



**CIVIC ADMINISTRATION BUILDING** | Location assessment | January 2019

DRAFT FOR DISCUSSION

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This single-stage business case assesses the location options for a new Civic Administration Building (CAB) for the Taupō District Council, and makes a recommendation based on assessment of the financial and non-financial factors.

Since vacating the previous facilities at 72 Lake Terrace due to earthquake and asbestos issues, the Taupō District Council has been spread between 8 leased locations of highly variable quality within the Taupō CBD. This collection of short-term premises falls short of meeting the operational requirements of the Council, and over time will become an increasing impediment to the Council fulfilling its regulatory, operational and public service functions.

The Council is seeking to consolidate its administrative operations into a single building. Four options for how this might occur have been examined in this business case:

1. Taking a long-term lease on a purpose-built building constructed and owned by the private sector
2. Constructing a new Council-owned building on the previous site at 72 Lake Terrace
3. Constructing a new Council-owned building on the car parking space at 61 and 67 Tūwharetoa Street
4. Constructing a new Council-owned building in the Cultural Precinct on the Tongariro Domain.

The intended audience for the document is the Taupō District Council and its community. The purpose of the business case is to assess the options for the Civic Administration Building so that the Council can make an informed decision about the best way forward for an important community asset.

This single-stage business case follows the Better Business Case methodology endorsed by the NZ Treasury.

The document is organised around the five case model to demonstrate that the investment:

- Is supported by a robust case for change – the **strategic case**
- Optimises value for money – the **economic case**
- Is commercially viable – the **commercial case**
- Is financially affordable – the **financial case**
- Is achievable – the **management case**.

The strategic, economic and financial cases are the first three sections of the document, while the remaining two cases are combined into the Implementation section.

|  |    |
|--|----|
| <b>CIVIC ADMINISTRATION BUILDING   Location assessment  January 2019 ..... 1</b> |    |
| Introduction and context.....  | 2  |
| Table of contents.....   | 3  |
| What's the problem to be solved.....   | 4  |
| The options and the analysis.....  | 5  |
| The outcome and the recommendation.....  | 6  |
| Timelines and achievability.....   | 7  |
| <b>CIVIC ADMINISTRATION BUILDING   Strategic Assessment..... 8</b>               |    |
| Taupō's natural history.....   | 9  |
| Taupō: the people and the place.....   | 10 |
| Taupō at a glance.....   | 11 |
| Investment challenges.....   | 12 |
| Why is change needed?.....   | 13 |
| Current state   the Civic Administration Building.....                           | 14 |
| Current state   productivity impacts.....  | 15 |
| Tongariro Domain   current state.....  | 16 |
| Cultural Precinct Master Plan.....   | 17 |
| How the Master Plan was developed.....   | 18 |
| What the Master Plan proposes.....   | 19 |
| Strategic opportunity   the current state of the Museum.....                     | 20 |
| How the Museum could function.....   | 21 |
| Evaluating the location of the CAB.....  | 22 |
| Taupō District Council alignment.....  | 23 |
| Investment scope.....  | 24 |
| Constraints and dependencies.....  | 25 |
| Balanced Risk Scorecard.....   | 26 |
| <b>CIVIC ADMINISTRATION BUILDING   Economic case ..... 27</b>                    |    |
| Scope and strategic fit.....   | 28 |
| Options development approach.....  | 29 |
| Civic Administration Building location options.....                              | 30 |
| Civic Administration Building functional requirements   working methods.....     | 31 |
| Civic Administration Building functional requirements   importance level.....    | 32 |
| Civic Administration Building   option 1: long term lease.....                   | 33 |
| Civic Administration Building   option 2: lake terrace.....                      | 34 |

|   |    |
|---|----|
| Civic Administration Building   option 3: tūwharetoa street.....              | 35 |
| Civic Administration Building   option 4: cultural precinct.....              | 36 |
| Civic Administration Building   opportunity costs and revenues.....           | 37 |
| Civic Administration Building   accounting assumptions.....                   | 38 |
| Civic Administration Building   construction and operating costs.....         | 39 |
| Civic Administration Building   option comparison model.....                  | 40 |
| Civic Administration Building   impact on the cultural precinct.....          | 41 |
| Synergies: the Museum, community spaces and the CAB.....                      | 42 |
| Civic Administration Building   case study.....                               | 43 |
| Civic Administration Building   findings and recommendation.....              | 44 |
| Cultural precinct configuration.....  | 45 |
| Benefit assessment   wellbeing analysis.....                                  | 46 |
| Development phase plan.....   | 47 |
| Project sequencing.....   | 48 |
| Assessing risk and uncertainty.....   | 49 |
| Risk and uncertainty   decision risks.....                                    | 50 |
| Decision risk   quantification and mitigation.....                            | 51 |
| Risk and uncertainty   benefit realisation.....                               | 52 |
| Benefit realisation risk   quantification and mitigation.....                 | 53 |
| <b>CIVIC ADMINISTRATION BUILDING   Financial Case..... 54</b>                 |    |
| Funding requirements and sources.....   | 55 |
| Cashflow projections   capital expenditure.....                               | 56 |
| Cashflow projections   operational expenditure.....                           | 57 |
| Impact on Council finances.....   | 58 |
| <b>CIVIC ADMINISTRATION BUILDING   Implementation ..... 59</b>                |    |
| Commercial case   procurement approach.....                                   | 60 |
| Commercial case   required services.....                                      | 61 |
| Commercial case   engagement with the market.....                             | 62 |
| Management case   project governance.....                                     | 63 |
| Management case   project management approach.....                            | 64 |
| <b>CIVIC ADMINISTRATION BUILDING   Recommendations and next steps..... 65</b> |    |
| Recommendations.....  | 66 |
| Decisions sought.....   | 67 |

# EXECUTIVE SUMMARY | What's the problem to be solved

The Taupō District Council's previous head office building at 72 Lake Terrace was evacuated in 2017 and then demolished in early 2018 due to earthquake and asbestos issues that could not be resolved economically. The Council's functions and staff are now spread across 8 different locations in the Taupō town centre, which has created productivity and effectiveness challenges.

## CHALLENGES

The Taupō District Council is currently dispersed around a number of CBD buildings due to the demolition of the main earthquake-prone council building. This is causing productivity and dislocation issues, as well as imposing additional lease costs on ratepayers.

Some key functions – such as Civil Defence – are in very substandard facilities, which are already struggling to be fit for purpose. This situation of poor working conditions and functional deficits in the buildings is likely to worsen over time.

Many of the buildings on the Domain – such as the Museum and the Library – need investment to bring them up to standard. In some cases they are at or nearing the end of their economic lives.

The Museum is the most acute of these. The state of the facilities means it is unable to receive repatriated Ngāti Tūwharetoa taonga, the storage and display spaces are inadequate, and some of the building is lacking key infrastructure for artefacts, such as air conditioning. The number of visitors is low by regional museum standards, partly because the site is not conducive to causal visitation – it's not always obvious where the Museum is.

## RESPONSES

There is a clear need for a facility that is able to foster the agile and collaborative working approach that the Council is seeking, as well filling the functional needs of the organisation. Four short-listed option locations have been examined, including long-term leasing from the private sector, or constructing Council-owned facilities on Lake Terrace, Tūwharetoa Street or as part of the Cultural Precinct.

Warren and Mahoney and Boffa Miskell were commissioned to create a Master Plan for a Cultural Precinct in the South Domain. The purpose is to ensure that development of the area occurs in a holistic and considered way, and is sympathetic to the needs and aspirations of the Taupō community and visitors to the town. The Master Plan includes the possibility that a Civic Administration Building could be constructed on the South Domain.

The opportunity exists to tell the rich stories of Taupō – the natural history, and the social and cultural stories of the place and its people – in a way that engages residents and locals alike. The Museum could become a vibrant facility and key cultural resource for the town, able to showcase the artefacts and taonga of Tūwharetoa, be a place where research and learning can be conducted, and be able to host national and international touring exhibitions.

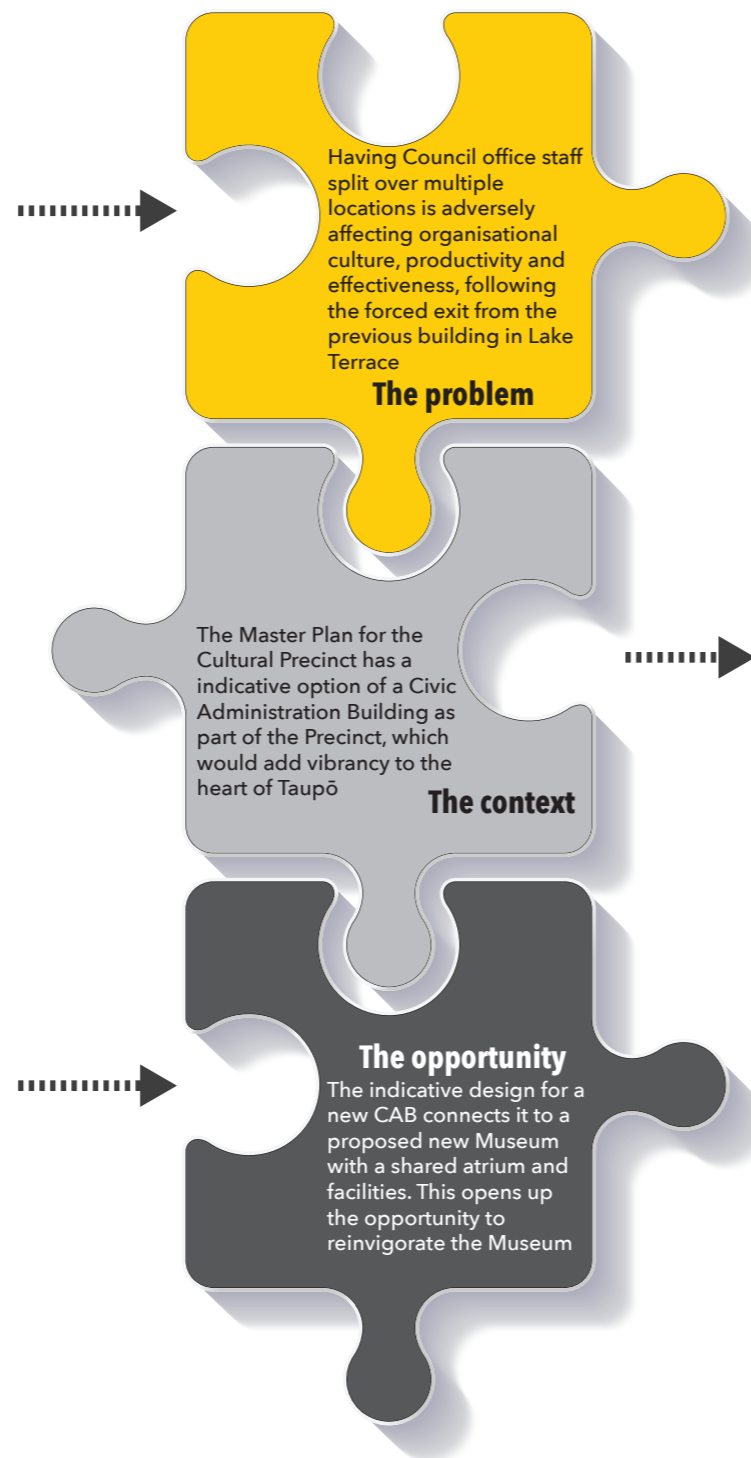
### POTENTIAL SYNERGY:

As part of the development of the Master Plan, Warren and Mahoney and Boffa Miskell were asked to consider whether the inclusion of the Civic Administration Building would contribute in any way to the proposed Cultural Precinct, given that the existing building at 72 Lake Terrace has been vacated and demolished.

The Master Plan concludes that there are significant benefits from the inclusion of the CAB in the precinct and that there is a strong urban design logic in doing so. However, the wider cost/benefit merits or otherwise of taking this step are not examined in the Master Plan; rather, they are the subject of this business case.

### POTENTIAL SYNERGY:

The Master Plan proposes that benefits can be achieved by linking the Museum to the new Civic Administration Building via a common atrium. This would allow facilities such as reception areas, meetings rooms and bathrooms to be shared between the two buildings, lowering both the capital costs of construction and enabling efficiencies of scale in day-to-day operation, as well as helping create a greater sense of place and higher-quality urban environment. The proposal also provides for more than 650m<sup>2</sup> of new community space.



# EXECUTIVE SUMMARY | The options and the analysis

The Council assessed a long-list of options for the location of the Civic Administration Building. In all, 11 different alternatives were investigated, with most being found to be unsuitable for functional, space or operational reasons. Four options were short-listed for further investigation: a long term lease, Tongariro Domain, Tūwharetoa Street carpark, and 72 Lake Terrace.

## Option 1: Long term lease

A lease would be entered into with a commercial developer/property owner to construct a new building that would meet the Council's requirements at a mutually agreed location within the Taupō CBD.

## Option 4: Tongariro Domain

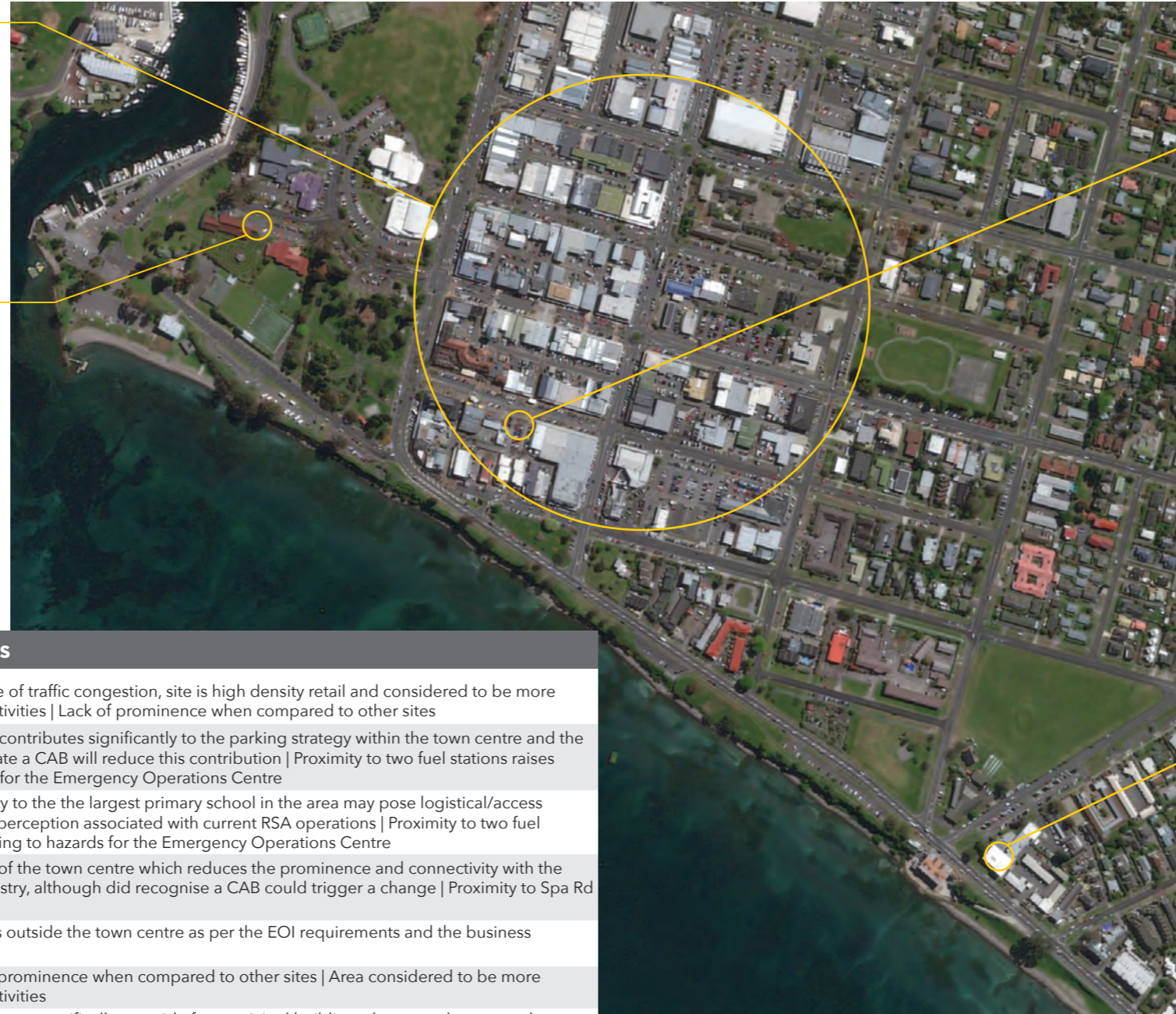
A new building would be constructed on the western side of the proposed civic plaza. The building would be two stories tall and be linked to the new Museum with a shared atrium, with a number of shared spaces and facilities such as meeting rooms and reception spaces.

## Option 3: Tūwharetoa St carpark

A new building would be constructed on the current Council-owned carpark site in Tūwharetoa Street. The building would be three stories tall with ground floor retail or hospitality and two levels of underground carparking. The CBD location would put Council activities in the centre of the town.

## Option 2: 72 Lake Terrace

A new building would be constructed on the site of the previous Council building at 72 Lake Terrace. The building would be two stories tall, with little to no public shared facilities.



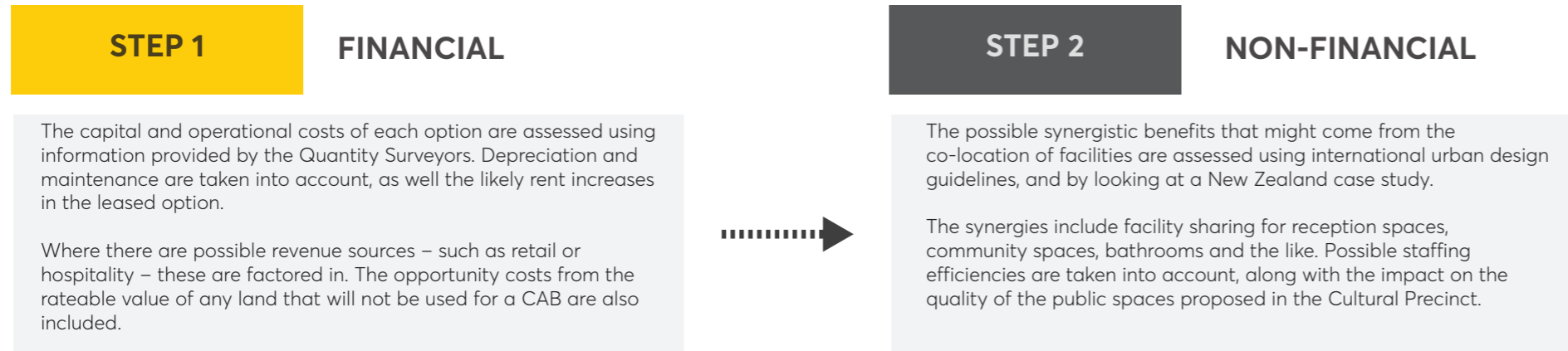
## Discarded options

A long-list of options for the location of a Civic Administration Building was compiled and evaluated by Council officers in October 2017, with 8 options being rejected as not meeting the Council's requirements for a variety of reasons. The table at right shows the summary of the findings at the time. These options have not been further investigated or the decisions re-litigated in this business case.

- 2 Gascoigne St** | High chance of traffic congestion, site is high density retail and considered to be more appropriate for core retail activities | Lack of prominence when compared to other sites
- Heuheu St carpark** | The site contributes significantly to the parking strategy within the town centre and the displacement to accommodate a CAB will reduce this contribution | Proximity to two fuel stations raises concerns relating to hazards for the Emergency Operations Centre
- 67 Horomatangi St** | Proximity to the the largest primary school in the area may pose logistical/access challenges | There may be a perception associated with current RSA operations | Proximity to two fuel stations raises concerns relating to hazards for the Emergency Operations Centre
- 10 Opepe St** | On the fringe of the town centre which reduces the prominence and connectivity with the CBD | Immersed in light industry, although did recognise a CAB could trigger a change | Proximity to Spa Rd may create traffic congestion
- 258 Spa Rd** | Proposed site is outside the town centre as per the EOI requirements and the business objectives
- Taniwha St carpark** | Lack of prominence when compared to other sites | Area considered to be more appropriate for core retail activities
- Gascoigne St Reserve** | Has been specifically set aside for municipal buildings, however the reserve has come to be considered and used by the community as if it was a reserve
- Tongariro Domain North** | Considered extensively in 2010 as part of the Taupō Urban Commercial and Industrial Structure Plan. Council looked at the potential for a new building located on the recreation reserve land to the north of the Great Lake Centre. Having considered the technical information, expert advice and the views and preferences of the community Council decided not to proceed with a civic administration building on the north domain

# EXECUTIVE SUMMARY | The outcome and the recommendation

Identifying the preferred option for the location of the Civic Administration Building and whether there are any synergistic benefits that can be realised from its construction has been a two-step process, which looks at the financial and non-financial benefits of the alternative approaches. This has resulted in a preferred option being identified.



EXECUTIVE SUMMARY

| option              | financial analysis  | npv/rating       | synergistic analysis  | rating           |
|---------------------|---|------------------|---|------------------|
| Do nothing          | Has significant operating costs coupled with productivity and effectiveness dis-benefits. Option discarded.                                   | <b>discarded</b> |   |                  |
| 1 Long-term lease   | Has high lease costs compared with the cost of capital for Council-owned buildings. Will meet the requirements and has low opportunity costs. | <b>-\$19.6m</b>  | Minor synergistic benefits only due to possible community use of meeting rooms. Option discarded.   | <b>discarded</b> |
| 2 Lake Terrace      | Has low cost of capital and will meet most of the requirements. Has moderate opportunity costs and few synergistic benefits.                  | <b>-\$12.4m</b>  | In conflict with Council policy to strengthen CBD and high likelihood of failing RMA processes. Option discarded.   | <b>discarded</b> |
| 3 Tūwharetoa Street | Has low cost of capital and will meet all the requirements. Has high opportunity costs and revenues, and some synergistic benefits.           | <b>-\$19.0m</b>  | Some synergistic benefits from CBD location and community use of meeting rooms. Option sub-optimal.   | <b>feasible</b>  |
| 4 Tongariro Domain  | Has low cost of capital and will meet all the requirements. Has low opportunity costs, some revenues and highest synergistic benefits.        | <b>-\$12.3m</b>  | High synergistic benefits due to facility sharing with Museum, 657m <sup>2</sup> of community space, new iSite facilities and increased vibrancy of Cultural Precinct | <b>preferred</b> |

page **39** has this analysis

**preferred option**

## CONSTRAINTS

### ACHIEVABILITY

The size, scope and timing of the project must be achievable within the capabilities of national construction companies and the project management capabilities of the Council, in the context of other significant initiatives that are planned or underway in the region.

