
WELLINGTON TECH HUB

Purpose

This paper seeks endorsement from the Economic Growth and Arts Committee on the Wellington Tech Hub proposal set out in the attached business case.

Recommendations

That the Economic Growth and Arts Committee:

Receive the information.

Agree to support the Tech Hub proposal as outlined in Attachment One: Wellington Tech Hub Business Case.

Note that the Tech Hub proposal is consistent with the Council's Economic Development Strategy and the Council's Growth Agenda, which includes the creation of a technology precinct as one of its '8 Big Ideas'.

Note that the funding decision for this proposal will be made by the Funding Panel for the Wellington Economic Initiatives Development Fund.

Note that the funding decision made by Funding Panel will be subject to the Council confirming the funding proposed in the draft 2015-2025 Long Term Plan for the Wellington Economic Initiatives Development Fund.

Background

In January 2014, the Council announced an agenda for Economic Growth that consisted of '8 Big Ideas'. The development of a Tech Hub is one of these ideas.

Wellington has a significant density of high tech, rapid growth ventures and SMEs in the city. However, there is currently no central hub that serves as the "go to" place for new entrepreneurs, investors, international visitors and speakers, or for established businesses working on new ideas.

Discussion

The proposal is for the Council to partner with BizDojo, a private sector co-working hub provider, to establish a physical location that Wellington's innovative businesses in the tech sector can call home – whether through locating or showcasing their business there, attending or hosting events, or seeking resources and support to help their businesses be more successful.

The proposed Tech Hub will be located at 113 Tory Street (opposite Moore Wilson's) and will expand BizDojo's current operations to implement a schedule of programmes and activities designed to make starting and growing a technology company in Wellington easier, with a greater chance of success.

The proposed Tech Hub will be comprised of four key elements:

A dynamic set of activation programmes to increase the connectivity of Wellington's tech sector and supporting institutions to foster an inclusive and collaborative means of solving the challenges, and pursuing the opportunities, faced by Wellington's high tech firms.

A strategic communications, content, and marketing platform to provide Wellington's tech and innovation businesses with a platform to broadcast themselves throughout Wellington, New Zealand and the globe.

An events space and schedule in partnership with CreativeHQ that targets industry leading speakers (from New Zealand and around the world) and hosts events to bring together Wellington's tech and innovation community.

An open, accessible and inspiring physical environment that acts as a go to place for Wellington's entire tech sector to collaborate, share ideas and innovate.

With these elements combined, an environment will be created that acts as both a magnet to attract high tech firms, talent and investment to Wellington, and as a nucleus to stimulate greater collaboration, connectivity and innovation throughout the entire Wellington region.

Under the proposal, Council funding will be used to fund the non-commercial elements of the tech hub. This includes the activation programme development and coordination, and activation programme resourcing. The Council will also fund the accelerated fit out of the expanded space. The commercial elements of the tech hub, i.e. the co-working space, will be funded by BizDojo. This includes rent, overheads and maintenance for the entire tech hub space.

The contract will be for an initial three-year period and a full review and evaluation of the success of the Tech Hub to that point will be undertaken towards the end of that period.

Further detail on the partnership, operating model and financial implications for Council can be found in the attached business case.

Next Actions

A funding application will be presented to the WEID Fund Funding Panel to request approval for the funding outlined in this proposal, subject to the WEID fund (with sufficient budget) being approved as part of the Council's 2015-2025 Long Term Plan.

If funding is approved, the Tech Hub will likely commence the first phase of operations from 1 July 2015.

Attachments

Attachment 1. Wellington Tech Hub Business Case

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SUPPORTING INFORMATION

Consultation and Engagement

Consultation has been undertaken throughout the development of the tech hub proposal and stakeholder engagement will continue as the tech hub begins to develop.

Treaty of Waitangi considerations

N/A.

Financial implications

The Council's contribution towards the tech hub will be up to a maximum of \$3.2 million over three years. The funding decision will be made by the Funding Panel for the Wellington Economic Initiatives Development Fund. This decision will be subject to Council confirming the funding proposed in the draft 2015-2025 Long Term Plan for the Wellington Economic Initiatives Development Fund.

Policy and legislative implications

The Tech Hub proposal is consistent with the Council's Economic Development Strategy and the Council's Growth Agenda, which includes the creation of a technology precinct as one of its '8 Big Ideas'.

Risks / legal

Officers are receiving legal advice in drafting the terms and conditions of the partnership with BizDojo.

Climate Change impact and considerations

N/A.

Communications Plan

Officers are currently developing a communications plan for the Tech Hub initiative.

WELLINGTON TECH HUB SINGLE STAGE BUSINESS CASE

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

THE WELLINGTON TECH HUB PROPOSAL

1. In partnership with BizDojo, we propose to create the Wellington Tech Hub as a place for Wellington's innovative businesses in the tech sector to call home – whether through locating or showcasing their business there, attending or hosting events, or seeking resources and support to help their businesses be more successful.
2. The Tech Hub will be located at 113 Tory Street (opposite Moore Wilson's) at BizDojo's current premises. It is intended to comprise of a physical space, but primarily we would be purchasing a service. That service would be for BizDojo, under contract to the Council, to implement a schedule of programmes and activities designed to make starting and growing a technology company in Wellington easier, with a greater chance of success.
3. The Tech Hub would be comprised of four key elements:
 - **A dynamic set of activation programmes** to increase the connectivity of Wellington's tech sector and supporting institutions to foster an inclusive and collaborative means of solving the challenges, and pursuing the opportunities, faced by Wellington's high tech firms.
 - **A strategic communications, content, and marketing platform** to provide Wellington's tech and innovation businesses with a platform to broadcast themselves throughout Wellington, New Zealand and the globe.
 - **An events space and schedule in partnership with CreativeHQ** that targets industry leading speakers (from New Zealand and around the world) and hosts events to bring together Wellington's tech and innovation community.
 - **An open, accessible and inspiring physical environment** that acts as a go to place for Wellington's entire tech sector to collaborate, share ideas and innovate.
4. It is intended to develop the physical aspects of the tech hub in two phases. Phase one will develop 780 square metres of co-working space adjacent to BizDojo's existing tenancy. This will provide space for 160 desks, and will cater for tech businesses that range in size from 1-20 employees.
5. Phase two will provide an additional 1200 square metres, which can be used for programmes that require larger amounts of space, for example, the Wellington ICT Graduate School, a Google campus style tech café, and larger corporates.
6. Under this proposal, BizDojo will be responsible for the lease and operating costs of the physical hub space, once it is fitted out. The Council will not own the building, underwrite the

lease, or underwrite the core operating expenses of the Hub. The Council will be funding the activation programmes and an accelerated fit out of the additional space.

STRATEGIC CASE

7. The Tech Hub initiative has three key strategic rationales:
 - Primarily, it is a proposal to contribute to higher levels of economic growth for Wellington through making it easier to start and grow a technology company in the city. It will achieve this by facilitating connections between the tech sector and the tertiary, government, and corporate sectors in a coordinated and consistent manner. It is designed to raise the profile of Wellington in terms of innovation capability.
 - With tech hubs being established in Auckland and Christchurch, there is an opportunity associated with a "NZ Inc" position, particularly in attracting foreign investment or liaising with organisations like NZTE in international initiatives. A Wellington tech hub will allow Wellington to be part of that "NZ Inc" technology sector conversation.
 - There is also a protective aspect to the proposal, reducing the incentives for existing Wellington-based start-ups who desire a supportive tech hub environment to relocate to Auckland or Christchurch.

