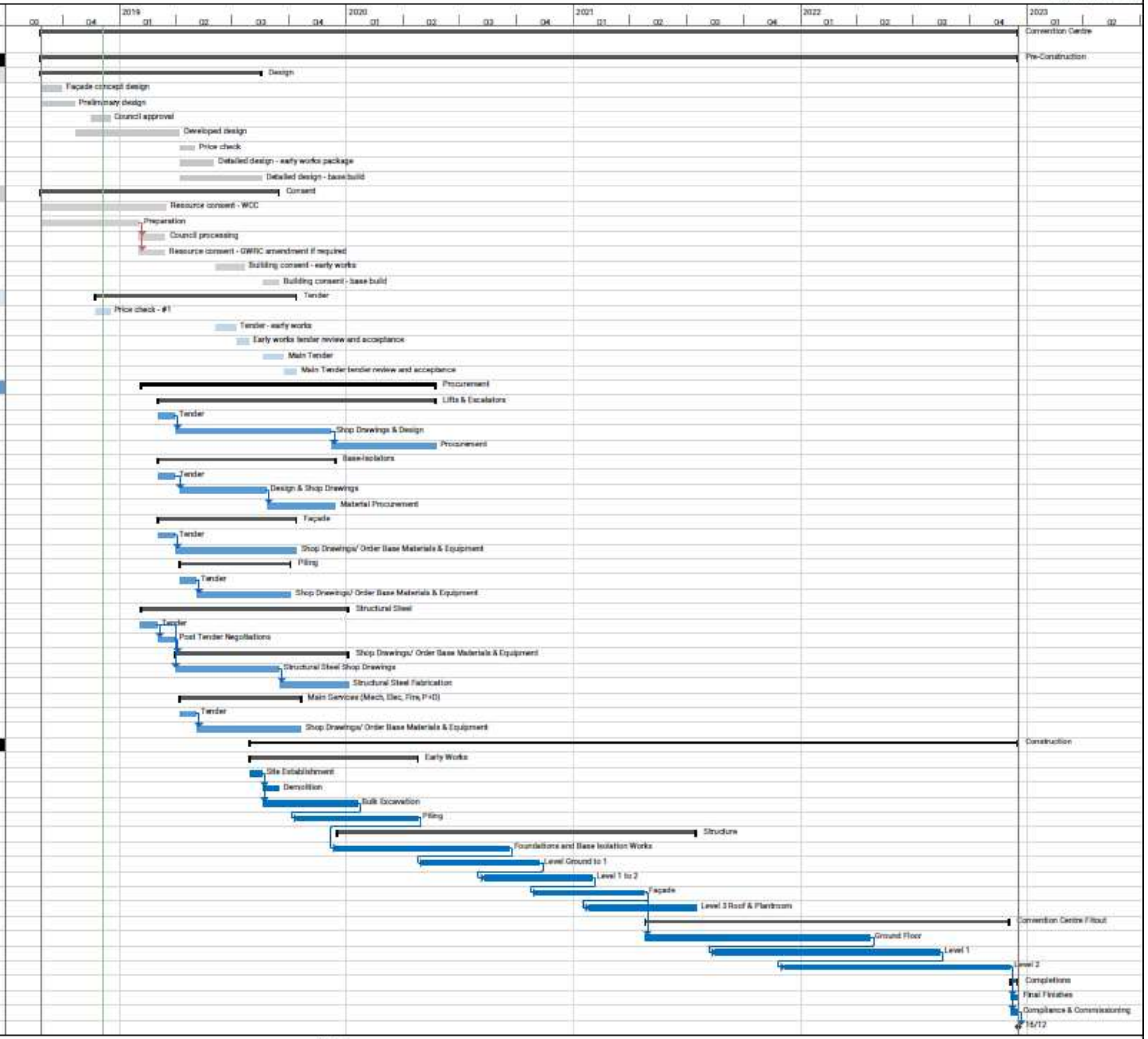
Appendix E. Construction Programme

Willis Bond & Co

CONVENTION CENTRE
PRELIMINARY PROGRAMME
REVISION 16.0, DECEMBER 2018

L.T. McGuinness

ID	Task Name	Duration	Start	Finish
1	Convention Centre	1125 days	Mon 27/08/18	Fri 16/12/22
2	**Pre-Construction**	**1125 days**	**Mon 27/08/18**	**Fri 16/12/22**
3	Design	255 days	Mon 27/08/18	Fri 16/08/19
4	Façade concept design	25 days	Mon 27/08/18	Fri 28/09/18
5	Preliminary design	40 days	Mon 27/08/18	Fri 19/10/18
6	Council approval	21 days	Fri 16/11/18	Fri 14/12/18
7	Developed design	119 days	Tue 23/10/18	Fri 5/04/19
8	Price check	17 days	Mon 8/04/19	Tue 30/04/19
9	Detailed design - early works package	40 days	Mon 8/04/19	Fri 31/05/19
10	Detailed design - base build	95 days	Mon 8/04/19	Fri 16/08/19
11	Consent	275 days	Mon 27/08/18	Fri 13/09/19
12	Resource consent - WCC	145 days	Mon 27/08/18	Fri 15/03/19
13	Preparation	114 days	Mon 27/08/18	Thu 31/01/19
14	Council processing	30 days	Fri 1/02/19	Thu 14/03/19
15	Resource consent - GWRC amendment if required	29 days	Fri 1/02/19	Wed 13/03/19
16	Building consent - early works	34 days	Tue 4/06/19	Fri 19/07/19
17	Building consent - base build	20 days	Mon 19/08/19	Fri 13/09/19
18	Tender	231 days	Fri 23/11/18	Fri 11/10/19
19	Price check - #1	16 days	Fri 23/11/18	Fri 14/12/18
20	Tender - early works	24 days	Tue 4/06/19	Fri 5/07/19
21	Early works tender review and acceptance	15 days	Mon 8/07/19	Fri 26/07/19
22	Main Tender	25 days	Mon 19/08/19	Fri 20/09/19
23	Main Tender tender review and acceptance	15 days	Mon 23/09/19	Fri 11/10/19
24	**Procurement**	**340 days**	**Mon 4/02/19**	**Fri 22/05/20**
25	**Lifts & Escalators**	**320 days**	**Mon 4/03/19**	**Fri 22/05/20**
26	Tender	1 mon	Mon 4/03/19	Fri 29/03/19
27	Shop Drawings & Design	9 mons	Mon 1/04/19	Fri 6/12/19
28	Procurement	6 mons	Mon 9/12/19	Fri 22/05/20
29	**Base-isolators**	**205 days**	**Mon 4/03/19**	**Fri 13/12/19**
30	Tender	1 mon	Mon 4/03/19	Fri 29/03/19
31	Design & Shop Drawings	5 mons	Mon 8/04/19	Fri 23/08/19
32	Material Procurement	4 mons	Mon 26/08/19	Fri 13/12/19
33	**Façade**	**160 days**	**Mon 4/03/19**	**Fri 11/10/19**