### AFFORDABILITY

The overall project budget must be affordable for the Council in the context of other initiatives and its financial constraints, as outlined in the Long Term Plan and its amendment.

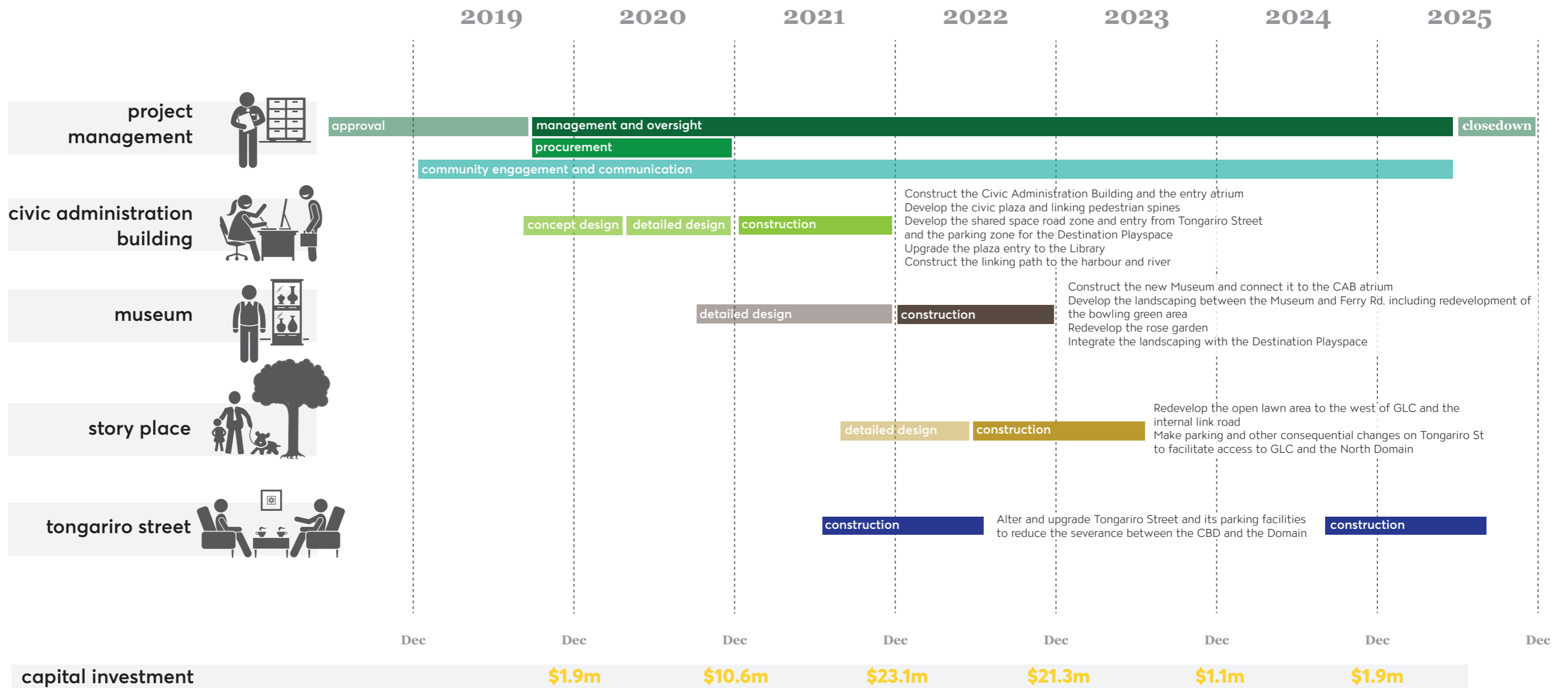
## RECOMMENDATION

Based on the analysis of the financial and non-financial factors, it is recommended that the Civic Administration Building is located within the Cultural Precinct as proposed in Option B of the Master Plan.

This option carries the lowest financial cost for Council and will add to the vibrancy and viability of the new civic heart of Taupō.

# EXECUTIVE SUMMARY | Timelines and achievability

Construction of the Civic Administration Building is planned for 2020/21 and will form part of the multi-year development of the Cultural Precinct in the South Domain.



page **56** has the detailed cashflow projections



**CIVIC ADMINISTRATION BUILDING** | Strategic Assessment

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Lake Taupō sits at the heart of the Taupō Volcanic Zone on the volcanic plateau, which has been active for the past two million years and is still a highly active geothermal region. The zone is approximately 350 kilometres long by 50 kilometres wide. Mount Ruapehu marks its south-western end, and the zone runs north-eastward through the Taupō and Rotorua areas to the submarine Whakatāne volcano 85 kilometres beyond White Island, which is considered its northeastern limit. It is part of the larger Central Volcanic Region that extends further westward through the western Bay of Plenty to the eastern side of the Coromandel Peninsula, which has been active for the past four million years. The Taupō Volcanic Zone is widening east-west at the rate of about 8 mm per year.

Lake Taupō itself is the drowned caldera of a dormant super-volcano, created by a massive eruption which occurred approximately 26,500 years ago. According to geological records, the volcano has erupted 28 times in the last 27,000 years. The initial event is known as the Oruanui eruption, and was the world's largest known eruption over the past 70,000 years, ejecting 1170 cubic kilometres of material and causing several hundred square kilometres of surrounding land to collapse and form the caldera. The caldera later filled with water, eventually overflowing to cause a huge outwash flood. It is possible that the Lake Taupō event contributed to starting the Last Glacial Maximum.

Several later eruptions occurred over the millennia before the most recent major event 1,800 years ago. Known as the Hatepe eruption, it is believed to have ejected 100 cubic



kilometres of material, of which 30 cubic kilometres was ejected in a few minutes. This was one of the most violent eruptions in the last 5,000 years, and there appears to be a correlation to a year in which the sky was red over Rome and China. The eruption devastated much of the North Island and further expanded the lake.

The entire area of the Volcanic Plateau is above 300 metres, with a considerable proportion of it more than 800 metres above sea level. The plateau has a mild climate although the temperature regularly falls below freezing in winter and snow can fall between March and October. Of all North Island regions, the Volcanic Plateau is closest to having a continental climate. Sudden blizzard conditions can be experienced on the volcanoes in winter, and the Desert Road on State Highway 1 is often closed by snow in winter for brief periods.

With a surface area of 616 square kilometres (238 sq mi), Lake Taupō is the largest lake by surface area in New Zealand, and the second largest freshwater lake by surface area in Oceania. Lake Taupō is a taonga of Ngāti Tūwharetoa from the Te Arawa waka. Ngāti Tūwharetoa own the bed of the lake and its tributaries.

The unique natural history and geography of the Taupō district has acted as a catalyst for its development. Local and international visitors have been drawn to the natural beauty, geothermal wonders and recreational opportunities since the 19th Century, and the volcanic soils of the surrounding area have provided both opportunities and challenges for forestry and farming. In every sense – geographically, economically, culturally and socially – Taupō has been formed and shaped by the volcanic forces that created the lake.

Taupō was originally known as Tapuaeharuru and while Taupō's European history is quite recent, its deep and rich Maori history goes back much further and has significant value and relevance to the development and future of the region.

Maori mythology speaks of the early Arawa canoe explorers Ngatoro-i-rangi, a navigator and high priest (tohunga), who as legend has it, was responsible for the creation of Lake Taupō and Tia, who named the lake and was a chief and brother of one of the Arawa canoe captains. The name Taupō, by which the town and the lake is commonly known, is the shortened version of its Māori name, Taupō-nui-a-Tia. Literally translated, Taupō-nui-a-Tia means "The great cloak of Tia".

The Māori population during the Archaic period was sparse. Only two moa hunter period sites have been discovered to date. The best known is the Whakamoenga cave near Taupō. The cave was in use about 600 years ago and three moa bones, obsidian flakes, hollow pumice stone ash holders, pumice floats, a fishing net, bird spears, pieces of hue (gourd) and bracken remains have been found.

The Ngāti Hotu people occupied the Taupō region until the sixteenth century when a chief called Tūwharetoa and his descendants from the Bay of Plenty fought for the right to settle in the land, becoming the pre-eminent tangata whenua - Ngāti Tūwharetoa, and guardians of Lake Taupō.

The first Europeans to meet the Tūwharetoa people are thought to be Andrew Powers who arrived in the region in 1831 and Thomas Chapman, an Anglican missionary, who came to Taupō from Rotorua in 1839. By this stage there were 65 inhabited settlements around the lake edge.



The overhead ferry cable at the outlet of the River was slung across the outlet in the late 1850s, Te Poihipi Tukairangi's Pa on the West Bank of the Waikato source was a fortified pa in 1865 and the Armed Constabulary established itself in the area in 1869.

Wairakei opened as a tourist destination in the 1880's and in 1881 some land was gazetted for sale in central Taupō. By 1912 the two main buildings were the Lake Hotel and Rickits General Store. It is one of the few centres in New Zealand that was never linked to the rail network during construction of the nationwide rail system in the late 19th and early 20th Centuries.

Growth in the town was incremental at best until the 1950's when a combination of forestry work and the Tourist Hotel Corporation (THC) opened the area up as a tourist destination, including the extensive modernisation of Wairakei, which resulted in a significant increase in regional growth. The 1960s and 1970s saw many new buildings, motels and hotels constructed. Much of Taupō's commercial and community building stock is from that era.

Today, Taupō has a population of 24,700 (as at June 2018). In 1953, Taupō was officially constituted as a borough, and from 1989 it has been administered by the Taupō District Council, the district including both Taupō itself and the surrounding hinterland. Despite this, it is occasionally referred to as a city. It is the 20th largest urban area in New Zealand, and the second-largest in the Waikato Region (behind Hamilton).

Taupō is served by State Highway 1 and State Highway 5, and the Thermal Explorer Highway touring route. All three highways run concurrently along the Eastern Taupō Arterial, which was built in 2010. Prior to this point, State Highway 1 ran along the lake edge and past the western edge of the CBD, bisecting the town and Tongariro Domain. Taupō is also served by a regional airport, with scheduled flights to and from Auckland and Wellington.

Taupō is enjoying a robust economy and steady population growth, with an increasingly diversified business sector with high productivity.

## economy

### Gross domestic product

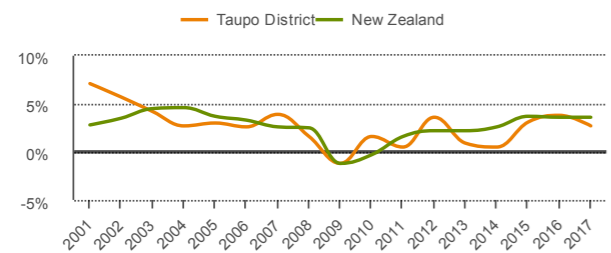
**\$1,846**  
million in 2010 prices

**0.8%**  
of national total

### Economic growth Annual average % change

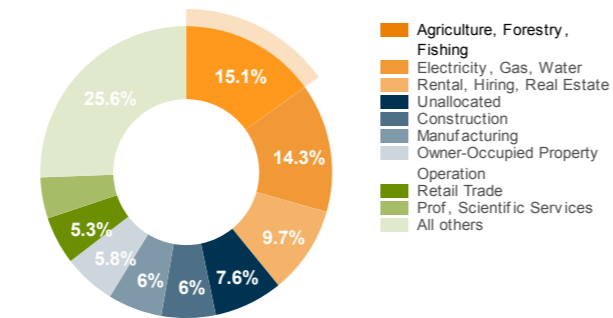
|                | 2017 | Last 10 years |
|----------------|------|---------------|
| TAUPO DISTRICT | 2.7% | 1.7%          |
| NEW ZEALAND    | 3.6% | 2.0%          |

### Economic growth



## Infometrics

### Industry proportion of GDP



### Biggest contributors to economic growth 2007-2017

|   |              |
|---|--------------|
| Electricity, Gas, Water and Waste Services      | \$132        |
| Professional, Scientific and Technical Services | \$26         |
| Rental, Hiring and Real Estate Services         | \$23         |
| Retail Trade                                    | \$23         |
| Agriculture, Forestry and Fishing               | \$17         |
| All other industries                            | \$65         |
| <b>Total increase in GDP (\$m)</b>              | <b>\$287</b> |

## labour market

### Total employment

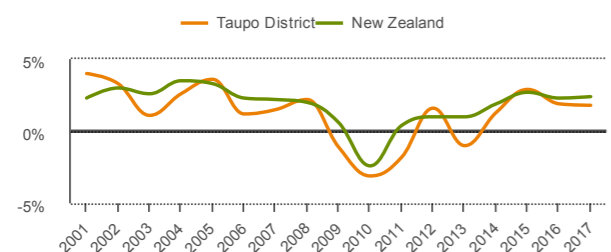
**17,834**  
Filled Jobs

**0.7%**  
of national total

### Employment growth Annual average % change

|                | 2017 | Last 10 years |
|----------------|------|---------------|
| TAUPO DISTRICT | 1.8% | 0.5%          |
| NEW ZEALAND    | 2.4% | 1.2%          |

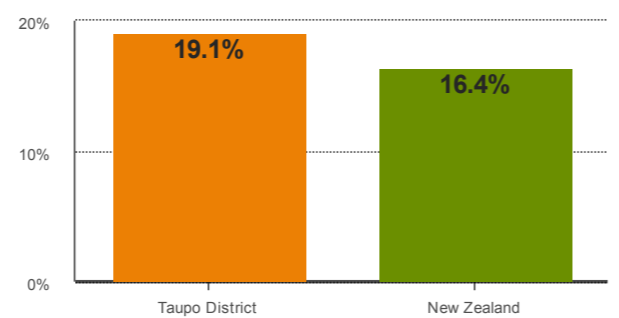
### Employment growth



### Industries which created most jobs 2007-2017

|   |            |
|---|------------|
| Professional, Scientific and Technical Services | 306        |
| Education and Training                          | 214        |
| Electricity, Gas, Water and Waste Services      | 203        |
| Health Care and Social Assistance               | 175        |
| Other Services                                  | 124        |
| All other industries                            | -236       |
| <b>Total increase in employment</b>             | <b>786</b> |

### Self employment rate, 2017



## productivity

### GDP per filled job

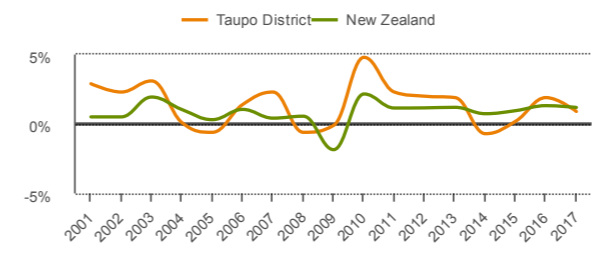
**\$103,489**  
GDP per employee

**\$97,707**  
New Zealand

### Productivity growth Annual average % change

|                | 2017 | Last 10 years |
|----------------|------|---------------|
| TAUPO DISTRICT | 0.9% | 1.2%          |
| NEW ZEALAND    | 1.2% | 0.9%          |

### Productivity growth



## business units

### No. of business units

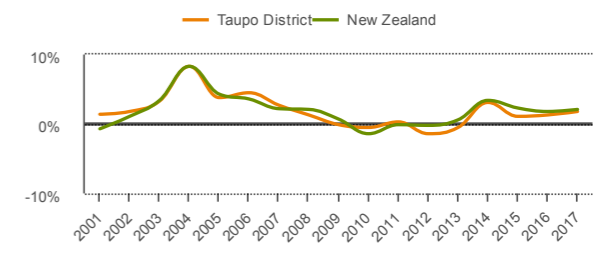
**4,851**  
Business units

**0.9%**  
of national total

### Growth in business units Annual average % change

|                | 2017 | Last 10 years |
|----------------|------|---------------|
| TAUPO DISTRICT | 1.8% | 0.6%          |
| NEW ZEALAND    | 2.1% | 1.1%          |

### Growth in business units:



## population

### Total population

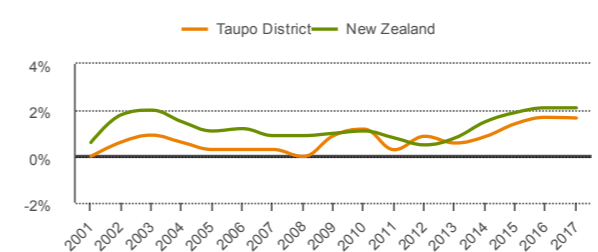
**36,800**  
Usually resident persons

**0.8%**  
of national total

### Population growth Annual average % change

|                | 2017 | Last 10 years |
|----------------|------|---------------|
| TAUPO DISTRICT | 1.7% | 0.9%          |
| NEW ZEALAND    | 2.1% | 1.3%          |

### Population growth:



## standard of living

### Mean annual earnings 2016

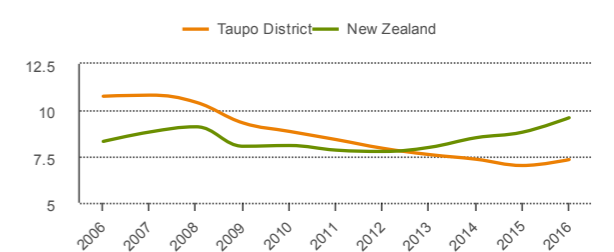
**\$50,090**  
Taupo District

**\$57,780**  
New Zealand

### Annual earnings growth Annual average % change

|                | 2016 | Last 10 years |
|----------------|------|---------------|
| TAUPO DISTRICT | 3.1% | 3.7%          |
| NEW ZEALAND    | 3.1% | 3.4%          |

### Housing affordability (higher is less affordable)





## THE CHALLENGES WE NEED TO ADDRESS

In order to gain clarity and consensus on the problems being faced, multiple workshops and meetings were held with Council officers. Subsequent analysis established that there are three interlinked challenges for the Taupō District Council, as follows:

**Immediate driver:** Having Council office staff split over multiple locations is adversely affecting organisational culture, productivity and effectiveness, following the forced exit from the previous building in Lake Terrace.

**Strategic context:** The Council has embarked on a Master Plan to create a Cultural Precinct within the Tongariro Domain, and the preferred option has indicated that having a Civic Administration Building as part of the Precinct would add vibrancy to the heart of Taupō. However, the costs and benefits of this need to be assessed.

**Strategic opportunity:** The indicative design for a new Civic Administration Building connects it to a proposed new Museum with a shared atrium and facilities. This opens up the opportunity to reinvigorate the Museum to make it a showcase of Taupō's culture and history. However, the viability of this approach needs to be assessed.

These are significant challenges and go to the heart of how Taupō views itself as a growing regional town, and how it expresses that identity to the rest of New Zealand and the rest of the world. The logic for intervening and doing something – rather than doing nothing – is compelling, and the following sections describe what the future might look like.

# STRATEGIC ASSESSMENT | Why is change needed?

There are a number of drivers for investing in the Tongariro Domain and its facilities:



## COUNCIL FACILITIES

The Taupō District Council is currently dispersed around a number of CBD buildings due to the demolition of the main earthquake-prone council building. This is causing productivity and dislocation issues, as well as imposing lease costs on ratepayers. Some key functions – such as Civil Defence – are in very substandard facilities, which are already struggling to be fit for purpose. This situation of poor working conditions and functional deficits in the buildings is likely to worsen over time.

There is a clear need for a facility that is able to foster the collaborative working approach that the Council is seeking, as well filling the functional needs of the organisation.

In addition, combining some of the community uses with Council functions might mean that the same facilities – such as meeting rooms – can be provided and operated at lower cost, with more flexibility for the community. There are a number of ways of achieving these goals, which require considered assessment so that an informed decision can be made about the correct way to address the issue.



## CULTURAL PRECINCT

The Domain is a major asset for Taupō residents and visitors alike, but the facilities within the Domain are in varying condition and do not always function well for residents or visitors. The levels of usage for some facilities is low, partly because of their condition and partly because of the ease of access (or lack thereof) from the Taupō CBD.

In response, Warren and Mahoney and Boffa Miskell were commissioned to create a Master Plan for a Cultural Precinct in the South Domain. The purpose is to ensure that development of the area occurs in a holistic and considered way, and is sympathetic to the needs and aspirations of the Taupō community and visitors to the town.

The resulting Master Plan lays out a roadmap for the gradual reconfiguration of the area, balancing the desire for green spaces with the need to renew key facilities and add to the vibrancy of the public spaces. The plan seeks to create a new civic heart for Taupō, and in doing so proposes that a combined Civic Administration Building and Museum is constructed on the western side of a new civic plaza. However, the costs and benefits of this need to be assessed.



## MUSEUM

Many of the buildings on the Domain – such as the Museum and the Library – need investment to bring them up to standard. In some cases they are at or nearing the end of their economic lives.

The Museum is the most acute of these. The state of the facilities means it is unable to receive repatriated Ngāti Tūwharetoa taonga, the storage and display spaces are inadequate, and some of the building is lacking key infrastructure for artefacts, such as air conditioning. The number of visitors is low by regional museum standards, partly because the site is not conducive to casual visitation – it's not always obvious where the Museum is.

The opportunity exists to tell the rich stories of Taupō – the natural history, and the social and cultural stories of the place and its people – in a way that engages residents and locals alike. The Museum could become a vibrant facility and key cultural resource for the town, able to showcase the artefacts and taonga of Tūwharetoa, be a place where research and learning can be conducted, and be able to host national and international touring exhibitions.

The requirement to provide a new Civic Administration Building arises because the previous building at 72 Lake Terrace was evacuated and then demolished due to earthquake and asbestos issues that could not be resolved economically.

During 2016 the Council became increasingly aware of serious issues with its primary building at 72 Lake Terrace. Consultants were engaged to investigate and report on two principal issues with the building – its seismic resilience and the presence of asbestos in the building. The Council was concerned about the health and safety of its staff and about its ability to function after an earthquake. Following the consultants reports, in May 2017 it decided to decant staff from the current building and relocate them to leased accommodation in several locations in Taupō.

The summary of the issues presented to Councillors is at right.

In early 2017 and as part of the annual planning process the Council consulted its community over options for the Civic Administration Building. Five options ranging from refurbishment to a new build were costed and considered. The Council's preferred option was for a new building to replace the existing building, given that the costs of remediation and refurbishment of the existing structure proved to be uneconomic.

After its consultation on the Annual Plan this option was provisionally adopted by the Council. Further planning and investigation of site options was undertaken and in late October the Council confirmed its intention to construct a new building. The Council publicly advised three site options with a preference for a site near the Great Lake Centre, following work to assess a long-list of 11 different sites in and around the Taupō CBD.

Following the decision to vacate the building at 72 Lake Terrace and confirmation that it was uneconomic to remediate, the Council made the decision to demolish the structure in preparation for future redevelopment of the site. This ensured the now-vacant building would not represent a safety hazard through asbestos contamination should the structure suffer damage from vandalism, fire or earthquake. The building was removed and the site remediated in early 2018.