8. Stakeholder feedback in relation to this proposal has been positive and start-up and growth companies have expressed strong support for the initiative, believing that the precinct would provide opportunities for collaboration and increased collective strength in competitive, market and governmental offerings. Specific comments of support from anticipated partners for the hub, including Victoria University, Massey University, WelTec, ATEED, and Callaghan Innovation, are included in the Appendix.

ANTICIPATED BENEFITS OF THE TECH HUB PROPOSAL

9. There are a number of benefits associated with the development of a technology hub in Wellington; some are measurable and some are more qualitative in nature:
 - Contributing to economic growth for Wellington, through increasing the number of and success rate of technology start-ups in Wellington and associated job creation.
 - Attracting talent to Wellington.
 - Raising the profile of Wellington city internationally as a Smart Capital.
 - Increasing the amount of money being invested in Wellington technology companies.
 - Attracting local and overseas businesses and R&D facilities to Wellington.
 - Increasing innovation in Wellington companies.

- Reducing incentives for Wellington start-ups to relocate to Auckland or Christchurch.
- Improving proximity and opportunities for collaboration amongst start-ups and the wider industry, tertiary and government sectors.
- Encouraging the exchange of ideas and improved capabilities through creating new connections for entrepreneurs.
- Accelerating the growth and development of innovation from concept to market.
- Connecting successful entrepreneurs with new entrepreneurs, facilitating the passing on of experience and information to improve the success rates of new businesses.

FINANCIAL CASE

10. The Council's contribution towards the tech hub will be up to a maximum of \$3.2 million over three years. This is comprised of \$0.9 million of one off establishment costs and \$2.3 million of operational costs.
11. The Council funding will be used to fund the non-commercial elements of the tech hub. This includes the programme development and coordination, and programme resourcing. The Council will also fund the accelerated fit out of the expanded space. This will be in the form of a repayable grant, with forgiveness thresholds based on KPI achievement.
12. The commercial elements of the tech hub, i.e. the co-working space, will be funded by BizDojo. This includes rent, overheads and maintenance for the entire tech hub space. This is expected to be in excess of the proposed investment by Council.

BUSINESS CASE

THE WELLINGTON TECH HUB PROPOSAL

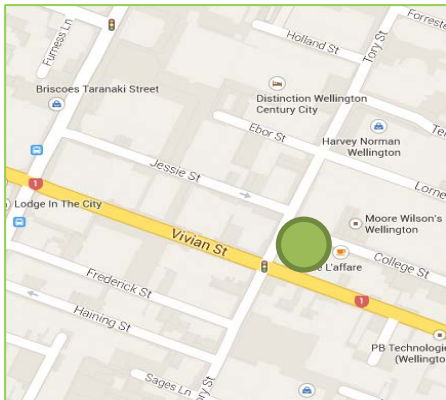
- 1. In partnership with BizDojo, we propose to create the Wellington Tech Hub as a place for Wellington’s innovative businesses in the tech sector to call home – whether through locating or showcasing their business there, attending or hosting events, or seeking resources and support to help their businesses be more successful.

BIZDOJO

- 2. BizDojo is a New Zealand owned company that has been developing and operating co-working and collaboration spaces since 2009. It houses over 80 resident businesses ranging in size from one to 20 staff. It is the operator of ATEED’s innovation hub, ‘GridAKL’; has partnered with the Chamber of Commerce and Industry Queensland to launch a series of active innovation centres throughout Queensland; and has been operating in Wellington since 2011.
- 3. It operates co-working spaces where entrepreneurs or businesses pay a monthly fee for either a permanent desk or a ‘hot’ desk. In Wellington, BizDojo currently offers 110 desks and is at full capacity, with a waitlist that would fill an additional 60 desks.
- 4. In addition to running co-working environments, BizDojo offers management and advisory services for government agencies (including MBIE, ATEED, Hutt City Council and Regional Development Australia); industry bodies (including the Chamber of Commerce and Industry Queensland); other co-working operators both in New Zealand and internationally; and large corporates (including ANZ and Auckland International Airport).
- 5. BizDojo has constructive existing working relationships with entities including Creative HQ, MBIE, ATEED, tertiary institutions, and a number of embassies. It also has a number of existing international relationships. These will be a valuable part of the Tech Hub as proposed.

THE PROPOSED WELLINGTON TECH HUB

- 6. The Tech Hub will be located at 113 Tory Street (opposite Moore Wilson’s) at BizDojo’s current premises.



7. The tech hub will provide an important 'front door' for Wellington based start-ups and entrepreneurs to access relevant support and resources, in addition to the existing CreativeHQ space in the Hope Gibbons building on the corner of Dixon St and Taranaki St.
8. The Wellington Tech Hub would be comprised of four key elements:
 - **A dynamic set of activation programmes** to increase the connectivity of Wellington's tech sector and supporting institutions to foster an inclusive and collaborative means of solving the challenges, and pursuing the opportunities, faced by Wellington's high tech firms.
 - **A strategic communications, content, and marketing platform** to provide Wellington's tech and innovation businesses with a platform to broadcast themselves throughout Wellington, New Zealand and the globe.
 - **An events space and schedule in partnership with CreativeHQ** that targets industry leading speakers (from New Zealand and around the world) and hosts events to bring together Wellington's tech and innovation community.
 - **An open, accessible and inspiring physical environment** that acts as a go to place for Wellington's entire tech sector to collaborate, share ideas and innovate.
9. With these elements combined, an environment will be created that acts as both a magnet to attract high tech firms, talent and investment to Wellington, and as a nucleus to stimulate greater collaboration, connectivity and innovation throughout the entire Wellington region.

WHAT COUNCIL FUNDING WILL DELIVER

10. While BizDojo currently runs a co-working space in the building and, indeed, operates an existing ('on a shoestring budget') events and support programmes for their tenants, the Tech Hub proposal will:
 - a. Implement the wider reaching, larger scale set of activation programmes, communications and content support, and curated events programme described above (and in more detail below) to increase the connectivity of Wellington's tech sector. *This is the foundation of the Tech Hub proposal.* These programmes will be designed to be affordable and accessible to Wellington start-ups in the tech and innovation sectors, regardless of whether they are physically located in the hub.

Examples are set out later in this section, but these programmes will be a structured and considered set of responses to alleviate some of the identified challenges or capitalize on identified opportunities for tech sector businesses (e.g. access to marketing channels, access to commercial grade prototyping equipment, maximizing opportunities to access international student skills, maximizing collaboration with the tertiary sector, access to focus groups, provision of showcase space etc.). The major proportion of costs in this

area relates to personnel to initiate and run the programmes.

The Council's investment is key in this area, as the benefits accrue to the entire sector (potentially to a number of sectors and the economy as a whole) and no one business could afford to provide a 'common good' to the extent envisaged for the Hub. These programmes will be available to tenants and non-tenants. They will be monitored on a continuous basis and will be adjusted to make the best use of opportunities identified to maximize the impact on the sector and the city.

- b. Significantly accelerate the timing of the Tech Hub's fit out. It is intended to develop the physical aspects of the tech hub in two phases.

Phase one will develop 780 square metres of co-working space on the first floor adjacent to BizDojo's current co-working space. This will provide space for 160 desks, and will cater for tech businesses that range in size from 1-20 employees.

The Council's funding will significantly accelerate the space's availability for the tech hub, making it available 18-36 months earlier than in the normal course of commercial operations. This space will allow for a different range of tech businesses to be co-located (those with 10-20 people, whereas BizDojo's current offering caters for 1-8 people businesses). Of the likely new 160 desks in this area, BizDojo already has demand for around 60 desks. This expansion is likely to materially and rapidly increase the physical connections and therefore collaboration in the sector. The tech hub proposal will allow this space to be operational within three to four months of funding approval.