34	Tender	1 mon	Mon 4/03/19	Fri 29/03/19
35	Shop Drawings/ Order Base Materials & Equipment	7 mons	Mon 1/04/19	Fri 11/10/19
36	**Piling**	**128 days**	**Mon 8/04/19**	**Wed 2/10/19**
37	Tender	1 mon	Mon 8/04/19	Fri 3/05/19
38	Shop Drawings/ Order Base Materials & Equipment	5.4 mons	Mon 6/05/19	Wed 2/10/19
39	**Structural Steel**	**240 days**	**Mon 4/02/19**	**Fri 3/01/20**
40	Tender	1 mon	Mon 4/02/19	Fri 1/03/19
41	Post Tender Negotiations	1 mon	Mon 4/03/19	Fri 29/03/19
42	Shop Drawings/ Order Base Materials & Equipment	200 days	Mon 1/04/19	Fri 3/01/20
43	Structural Steel Shop Drawings	6 mons	Mon 1/04/19	Fri 13/09/19
44	Structural Steel Fabrication	4 mons	Mon 16/09/19	Fri 3/01/20
45	**Main Services (Mech, Elec, Fire, P+D)**	**140 days**	**Mon 8/04/19**	**Fri 18/10/19**
46	Tender	1 mon	Mon 8/04/19	Fri 3/05/19
47	Shop Drawings/ Order Base Materials & Equipment	6 mons	Mon 6/05/19	Fri 18/10/19
48	**Construction**	**886 days**	**Mon 29/07/19**	**Fri 16/12/22**
49	**Early Works**	**195 days**	**Mon 29/07/19**	**Fri 24/04/20**
50	Site Establishment	15 days	Mon 29/07/19	Fri 16/08/19
51	Demolition	20 days	Mon 19/08/19	Fri 13/09/19
52	Bulk Excavation	110 days	Mon 19/08/19	Fri 17/01/20
53	Piling	140 days	Mon 14/10/19	Fri 24/04/20
54	**Structure**	**415 days**	**Mon 16/12/19**	**Fri 16/07/21**
55	Foundations and Base Isolation Works	200 days	Mon 16/12/19	Fri 18/09/20
56	Level Ground to 1	135 days	Mon 4/05/20	Fri 6/11/20
57	Level 1 to 2	125 days	Mon 10/08/20	Fri 29/01/21
58	Façade	125 days	Mon 2/11/20	Fri 23/04/21
59	Level 3 Roof & Plantroom	125 days	Mon 25/01/21	Fri 16/07/21
60	**Convention Centre Fitout**	**420 days**	**Mon 26/04/21**	**Fri 2/12/22**
61	Ground Floor	13 mons	Mon 26/04/21	Fri 22/04/22
62	Level 1	13 mons	Mon 16/08/21	Fri 12/08/22
63	Level 2	13 mons	Mon 6/12/21	Fri 2/12/22
64	**Completions**	**10 days**	**Mon 5/12/22**	**Fri 16/12/22**
65	Final Finishes	10 days	Mon 5/12/22	Fri 16/12/22
66	Compliance & Commissioning	10 days	Mon 5/12/22	Fri 16/12/22
67	Conference Operating	0 days	Fri 16/12/22	Fri 16/12/22



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