Taupō District Council's main building at 72 Lake Terrace is two-story and is a group of buildings. The original building (closest to Lake Taupō) was constructed in 1968 and is nearing 50 years old. The other parts were added in 1984, 1989, 2004 and 2011. Due to the age and the type of construction there are a number of issues with parts of the building, which pose significant health and safety risks to staff and members of the community who use it. Council has obligations to address these risks under the Health and Safety at Work Act 2015 (HSWA).

As part of the scheduled maintenance programme the building was due to be repainted in 2016. When seeking quotes for this maintenance, investigations revealed the presence of asbestos in the external cladding of the original part of the building built in 1968. The reports by Clearsafe Environmental Solutions identified friable asbestos and advised that the friable asbestos panels needed to be removed and replaced with a current building standard cladding. Friable in relation to asbestos means "in a powder form or able to crumbled, pulverised, or reduced to a powder by hand pressure when dry"<sup>1</sup>. When exposed the asbestos contaminates the air, the ground and lungs.

A seismic assessment by BECA to gauge the earthquake strength of the building was carried out in 2012. This highlighted a number of issues with the building including a large amount of timber frames, minimal bracing, a light metal roof and shallow foundations. The score for this building based on the importance for level four (IL4) in a normal building was 28% which corresponds to a C grade building, as defined by the New Zealand Society for Earthquake Engineering (NZSEE). It was assessed as having a 50 percent rating under IL2 recommendations. A more recent seismic assessment carried out by local structural engineers Cheal Consultants in March 2017 revealed similar findings.

There was significant uncertainty around the exact extent of the repairs required to address the vulnerability to earthquakes. Compounding this uncertainty is the unknown nature of the connection points of the various buildings. Further invasive investigation would be required to ascertain how vulnerable those connection points are.

In addition, obsolete cabling and ducting in the roof cavity has been identified as a fire risk. The report advises that this cabling and ducting should be removed. In addition the overall integrity of the roof has been compromised due to the various additions to the building over time and damage due to the installation of building services. Issues have also been identified with the air conditioning system that is operated throughout the building.

Due to limitations in the availability and functionality of leased premises, some Council functions remain in prefab buildings on the Lake Terrace site. Some of the spaces are more than 50 years old and in substandard condition.

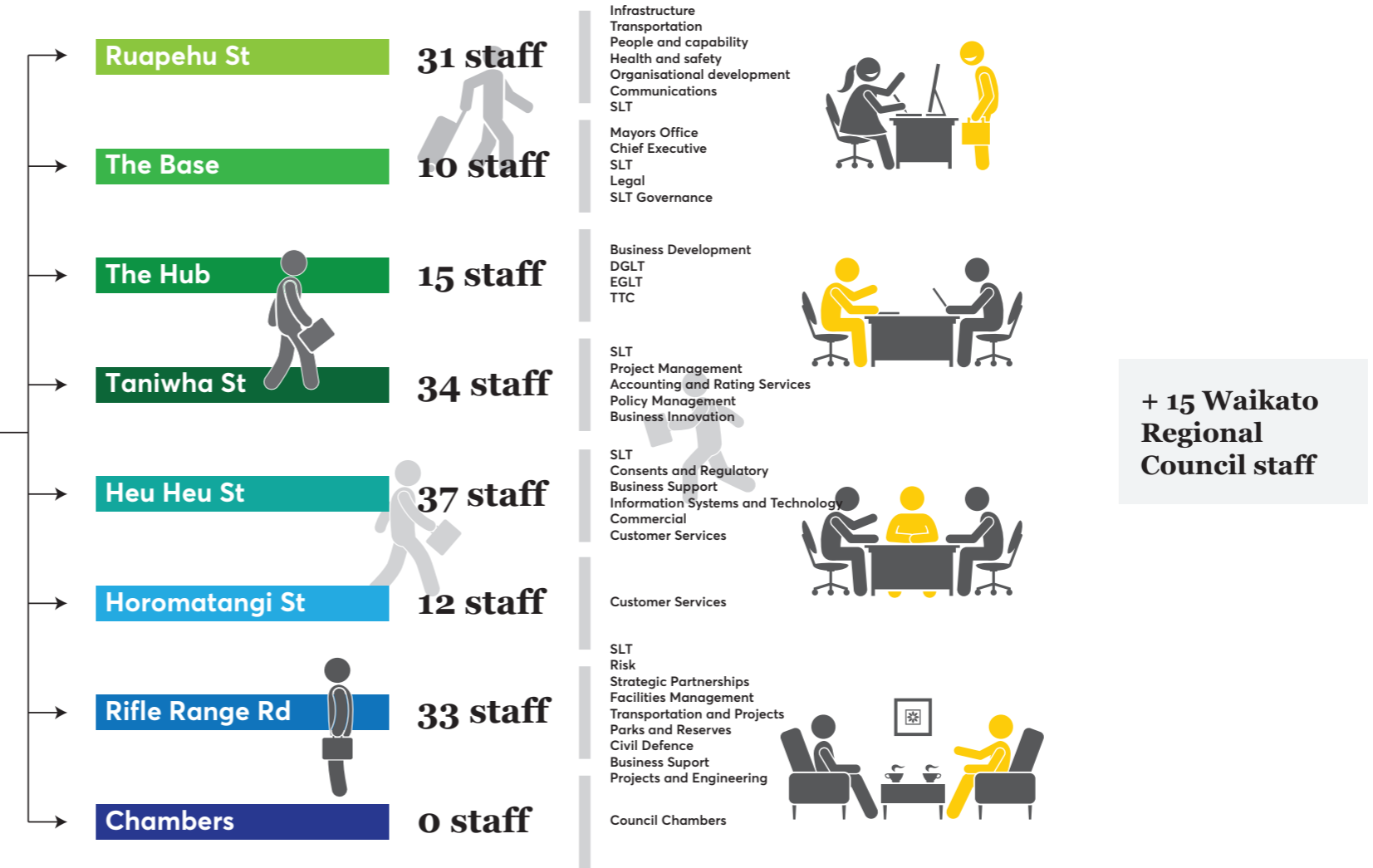


Since decanting staff from the now-demolished building at 72 Lake Terrace, the functions of the Council have been distributed across 8 separate sites in the Taupō town centre. All these sites are leased, on varying terms and conditions, and travel between buildings has become a fact of life for Council staff.

STRATEGIC ASSESSMENT

**187** total staff will need to be accommodated within the new Civic Administration Building

Unsurprisingly, the effect of spreading the Council's functions and teams across a large number of sites has been to increase the amount of time taken to travel between sites, as well as decreasing the opportunity for collaboration between individuals and teams. In some cases, splitting teams across multiple sites has increased management overhead and increased the number and frequency of coordination meetings.



inefficiencies are occurring in a number of areas:

| infrastructure  | travel   | utilisation  |
|---|--|--|
| The provision of ICT connectivity, cleaning, office servicing and the like has become more complex and more expensive due to multiple sites and the age of some buildings | Staff are now spending more time travelling between buildings for meetings and co-working, with productivity studies showing a cost of 2-2.5 FTEs in lost time due to travel over the 178 staff affected | The layout of the various buildings means that space utilisation is less efficient than is ideal. There are multiple reception areas, too few meeting rooms in some locations and too many in others, and duplicated storage areas, WCs and other service spaces |
| <b>0.8 FTE</b><br><b>\$81,000 pa</b>  | <b>2.5 FTE</b><br><b>\$254,000 pa</b>  | <b>\$11,000 pa</b>   |

Reducing or eliminating these inefficiencies will not result in headcount changes at the Council – rather, there will be effectiveness improvements that come from better staff utilisation

Tongariro Domain has a range of functions and uses, ranging from cultural and social to recreational and administrative. It provides facilities that cater specifically to visitors to Taupō, as well as those that exist solely for residents of the district. Many of these facilities have been added gradually over the decades, with the domain not having an agreed development plan or coordinated approach that defined the uses that should be prioritised. The result is an eclectic mix of buildings, open spaces and supporting infrastructure.

Taupō's Tongariro Domain is situated in a spectacular setting with panoramas, vistas, backdrops, varied outlooks and contained views. It is well sized, adaptable and adjacent to the town's commercial and entertainment heart.

The Domain is 17ha in size and is generally divided in two: the North Domain above Story Place and the South Domain between Story Place and the lake. The river esplanade area is a legal road but considered as part of the Domain.

There has been continuous evolution and change in the facilities and function of the Domain since its early 19th century days as a military redoubt. The Great Lake Centre and Library, completed in 1992, significantly rearranged this area with curved buildings and car parking.

The Great Lake Centre frontage on the Tongariro Domain facing Tongariro Street is generally regarded as the de facto heart of Taupō.

The Tongariro Reserve Management Plan developed in 2005 fully describes the history, occupants, uses and objectives for the Domain as it was known then. Many of the objectives found within the Management Plan remain relevant now.

The Reserve is subject to the Reserve Act 1977 which both protects the Reserve from inappropriate development but also sets constraints as development is contingent on necessary Reserves Act statutory processes (change of reserve classification, review of Reserve Management Plan) being completed.

Several current occupancies are growing less relevant to the Domain location. Lease expiry dates may (or may not) be an opportunity to assess some community uses which could be located elsewhere.



Note: The Landing Reserve is to be renamed Parakiri Recreation Reserve from Tūwharetoa's settlement date scheduled for 12 March 2019.



Responding to the challenges of severance, outdated facilities and the possible relocation of the Civic Administration Building requires a holistic approach to developments on the Tongariro Domain. Rather than issues being addressed in a piecemeal fashion, the Taupō District Council has elected to implement a Master Plan for the area.

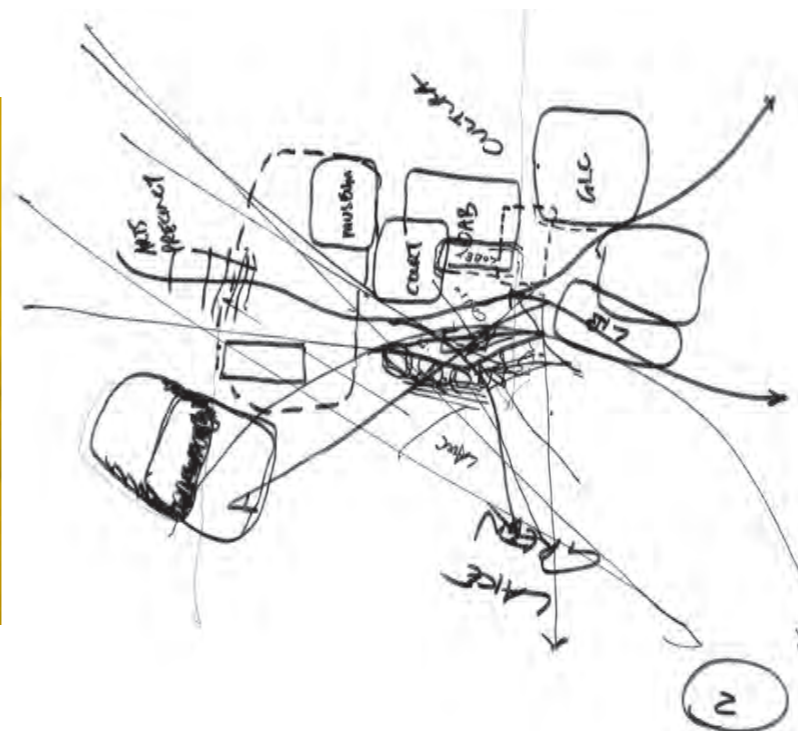
In order to set a strategic direction for the Tongariro Domain, the Taupō District Council conducted a rigorous procurement process to select an urban design team that could develop a suitable master plan for the Tongariro Domain and precinct. This led to architecture firm Warren and Mahoney and urban designers Boffa Miskell being appointed.

The intention is to provide a high quality urban design framework so that development of the area is conducted in a coherent way – taking into account the cultural context, the objectives of Taupō residents and visitors, and the requirements of the wide range of people who use the Domain.

Starting with six guiding principles – the six pillars – the team have developed an integrated approach to how the precinct can be revitalised. The work resulted in a range of designs, which were then consulted on across the community and iwi.

The purpose of the master plan is not to set the direction for specific buildings or projects, but to consider the functions and requirements for the precinct as a whole. The result is an integrated framework that defines how open space, people, buildings, recreational areas and vehicles can coexist in an harmonious way within the Tongariro Domain.

STRATEGIC ASSESSMENT



As part of the development of the Master Plan, Warren and Mahoney and Boffa Miskell were asked to consider whether the inclusion of the Civic Administration Building would contribute in any way to the proposed Cultural Precinct, given that the existing building at 72 Lake Terrace has been vacated and demolished.

The Master Plan concludes that there are significant benefits from the inclusion of the CAB in the precinct and that there is a strong urban design logic in doing so. However, the wider cost/benefit merits or otherwise of taking this step are not examined in the Master Plan; rather, they are the subject of this business case.

# STRATEGIC ASSESSMENT | How the Master Plan was developed

Developing the Master Plan for the Cultural Precinct was a rigorous and thorough process that obtained input from a variety of sources – iwi, the community, and the landscape itself.

STRATEGIC ASSESSMENT

**1**  
Six insights to help get people thinking about the project, and guide input from the community

## six pillars



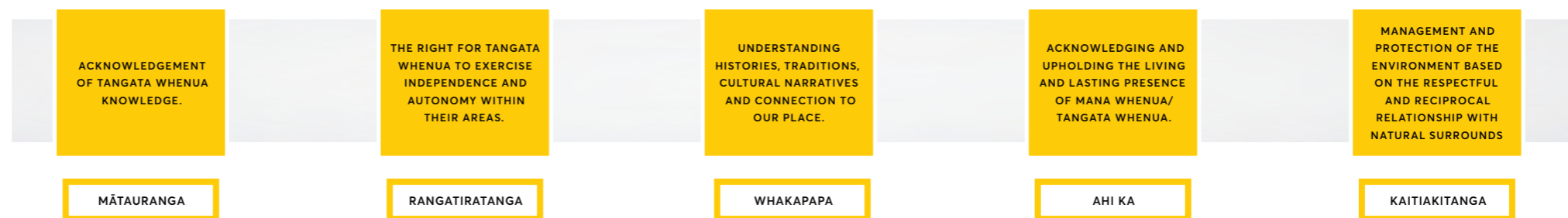
**2**  
Four initial sketches exploring the site – its landscape, buildings and connections

## site study



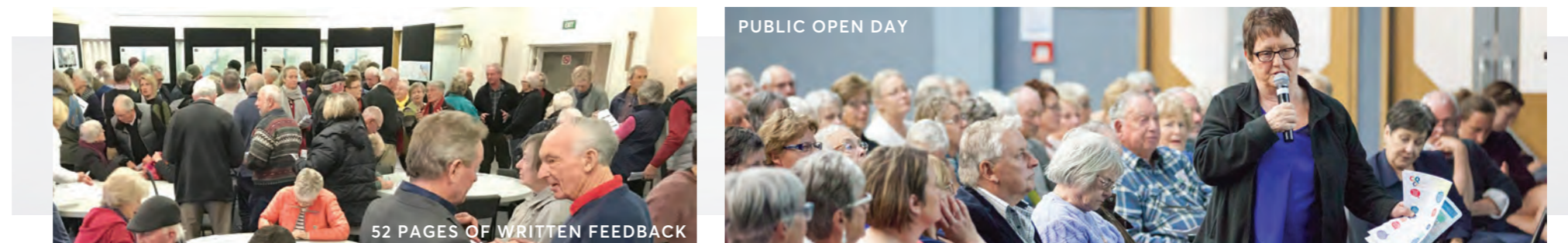
**3**  
Gaining the input and wisdom of iwi, and setting the expectation of ongoing dialogue

## iwi engagement



**4**  
Obtaining the input of the community and testing the initial ideas with residents

## community engagement



The purpose of the Master Plan is to provide a high quality urban design framework so that development of the area is conducted in a coherent way – taking into account the cultural context, the objectives of Taupō residents and visitors, and the requirements of the wide range of people who use the Domain.

## PROPOSED MASTERPLAN



### MASTERPLAN ASSESSMENT CRITERIA

- LOCAL CHARACTER
- PERMEABILITY
- GREEN OPEN SPACES
- CULTURAL PLAZA/ THE HEART
- ARCHITECTURAL FUNCTION + EXPRESSION
- SPATIAL ENVIRONMENT + QUALITY
- OPERATIONAL EFFECTIVENESS
- ADAPTABILITY/ FLEXIBILITY/ STAGING
- CARPARKING + VEHICULAR ROUTES
- COST EFFECTIVENESS

Four design options were developed and evaluated by the design team. All four had to meet the Master Plan criteria above, and after extensive consideration and debate, Option B was selected as the preferred option. The design includes the construction of a new Civic Administration Building on the South Domain, linked via a shared atrium to a new Museum – but as noted above, the decision on whether to do so is one of the subjects of this business case.

The social, geological and geographical history of the Taupō District played an important role in defining the New Zealand of the past and of the present. Sharing these stories with the current generation provides a way to engage and reflect on not only how this has shaped New Zealand's current society; but to learn more about themselves. Taupō's story is an integral part of New Zealand's past, present and future; from the Hatepe eruption about 1,800 years ago to the resilience of the first settlers in this area. Community was formed on a landscape, often unforgettable in its isolation and yet inspiring in its majesty and grandeur.

For more than ten years the question of the Taupō Museum & Art Gallery's location, buildings and governance has been debated and discussed. In 2009 Tourism Resource Consultants noted:

Taupō currently has a museum that attracts 24,073 visitors per annum. While the current museum is not considered as a must-see visitor attraction the experiences of other New Zealand's cities and towns shows that a well-located cultural centre has the potential to become a sought after visitor destination bringing substantial economic benefits. (Tourism Resource Consultants, 2009. p.i).

The 2012 – 2022 Long Term Plan stated:

A museum housing historical and cultural artefacts of the District, and includes exhibition and display space for cultural and artistic expression, as a stimulating learning environment for the community. The museum is a visitor attraction, especially the Tūwharetoa Gallery and the Ora Garden, and is open to the public seven days a week. (2012 – 2022 LTP, p.55).

The two different reports highlight the perception of what is and what isn't a "must see visitor attraction".

The non-achievement of baseline visitor results for the Museum in 2013/2014 resulted in a reconfiguration of baseline reporting numbers. At present the annual expectation of Taupō District Council is that at least 25,005 visitors and 12,110 residents will visit the Museum.

Currently annual visits to the museum by residents are recorded as: 13,004 (2016/2017); 12,069 (2015/2016); 14,396 (2014/2015). Visits to the museum by all visitors were: 27,522 (2016/2017); 24,974 (2015/2016); 27,808 (2014/2015).

Compared this figure to the combined Library & Museum – Te Kōputu a te Whanga a Toi, in Whakatāne which records between 16,000 and 20,000 visitors per month, which is comparable to the Taupō District Library statistics. In other words, comparable facilities in other regional locations receive up to 10 times the visitor numbers of the Taupō Museum.

The location and shortcomings of the present building are widely recognised as the major reason why the Museum cannot fully meet the expectations of the Taupō community and visitors to the region.

On the positive side visitors to the Museum have rated it in 2016/2017 a 97% satisfaction rating, up from 64% the previous two years in the Council satisfaction survey.



In practical terms the current building is not fit for purpose as a regional Museum, so maintaining the status quo isn't a feasible option if the collection is to be safely preserved and effectively exhibited. There are a range of issues, some of which are structural in nature: ceiling height limits some taonga being displayed, and with only the Tūwharetoa Gallery having air conditioning, all other collection items are at some level of risk.

The other issue is that without appropriate lighting (there is significant natural light in the current building) and air-conditioning in the exhibitions spaces, as a minimum, loans from other institutions of Ngāti Tūwharetoa taonga will not be forthcoming. The lack of a suitable facility effectively means that the community, including Ngāti Tūwharetoa, will be dispossessed from having the opportunity to see their own history that is held by other institutions.



Within the Museum is the opportunity to share the stories of the region and the people, to engage with the Taupō community and to proudly share those stories with visitors to the District. The current Museum has a number of significant limitations which makes these opportunities difficult, if not impossible, to achieve. Professional standards now demand much more in so many areas; communities also increasingly demand new levels of engagement and exhibition.

The provision to improve access to resources such as Archives, Photographs, Paintings and Other Collections is integral to any future cultural facility. Likewise, is the need to address iwi concerns of long term appropriate housing of taonga in storage, alongside those on exhibition.

Significant taonga is still held by Ngāti Tūwharetoa, by other museums nationally and internationally and by collectors. The current centrepiece of the Tūwharetoa Gallery is a significant waka. Other carvings, stone and bone also present a traditional anthropological perspective on Tūwharetoa.

The opportunity is to specifically showcase Tūwharetoa – the past, the present and the future, by Tūwharetoa for Tūwharetoa. The outcome, as demonstrated through other examples of this type of exhibition, would be a comprehensive growth in knowledge and understanding of the history and sphere of influence of Tūwharetoa to the local community. More importantly it provides another level of direct connection for the rangatahi of Tūwharetoa to connect to their past and present, and to stand tall and proud as the future of Ngāti Tūwharetoa.

The single most visible item in the Museum to visitors is Te Aroha o Rongoheikume. Carved by master carver Tene Waitere (Ngāti Tarawhai) over ninety years ago for his niece Lucy Rongoheikume Reid, nee Rickit (Tūhourangi), the carvings were gifted to the people of Taupō by the Reid family.

Lucy was the eldest daughter of military settler Joseph Rickit and his wife Taima Te Ngahue (Tūhourangi). Lucy's brother in law was Joseph Story, Taupō's first mayor.

The current location of Rongoheikume, which is an integral part of a settler family story, needs to be carefully considered and discussed as part of any future development.

The Museum is severely restricted from mounting displays which would present the rich history which makes the region's unique, particularly from its own collection and the collections which relate to the community.

The Master Plan proposes that these functional issues are addressed by constructing a new Museum, linked to the new Civic Administration Building via a common atrium. This will expand the Museum from the current 947m<sup>2</sup> of space to 2,608m<sup>2</sup> of area, as well as bringing it up to modern standards of layout, functionality and equipment.

The linkage to the proposed Civic Administration Building would allow facilities such as reception areas, meetings rooms and bathrooms to be shared between the two buildings, lowering both the capital costs of construction and enabling efficiencies of scale in day-to-day operation.

One of the elements that was included in the brief for the Master Plan was the possible inclusion of a new Civic Administration Building. This inclusion does not automatically mean that the building will be located on the Domain, but it does allow evaluation of how it might be included if this was to be a preferred option.