Phase two will develop an additional 1200 square meters on the ground floor, which could be used for a different range of tenants to be co-located; for example, this space could allow for direct physical co-location with larger tertiary projects (e.g. ICT Grad School) and to potentially attract larger corporate tenants from outside Wellington. BizDojo will only rent the phase two space as part of the Tech Hub proposal.

11. Under this proposal, BizDojo will be responsible for the lease and operating costs of the physical hub space, once it is fitted out. The Council will not own the building, underwrite the lease, or underwrite the core operating expenses of the Hub. The Council will be funding the activation programmes and an accelerated fit out of additional space.

ACTIVATION PROGRAMMES TO FOSTER COLLABORATION IN WELLINGTON'S TECH SECTOR

12. Wellington has a comparatively successful, yet largely fragmented tech ecosystem. We have an abundance of talented people, businesses and institutions – however, at the moment we do not have a coordinated means of pulling these together to solve the challenges faced by, and the opportunities presented to, our tech sector.

13. For this reason, the primary role of the Tech Hub is to deliver a dynamic set of programmes that increase connectivity amongst technology companies, start-ups, entrepreneurs, tertiary institutions, scientists and supporting institutions (such as CreativeHQ and Callaghan Innovation) to offer our tech businesses the best possible chance of success.
14. Activation and support programmes will be tailored to pull Wellington's and New Zealand's expertise together to solve the key challenges faced by our tech sector and to pursue the opportunities that are emerging on the horizon. This means that rather than delivering a prescriptive set of activities, the tech hub will establish a small but flexible and expert team that has the knowledge and credibility to develop, deliver and adapt programmes to enable our businesses to confront sector challenges and pursue emerging opportunities. Programmes will be designed to be flexible and agile, in order to maximise the opportunities identified.
15. Based on the key challenges and opportunities currently presented to Wellington's tech sector, an indicative set of programmes have been already proposed and will be scaled and delivered upon the Tech Hub's establishment. These programmes will contain a mix of free and pay-for activities, which will be determined on a case by case basis. An overview of the indicative programmes is detailed in the table below.

Indicative Programme	What the Programme Involves	Challenge / Opportunity	Anticipated Outcomes
Tech sector engagement programme	<p>A general tech sector engagement programme will be delivered that is focused on facilitating connections and linkages in Wellington's tech ecosystem. Wellington has a significant amount of resources and supporting institutions available, however many start-up and early stage firms do not know they exist. This programme will increase the visibility of these resources and help make them more accessible to Wellington's tech firms.</p> <p>This includes access to resources such as CreativeHQ incubation, LightningLab acceleration, Callaghan Innovation R&D financial support, venture capital networks, and university academics and scientists.</p>	<p>Challenge:</p> <p>It is difficult for start-ups and high-growth firms to access the expertise, resources and support services distributed throughout Wellington.</p>	<p>Increased collaboration in Wellington's tech sector.</p> <p>Silos are reduced and networks become more visible to Wellington tech businesses.</p> <p>More visibility of the business support and growth resources already available in Wellington.</p> <p>Increased utilisation of Wellington's already publically funded supporting institutions, e.g. CreativeHQ and LightningLab.</p> <p>Ability to constantly monitor what gaps exist in the tech ecosystem and adapt tech hub programmes to suit.</p>
Capital raising and investment attraction programme	<p>We intend on developing a programme to assist Wellington based companies access the capital that is available internationally as well as in New Zealand.</p> <p>At the moment many of our start-up and early stage businesses lack the capability to successfully pitch to international capital markets. This programme will run modules help build this capability and will place entrepreneurs, venture capitalists and established innovators together to harness the expansive international networks that Wellington's tech ecosystem collectively holds.</p>	<p>Challenge:</p> <p>It is difficult for our start-ups to access the capital they require to scale up their businesses.</p> <p>Opportunity:</p> <p>BizDojo offers existing support for tenants to access Kickstarter, but this is currently on a small scale.</p>	<p>Increase the ability of Wellington's tech businesses to access the significant amount international capital available.</p>

International market access programme	<p>A market access programme that will provide companies the advice, assistance and resources they need to break through into international markets.</p> <p>In the first instance, the programme will focus on China, one of New Zealand's largest, yet largely untapped markets. The programme will provide an opportunity to utilise Wellington's significant Chinese student and graduate population by connecting them with emerging and established firms alike to reduce the language and cultural barriers that can impede a business's ability to establish themselves in the Chinese market.</p> <p>This programme will have close ties with Wellington's tertiary institutions and as it progresses we will seek opportunities to target additional major emerging markets, such as India and Israel.</p>	<p>Challenge:</p> <p>Many start-ups and high-growth companies struggle to get momentum in international markets.</p> <p>Opportunity:</p> <p>There is an untapped potential opportunity relating to access to skilled international students.</p>	<p>Provide Wellington businesses the capability and expertise required to access key international markets.</p> <p>Greatly decrease the language and cultural barriers to entry into new markets.</p> <p>Provide access to the funding opportunities that exist both in international markets that are largely untapped.</p> <p>Increase the talent pipeline by creating Wellington based opportunities for New Zealand's massive international student and graduate population.</p>
Prototyping and product development programme	<p>A prototyping programme which will facilitate affordable access to commercial grade product development facilities, such as the pilot labs that are available at Callaghan Innovation and at Victoria University and existing equipment at BizDojo. This will provide entrepreneurs, start-ups and established businesses alike the opportunity to develop, test and commercialise product ideas by eliminating the need to purchase expensive equipment that would usually be financially out of reach.</p>	<p>Opportunity:</p> <p>Wellington has a significant amount of underutilised labs, fabrication workshops and piloting facilities that could be utilised by emerging entrepreneurs to make innovative ideas a reality.</p> <p>BizDojo has one existing 3D printer and already collaborates with Victoria University in this regard, but there is a significant opportunity to scale this programme up.</p>	<p>Increased commercialisation of product ideas that may have otherwise been unfeasible.</p> <p>Creation of businesses that would not otherwise be pursued.</p> <p>Improved utilisation of the city's collective product development resources.</p>
Science and entrepreneur collaboration programme	<p>We intend on developing a programme in collaboration with Wellington's tertiary, science and research institutions to encourage collaboration between scientists who are constantly creating new technologies and entrepreneurs that have the know-how to transform these into commercial ventures.</p>	<p>Opportunity:</p> <p>Wellington and New Zealand has internationally renowned scientists whom if paired up with entrepreneurs could potentially transform scientific research and intellectual property into world class innovations.</p>	<p>Greater commercialisation of scientific breakthroughs and underutilised intellectual property</p>
NZ Inc. programme	<p>Wellington could lead the "New Zealand Inc." position by proactively encouraging greater collaboration between all of New Zealand's tech hubs. This would put Wellington in a leading position to connect with the Christchurch and Auckland tech hubs to collectively attract international investors, speakers and high profile tech and innovation people to Wellington and New Zealand.</p>	<p>Opportunity:</p> <p>Wellington could lead the "New Zealand Inc." position by proactively encouraging greater collaboration between the three New Zealand tech hubs.</p>	<p>Wellington and New Zealand will be placed on the international tech and innovation stage.</p> <p>Wellington businesses have greater access to international expertise, resources and capital.</p>

16. The above programmes will be designed with agility in mind, ensuring that they can respond and change to market needs. As such, these are just a snapshot and upon the establishment of the tech hub more detail will be developed. Furthermore, the tech hub programmes will be linked to Wellington's current service and programme providers, such as CreativeHQ, Lightning Lab, Callaghan Innovation and New Zealand Trade and Enterprise to enable the most cohesive, unified framework for Wellington tech hub programme delivery.