Evaluating whether the Civic Administration Building should be located within the Cultural Precinct is a two-stage process:

**1**  
Assess the financial benefits and dis-benefits for each possible location of the CAB  
**financial benefits**

- criteria**
- Assess the capital and operating costs of each location, including the costs of capital and productivity impacts
  - Assess the likely revenues and opportunity costs for each location
  - Conduct an initial assessment to see if there are likely to be any flow-on benefits

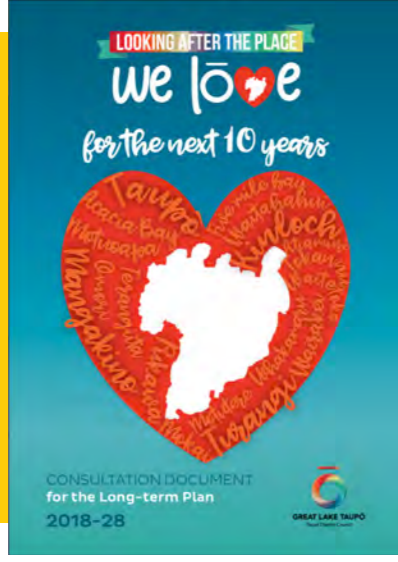
**2**  
Assess whether there are additional synergies that can be achieved at each location  
**synergistic benefits**

- criteria**
- Assess whether the location will allow community use of the facilities such as meeting rooms
  - Assess whether the location will contribute to the vibrancy of the CBD or the Cultural Precinct
  - Assess whether the location will contribute to the operation of other Council facilities
  - Assess whether the location will contribute to the commercial viability of new businesses

page **39** has this analysis

page **41** has this analysis

## LONG TERM PLAN



Taupō District Council's vision is 'To be the most prosperous and liveable district in the North Island by 2022'. In order to help realise this goal, the Council has set out its goals and intentions in its Long Term District Strategy 2018-2028. The Strategy sets out the core values for the Council – that Taupō will be world class, authentic, resilient, charming, vibrant, offer quality and value. The proposed investment is strongly aligned with these values.

Development of the Cultural Precinct and the possible construction of a Civic Administration Building within it was not consulted on as part of the Long Term District Strategy 2018-2028. Under the Local Government Act 2002, an amendment will need to be proposed, consulted on with the community and voted on by Council for any development to take place. This process will be supported by the Master Plan and the business case (this document) in order for the community and Councillors to have the data necessary to make an informed decision.

## COMMERCIAL AND INDUSTRIAL INFRASTRUCTURE PLAN

The Taupō Urban Commercial and Industrial Structure Plan (CISP) provides a vision for future planning of the Taupō town centre and new industrial areas. The Plan purposely provides direction over the next 20 years or so, and informs the strategic development of both the CBD and the Domain. The CISP was adopted by Council in 2011.

The goals of the CISP are as follows:

|                             |   |
|-----------------------------|---|
| <b>Character</b>            | To reinforce the distinct character of Taupō by embracing and integrating the natural and cultural qualities that define the town and district  |
| <b>Land use</b>             | To consolidate future commercial and industrial growth in a way that enhances the quality of life for the Taupō community and protects or improves environmental values   |
| <b>Built form</b>           | To achieve a sustainable and compact urban form that projects a distinct image, promotes an active and vibrant street edge and improves architectural quality.  |
| <b>Circulation</b>          | To reconnect the town centre with the lakefront, the Waikato River & surrounding residential areas. To re-focus towards pedestrians, cyclists & public transport. Connect existing & future commercial/industrial areas with sound transport links      |
| <b>Public space</b>         | To realise the untapped potential of Taupō's open space network and provide a diverse range of safe and functional public spaces from sheltered arcades through to squares and open-air events facilities   |
| <b>Heritage and culture</b> | To protect and draw attention to Taupō's unique heritage and culture and provide an increased focus on events and the creative arts   |
| <b>Economic growth</b>      | To develop an economy with multiple opportunities for employment and economic investment that is able to leverage off Taupō's lifestyle and image to retain and attract a diversity of people and business interests                                    |
| <b>Sustainability</b>       | To ensure that future growth is delivered in a sustainable manner, both in terms of delivering affordable, efficient infrastructural solutions and embracing Environmentally Sustainable Design (ESD) principles in the landscape and built environment |

The map at right shows the land use for the Taupō CBD and the Domain as per the CISP.

The proposed location of the combined CAB and Museum in the Cultural Precinct conforms to this plan and the goals of the CISP, subject to the provisions of the Reserves Act.



## SCOPE

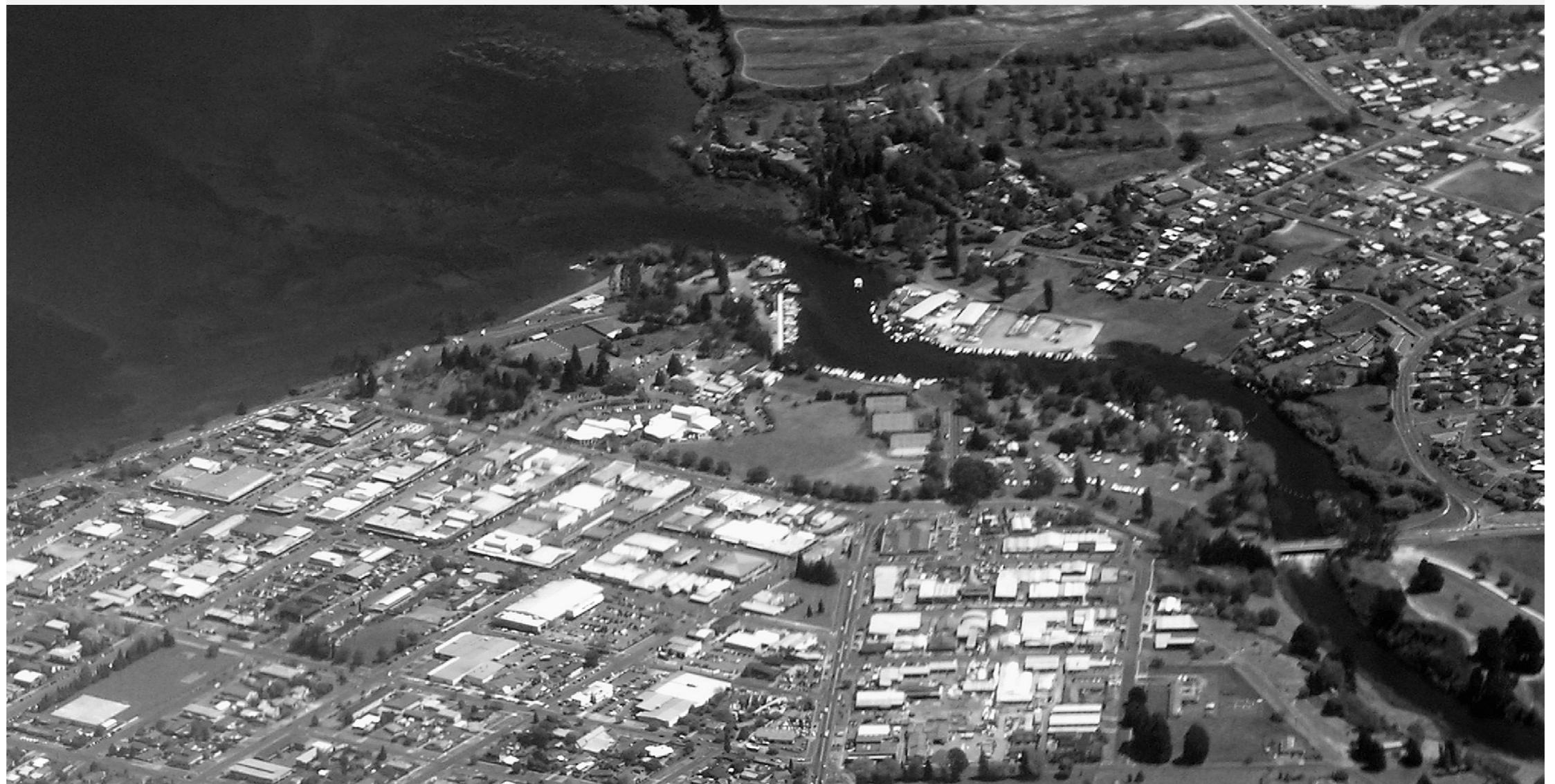
The scope that defines this investment proposal is:

- Investment in a new Civic Administration Building for the Taupō District Council, either owned by the Council or leased from the private sector, that meets the functional requirements of the Council
- Assessment of the correct location for the CAB, based on both the financial and non-financial costs and benefits, in the context of the Master Plan and the Taupō District Plan
- Assessment of whether there are additional synergies that can be achieved from construction of a suitable building, such as improved community or visitor facilities
- Delivery of the resulting building at the preferred location, in the form that delivers the greatest benefit.

The scope also includes all the consultation and regulatory processes necessary for the Taupō District Council to successfully design and deliver the Civic Administration Building, any required infrastructure and synergistic development.

What's not included in the scope of this investment proposal is:

- Changes to other facilities or areas beyond the scope of the Master Plan.





## CONSTRAINTS AND DEPENDENCIES

The proposal is subject to the constraints and dependencies shown in the table. These dependencies will be carefully monitored during the project through the Council's governance groups.

| Constraints  | Notes   |
|--|---|
| Regulatory compliance                                      | Development at all sites must be done within the constraints of the Resource Management Act and in compliance with the Taupō District Council's District Plan   |
| Private sector appetite (Long term lease option only)      | There must be a willingness from the private sector to develop and lease a building in the Taupō CBD that meets the Council's operational requirements within a prudent financial envelope  |
| Reserves Act (Tongariro Domain site only)                  | The Tongariro Reserve is subject to the Reserve Act 1977 which both protects the Reserve from inappropriate development but also impedes progress as development is contingent on necessary Reserves Act statutory processes (change of reserve classification, review of Reserve Management Plan) being completed. |
| Existing tenancies (Tongariro Domain site only)            | Several current occupancies and leases are in place, so the constraints around these will need to be observed and any early exit negotiated with the leasees.   |
| Heritage (Tongariro Domain site only)                      | Some parts of the Domain have high heritage and cultural value, and are nationally significant. All development must respect these values.  |
| Justice sector (Tongariro Domain site only)                | The existing Taupō District Court and NZ Police buildings will remain in place, and access to these sites must be preserved for operational reasons.  |
| Funding (Tongariro Domain site only)                       | Any development of the Museum is likely to require external funding from central government and charitable sources, and this must be agreed before this element of the development can commence.  |
| Boundaries and easements (Tongariro Domain site only)      | A legal road runs through the Reserve and buildings are not permitted on legal road. Buildings will therefore need to be built within reserve parcel boundaries. In addition, there are a number of registered easements across the reserve, and the constraints around these will need to be observed.             |
| Land ownership (Tongariro Domain site only)                | The Landing Reserve is to vest in Tūwharetoa iwi ownership so any development over that land will need the consent of Tūwharetoa.   |
| Dependencies   | Notes and Management Strategies   |
| Destination Playspace (Tongariro Domain site only)         | Development of the Destination Playspace has been approved by the Council and the project will be underway as the CAB development occurs. All changes to the Domain will need to work with the Destination Playspace project team.  |
| Consents   | All work to develop the Civic Administration Building is likely to require Resource Consent and will need Building Consent, and public notification may be required, depending on the site chosen. These processes must be completed before construction can commence.  |
| Sport and Recreation Strategy (Tongariro Domain site only) | Any work involving landscaping to the south of the proposed museum on the existing bowling greens will require consultation and a close working relationship with the Sport and Recreation Strategy team.   |
| Transport Strategy (Tongariro Domain site only)            | Any work involving Tongariro Street and the associated parking, bus stops and traffic movement will require consultation and a close working relationship with the Transport Strategy team.   |

The risks of proceeding with an investment in the Taupō Cultural Precinct have been assessed in a multi-step process. This identifies and quantifies the risks as they stand, identify the mitigations that are needed to reduce the probability of the risk occurring or the impact it could have, and then re-assess the residual risks that remain.

## Initial risk assessment

The initial risk assessment involved:

- Conducting workshops to **identify** the risks to proceeding with the development of the Taupō Cultural Precinct
- **Collating** the information gathered from workshop sessions with Council officers
- Analysing the **linkages** between the risks and link them together to understand how risks can build up during the project
- Quantifying the **probability** that the risk could occur based on the knowledge of Council officers
- Quantifying the **impact** that the risk would have based on the knowledge of Council officers.

**key risk identified:** escalating costs due to construction inflation

**significant risk identified:** insufficient political support

**overall risk rating prior to mitigations:** **significant**

## Mitigation actions

Developing effective mitigation actions involved:

- Working with the project team to **identify** the actions that will be needed to reduce both the probability and the impact of the risks
- **Reviewing** the work that has already been done to mitigate the risks with Council officers
- Quantifying the **effectiveness** that the actions will have in reducing the probability or impact of the risk, based on the knowledge of Council officers
- Quantifying the level of **confidence** in the quality and completeness of the actions taken and work done, based on the knowledge of Council officers
- Assessing any **gaps or additional steps** that can be taken and incorporating these into the project.

**key mitigation action:** effective project planning and documentation

**key mitigation action:** strong governance and oversight

**overall mitigation rating:** **should be effective**

## Subsequent risk assessment

The subsequent (or residual) risk assessment involved:

- Reassessing the risks to **identify** how the mitigations will affect their likely occurrence
- **Recalculating** the probability and impact of the risks following the mitigations
- Reviewing the **project processes** to ensure the mitigation actions are incorporated into the project methodology and approach
- Presenting the information in a form that will enable the project governance group and Councillors to make **informed decisions** about the risks of proceeding with the investment.

**residual risk remaining:** escalating costs due to construction inflation

**residual risk remaining:** insufficient political support

**overall risk rating following mitigations:** **low to moderate**

risks that arise due to how the project is governed, managed or delivered

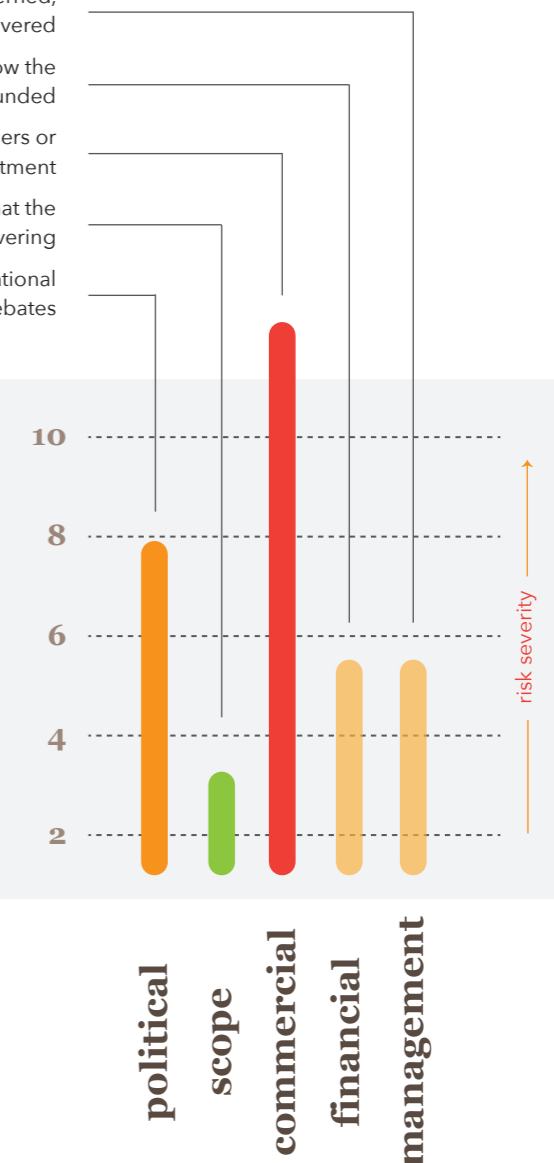
risks that arise from uncertainty about how the project will be funded

risks that arise from contracting with suppliers or vendors for key elements of the investment

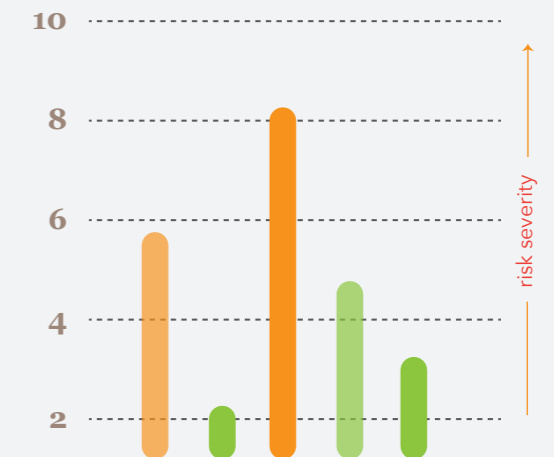
risks that arise from uncertainties about what the investment will be delivering

risks that arise due to local, regional or national political debates

### Initial risk assessment prior to mitigations



### Subsequent risk assessment following mitigations





TAUPŌ CULTURAL PRECINCT | Economic case

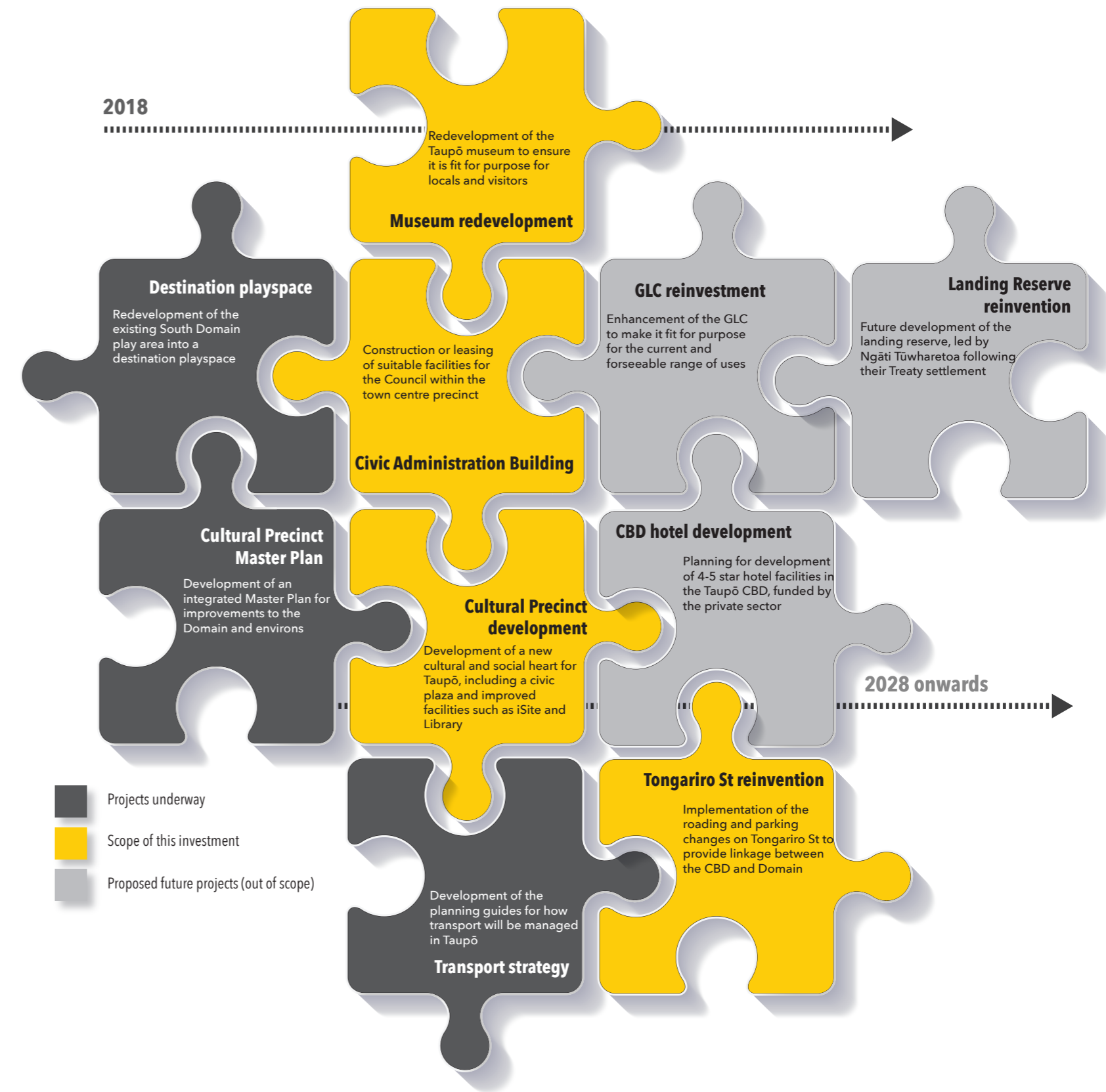
The development of the Cultural Precinct is part of a wider collection of initiatives that are intended to improve the social, cultural and tourism experience of the region. Some of these are currently underway, whilst others are planned for the future, as the diagram at right shows.

ECONOMIC CASE

The **destination playspace** will upgrade the current playground in the South Domain to transform it into a destination playspace, for the benefit of locals and visitors alike. This forms part of the wider **Cultural Precinct Master Plan**, which will guide the future development of the Domain and its environs to make it a vibrant and attractive civic space in the heart of Taupō. The Master Plan is also supported by the **Transport Strategy**, which provides a framework for the better management of Taupō's transport infrastructure to cater for a growing town with changing expectations.

Building on the framework of the Master Plan, the new **Civic Administration Building** and the linked **Museum redevelopment** will all help create vibrancy for the **Cultural Precinct development**. As part of the development, the **Tongariro Street reinvention** will link the CBD to the Cultural Precinct through better roading, parking and landscaping. These projects all build on one another, and – whilst are all in scope for this investment – there will be progressive construction and development spread across a number of years, depending on the availability of construction capability and some external funding.