MARKETING, CONTENT AND COMMUNICATIONS PLATFORM

17. The Tech Hub will help to ensure that Wellington's tech and innovation businesses have a platform to broadcast themselves throughout Wellington, New Zealand and across the globe.

This will increase our tech business visibility, increasing their chances of success, and showcasing Wellington as a significant centre of tech innovation. This will also help attract new start-ups, international firms and investors into Wellington. To enable this, BizDojo will develop a strategic marketing and communications platform to:

- Showcase Wellington's capability, innovative businesses, entrepreneurs and success stories;
- Promote Wellington's tech companies, using the tech hub networks and channels to help those in the broader business ecosystem succeed;
- Attract overseas talent and businesses;
- Build awareness of the Tech Hub and an understanding of the value proposition across its various platforms of stakeholders;
- Grow the pipeline of start-up businesses in Wellington;
- Connect with the broader technology and innovation ecosystem and instil a sense of the tech hub being a place of value for them and "home" to connect with; and
- Communicate progress on what is happening and things that are coming up.

18. The platform will link with the campaigns delivered by CreativeHQ, PWT, and Grow – however, the tech hub will have the advantage of being very responsive and agile, with a close 'ear to the ground' with the tech sector and it will have significant flexibility in creating and delivering relevant content to represent Wellington's tech businesses.

LINK WITH CREATIVEHQ

19. CreativeHQ will be an important and involved partner with the hub, and the hub will support CreativeHQ in its aims to be the best incubator in New Zealand. Similarly, CreativeHQ will support the Tech Hub in its vision of making starting and growing a technology company in Wellington easier.
20. For Creative HQ, there will be no change to its existing core services, or to its physical space.
21. The intention is that the tech hub and CreativeHQ will complement each other. The tech hub should only overlap with CreativeHQ services when the services are being supplied by CreativeHQ in the tech hub or after discussion with CreativeHQ.
22. This opportunity is designed to create an exciting, connected joint events program and broader partnership, with an easy five minute walk between two important resource points for Wellington tech companies, comprised of:

- A jointly curated events program run across the hub and CreativeHQ venues by a dedicated events coordinator;
 - Collaboration between the two natural 'front doors' for Wellington entrepreneurs and tech start-ups;
 - Mutual referrals between the two spaces;
 - Opportunities for shared services or joint resources between the two to be discussed e.g., regional outreach, university and corporate collaborations;
 - CreativeHQ can suggest or bid to run specific activation programmes at the tech hub and BizDojo can engage CreativeHQ to run specific programmes; and
 - CreativeHQ may wish to lease space in the tech hub for specific programmes they run or are involved in.
23. The tech hub will also provide an excellent opportunity to work with Callaghan Innovation with a national view of the innovation eco-system in order to contribute to New Zealand's success with high-growth start-ups. In particular, Callaghan Innovation has confirmed that they see the hub proposal as very complementary to Callaghan's redevelopment of the Gracefield precinct.

EVENTS AND SPEAKERS SPACE AND SCHEDULE

24. Events will be held in both the dedicated tech hub event space and in CreativeHQ's event space. A joint strategy will be created to ensure that each venue hosts the most appropriate events and that connectivity between the two is streamlined and coordinated.
25. To support the Tech Hub's role as one of Wellington's 'go-to' places for innovators, a focussed event programme will be implemented in partnership with CreativeHQ as above. The event programme will draw on the shared knowledge and networks of BizDojo, CreativeHQ and the Council to leverage opportunities and curate an engaging and diverse calendar of events (for example, a number of embassies have expressed an interest in bringing speakers from within their various countries of origin).
26. Events to be held in the space are likely to include meet-ups, product launches, start-up competitions and hackathons, industry presentations, debates and social entrepreneurship forums. Events will be prioritised based on the ability they have to activate Wellington's innovation system. The space will also allow us to seize organic opportunities to host and promote relevant speakers as they arise and attract targeted guests from New Zealand and overseas.

AN OPEN, ACCESSIBLE AND INSPIRING PHYSICAL ENVIRONMENT

- 27. In order to deliver the programmes and create a “go to” place for Wellington’s tech ecosystem, an open, accessible and inspiring tech hub space will be developed.
- 28. As discussed above, we propose to develop the tech hub in a staged approach.

Wellington Tech Hub

600sqm of co-working space 110 desks Businesses with 1-8 employees	180 sqm event space	780 sqm of additional co-working space 160 Desks Businesses with 1-20 employees Events and activation programmes	1200 sqm of additional space ICT Graduate School Corporate presence for up to 30 employees Google campus style tech café
BizDojo’s current operations Focus of the space will immediately be reoriented to tech hub activities	Phase one of the Tech Hub Operational within 3-4 months	Phase two of the Tech Hub Operational within 6-12 months	

- 29. Since December 2014, BizDojo’s operations have been located in the Tory Street site. This consists of a 600 square metre co-working space, which accommodates 110 desks for businesses that range in size from 1-8 employees. It also contains 180 square metres of event space. It is intended that when the tech hub is operational, this space will be leveraged and utilised for tech hub activities from day one.
- 30. The remaining space will be developed in two phases. Phase one will develop an additional 780 square metres of co-working space. This will provide space for 160 desks, and will cater for tech businesses that range in size up to 1-20 employees. This space can be developed and be operational within 3-4 months of funding approval.
- 31. Phase two will develop an additional 1200 square meters, which will be used for programmes that require larger amounts of space such as the Wellington ICT Graduate School, a Google campus style tech café, and/or larger corporates.

STRATEGIC CASE: THE CASE FOR CHANGE

WHY A TECH HUB?

32. Wellington is New Zealand's Smart Capital, with a strong technology sector. In this context the Tech Hub proposal is aimed at exploiting Wellington's strengths to the best advantage for the city's economy rather than fixing a problem or filling a gap.
33. The Council has recognised the need to focus resources on stimulating economic growth and foster high tech industries in the strategic vision, 'Towards 2040: Smart Capital', the Council's Economic Development Strategy, and the Council's Growth Agenda, which includes the creation of a technology precinct as one of its '8 Big Ideas'.
34. The Tech Hub initiative has three key strategic rationales:
 - Primarily, it is a proposal to contribute to higher levels of economic growth for Wellington through making it easier to start and grow a technology company in the city. It will achieve this by facilitating connections between the tech sector and the tertiary, government, and corporate sectors in a coordinated and consistent manner. It is designed to raise the profile of Wellington in terms of innovation capability.
 - With tech hubs being established in Auckland and Christchurch, there is an opportunity associated with a "NZ Inc" position, particularly in attracting foreign investment or liaising with organisations like NZTE in international initiatives. A Wellington tech hub will allow Wellington to be part of that "NZ Inc" technology sector conversation.
 - There is also a protective aspect to the proposal, reducing the incentives for existing Wellington-based start-ups who desire a supportive tech hub environment to relocate to Auckland or Christchurch.
35. One of the critical conditions for success in high-tech industries is the opportunity for people to connect with each other, sharing knowledge and ideas, investment and pathways to international markets. The objective of the hub is to promote the concentration of technology based companies, education providers, funding organisations and entrepreneurs in a particular geographic area and to implement a schedule of programmes and activities designed to make starting and growing a technology company in Wellington easier, with a greater chance of success.
36. A 2014 BERL report undertaken for the Greater Wellington Regional Council looked at a scenario assuming that firms in the region, particularly in the IT sector, build connections, noting that "in most instances, these connections are currently weak, both in the Wellington region and nationally."
37. Within the national context, there is a good strategic fit with the Government's agenda. One of the work-streams in the Government's Business Growth Agenda is "Actions to Support ICT

Innovation” and in regard to the Christchurch innovation precinct, the Minister of Science and Innovation, Steven Joyce has stated "the establishment of the [tech start-up] hub will be instrumental in accelerating the development and success of start-up enterprises, within an environment that will encourage innovation and collaboration."