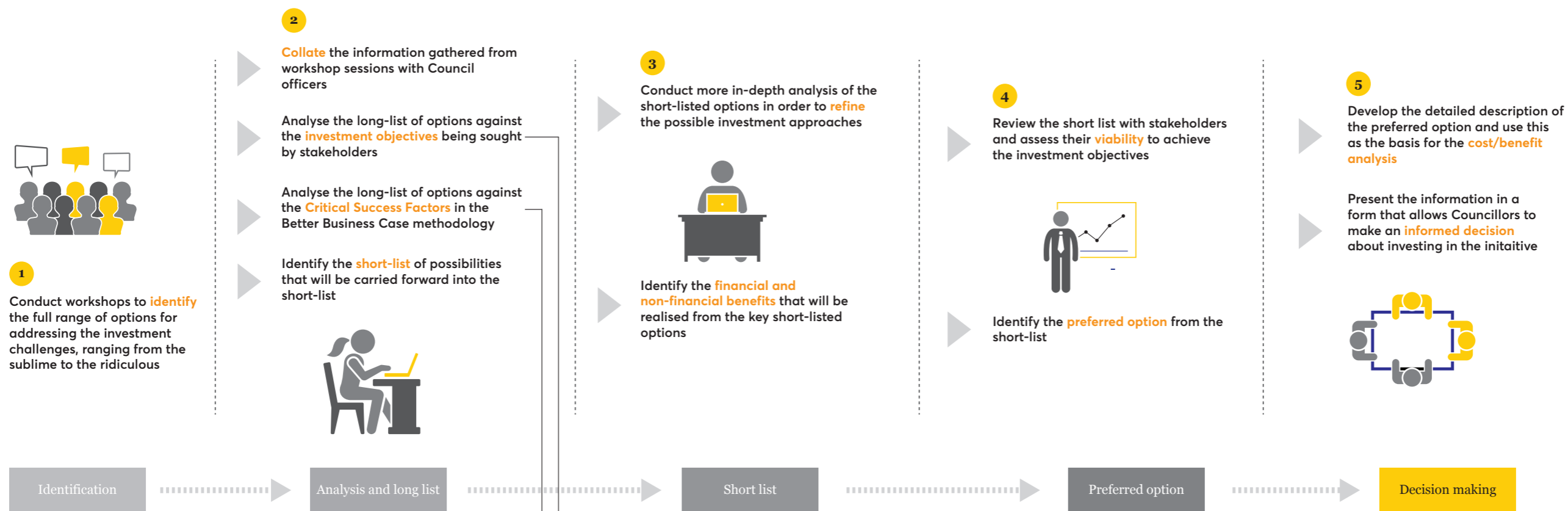
Development of the Cultural Precinct and its component projects will provide a platform for the Great Lake Centre reinvestment and its potential linking to the Library, in order to make both facilities better suited to current and future needs. It will also act as a catalyst for the **Landing Reserve reinvention**, which will be led by Ngāti Tūwharetoa. In parallel, the changes to GLC and Tongariro Street will provide an impetus and catalyst for private sector investment in one or more **CBD hotel developments**, which will help fill gaps in the Taupō accommodation market.



# ECONOMIC CASE | Options development approach

The development of the preferred option for the Taupo Cultural Precinct follows a structured process in the Better Business Case methodology:

ECONOMIC CASE



### Investment objectives for the Taupo District Council

- 1 Consolidate Council operations in a way that produces the greatest efficiencies for the Council, at an affordable cost, with the greatest sharing of resources with the community
- 2 Facilitate the development of the Cultural Precinct in a way that catalyses future development in the Tongariro Domain and the CBD
- 3 Enable reinvigoration of the Museum in order to showcase the rich natural, social and cultural history of Taupo to residents and visitors alike

The investment objectives were derived from the problem statements agreed in an Investment Logic Mapping workshop held with Council officers in October 2018

### Critical Success Factors for the investment

- 1 **Strategic fit** | Conforms to the goals and aspirations of the Master Plan | Observes the Reserves Act constraints and the guidance of the CISP
- 2 **Value for money** | Optimises value for money | Creates greater participation and usage
- 3 **Supplier capability** | Service provider(s) can meet the technical and cultural needs, which are sensitive to the environment | Service provider(s) have the capacity to deliver the required outcomes
- 4 **Affordability** | Affordability must match ambition | Matches other funding constraints
- 5 **Achievability** | Internal and external skills exist and are available for successful delivery
- 6 **Regulatory compliance** | Must comply with relevant legislative and regulatory obligations

The critical success factors are contained in the Better Business Case methodology, endorsed by the NZ Treasury

# ECONOMIC CASE | Civic Administration Building location options

The Council assessed a long-list of options for the location of the CAB. In all, 11 different alternatives were investigated, with most being found to be unsuitable for functional, space or operational reasons. Four options were short-listed for further investigation: a long term lease, Tongariro Domain, Tūwharetoa Street carpark, and 72 Lake Terrace.

## Option 1: Long term lease

A lease would be entered into with a commercial developer/property owner to construct a new building that would meet the Council's requirements at a mutually agreed location within the Taupō CBD.

## Option 4: Tongariro Domain

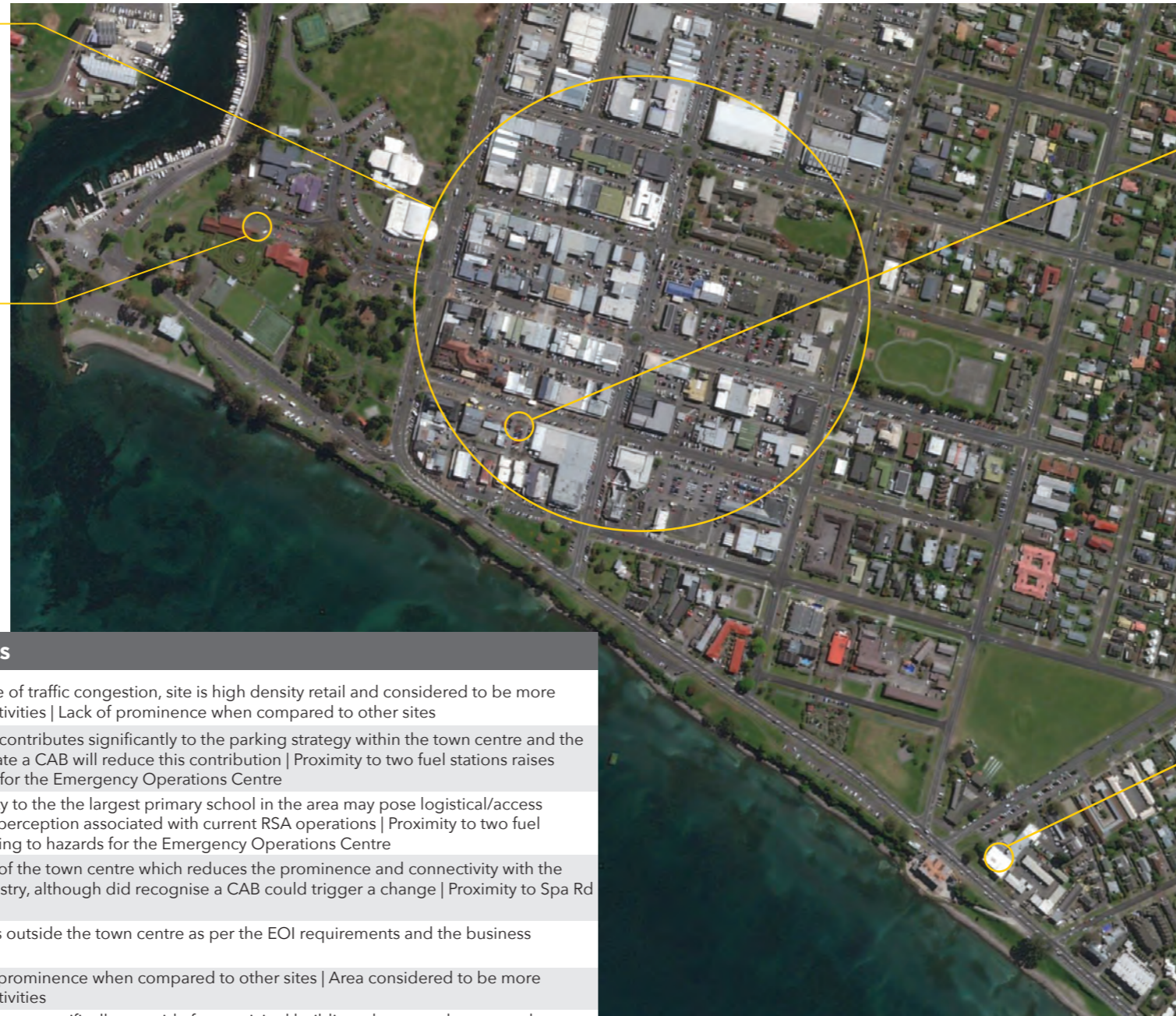
A new building would be constructed on the western side of the proposed civic plaza. The building would be two stories tall and be linked to the new Museum with a shared atrium, with a number of shared spaces and facilities such as meeting rooms and reception spaces.

## Option 3: Tūwharetoa St carpark

A new building would be constructed on the current Council-owned carpark site in Tūwharetoa Street. The building would be three stories tall with ground floor retail or hospitality and two levels of underground carparking. The CBD location would put Council activities in the centre of the town.

## Option 2: 72 Lake Terrace

A new building would be constructed on the site of the previous Council building at 72 Lake Terrace. The building would be two stories tall, with little to no public shared facilities.



## Discarded options

A long-list of options for the location of a Civic Administration Building was compiled and evaluated by Council officers in October 2017, with 8 options being rejected as not meeting the Council's requirements for a variety of reasons. The table at right shows the summary of the findings at the time. These options have not been further investigated or the decisions re-litigated in this business case.

- 2 Gascoigne St** | High chance of traffic congestion, site is high density retail and considered to be more appropriate for core retail activities | Lack of prominence when compared to other sites
- Heuheu St carpark** | The site contributes significantly to the parking strategy within the town centre and the displacement to accommodate a CAB will reduce this contribution | Proximity to two fuel stations raises concerns relating to hazards for the Emergency Operations Centre
- 67 Horomatangi St** | Proximity to the the largest primary school in the area may pose logistical/access challenges | There may be a perception associated with current RSA operations | Proximity to two fuel stations raises concerns relating to hazards for the Emergency Operations Centre
- 10 Opepe St** | On the fringe of the town centre which reduces the prominence and connectivity with the CBD | Immersed in light industry, although did recognise a CAB could trigger a change | Proximity to Spa Rd may create traffic congestion
- 258 Spa Rd** | Proposed site is outside the town centre as per the EOI requirements and the business objectives
- Taniwha St carpark** | Lack of prominence when compared to other sites | Area considered to be more appropriate for core retail activities
- Gascoigne St Reserve** | Has been specifically set aside for municipal buildings, however the reserve has come to be considered and used by the community as if it was a reserve
- Tongariro Domain North** | Considered extensively in 2010 as part of the Taupō Urban Commercial and Industrial Structure Plan. Council looked at the potential for a new building located on the recreation reserve land to the north of the Great Lake Centre. Having considered the technical information, expert advice and the views and preferences of the community Council decided not to proceed with a civic administration building on the north domain

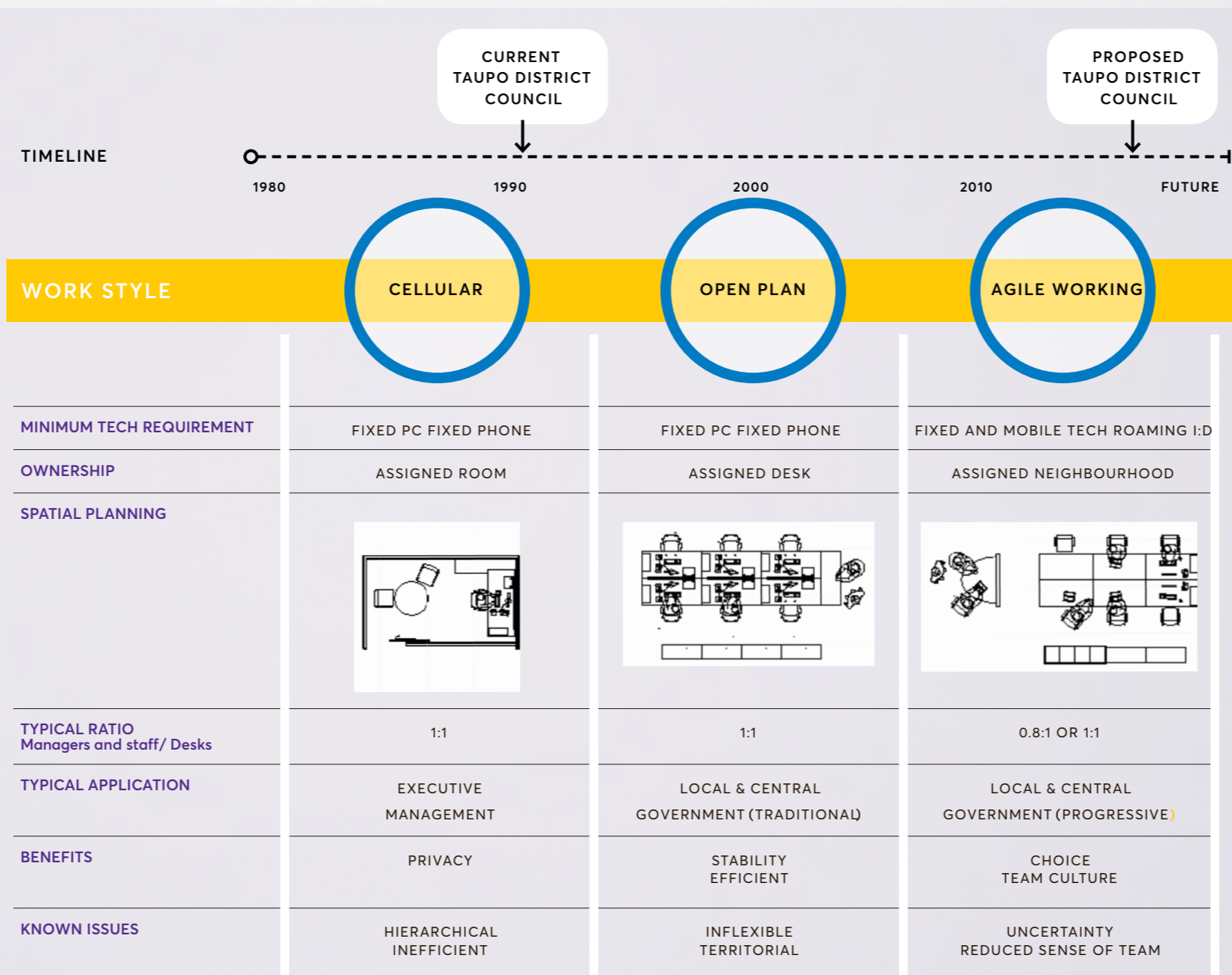
In order to allow a straightforward comparison between the various site options, Council worked with Warren and Mahoney Architects to develop the space requirements for the Council's activities. The approach also allows a transition to a more agile working method for staff, which should enable an improved collaborative environment coupled with greater space utilisation, although the approach has yet to be developed in detail.

## AGILE WORKING BENEFITS

### PROVEN BENEFITS AND STATISTICS

- 28-33% enterprise organisations have adopted agile working with another 33% looking to apply it in future (particularly for distributed organisations)
- 16% productivity increase (extra 6.4 hours of work per week)
- 25% found ROI in less than 12 months, and 66% see payback in 2 years
- 55% agree managers and staff have better knowledge of customer requirements and their knowledge expands in an agile environment
- 10-30% reduction in floor space
- Reduced energy bill (less space) but higher cleaning bill (more sharing, typically 2-3 daily cleans)
- Discourages sedentary behaviour
- Managers and staff must be able to clearly define their inputs, outputs and set goals

Source: Telsyte Australian Digital Workplace Study 2015. m=121 (agile working organisations)



## ACCOMMODATION IMPLICATIONS

Analysis shows that the proposed move to agile working will allow the Council to reduce the overall floor area whilst improving working conditions for staff.

The effect is that the new Civic Administration Building has been sized for 140 concurrent staff, with flexible desks. This allows all 178 staff that are currently spread across the Council's 8 sites plus 15 staff from the Waikato Regional Council to be accommodated without the overhead of desks being vacant for at least part of the working week. Costings for all the Civic Administration Building options have been prepared on this basis.

## SPACE REQUIREMENTS

While each location option has a range of benefits and dis-benefits, the functional requirements of the Council (for the amount of staff space, the operation of the building and the like) are the same in all cases.

Using industry-standard approaches to working space requirements and supporting building services, Warren and Mahoney developed a space allocation model that would support the Council's functional requirements. The results are as follows:

| Requirement                        | Space (m <sup>2</sup> ) |
|------------------------------------|-------------------------|
| Workpoints for 140 staff           | 1,400                   |
| Reception/waiting                  | 80                      |
| Servicing/administration           | 220                     |
| Meeting and shared community rooms | 150                     |
| Council chambers                   | 300                     |
| Common social hub                  | 150                     |
| Civil Defence (IL4 standard)       | 120                     |
| Core/WC amenities                  | 100                     |
| <b>Total</b>                       | <b>2,520</b>            |

These requirements have been used to inform the costing options for all the future state scenarios.

Part of the functional requirements for the Civic Administration Building is the need to provide for a high degree of resilience for some of the Council's operations in the event of a major natural disaster event, such as an earthquake or eruption.



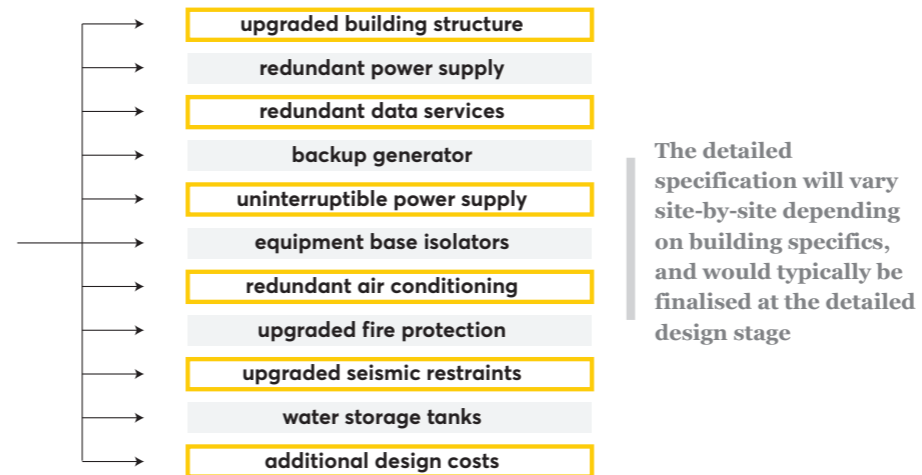
Clause A3 of the Building Code defines the significance of a building by its importance level (IL), which is related to the consequences of failure. There are five levels of importance, considered by the importance of the building to society:

- LEVEL 1** Structures presenting a low degree of hazard to life or property, such as walkways, outbuildings, fences and walls.
- LEVEL 2** Normal structures and structures not covered by other categories, such as timber-framed houses, car parking buildings or office buildings.
- LEVEL 3** Structures that may contain crowds, have contents of high value to the community or pose a risk to large numbers of people in close proximity, such as conference centres, stadiums and airport terminals.
- LEVEL 4** Buildings that must be operational immediately after an earthquake or other disastrous event, such as emergency shelters and hospital operating theatres, triage centres and other critical post-disaster infrastructure.
- LEVEL 5** Structures whose failure poses a catastrophic risk to a large area or a large number of people, such as dams, nuclear facilities or biological containment centres.

The required level of seismic performance increases with each level of importance. In general, important structures, such as hospitals, communications centres and those that provide occupation for many people, are designed for a greater level of earthquake shaking than ordinary commercial structures.

- Seismic resilience guidance, Building Research Association of NZ (BRANZ)

The Council requires at least some of its functions – such as those dedicated to Civil Defence response – to be housed in IL4-compliant facilities in order to be able to operate effectively in the event of a major disaster. Typical building and equipment upgrades required to meet the IL4 standard include:



The detailed specification will vary site-by-site depending on building specifics, and would typically be finalised at the detailed design stage

## TWO APPROACHES COULD BE TAKEN BY COUNCIL:

To meet the requirements for IL4-compliant space in the event of a major emergency, a minimum of 120m<sup>2</sup> of space must meet the IL4 standard. However, the construction of a new building does provide a unique opportunity to examine whether there are additional resilience benefits that could be achieved by designing the entire building to the IL4 standard, and whether the additional cost would be justified.

### OPTION 1

Upgrade 120m<sup>2</sup> of the Civic Administration Building to IL4 standard

**\$2.2m**  
in additional construction cost

- ADVANTAGES**
  - A** Most cost-effective option | Will meet the minimum public expectation in the event of disaster
- DISADVANTAGES**
  - D** Limited space and capacity for emergency response | Expensive to expand capacity later
- RISKS**
  - R** Council lacks capacity in large-scale or extended duration emergency
- ASSUMPTIONS**
  - A** Adding extra IL4 capability to the building after it is constructed will be prohibitively expensive

### OPTION 2

Upgrade the entire Civic Administration Building to IL4 standard

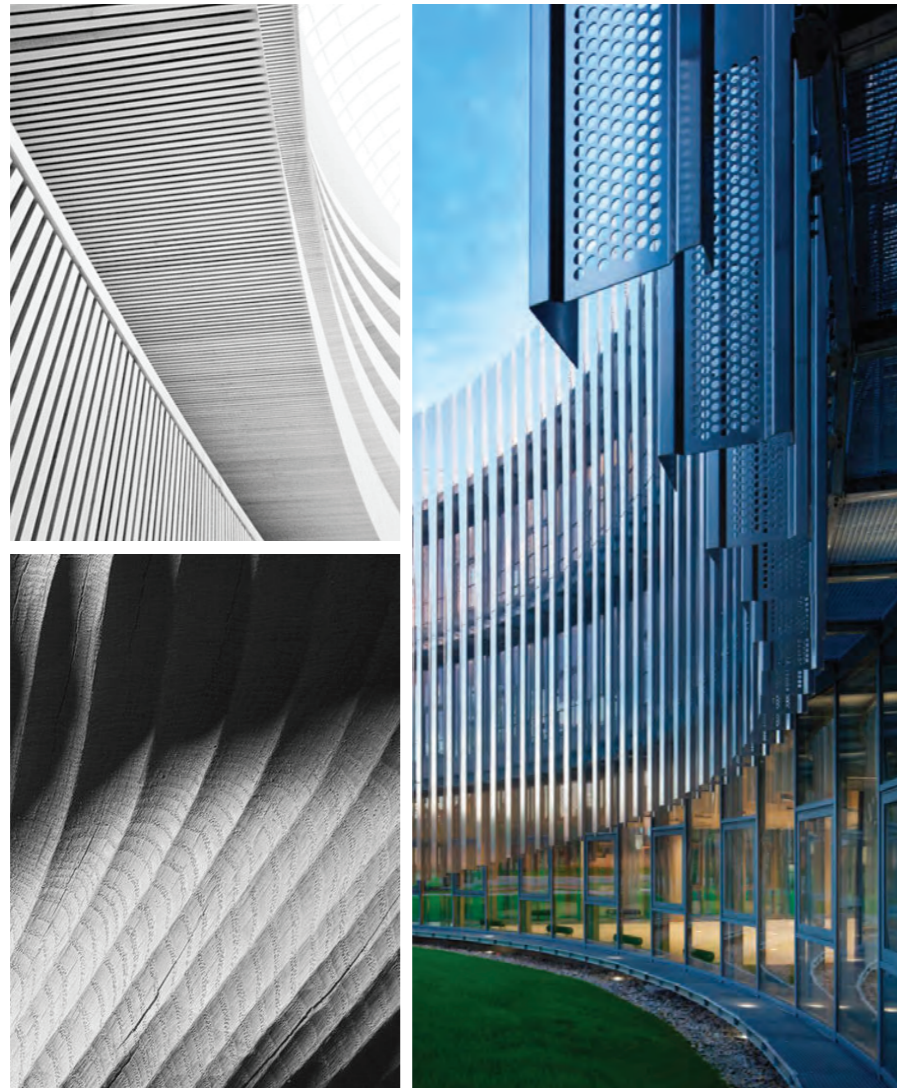
**18-25%**  
in additional construction cost

- ADVANTAGES**
  - A** Allows more flexibility for emergency response | Space for non-Council emergency responders
- DISADVANTAGES**
  - D** More expensive to construct | Marginally higher depreciation costs
- RISKS**
  - R** A major emergency never occurs so the capability is never used
- ASSUMPTIONS**
  - A** Adding extra IL4 capability will be within the range estimated by the Quantity Surveyors

## RECOMMENDATION

A decision about the level of disaster preparedness will depend on a number of factors that are outside the scope of this business case, as they will depend on a specialised risk assessment and cost/benefit assessment. It is therefore recommended that Council seek further advice on the pros and cons of both IL4 options before deciding on which approach holds the greatest benefit for the Taupō community.