38. Stakeholder feedback in relation to the tech hub has been positive and start-up and growth companies have expressed strong support for the initiative, believing that the hub will provide opportunities for collaboration and increased collective strength in competitive, market and governmental offerings.

GLOBAL CITY

39. Wellington’s technology sector holds its own with respect to national comparisons, but that is of limited relevance in today’s global economy.
40. The advent of the ‘weightless’ economy (the ability to sell digital products and services that do not require land or sea transportation), provides opportunities and challenges. While our businesses have much better opportunities to operate and grow across the globe due to digital connectivity and have the potential to sell to any person across the world with access to the internet, it also means we are competing for that market with every other global city.
41. A tech hub gives us the opportunity to help our technology firms connect better globally and for our city to connect better globally.

EVIDENCE OF TECH HUB SUCCESS ELSEWHERE

42. The strong existing technology sector in Wellington (combined with the high level of desire from the city’s tertiary institutions to be affiliated with this proposal) should provide the conditions and the opportunity to have a truly successful Tech Hub in the city longer term. The Tech Hub case is clearly based on the principle of Wellington playing to its existing strengths as a city.
43. Much of the evidence on tech hubs is specific to individual initiatives; however, there are examples of the sort of impact hubs can have on start-up attraction, job creation, and success rates of start-up businesses. Case studies demonstrating the sort of positive impact a tech hub can have are discussed in the Appendix.
44. A 2013¹ report looking at tech hubs and the changes in tech start-up company density across a range of U.S. cities found that a number of the strongest performing cities either had a history of a strong technology sector or had already experienced strong technology start-up growth. The report noted that often the adoption of new entrepreneurship programs or hubs in many cities is perhaps more an indication of the underlying strength of the region and its base of talent on which those programs can build, and that ‘entrepreneurial spawning’

¹ Dane Stangler “Path-Dependent Startup Hubs: Comparing Metropolitan Performance: High-Tech and ICT Startup Density”; Kauffman Foundation; 2013

(entrepreneurs developing from previous roles in tech companies or universities) is the most fertile source of new entrepreneurs. This suggests an encouraging probability of success for a hub in Wellington.

ANTICIPATED BENEFITS OF THE TECH HUB PROPOSAL

45. There are a number of benefits associated with the development of a technology hub in Wellington; some are measurable and some are more qualitative in nature:

- Contributing to economic growth for Wellington, through increasing the number of and success rate of technology start-ups in Wellington and associated job creation.
- Attracting talent to Wellington.
- Raising the profile of Wellington city internationally as a Smart Capital.
- Increasing the amount of money being invested in Wellington technology companies.
- Attracting local and overseas businesses and R&D facilities to Wellington.
- Increasing innovation in Wellington companies.
- Reducing incentives for Wellington start-ups to relocate to Auckland or Christchurch.
- Improving proximity and opportunities for collaboration amongst start-ups and the wider industry, tertiary and government sectors.
- Encouraging the exchange of ideas and improved capabilities through creating new connections for entrepreneurs.
- Accelerating the growth and development of innovation from concept to market.
- Connecting successful entrepreneurs with new entrepreneurs, facilitating the passing on of experience and information to improve the success rates of new businesses.

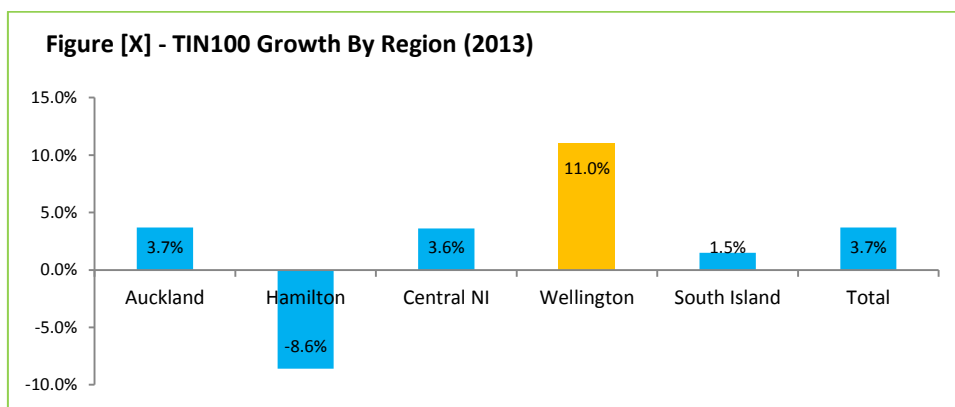
DEMAND / POTENTIAL BENEFITS RECOGNISED BY STAKEHOLDERS

46. As part of the initial development of this proposal, officers engaged with a wide range of stakeholders, including researchers, academics, growth businesses, investors and entrepreneurs, around the concept of and potential demand for a Tech Precinct. Stakeholder feedback in relation to this proposal has been positive and start-up and growth companies have expressed strong support for the initiative, believing that the precinct would provide opportunities for collaboration and increased collective strength in competitive, market and governmental offerings. Specific comments of support from anticipated partners for the hub, including Victoria University, Massey University, WelTec, ATEED, and Callaghan Innovation, are included in the Appendix.

ECONOMIC CASE

WELLINGTON CONTEXT

- 47. Wellington is New Zealand's Smart Capital, with the ICT sector accounting for 7.3% of the region's GDP. From special effects to accounting software, from cartography to mobile applications, we have smart people in smart companies choosing to connect to the world from right here.
- 48. According to MBIE's 2013 Regional Report, Wellington has the largest ICT employment concentration in New Zealand, with 3% of Wellington jobs being in the information, media and communications sector. This is compared to 2.8% in Auckland and 1.9% nationally. Wellington also has the highest concentration of web and digital companies in New Zealand.
- 49. Wellington's strength in this space is further evidenced by the number of companies listed in the 2013 Deloitte Technology Fast 500 Asia Pacific index (a ranking of the top 500 technology businesses based on revenue growth). Wellington has 16 firms positioned on the list, compared to 15 from Auckland, and six from Christchurch.
- 50. Additionally, more than half of the revenue growth of the Technology Investment Network's top 100 firms (TIN100) across the country came from the Wellington region in 2013. Revenues for the Wellington TIN grew 11% from 2012 – 2013, which equated to a \$135 million increase. This figure was significantly above the national average of 3.7%.



NEW ZEALAND AND INTERNATIONAL CONTEXT

- 51. A 2013 report² looking at the high-tech and ICT sectors in the United States found that “high tech and ICT firms have played outsized roles in entrepreneurship in the United States... After removing the job destruction from firm closures, the net job creation rate of surviving young high-tech and ICT firms is still more than twice that of businesses across the economy.”

² Ian Hathaway “Tech Starts: High-Technology Business Formation and Job Creation in the United States”; Engine and Kauffman Foundation; 2013

52. Studies have also shown that for every new tech job generated, an estimated four service jobs are created over time.³ This happens because the average tech salary is relatively high, meaning that workers have more disposable income to spend on personal and local services, and tech companies themselves engage a lot of local services. When these firms cluster, as in the case of the Tech Hub, more tech jobs are created in the long term further increasing the demand for service workers.
53. In the New Zealand context, the 2013 MBIE report on the ICT sector⁴ noted that one-third of the sector undertook R&D (four times the New Zealand average) and that wages and salaries in the ICT sector are twice the New Zealand average. The current value of exports attributed to the New Zealand digital economy is estimated at between \$1bn and \$2bn (depending on the definition used).

CURRENT STATE

54. Wellington has a significant density of high tech, rapid growth ventures in the city. However, there is currently no central hub that serves as the 'go to' place for new entrepreneurs, investors, international visitors, speakers and established businesses. The fragmented innovation ecosystem is reflected in the following:
- Inadequate flexible space exists for high growth start-ups to position themselves throughout the city.
 - Where space does exist, the focus is primarily on providing a shared-working area (e.g. desks, chairs etc.).
 - Networking events and opportunities for start-ups to reach out to the wider (investment) community both in New Zealand and globally are limited in their coordination.
 - Young entrepreneurs are not in a sustained development environment to support the transformation of their start-ups into commercial viable entities, unless they are part of the existing Creative HQ incubation programme.
 - There is a risk that local talent will migrate to Auckland and Christchurch where technology hubs have recently been established.
 - Wellington can, but has not, attracted world class R&D facilities of major international companies.

³ Hathaway (2012), "Technology Works: High-Tech Employment and Wages in the United States," Bay Area Council Economic Institute. See also Moretti (2013).

⁴ The New Zealand Sectors Report: Information and Communications Technology; MBIE; 2013

POTENTIAL ECONOMIC BENEFITS OF THE TECH HUB

55. As noted above, a number of international reports suggest that tech firms can play an outsized role in economic growth.
56. Case studies demonstrating examples of the type of positive economic impact a tech hub can have are discussed in the Appendix. For example, the longevity of start-up companies in the Communitech hub network in Waterloo, Canada is much higher than the industry average – 83% of start-up companies are still in business after five years compared to the global industry average of 45%.
57. More specifically to Wellington, a 2014 BERL report⁵ undertaken for the Greater Wellington Regional Council looked at a number of possible economic scenarios for the region. One of these scenarios, “Business and IT connections”, assumes that firms in the region, particularly in the IT sector, build improved connections “between the business and IT sector as well as tertiary institutes and the public and private sectors”. The report notes that “in most instances, these connections are currently weak, both in the Wellington region and nationally”.
58. While this Tech Hub proposal was not part of the specific assumptions considered under the BERL report, and is not meant to be precisely reflective of the scenario discussed above, the report provides an excellent high level indication of the potential economic impact on the region of this type of initiative.
59. Under this scenario’s assumptions, annual average GDP growth for the region could increase from 2.51% (the base line scenario) to 2.93% between 2013 and 2041. The potential incremental GDP impact for the region under this scenario (relative to the base line scenario) is \$28.7bn by 2041 or \$1.0bn per annum. Annual average employment growth in the communications and IT sector could increase from 0.93% (the base line scenario) to 2.93%, with flow-on benefits for sectors such as education, finance, and property.
60. BERL notes that this scenario is broadly consistent with the Wellington Regional Strategy focus area of ‘commercialisation of innovation’.

⁵ “Growth scenarios for the Wellington Region: Towards 2041”; BERL Economics; 2014

FINANCIAL CASE

FINANCIAL IMPLICATIONS – INITIAL THREE YEAR FUNDING

61. The Council's contribution towards the tech hub will be up to a maximum of \$3.2 million over three years. This is comprised of \$0.9 million of one off establishment costs and \$2.3 million of operational costs.
62. The Council funding will be used to fund the non-commercial elements of the tech hub. This includes the programme development, resourcing, and delivery. The Council will also fund the accelerated fit out of the expanded space. This will be in the form of a repayable grant, with forgiveness thresholds based on KPI achievement.
63. The commercial elements of the tech hub, i.e. the co-working space, will be funded by BizDojo. This includes rent, utilities, overheads, and maintenance for the entire tech hub space. This is expected to be in excess of the proposed investment by Council.
64. It should be noted that BizDojo's commercial co-working space is likely to have a greater value proposition due to its affiliation with the tech hub. However, officers believe this is balanced as BizDojo is bearing the risks and costs associated with leasing the building, owning the infrastructure and managing the tech hub. Additionally, the Council and the tech hub itself also benefits from its affiliation with BizDojo. BizDojo has extensive networks already established, is operating in Auckland and Queensland, and has a high reputation in the tech sector.

BEYOND THREE YEARS

65. The initial tech hub funding request would be for the three-year period from 2015/16 through 2017/18, with a three-year contract in place.
66. Within the third year of the initial three-year period, there will be a full review of the hub's success, including an economic impact assessment, a review of which programmes have become financially self-sustainable, a review of corporate sponsorship achieved, an analysis of the hub's broader contribution to the economy and the city, and an analysis of how well the hub has met its objectives. At that point, the Council will be able to decide whether to continue funding beyond the initial three-year period.
67. Longer term, the Council's funding contribution is likely to be reduced through the attraction of corporate sponsorship. Based on BizDojo's experience with Auckland's tech hub, when there is certainty in the sector that the tech hub is going ahead, sponsorship becomes more easily attracted, although typically requires a 6-12 month lead-in time. It is probable that BizDojo will be able to attract tech hub related corporate sponsorship following the establishment of phase one, including any of technology donations, technical infrastructure and/or event or programme sponsorship.

68. If the hub is successful and the Council wishes to continue, ongoing programme funding beyond the initial three-year period is likely to be required. By year four, the Council should have significantly improved visibility on the hub's sponsorship model, which programmes have become financially self-sustainable, and the level of anticipated repayments expected from BizDojo under the fit out repayable grant structure. This will provide greater certainty around the options in respect of ongoing funding.

WEID FUND AVAILABILITY

69. The primary goal of the WEID fund is to support proposals that are likely to deliver economic development outcomes to the city and fit within the Council's strategic priorities. The guidelines for fund eligibility include:

- Supporting Initiatives that:
 - Facilitate opportunities that enlarge the city's business footprint;
 - Build Wellington's reputation as an easy place to do business;
 - Create/protect jobs in professional and innovative high tech industry;
 - Enhance the image of Wellington as a centre of excellence for innovation and professional services; and
 - Contribute to the city's long-term economic growth aspirations.
- Supporting Partnerships that:
 - Commercialise innovative ideas;
 - Share expertise and resources on opportunities that lead to improved economic growth;
 - Share expertise and resources on opportunities that lead to better value services for local government; and
 - Encourage joined up approaches that contribute to long term economic growth.

70. The Tech Hub proposal will apply to the Wellington Economic Initiative Development (WEID) fund's Funding Panel for funding approval. Assuming the WEID fund funding is approved as part of the Council's Long Term Plan (LTP) process and the Funding Panel approves the application, funding for the Tech Hub will be available from 1 July 2015.

MANAGEMENT CASE: PLANNING FOR SUCCESSFUL DELIVERY

PROJECT MONITORING AND EVALUATION

- 71. The Council will provide the oversight of the tech hub contract, with support and advice from a stakeholder advisory group. The Council will retain decision making rights regarding the tech hub’s focus and strategic direction; however, will receive feedback and guidance from the advisory group.
- 72. Regular updates will be provided to the Council on the hub’s performance and will allow for the adjustment of programmes and monitoring of performance, with decisions made in conjunction with BizDojo in this regard.

IMPLEMENTATION TIMELINE

73. The table below sets out an indicative timeline. This is subject to discussion and final agreement with BizDojo.

	2015/16				2016/17				2017/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase 1 Physical Development												
Develop programmes (resourcing and programme delivery)												
Deliver programmes and events												
Phase 2 Operating Model Development												
Phase 2 Physical Development												
Phase 2 Operational delivery												
Economic assessment of the hub												

PERFORMANCE MEASUREMENT

- 74. The key performance metrics will be agreed with BizDojo as part of the contract agreement process.
- 75. Some indicative performance measures of the type that may be used are set out below:
 - Overall resident satisfaction with the tech hub.
 - Perception of stakeholder connectivity in the wider eco-system through a survey conducted by Council.
 - Number of businesses affiliated with the tech hub.
 - Tech hub tenant mix e.g. tertiary, entrepreneurs, corporates and research organisations.