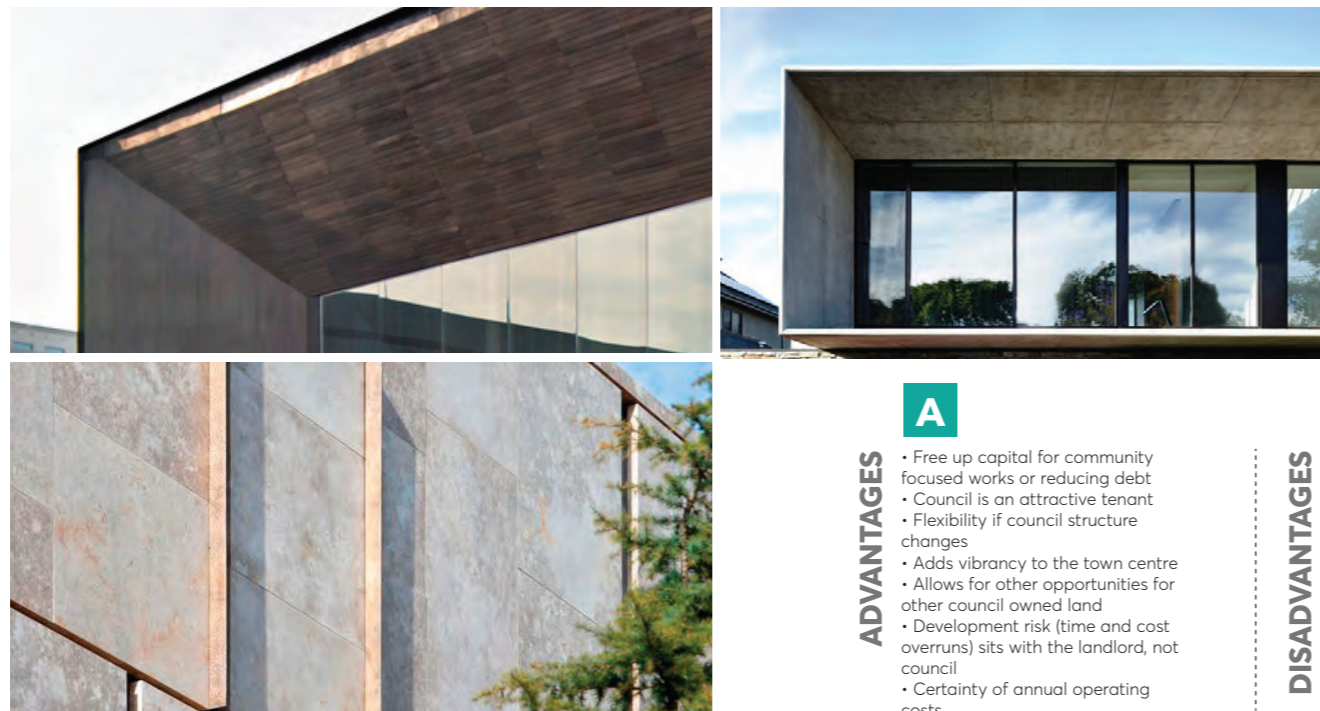


While the location and design of a suitable building for the Council's requirements would be a matter of negotiation between the developer/property owner and the Council, the same design principles and functional requirements for the facilities would still be observed.

The requirements stipulate the floor area for each of the Council's functions, and that the building be located within the Taupō CBD to improve access for the public and to add to the vibrancy of the town centre. The resulting building would also be required to observe the design principles and facilitate the agile working style that the Council is adopting.

GUIDING PRINCIPLES

| IDENTITY  | CONNECTEDNESS  | CUSTOMER EXPERIENCE   | ASSET REPOSITIONING   | AUTHENTICITY  |
|---|--|---|---|---|
| <p>The project must address and build on Taupō District Council's identity.</p> <p>This needs to be a holistic approach, expressing the way the organisation operates and engages with the local community.</p> <p>The Taupō District Council is a multi functional, efficient, democratic modern and approachable organisation that is in tune with the community.</p> | <p>The project should act as a catalyst in enhancing a feeling of belonging to, and having an affinity with the wider Taupō community and its local government.</p> <p>It should act as a dynamic 'meeting place' where conversation, and collaboration can develop in a relaxed and informal setting.</p> | <p>The project should create an environment that successfully responds to current and future business needs, staff methodologies and customer requirements.</p> <p>Easily accessible, flexible, and modern facilities served by staff that are proud of the organisation they work for.</p> | <p>Renew and revitalise the building and surroundings to show the organisation's relevance now and in the future.</p> | <p>The building should frame the Council's spirit and character, thus providing an honest and transparent entity for the community to engage with.</p> <p>A reliable and responsive organisation providing a high level of amenity for the community.</p> |



**A**  
**ADVANTAGES**

- Free up capital for community focused works or reducing debt
- Council is an attractive tenant
- Flexibility if council structure changes
- Adds vibrancy to the town centre
- Allows for other opportunities for other council owned land
- Development risk (time and cost overruns) sits with the landlord, not council
- Certainty of annual operating costs

**D**  
**DISADVANTAGES**

- Change typically needs to be timed to coincide with lease expiry dates
- Time to find a willing landlord (although there has been public expressions of interest)
- Long-term costs are greater than owning

**R**  
**RISKS**

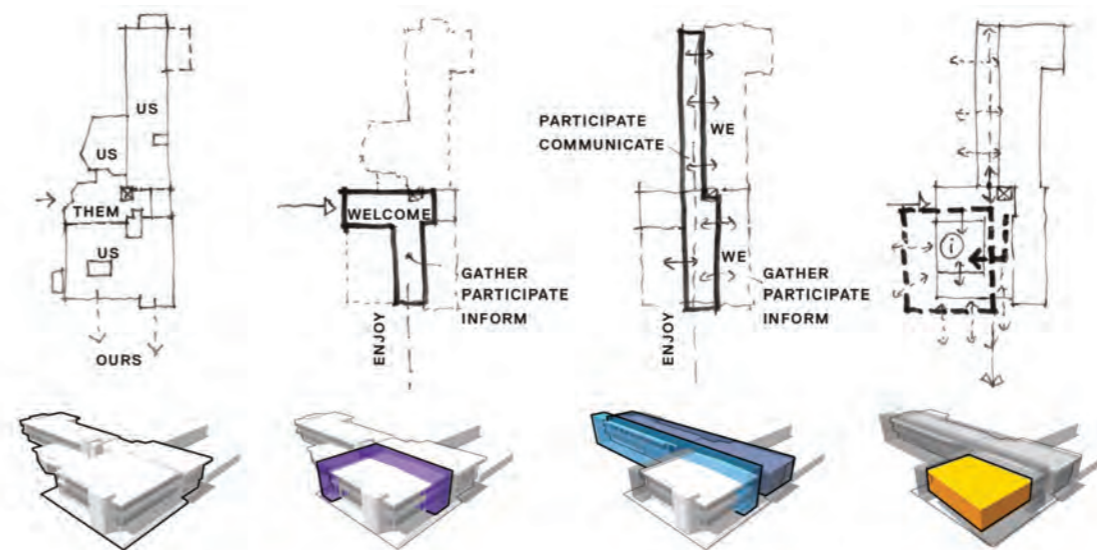
- Perception that the private sector is benefiting from public sector investment
- A mid-lease rent review could raise costs significantly if commercial rental rates rise during the long-term lease period

**A**  
**ASSUMPTIONS**

- Private sector will deliver the same building, with same design and quality (incl IL4 for EOC)
- Will be in the town centre
- Political willingness to engage with the private sector, and clarity of programme and project objectives



SPATIAL CONFIGURATION



The current Council offices are satellite in nature and there does not exist a central building to consolidate these workspaces. Combining all services under one roof offers a valuable opportunity to revitalise the organisation, it's relationship with the community and the workplace.

The building's identity is shaped by its lakefront address, drawing the presence of Lake Taupō throughout the building so it becomes a part of the daily working environment. The architecture celebrates and preserves the connection between Lake Taupō and the people through soft, humane materials and a regionally inspired palette.

Fundamental to the design of this scheme is the people - the people who run the organisation and the customers. The success of the organisation depends on the health and happiness of the employees and the positive way they are able to serve the community.

**A**  
**ADVANTAGES**

- Council owns the site and can control construction timing
- Frees up parking capacity in the town centre, as council officers would move out of the town centre (current state)
- Prominent location with views that showcase the district's natural environment
- Allows for other opportunities for other council owned land (Tuwharetoa Street)
- Long-term costs of ownership are lower than leasing

**D**  
**DISADVANTAGES**

- A new building here would be in contradiction with council's district plan, which discourages large scale office activity in residential areas
- Removes vibrancy from town centre
- Carries an opportunity cost as council can't use the land for other purposes
- Inconvenient location for the public

**R**  
**RISKS**

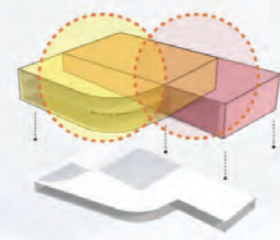
- A new building would need to be approved under the Resource Management Act, with a low likelihood of success (high risk)
- Judicial review (District Plan) (low risk)

**A**  
**ASSUMPTIONS**

- Construction costs are within the range of the Quantity Surveyor estimates

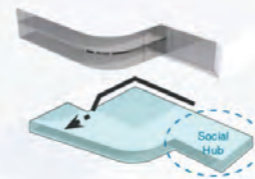


**SPATIAL CONFIGURATION**



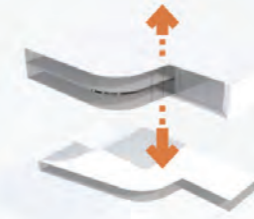
Efficient floorplate area to maximise workplace design.

Central 'cohesion space' for central amenity and connectivity



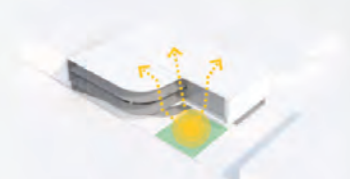
The ground floor is highly active with the inclusion of the Council Administration Building entrance and services, food and beverage offering and potentially community social areas.

Access to the underground carpark is through the rear of the building.



Central core to interconnect vertically all levels.

Potential for social interaction and connectivity through the core and its activity



A central plaza activates the north-western corner of the site as the main entry into the building. This entrance is highly permeable with visibility that leads into and up the building, exposing work spaces and inviting the community into the world of their city council. This visibility also encourages employees to interact and enjoy the quality of social spaces throughout the building.

This plaza will have outdoor food and beverage seating for the cafe/retail zone at ground floor.

**A**  
**ADVANTAGES**

- Council has the ability to include commercial (approx. 300m<sup>2</sup>) elements as part of the building on this site (generating some revenue)
- Adds vibrancy to the town centre
- Council controls the site, and timing of development
- Flexibility if council structure changes
- Allows for other opportunities for other council owned land (e.g. selling 72 Lake Terrace)
- Convenient location for the public
- Prominent location with views that showcase the district's natural environment
- Long-term costs of ownership are lower than leasing

**D**  
**DISADVANTAGES**

- Carries an opportunity cost as council can't use the land for other purposes
- Likely to be the most expensive option due to the underground car parking design

**R**  
**RISKS**

- Negative perception of council facilitating commercial elements (low risk)
- Judicial review (District Plan) (low risk)

**A**  
**ASSUMPTIONS**

- If Council was to build on this site, it has no obligation to offer back under the Public Works Act
- Section 52 of PWA process will be successful
- Neutral car parking
- Construction costs are within the range of the Quantity Surveyor estimates

The current council offices are satellite in nature and there does not exist a central building to consolidate these workspaces. This option explores a scheme that seeks to consolidate these workplaces in a new building located on Tūwharetoa Street within the township.

Situated on a north facing existing carpark within close proximity to the Landing Reserve, museum, library, Great Lake Centre, and the domain parks, this building has the potential of being a defining symbol that represents the people who make up the district of Taupō.

The architecture draws inspiration from the region's distinct mountainous physicality and Taupō's rich culture, celebrating and preserving a connection with Mount Tongariro, and the people of Taupō, their guardians, through soft, humane materials and a regionally inspired palette.

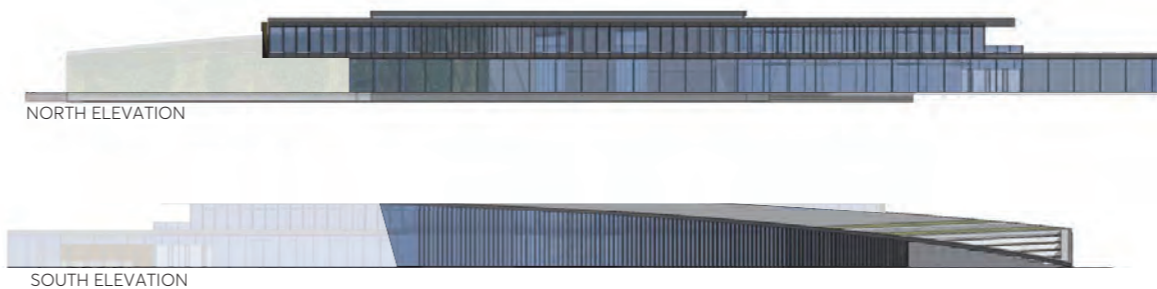
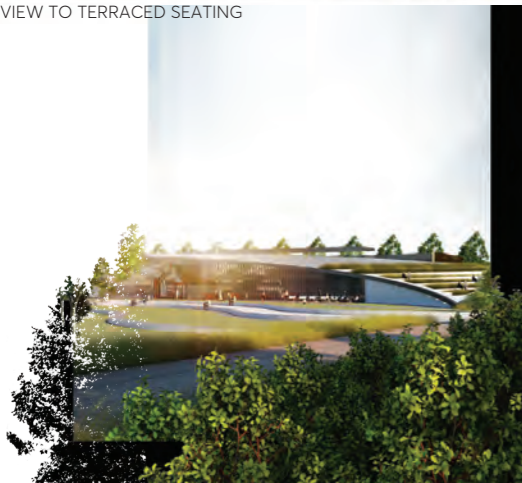
Fundamental to the design of this scheme is the people - the people who run the organisation and the customers. The success of the organisation depends on the health and happiness of the employees and the positive way they are able to serve the community.



There is currently no encouragement or connection with the township, the harbour and landing reserve. Visually the water cannot be seen from the township, so this proposal looks to creating a signature building to entice and draw pedestrian connectivity as an integrated museum, Civic Administration Building and community / public amenity building.

The building is in a prominent location and visually seen from the lake and all surrounding locations. An atrium space brings together the museum and Civic Administration Building and enables sharing of spaces to improve operation.

VIEW TO TERRACED SEATING



NORTH ELEVATION

SOUTH ELEVATION



CENTRAL PLAZA VIEW TO CAB

- A**
- ADVANTAGES**
- Cultural Precinct master plan opportunities, including shared facilities with a new museum
  - Provide an anchor for a civic plaza / heart
  - Adds vibrancy to the town centre
  - Connectivity to CBD and harbour
  - Council controls the site, and timing of development
  - Convenient location for the public
  - Prominent location with views that showcase the district's natural environment
  - Dedicated community space (657m<sup>2</sup>) and upgraded iSite
  - Allows for other opportunities for other council owned land (Tuwharetoa Street and 72 Lake Terrace)
  - Long-term costs of ownership are lower than leasing

- D**
- DISADVANTAGES**
- Subject to separate Reserves Act public consultation processes required (reclassification, review of Reserves Management Plan), including additional time needed
  - Leases of existing tenants (Rotary House, Womans' Club) on the domain need to be honoured or negotiated
  - Limited commercial opportunities
  - Inflexibility if council structure changes

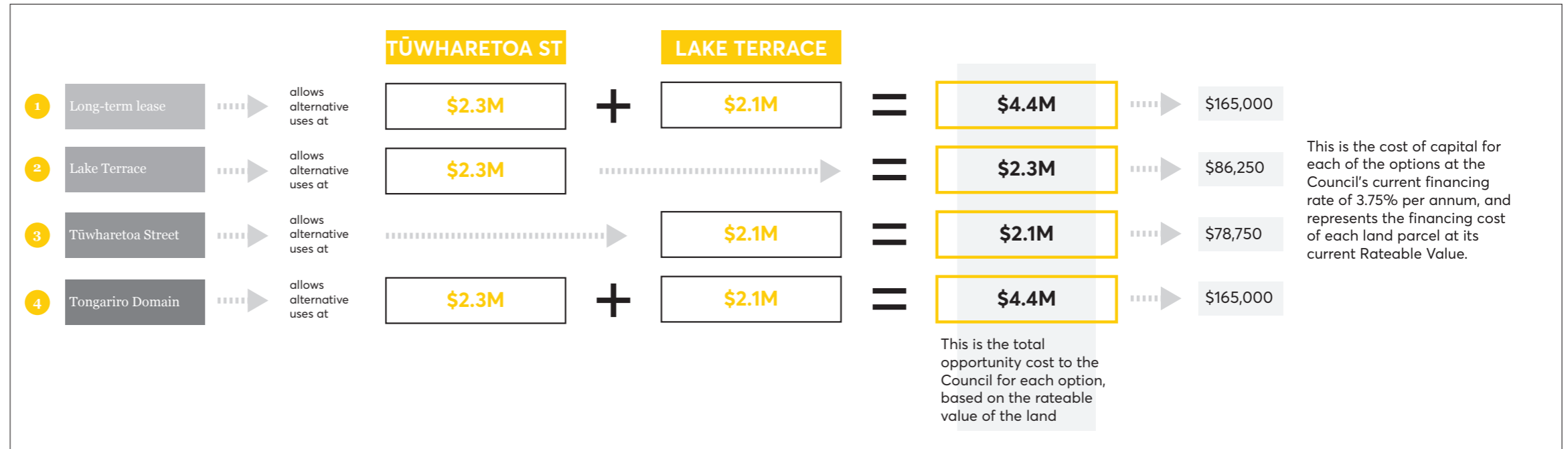
- R**
- RISKS**
- The Minister intervenes and makes a decision and/or rescinds delegated authority (low risk)
  - Judicial review if process and/or decision is perceived to be unlawful (Reserves Act) (low risk)

- A**
- ASSUMPTIONS**
- Minister won't intervene
  - No judicial review
  - Car parking will be created on Tongariro St and Ferry Rd
  - Great Lake Centre subject of a separate business case
  - Construction costs are within the range of the Quantity Surveyor estimates

## OPPORTUNITY COSTS

All of the CAB locations carry opportunity costs for the Council. Constructing the Civic Administration Building on the Lake Terrace or Tūwharetoa Street sites – which are owned by the Council – means they cannot be used for other purposes, ranging from the continuance of their current use to some new development opportunity. For instance, if a new building is constructed on the Tūwharetoa Street site then its current use as a car park within the Taupō CBD will cease, with implications for both the Council's Transport Strategy and its finances.

To enable a straightforward comparison between the various options, the opportunity cost of each site has been assumed to be its' rateable value. The actual opportunity cost will depend on the use to which the site can be put and how the Council chooses to pursue the various alternative uses for each location.



ECONOMIC CASE

## REVENUE

Keys Valuers were asked to provide an estimate of the likely leasing revenues for hospitality and retail spaces in a Civic Administration Building. They noted:

“ Café area would have a market rental of \$300-\$350/m<sup>2</sup> plus an additional allowance for the outdoor dining area of \$100/m<sup>2</sup> being for a smaller portion of the total 300m<sup>2</sup>. Standard retail space would have market rental of \$150-\$200/m<sup>2</sup>. Retail space that could be let to a national or international tenant with a proven business model may attract a premium of up to \$300-\$350/m<sup>2</sup>.

Additionally, the Waikato Regional Council wishes to co-locate 15 staff, which would attract a lease payment of \$45,000 per annum. However, this is only feasible in the Tūwharetoa St and Tongariro Domain options – there are restrictions on the total number of staff that are allowed on the Lake Terrace site.



The following assumptions have been made in order to compile the cashflow comparison and conclusions on the following page.

## ASSUMPTIONS

The following assumptions have been made in compiling the cost/benefit assessment:

1. The number of staff that need to be accommodated in order to perform the Council's statutory functions is assumed to be identical in all options. Likewise, the space requirements, number of meeting rooms and the space required for ancillary functions - such as storage - is assumed to be identical for all new building options.
2. The specification of the building has been assumed to be the same in all options. Costings have been conducted on the basis of the initial architectural concepts and no value engineering has yet been undertaken, as this will happen at the design stage. It is assumed that the standard process of cost reduction and value engineering is conducted in all cases.
3. On the basis of these assumptions, the ongoing operating costs of running the building(s) in every option is assumed to be largely the same, irrespective of location. Accordingly, the running costs have been ignored in the calculations.
4. The current state option has the greatest dis-economies of scale, as the multiple locations result in less efficiencies in the provision of non-working areas such as reception and circulation areas, toilet facilities, meeting rooms and the like. Accordingly, no detailed financial analysis of the do-nothing option has been conducted.
5. The economic life of the buildings and the depreciation charges have assumed to be the same in all build/own options. The buildings are assumed to have an economic life of 50 years; fit-out, plant and equipment are assumed to have a 20 year economic life. All depreciation is calculated on a straight-line basis.
6. In the case of all three construction options, the total cost of capital has assumed to attract a financing charge of 3.75%, based on the current cost of borrowing to the Council.
7. The retail lease revenues are assumed to come from the leasing of 300m<sup>2</sup> of the ground floor of the Tūwharetoa Street site and the leasing of a cafe in the ground floor of the Tongariro Domain site, as per the indicative plans. There is assumed to be no retail or hospitality leasing opportunity at 72 Lake Terrace.
8. All land values have been factored in at their current Rateable Value (RV). The Rateable Value of the land in the long-term lease option is assumed to be \$2.3m, the same as the RV of the Tūwharetoa Street site.
9. The long term lease option assumes that investors would be seeking a return of 7%-9% on the land and buildings that had been constructed for the Council, in line with guidance obtained from Keys Valuers.
10. It is assumed that there will be an annual rent review for the long term lease option, equating to a CPI adjustment. Based on a conservative approach to the outlook from Treasury, this is assumed to be 1% per annum.
11. The advice from Keys Valuers indicated that there would likely be a market rent review in the long term lease option at some point in the building's life. This has been ignored in the financial modelling but should be recognised as a risk.