- Level of corporate sponsorship obtained.
- Number and type of events held.
- Quality of events held through an attendee survey conducted by BizDojo and reported to Council.
- Employment growth of businesses affiliated with the tech-hub.
- Organisations that have exited the tech-hub and the rationale (deeper understanding of the rationale will help Council to understand areas where additional ongoing improvement can be focussed) e.g.:
 - Business growth (i.e. that they have “out-grown” the tech-hub).
 - Under-performance (i.e. if their business model has not resulted in success or ongoing vitality).
 - Under-investment (i.e. if they are not able to secure ongoing investment to ensure viability).
- Level of private funding invested into start-ups affiliated with the tech hub.
- Business performance (e.g. revenue, growth, employment rates, export growth) of hub residents and alumni against baseline.

RISK MANAGEMENT

76. A risk analysis has been undertaken and appropriate risk management actions identified. If the tech hub is approved, BizDojo’s Wellington Regional Manager will be responsible for the upkeep and accuracy of a risk register and issues register and will provide regular reports on this to both BizDojo and the Council. There will be an agreed communications plan between the Council and BizDojo, based on the “no surprises” principle in relation to the tech hub. Any escalation of issues will occur through existing internal reporting channels.

PROCESS FROM HERE

77. We are finalising the commercial dynamics to be reflected in the contract, including (but not limited to):

- The respective roles and responsibilities of both BizDojo and Council, including the recognition of Council support;
- Expected performance levels, including expected milestones and timelines;
- The monitoring and evaluation framework, including threshold performance levels as relevant, the framework for making programme adjustments as relevant, and any governance arrangements;
- Details in relation to the funding, timing of payments, duration of the contract, and exit clauses;
- Arrangements for the resolution of disputes and disagreements between the parties; and
- Compliance with appropriate regulations, treatment of IP rights, operational and contract administration, risk management procedures, and assignment rights.

78. Upon Economic Growth and Arts Committee endorsement of this proposal, a funding application will be presented to the WEID Fund Funding Panel to request approval for the funding outlined in this proposal, subject to the WEID fund (with sufficient budget) being approved as part of the Council's 2015-2025 Long Term Plan.

APPENDICES

APPENDICES

APPENDIX A: TECH HUB CASE STUDIES

79. Other cities in New Zealand (e.g. Christchurch and Auckland) and around the world (e.g. Waterloo, Barcelona and Boston) have recognised the benefit of the clustering of technology based companies, education providers, funding organisations and entrepreneurs in one building or small geographical area. A summary of the key benefits in each of the locations is outlined below.

Christchurch Innovation Precinct

80. The Ministry of Business, Innovation and Employment (MBIE), in partnership with Canterbury Development Corporation (CDC) and the Canterbury Earthquake Recovery Authority (CERA) have established a 3.6 hectare innovation precinct in Christchurch's CBD. The precinct has an ICT focus and has brought together businesses, entrepreneurs and professional service providers; and will also be the location of the Christchurch based ICT Graduate School.
81. The precinct is currently home to the EPIC Centre, a shared working space for high-tech SME businesses; has attracted Vodafone, Wynyard Group and Kathmandu; and in April will open a tech start-up hub, which will provide a co-working environment, as well as events and activation programmes for the whole innovation precinct.
82. MBIE, NZTE, CDC and the Christchurch City Council have provided financial support for the development of the EPIC centre and the start-up hub.
83. The Minister of Science and Innovation, Steven Joyce has stated:
- "The establishment of the [tech start-up] hub will be instrumental in accelerating the development and success of start-up enterprises, within an environment that will encourage innovation and collaboration."
 - "Early-stage and start-up businesses are typically the generators of new ideas, and alongside larger firms with established market presence, will be a key component of the Precinct's critical mass of innovative firms."
 - "These enterprises will benefit from being located alongside large companies and growth companies such as Vodafone and Kathmandu, supporting agencies such as Callaghan Innovation and NZTE, and the new ICT graduate school".

GridAKL – Auckland's Innovation Precinct

84. Auckland Tourism, Events and Economic Development (ATEED) in partnership with Waterfront Auckland, have established a tech innovation hub in Auckland's Wynyard Quarter. Its aim is to become the innovation hub of the Asia-Pacific region in order to grow Auckland's high tech economy. The hub opened in March 2014 and is already at capacity, with a second

phase opening early in 2015. BizDojo and Icehouse have partnered to operate the hub and deliver a co-working environment, as well as an events and activation programme. Already over 50 events have been held at the hub, including high profile international speakers such as Arianna Huffington, Summer of Tech, and Start-Up Weekend.

85. GridAKL is part of a \$20 million multi-year Auckland Council investment in an innovation precinct for ICT and digital media companies.
86. ATEED chief executive Brett O'Riley has stated:
 - "GridAKL will be a catalyst for Auckland developing more innovation-based entrepreneurs who can spark off each other in a world-class environment."
 - "GridAKL will [also] become a showcase of Auckland's innovation and attract international investment and high-tech companies."

Communitech Hub, Waterloo, Canada

87. Communitech is a government and private sector supported innovation hub in Waterloo, Canada, which provides 15,000 square metres of space for collaboration and innovation. The hub brings together start-ups, multinationals, government agencies, academic institutions, tech incubators and accelerators.
88. Within three years, the hub helped create 863 new start-ups and attracted \$350 million in equity investments for its resident companies. Additionally, the longevity of start-up companies in the Communitech network is much higher than the industry average – 83% of start-up companies in the Waterloo Region ecosystem are still in business after five years compared to the industry average of 45% in other global locations. ***Testament to Communitech's success is the fact that Google has recently built their largest campus outside of the United States directly opposite Communitech hub.***

22@Barcelona, Barcelona

89. 22@Barcelona is an innovation precinct established in Barcelona's CBD during 2000 and is continuing to expand. Barcelona's initiative is a much greater scale to what the tech hub proposes, however, it illustrates how a coordinated precinct can attract high-tech firms and start-ups in order to catalyse economic growth.
90. It is estimated that 4,500 new companies have moved to 22@Barcelona since 2000, nearly half of which are start-ups. Over a quarter of companies in 22@ are knowledge-intensive and three out of ten companies created after 2000 are knowledge or technology-intensive. The estimated number of workers in the precinct is currently 90,000 (excluding freelance workers). This represents a 62.5% increase over the 15 years since establishment.

Boston Innovation Precinct

91. During 2010, Boston city developed a precinct for innovation and entrepreneurship in the city's underutilised Seaport. It was recognised that although Boston had a strong regional knowledge base and reasonably sound infrastructure, the city lacked a world-class research engine and coordinated cluster of firms.
92. Since its establishment, more than 200 technology, life science and innovative companies have moved into the precinct, adding over 6,000 jobs to the city. The precinct is home to MassChallenge, the world's largest start-up accelerator, provides a co-working office space environment and provides access to grant financing to start-up firms from around the globe.

Toi Pōneke Arts Hub, Wellington

93. An existing comparable Council-funded initiative is the Toi Pōneke arts centre, where Council has provided a subsidised venue and services to the residents for nine years (with a net budget of typically around \$750k a year). At a practical level, Toi Pōneke provides affordable, co-located facilities for about 85 artists, creative businesses and arts organisations. The studio and office spaces are in high demand, with an average occupancy rate over the last five years of 99% for tenancies and 98% for studios.
94. There have been many examples of artists using Toi Pōneke as a springboard for further growth. For example, Johnson Witehira exhibited at Toi Pōneke Gallery at the beginning of 2013 and has since gone on to win a commission to show his work alongside two other NZ artists at Times Square in NYC. Toi Pōneke provided a springboard for Johnson's creative practice and pushed it into a fine art context; he comments that "*The team here provided me with guidance and support through the entire process. Prior to this show I had little understanding of the logistics surrounding such an event, from budgeting and promotion through to organising the actual opening night. My experience at Toi Pōneke has been invaluable to me as an artist.*"
95. The 2014 Council review of Toi Pōneke found that it is a popular space to work in and the incubation options provided by Toi Pōneke are highly valued. Many of the participants surveyed felt Toi Pōneke had facilitated collaboration amongst users and it was acknowledged that it provides a variety of information about the arts and physically locates artists and arts organisations together. An opportunity identified in the Council review was that resources allocated to activation at the space, in addition to the physical facilities, could significantly increase the value of the centre to residents in this regard. In relation to the tech hub proposal, this feedback reiterates the importance of having a considered and dynamic activation programme in addition to a physical co-location space in order to maximise the benefits of the hub.

APPENDIX B: DEMAND / POTENTIAL BENEFITS RECOGNISED BY STAKEHOLDERS

96. As part of the initial development of this proposal, officers engaged with a wide range of stakeholders, including researchers, academics, growth businesses, investors and entrepreneurs, around the concept of and potential demand for a Tech Precinct. Feedback was sought from a wide range of organisations, including, among others: Xero, Movac, Kiwi Landing Pad/Generator, Datacom, Willis Bond, The Wellington Company, Wellington Employers Chamber of Commerce, Weta Workshop, 212 Equity, MFAT, GitHub, VicLink, Free Range, Enspiral, SAP, Microsoft, Psoda, Story Box, RabidIT, Twingl, Empathy Design, TedX, Tradeintel, Glassjar, Absolute IT, Gibson Group, SparkBox, Powerhouse, Alactel Lucent, NEC, Deloitte, Telecom Digital Ventures, Fujitsu, Boost New Media, and Silverstripe.
97. Stakeholder feedback was positive and start-up and growth companies expressed strong support for the initiative, believing that the precinct would provide opportunities for collaboration and increased collective strength in competitive, market and governmental offerings.
98. Anticipated benefits identified by specific stakeholders include:
- Victoria University (VUW) is highly supportive of the proposal. They have noted they “welcome a collaborative approach to launching, operating and populating the Technology Hub.” VUW (through Viclink) has already proposed the Prototyping Facilities Access program included in the indicative programme and has requested that they be actively included in opportunities (if the Hub proposal is approved) to suggest or participate in or help run relevant activation programs.
 - Callaghan Innovation notes that “a Wellington Technology Hub would allow Callaghan to easily interact through one entity and provide opportunities for collaboration with our existing network of Incubators (Creative HQ) and Accelerators (Lightning Lab). Working together in the innovation eco-system and creating linkages with existing players gives NZ the best chance of success with high-growth start-ups. We have the ability to be supportive through a number of activities, services and programmes designed to assist the start-ups on their pathway to success. The Hub would be perfectly complementary to Callaghan’s redevelopment of the Gracefield precinct into an innovation melting pot for our own research teams and like-minded tenants.”
 - Massey University’s College of Creative Arts has noted that it believes that “this partnership is extremely well placed to work collaboratively to successfully launch, operate and populate the Technology Hub” and supports the proposal.
 - WelTec is supportive of this proposal and has noted that it could be “part of a larger developing relationship where WelTec and the BizDojo are exploring further opportunities

for collaboration with a focus on economic development and business growth within the Wellington region.”

- NEC sees the establishment of a tech hub in Wellington “as a way to help increase engagement with the greater Wellington region business sector. The opportunity for NEC is the ability to identify business opportunities and entrepreneurs that will collectively benefit from a relationship with us, engage with them at an early stage, and assist with global aspirations.”
- 3Months (potential tenant) notes that they believe “there are huge benefits to the region if this is done right. Given BizDojo’s experience in other parts of the country (we are now part of GridAKL) we believe they are well placed to do a great job.”
- Rollo Wenlock, founder & CEO of Wipster, a young entrepreneur who won last year’s competition to attend Start-up Tel Aviv, notes that “a startup can be dramatically accelerated when put into a highly connected and positive environment. I think the Hub has a great chance of doing this.”
- Marcel van den Assum (investor, Chair of Greenbutton and Flick and other Wellington start-ups) comments “bring on the Wellington Tech Hub to showcase business momentum in the same way the stadium is a mecca for sports and Te Papa an iconic touchstone for art and culture. Let’s raise the profile of innovation and entrepreneurship, fundamental to our economic and social wellbeing, at least to the level of entertainment and education!”
- Citylink have stated: “we would be delighted to be associated with the convergence of the best in technology from New Zealand and globally into Wellington with the first of its kind Technology Hub in New Zealand.”
- ATEED is supportive of the proposal and has committed to working with the Wellington Tech Hub. ATEED notes that they “see many opportunities for how the Wellington Tech Hub and GridAKL can work together. This includes sharing best practice, knowledge, and expertise; working together to create a vibrant innovation eco-system in New Zealand; and importantly providing a cohesive environment in which businesses can access capital, resources, talent and skills to enable them to commercialise their ideas and grow.”

APPENDIX C: PROCESS TO DATE

99. The concept of a tech precinct in Wellington has been under consideration for a number of years in various forms, and was noted in the Council's "An economic growth agenda for the city: 8 Big Ideas" in January 2014.
100. After an extensive period of initial stakeholder consultation, it was recognised that there was considerable stakeholder support for the vision and there was a need for specific market information in order to ascertain broad options and consider a business case.
101. On 2 September 2014 the Economic Growth and Arts Committee Council endorsed the recommendation to run an Expression of Interest (EOI) process in order to inform further work on a Tech Hub proposal.
102. In October 2014 Council sought innovative ways to establish, deliver and operate the Tech Hub through an open EOI process.
103. This EOI acted as a pre-qualification stage – inviting suppliers to submit a response for the establishment and ongoing operation of the Tech Hub. This allowed Council the flexibility to either compile a shortlist of suppliers to participate in a Request for Proposals process, or commence direct negotiations with a supplier should the submissions highlight a preferred partner.
104. Council received six expressions of interest from a mix of tech companies, property related companies and hub operators.
105. The submissions were evaluated against the following selection criteria:
 - Previous and current performance.
 - Knowledge and experience.
 - Customer service.
 - Subcontractors.
 - Strength of proposed solution.
 - Innovation of proposed solution.
 - Local economy contribution.
 - Budget forecast.
 - Physical space, infrastructure and support.
 - Operational timeframes.

- Financial sustainability.
106. The evaluation panel was comprised of representatives from the Council (City Growth and Partnerships and Business Information and Technology) and Grow Wellington, and was facilitated by the Council's Procurement business unit.
107. The evaluation panel assessed each submission against the above evaluation criteria and reached a clear and unanimous preferred response in the BizDojo submission. Given this context, the panel's recommendation was to proceed to direct discussions with this submitter, rather than risking other submitters' wasting their time and cost on a further Request for Proposals process.
108. The assessment of the BizDojo submission was significantly higher than the other suppliers, reflecting:
- A strong level of alignment to Council's objectives;
 - Demonstration of previous similar success; and
 - A high level of partnership demonstrated by letters of support from a number of tertiaries and companies, including from an existing hub the company operates.
109. The Council initiated direct discussions with BizDojo which have resulted in this proposal.