## MODELLING NOTE

The financial model on the following pages is not intended to provide an accurate forecast of actual expenditures on a new Civic Administration Building; rather, its purpose is to compare the options on a like-for-like basis at a high level so an informed decision can be made about the correct investment strategy for the Council. It will provide guidance on the likely variations between the alternative options in relative terms, even if the absolute expenditures ultimately vary from the numbers given overleaf.

The model is sensitive to the following variables:

- The actual costs of construction, which can only be known once the detailed design for the CAB is completed and final estimates have been obtained from the Quantity Surveyors
- The actual cost of capital for the Council and the private sector at the time of construction, which in turn will be subject to macroeconomic factors that are outside the Council's control
- Construction cost inflation in the interval between a decision being made and the commencement of construction
- The long-run inflationary trends in commercial property in Taupō locally and the Waikato generally, which will influence the level of the annual rent reviews in the long term lease option.

By their nature, financial models are simplified versions of the complexities of real-life accounting. Many actual costs can only be known in retrospect rather than in advance, so all financial models will suffer inaccuracies that can only be known about and corrected after the time for decision-making has passed. Readers should therefore note that the purpose of the modelling is to allow comparisons to be made at a high level between the four options examined – it is not to provide a 100% accurate forecast of the actual expenditures of the Council.

# ECONOMIC CASE | Civic Administration Building | construction and operating costs



The tables below provide the capital and operating costs for the four options – i.e. how much it has been estimated to construct each building, and the resulting annual cost to the Council of each option.

## CAPITAL COSTS

|                   | Construction costs |               | Fit-out       | IL4 upgrade   | Fees and contingency |               | Total (rounded)       |
|-------------------|--------------------|---------------|---------------|---------------|----------------------|---------------|-----------------------|
|                   | Construction       | Cost of land  |               |               | Fees                 | Contingency   |                       |
| Long Term Lease   | \$(8,900,000)      | \$(2,100,000) | \$(2,800,000) | \$(2,200,000) | \$(2,300,000)        | \$(3,500,000) | <b>\$(21,800,000)</b> |
| Lake Terrace      | \$(8,900,000)      | \$-           | \$(2,800,000) | \$(2,200,000) | \$(2,300,000)        | \$(3,500,000) | <b>\$(19,700,000)</b> |
| Tūwharetoa Street | \$(16,780,000)     | \$-           | \$(3,200,000) | \$(2,200,000) | \$(3,700,000)        | \$(5,600,000) | <b>\$(31,500,000)</b> |
| Tongariro Domain  | \$(10,700,000)     | \$-           | \$(2,800,000) | \$(2,200,000) | \$(2,600,000)        | \$(4,000,000) | <b>\$(22,300,000)</b> |

| Fit-out cost breakdown |                  |               |             |             |                      |
|------------------------|------------------|---------------|-------------|-------------|----------------------|
| Heating/cooling        | Security/network | Fit-out       | Joinery     | Elevators   | Total (rounded)      |
| \$(1,260,000)          | \$(90,000)       | \$(1,270,000) | \$(60,000)  | \$(105,000) | <b>\$(2,800,000)</b> |
| \$(900,000)            | \$(121,000)      | \$(1,480,000) | \$(155,000) | \$(105,000) | <b>\$(2,800,000)</b> |
| \$(1,702,000)          | \$(157,500)      | \$(1,135,000) | \$(60,000)  | \$(157,500) | <b>\$(3,200,000)</b> |
| \$(1,260,000)          | \$(90,000)       | \$(1,270,000) | \$(60,000)  | \$(105,000) | <b>\$(2,800,000)</b> |

➤ This is the capital cost of constructing the building, including the structure, the land, the fit-out, the costs of the IL4 upgrade for Civil Defence, professional fees and contingencies. Costs are sourced from Quantity Surveyor reports for each site. The capital costs of the Long Term Lease option are assumed to be the same as at the Lake Terrace site.

➤ This is the detailed breakdown of the fit-out costs line item in the table at left.

## OPERATING COSTS

|                      | Capital cost          |
|----------------------|-----------------------|
|                      | Construction          |
| Long term lease - 6% | <b>\$(21,800,000)</b> |
| Long term lease - 7% | <b>\$(21,800,000)</b> |
| Long term lease - 8% | <b>\$(21,800,000)</b> |
| Lake Terrace         | <b>\$(19,700,000)</b> |
| Tūwharetoa Street    | <b>\$(31,500,000)</b> |
| Tongariro Domain     | <b>\$(22,300,000)</b> |

| Costs ...     |               |             |              |               |
|---------------|---------------|-------------|--------------|---------------|
| Annual lease  | Finance cost  | Maintenance | Depreciation | Annual charge |
| \$(1,308,000) | \$-           | \$-         | \$(140,000)  | \$(1,448,000) |
| \$(1,526,000) | \$-           | \$-         | \$(140,000)  | \$(1,666,000) |
| \$(1,744,000) | \$-           | \$-         | \$(140,000)  | \$(1,884,000) |
| \$-           | \$(738,750)   | \$(197,000) | \$(318,000)  | \$(1,253,750) |
| \$-           | \$(1,181,250) | \$(315,000) | \$(495,600)  | \$(1,991,850) |
| \$-           | \$(836,250)   | \$(223,000) | \$(354,000)  | \$(1,413,250) |

| Less ...  |             |
|-----------|-------------|
| Revenue   | Opportunity |
| \$-       | \$165,000   |
| \$-       | \$165,000   |
| \$-       | \$165,000   |
| \$-       | \$86,250    |
| \$115,000 | \$78,750    |
| \$85,000  | \$165,000   |

| Net                  |
|----------------------|
| <b>\$(1,283,000)</b> |
| <b>\$(1,501,000)</b> |
| <b>\$(1,719,000)</b> |
| <b>\$(1,167,500)</b> |
| <b>\$(1,798,100)</b> |
| <b>\$(1,163,250)</b> |

➤ This is the capital cost for each option calculated in the table above.

➤ This is the gross annual cost that the Council incurs for each option. It includes the lease payment for the Long Term Lease option, the finance charge for the Council-owned options, scheduled annual maintenance, and depreciation for the fit-out only (leased options) or the entire building (owned options).

➤ This is the net annual cost that the Council incurs for each option after any revenues and the financing charges for the opportunity costs described on page 38 are deducted.

These costs are used to generate the comparisons and the net present values on the following page.

# ECONOMIC CASE | Civic Administration Building | option comparison model



The tables below shows the comparison between the four options for the Civic Administration Building, calculated over the first 20 years of the building's life, on a like-for-like basis. There are three scenarios for the long term lease option, covering a 6%, 7% and 8% return for the property.

## LONG TERM LEASE OPTIONS

|                      | Annual cost   | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       | Year 11       | Year 12       | Year 13       | Year 14       | Year 15       | Year 16       | Year 17       | Year 18       | Year 19       | Year 20       | NPV            |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Long term lease - 6% | \$(1,283,000) | \$(1,283,000) | \$(1,295,830) | \$(1,308,788) | \$(1,321,876) | \$(1,335,095) | \$(1,348,446) | \$(1,361,930) | \$(1,375,550) | \$(1,389,305) | \$(1,403,198) | \$(1,417,230) | \$(1,431,402) | \$(1,445,717) | \$(1,460,174) | \$(1,474,775) | \$(1,489,523) | \$(1,504,418) | \$(1,519,463) | \$(1,534,657) | \$(1,550,004) | \$(14,640,734) |
| Long term lease - 7% | \$(1,501,000) | \$(1,501,000) | \$(1,516,010) | \$(1,531,170) | \$(1,546,482) | \$(1,561,947) | \$(1,577,566) | \$(1,593,342) | \$(1,609,275) | \$(1,625,368) | \$(1,641,622) | \$(1,658,038) | \$(1,674,618) | \$(1,691,364) | \$(1,708,278) | \$(1,725,361) | \$(1,742,614) | \$(1,760,041) | \$(1,777,641) | \$(1,795,417) | \$(1,813,372) | \$(17,128,404) |
| Long term lease - 8% | \$(1,719,000) | \$(1,719,000) | \$(1,736,190) | \$(1,753,552) | \$(1,771,087) | \$(1,788,798) | \$(1,806,686) | \$(1,824,753) | \$(1,843,001) | \$(1,861,431) | \$(1,880,045) | \$(1,898,845) | \$(1,917,834) | \$(1,937,012) | \$(1,956,382) | \$(1,975,946) | \$(1,995,706) | \$(2,015,663) | \$(2,035,819) | \$(2,056,178) | \$(2,076,739) | \$(19,616,074) |



This is the annual cost of the lease to the Council and assumes a 1% CPI-related increase each year

This is the net present value of the expenditure over the first 20 years of the building's life at a 7% discount rate



## COUNCIL-OWNED OPTIONS

|                   | Annual cost   | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       | Year 11       | Year 12       | Year 13       | Year 14       | Year 15       | Year 16       | Year 17       | Year 18       | Year 19       | Year 20       | NPV            |                |
|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Lake Terrace      | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500) | \$(1,167,500)  | \$(12,368,512) |
| Tūwharetoa Street | \$(1,913,100) | \$(1,798,100) | \$(1,796,950) | \$(1,795,789) | \$(1,794,615) | \$(1,793,431) | \$(1,792,234) | \$(1,791,025) | \$(1,789,804) | \$(1,788,571) | \$(1,787,326) | \$(1,786,068) | \$(1,784,798) | \$(1,783,515) | \$(1,782,219) | \$(1,780,910) | \$(1,779,589) | \$(1,778,253) | \$(1,776,905) | \$(1,775,543) | \$(1,774,167) | \$(18,955,106) |                |
| Tongariro Domain  | \$(1,248,250) | \$(1,163,250) | \$(1,162,400) | \$(1,161,542) | \$(1,160,674) | \$(1,159,799) | \$(1,158,914) | \$(1,158,021) | \$(1,157,118) | \$(1,156,207) | \$(1,155,287) | \$(1,154,357) | \$(1,153,418) | \$(1,152,470) | \$(1,151,512) | \$(1,150,545) | \$(1,149,568) | \$(1,148,581) | \$(1,147,584) | \$(1,146,577) | \$(1,145,561) | \$(12,254,015) |                |



This is the annual cost to the Council of the building. It includes the net finance charge for the use of capital, depreciation on the building and fit-out, and scheduled maintenance, less revenue (if any)

This is the net present value of the expenditure over the first 20 years of the building's life at a 7% discount rate



## SUMMARY

On a like-for-like basis, Council ownership of the CAB is more cost-effective over the 20 year period in financial terms. This is due to a number of factors:

1. There is a reasonable expectation from private sector investors that the rental return from the lease will increase in line with CPI, which adds to the long-term cost for the Council compared to the fixed costs of ownership
2. The revenues from the Tūwharetoa Street and Tongariro Domain generate a benefit for the Council, and no such benefit is available if the building is leased from the private sector.

1

Long-term lease

is the most expensive option with an NPV cost of **\$19,600,000** over 20 years at an 8% return

4

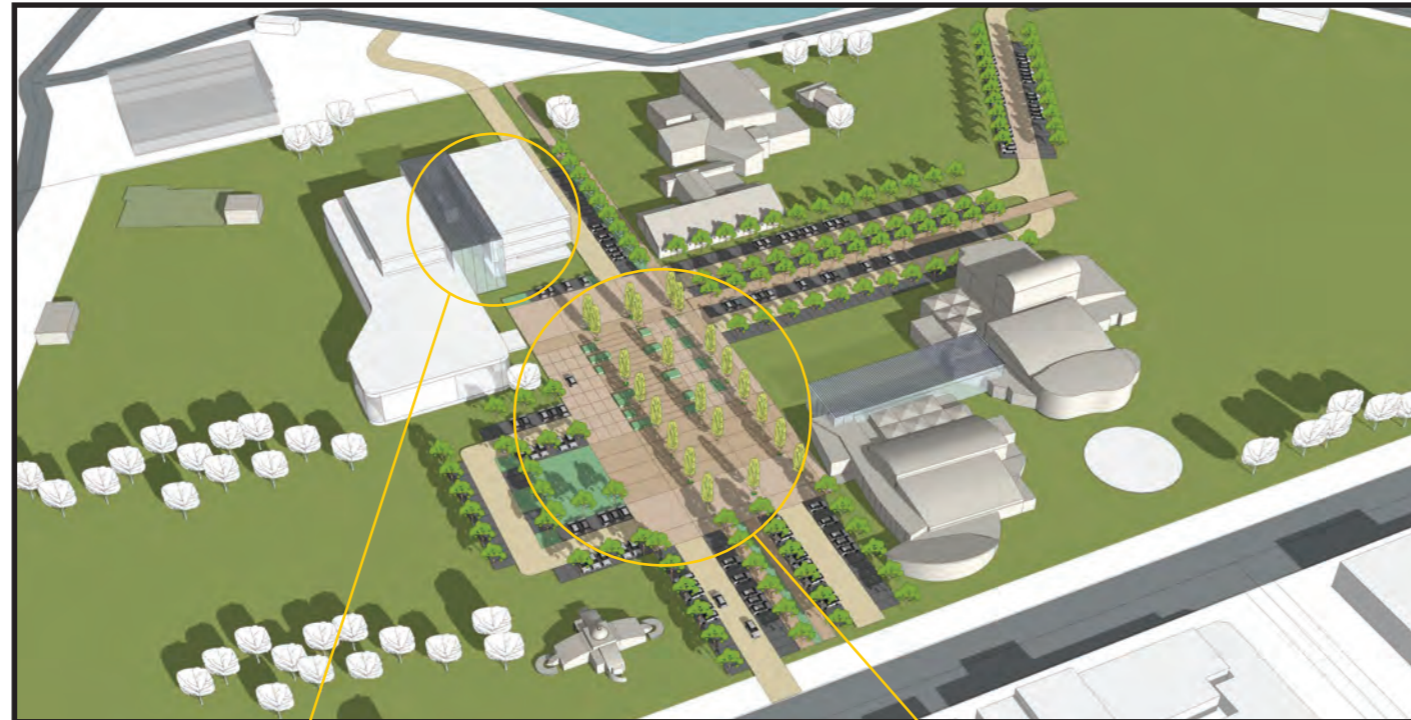
Tongariro Domain

is the least expensive option with an NPV cost of **\$12,200,000** over 20 years



One of the options is to locate the CAB within the Cultural Precinct on the western edge of the proposed civic plaza area. This would bring around 170 staff plus a flow of people who visit the Council offices for various reasons into the Precinct, which will have benefits for the vibrancy of the area.

The preferred option in the Master Plan looks to creating a signature building to entice and draw pedestrian connectivity as an integrated museum, Civic Administration Building and community / public amenity building. The building is in a prominent location and visually seen from the lake and all surrounding locations. An atrium space brings together the Museum and Civic Administration Building and enables sharing of spaces to improve operation.



## CIVIC ADMINISTRATION BUILDING

The proposed Civic Administration Building is located to the west of the cultural plaza, and is connected to the Museum by a linking atrium space. The ground floor has a number of shared facilities, such as reception areas and toilets. There is a cafe on the ground floor that opens to the Cultural Plaza.

The ground floor meeting rooms used by the Council during the day can also be made available for community use after hours and in the weekends, making for flexible use of the facilities.

The design also relocates the iSite within the building, in close proximity to the cafe and the Museum, which allows the current iSite to be repurposed as community space.

## CULTURAL PLAZA

The main cultural plaza zone is a multi-functional hard surface for markets, events and general use for gatherings and relaxation. The shared space road zone – suitable for pedestrians, cycles and vehicles – has high pedestrian priority and slow vehicle speeds, and links to Tongariro Street.

This zone can be closed off completely or partially during certain activities i.e. Sunday farmers markets. It includes low planting pockets to reduce vehicle speeds through side friction. There are multiple pedestrian axes through the space, linking between southern domain and new Great Lake Centre and library atrium, and linking Story Place to the Landing Reserve.

**Including the Civic Administration Building as part of the development of the Cultural Plaza means that there is the opportunity for greater vibrancy and utilisation of the space.**

“ Well designed urban areas and neighbourhoods focus energy and resources on conserving, enhancing, and creating strong, vibrant places, which are a significant component of the neighbourhood’s structure and of the community’s identity.

All successful cities and successful neighbourhoods include vibrant places, with a strong sense of identity, which are integral to community life and the public realm: parks, plazas, courtyards, civic buildings, public streets and the like.

A resilient community must focus its efforts to creating a number of local destinations, which attract a critical-mass of users and activities. Sprawl, for example, has very little place-making. A traditional village or an urban downtown, by contrast, have innumerable nooks and crannies, grand public spaces, gorgeous streetscapes, which make them desirable, successful, and sustainable.

*- Resilient Cities Urban Design Guide*

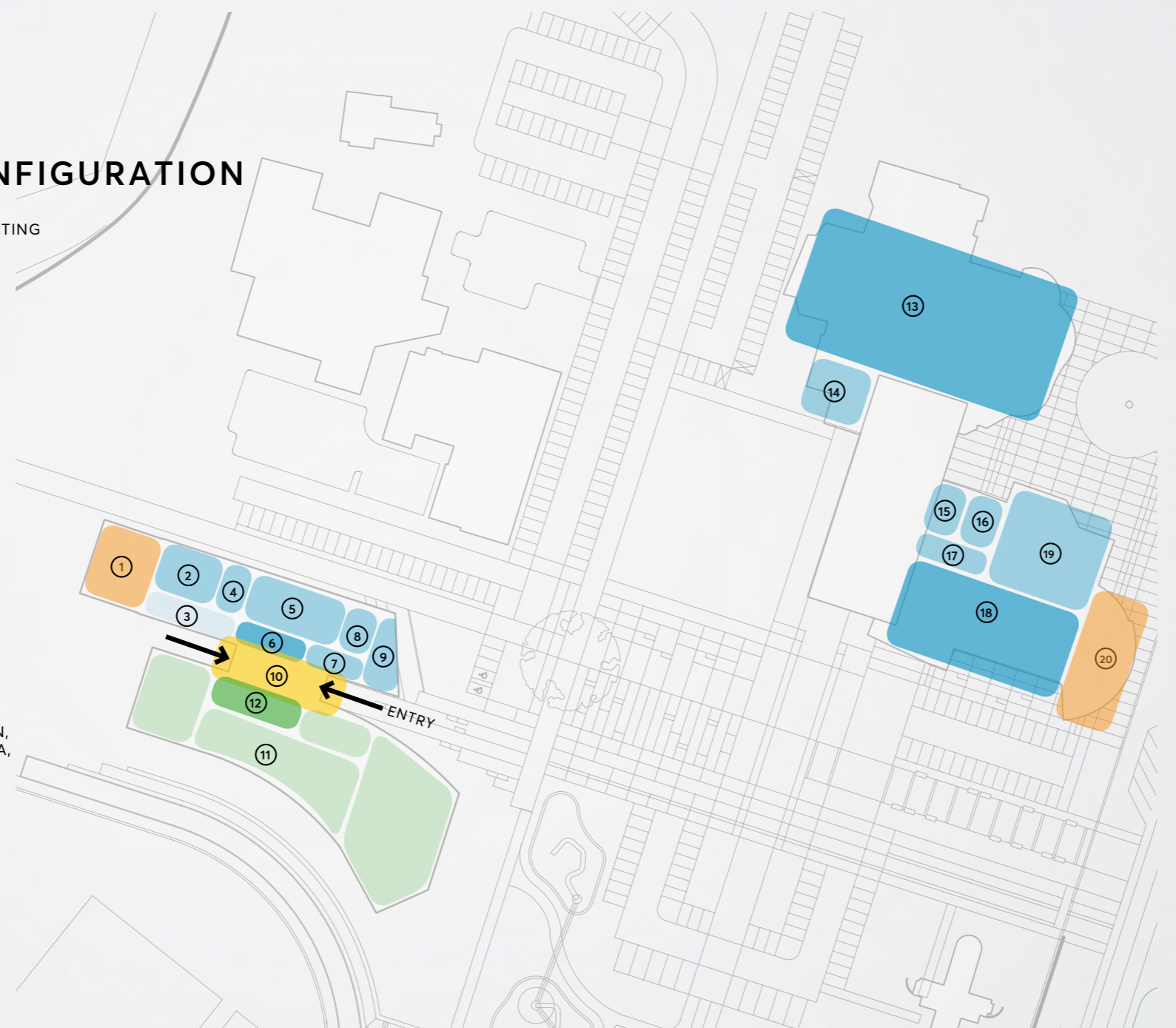
The addition of around 170 Council staff to the Cultural Plaza area – as well as the comings and goings of people visiting the Council offices for a wide variety of reasons – will add vibrancy and energy to the area, and help ensure the plaza is an everyday space.

In addition, having a critical mass of staff and visitors may well make a cafe or similar business viable on the ground floor of the atrium space, where it can service both the CAB and the Museum, and where it will in turn help draw people towards the Museum from Tongariro Street. In the absence of the CAB, it seems unlikely that such a facility would be economically viable.

The Master Plan proposes that there is extensive sharing of facilities between the Museum, the community and the Civic Administration Building. This is intended to provide a high level of flexibility for the community and its activities, as well as being a cost-effective way to provide high-quality facilities within the Cultural Precinct.

## SPATIAL CONFIGURATION

1. COMMUNITY, SHARED MEETING SPACES
2. COUNCIL CHAMBERS
3. CORE AND W/C
4. CIVIL DEFENCE
5. SERVICE AND ADMIN
6. RECEPTION/WAITING
7. I-SITE
8. RETAIL
9. CAFE
10. LOBBY/EXHIBITION
11. GALLERY
12. RECEPTION
13. EXISTING GLC
14. ADMIN/RECEPTION
15. ADMIN
16. RESEARCH ARCHIVE
17. RECEPTION
18. LIBRARY
19. WORKROOM (WHAKAPAPA RESOURCES, DIGITISATION, RETROGRAPHICS, IT MEDIA, CHILDREN)
20. COMMUNITY SPACE



### MUSEUM

Current floor space = 947m<sup>2</sup>  
Planned floor space = 2,608m<sup>2</sup>

The design assumes that administrative facilities such as meeting rooms and public facilities such as bathrooms are shared with the Civic Administration Building. The budget that would need to be allocated to these areas in a standalone building can now be allocated to core Museum functions that are inadequate in the current facility:

Effective environmental control systems | loading bay for receiving and processing exhibitions and artefacts | suitable storage space for artefacts/materials | suitable space with wet area to develop exhibitions, workshops and programmes | suitable space for research, study and access to archives for the public | space to support workshops, school/education sector interaction and programmes

### COMMUNITY

Planned floor space = 657m<sup>2</sup>

The design allows for significant community meeting and activity spaces, in addition to traditional facilities such as the Library. These are flexible areas that can cater for a range of groups and activities:

Community groups will have the ability to use 150m<sup>2</sup> of fully equipped bookable meeting rooms in the Civic Administration Building, and further space at the existing I-Site building, which will be empty and available for community use after the I-Site has been relocated to near the Museum.

### ATRIUM

A central two storey atrium connects the Museum and the CAB, providing a common entry area and easy circulation between the iSite, cafe, Museum and civic offices. It has views to the river and the Landing Reserve.

This space can be available for community activities and displays such as Art Society exhibitions.

Wellington's Civic Square is an excellent example of using Council buildings and staff to help provide the critical mass of people and activity necessary to energise an important urban space.



**Michael Fowler Centre**

Wellington's main theatre and performing arts venue

**Civic Administration Buildings**

Administrative offices and public access areas for the Wellington City Council, now vacated due to earthquake issues

**Wellington Library**

Wellington's primary library, shared work space and cafe

**City Art Gallery**

Wellington's primary art gallery, repurposed from earlier civic buildings

**Nikau Cafe**

Much-loved cafe and de facto overflow meeting space for Wellington City Council staff and councillors

**EARTHQUAKE IMPACTS**

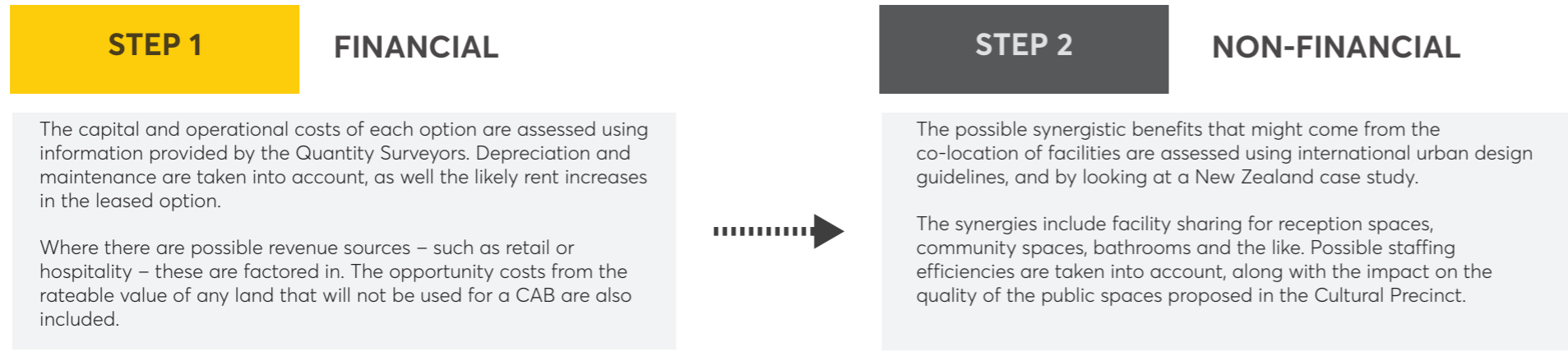
As is the case with a large number of Councils around the country, Wellington was impacted by the Kaikoura earthquake. Subsequent seismic assessment showed that the Civic Administration Building needed to be vacated.

In addition, the Municipal Office Building next door also needed to be emptied to allow essential strengthening work to occur on the Wellington Town Hall. The Council has relocated to temporary office space on The Terrace.

The impact on the vibrancy of Civic Square is highly noticeable. Pedestrian traffic volumes through the square have declined markedly and the area is significantly quieter. Patronage has also fallen off at nearly cafés and businesses due to fewer people in the area.

Civic Square is gradually transitioning from being an everyday place into an events space – coming to life only when there is an organised event in the square that brings in people.

The cost-benefit analysis has produced a ranking of the available location options for the CAB, based on both the tangible and intangible factors, as described below. The current state – the do nothing option – has also been assessed on the same basis.



| option              | financial analysis  | npv/rating       | synergistic analysis  | rating           |
|---------------------|---|------------------|---|------------------|
| Do nothing          | Has significant operating costs coupled with productivity and effectiveness dis-benefits. Option discarded.                                   | <b>discarded</b> |   |                  |
| 1 Long-term lease   | Has high lease costs compared with the cost of capital for Council-owned buildings. Will meet the requirements and has low opportunity costs. | <b>-\$19.6m</b>  | Minor synergistic benefits only due to possible community use of meeting rooms. Option discarded.   | <b>discarded</b> |
| 2 Lake Terrace      | Has low cost of capital and will meet most of the requirements. Has moderate opportunity costs and few synergistic benefits.                  | <b>-\$12.4m</b>  | In conflict with Council policy to strengthen CBD and high likelihood of failing RMA processes. Option discarded.   | <b>discarded</b> |
| 3 Tūwharetoa Street | Has low cost of capital and will meet all the requirements. Has high opportunity costs and revenues, and some synergistic benefits.           | <b>-\$19.0m</b>  | Some synergistic benefits from CBD location and community use of meeting rooms. Option sub-optimal.   | <b>feasible</b>  |
| 4 Tongariro Domain  | Has low cost of capital and will meet all the requirements. Has low opportunity costs, some revenues and highest synergistic benefits.        | <b>-\$12.3m</b>  | High synergistic benefits due to facility sharing with Museum, 657m <sup>2</sup> of community space, new iSite facilities and increased vibrancy of Cultural Precinct | <b>preferred</b> |

page **39** has this analysis

▼  
**preferred option**

## CONSTRAINTS

### ACHIEVABILITY

The size, scope and timing of the project must be achievable within the capabilities of national construction companies and the project management capabilities of the Council, in the context of other significant initiatives that are planned or underway in the region.

### AFFORDABILITY

The overall project budget must be affordable for the Council in the context of other initiatives and its financial constraints, as outlined in the Long Term Plan and its amendment.

## RECOMMENDATION

Based on the analysis of the financial and non-financial factors, it is recommended that the Civic Administration Building is located within the Cultural Precinct as proposed in Option B of the Master Plan.

This option carries the lowest financial cost for Council and will add to the vibrancy and viability of the new civic heart of Taupō.

# ECONOMIC CASE | Cultural precinct configuration

Using the Cultural Precinct Master Plan as reference, the preferred solution will result in the reconfiguration of the Tongariro Domain and environs as shown in the diagram.



**GREAT LAKE TAUPŌ**  
Taupō District Council

ECONOMIC CASE



## Buildings

- 1 Great Lake Centre
- 2 New GLC-Library atrium
- 3 Library
- 4 New Museum
- 5 New Civic Administration Building
- 6 Court
- 7 NZ Police

## Elements

- 1 Open lawn area for informal use and small events
- 2 Semi-formalised plaza space for gathering
- 3 Main multi-functional cultural plaza zone
- 4 Shared space road zone with pedestrian priority
- 5 Pedestrian axis linking southern domain to atrium
- 6 Parking zone for Destination Playspace
- 7 Upgraded plaza area for Library
- 8 Main north-south connector spine/boardwalk
- 9 East-west cycle and pedestrian spine
- 10 Museum and CAB entry plaza
- 11 New Destination Playspace
- 12 Outdoor terraced seating looking to lake
- 13 Redeveloped Tongariro Street corridor
- 14 Pedestrian and cycle path to harbour and river
- 15 Internal link road to Redoubt St/Ferry Rd
- 16 Updated Rose Garden

The government intends publishing set of wellbeing indicators (‘Indicators Aotearoa New Zealand’) which will be used in a Living Standards Dashboard to track and measure current and future wellbeing. It is also intended that these indicators will be used to inform Government decision-making and Budget priorities. Local authorities will be encouraged to take the same balanced approach to wellbeing in assessing investment decisions.

A range of measures are used to assess the degree of alignment between initiatives and the strategic goals of the Government. The key measures and their relevance to the proposed investment are shown in the table.

|    | wellbeing measures  | rating |   |
|----|---|--------|---|
| 1  | <b>Material standard of living</b><br>This is a measure of material living conditions. Material standard of living domain consists of the available (i.e. disposable) income and wealth of people and families.   |        | Not materially affected by this investment  |
| 2  | <b>Housing</b><br>This is a measure of material living conditions. Housing domain consists of how crowded the housing is, whether the housing provides access to basic facilities such as an indoor flushing toilet, and NZ specific housing quality issues such as mould and dampness.                                   |        | Not materially affected by this investment  |
| 3  | <b>Jobs and earnings</b><br>This is a measure of material living conditions. Jobs and earnings domain consists of availability of jobs and the level of earnings.   |        | Not materially affected by this investment  |
| 4  | <b>Health</b><br>This is a measure of quality of life. Health domain consists of both people's actual health and their perceived health.  |        | Not materially affected by this investment  |
| 5  | <b>Knowledge and skills</b><br>This is a measure of quality of life. Knowledge and skills domain consists of the educational attainment of youth and adults, and the skill levels of the adult population.  |        | Somewhat improved by this investment due to the availability of locally-relevant knowledge and resources at the new Museum                |
| 6  | <b>Leisure and recreation</b><br>This is a measure of quality of life. Leisure and recreation domain consists of people's work-life balance, the proportion of time people have available for non-work activities, and their satisfaction with both their amount of leisure time and quality of their leisure activities. |        | Materially improved by this investment due to the improvements in leisure facilities within the Cultural Precinct                         |
| 7  | <b>Cultural identity</b><br>This is a measure of quality of life. Cultural identity domain, which was created by Treasury and is not an OECD wellbeing item, consists of people's sense of belonging in New Zealand and the inclusion in society of Māori culture.  |        | Singificantly improved by this investment due to the focus on Ngāti Tūwharetoa taonga within the new Museum                               |
| 8  | <b>Safety</b><br>This is a measure of quality of life. Safety domain consists of people's actual security from crime, and their perceived risk and vulnerability to crime.  |        | Not materially affected by this investment  |
| 9  | <b>Environmental quality</b><br>This is a measure of quality of life. Environmental quality domain consists of the quality of the soil, water and air, people's access to environmental amenities, and people's perception and subjective appreciation of their environment.  |        | Somewhat improved by this investment due to the focus on green space and sustainable transport options within the Cultural Precinct       |
| 10 | <b>Civic engagement and governance</b><br>This is a measure of quality of life. Civic engagement and governance domain consists of the degree of people's civic and political participation in society.   |        | Somewhat improved by this investment due to an improved and more accessible civic heart within Taupō                                      |
| 11 | <b>Social connections</b><br>This is a measure of quality of life. Social connections domain consists of the frequency of that people have direct social contact with others, and the perceived strength of people's social networks (i.e. can they provide support and be relied upon in times of need).                 |        | Materially improved by this investment due to the improved sense of place and ability for social interaction within the Cultural Precinct |
| 12 | <b>Self and aspirations</b><br>This is a measure of quality of life. Self and aspirations domain consists of people's perception of their personal satisfaction with their life and individual circumstances.   |        | Not materially affected by this investment  |

Assessment against the wellbeing indicators in the Living Standards Framework shows that the investment has the potential to have positive impacts on the quality of life of Taupō residents and visitors. This firstly arises because of the role of the Museum in increasing cultural identity and knowledge in a way that is relevant to residents, thanks to a focus on local history and Ngāti Tūwharetoa taonga. This information about the rich natural, social and cultural history of Taupō also has the potential to provide greater knowledge and understanding to New Zealand and international visitors.

Secondly, the Cultural Precinct has the ability to increase social connectedness and cohesion by providing a civic heart to the town, as well as a place where there are improved leisure and recreational opportunities for residents and visitors. While there are only indirect improvements to the material standards of living for residents, the investment has the ability to act as a catalyst for future development – such as private sector investment in a CBD hotel – that will bring direct improvements to the economic performance of the region.

# ECONOMIC CASE | Development phase plan

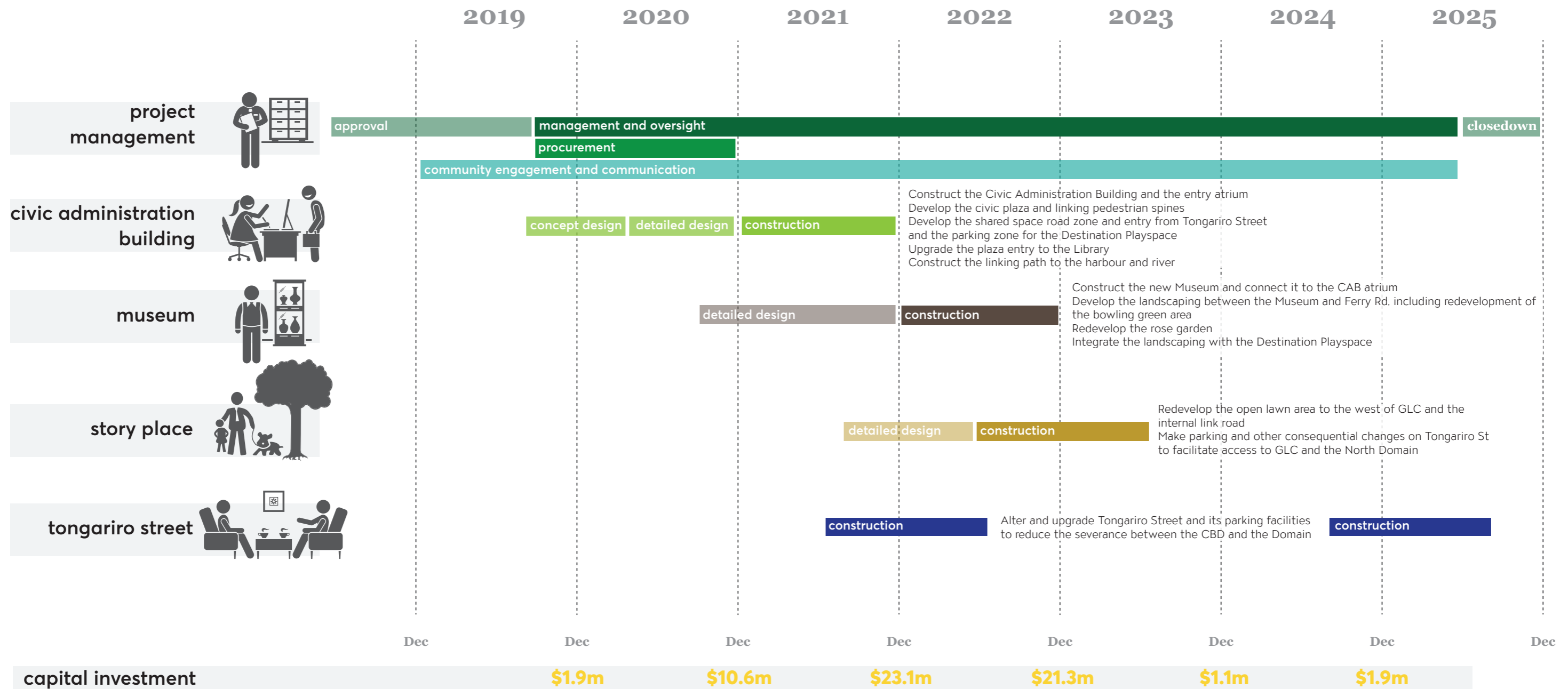
Development of the Cultural Precinct is a multi-year multi-phase project, as it involves significant changes to the Tongariro Domain and the construction of a number of major buildings. Four phases of development are planned, as shown on the diagram.

ECONOMIC CASE



# ECONOMIC CASE | Project sequencing

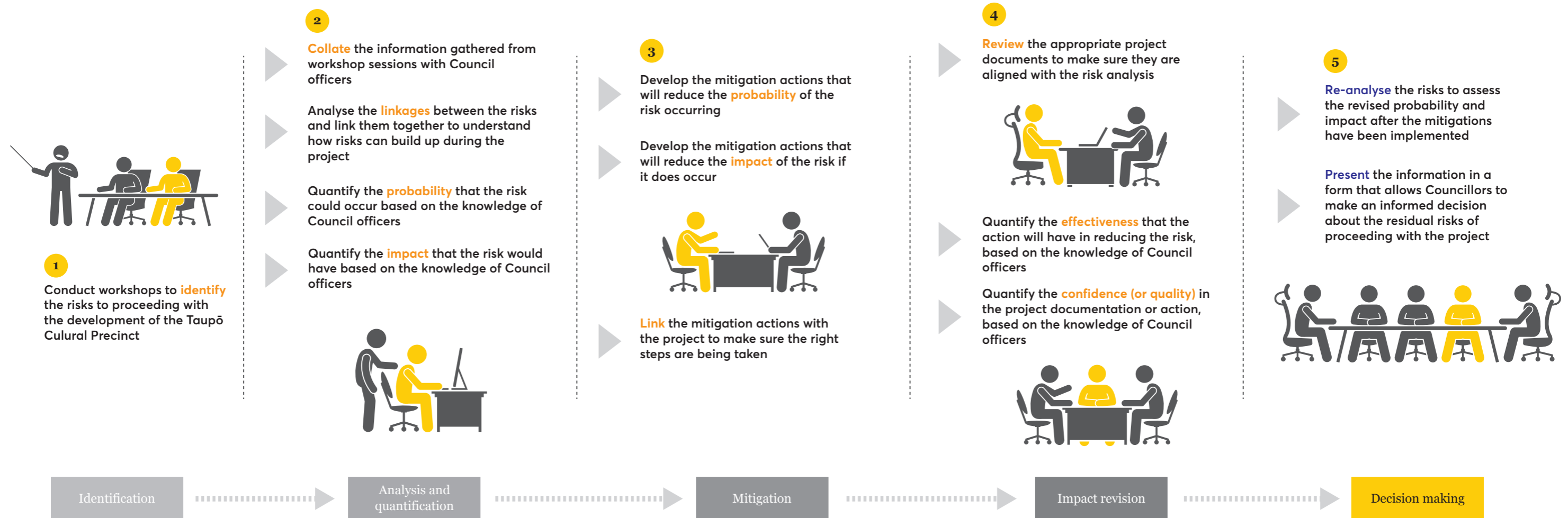
Development of the Cultural Precinct will occur over a number of years, as shown in the indicative timeline.



page **56** has the detailed cashflow projections



Risks are assessed in a multi-step process, which is described below. The intention is to quantify the risks as they stand, identify the mitigations that are needed to reduce the probability of the risk occurring or the impact it could have, and then re-assess the residual risks that remain.



The following pages provide the analysis for each of the two events that the Council is seeking to manage:

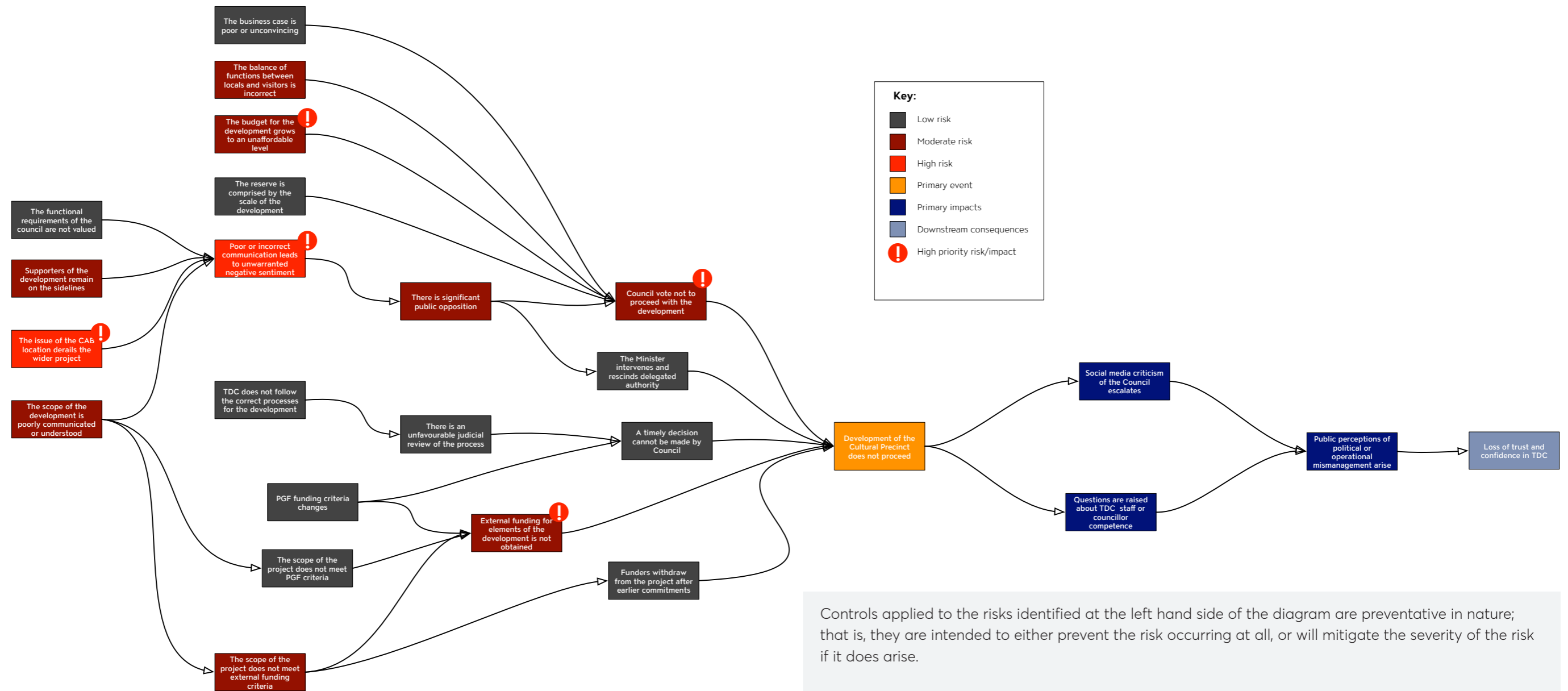
- The risk that the development will not proceed
- The risk that the development will not achieve the benefits that are being sought.

The first page provides the risk identification and links the various risks into their causal chains, so that decision makers can see the inter-relationships between them. The second page shows the assessment of the risks (their probability and impact), the mitigations that are being applied (including the confidence and effectiveness of each mitigation), and the residual risk that will still remain once the mitigations have been applied.

The two pages are repeated – once for the decision risk, and once for the benefit realisation risk.

The first key event that is being managed is the risk that the development will not proceed. This can be for a variety of factors, and the purpose of the risk analysis is to identify areas where the decision may be of poor quality due to insufficient information, poor quality work or other causal factors that are directly or indirectly influenceable.

ECONOMIC CASE



Controls applied to the risks identified at the left hand side of the diagram are preventative in nature; that is, they are intended to either prevent the risk occurring at all, or will mitigate the severity of the risk if it does arise.

Should the development not occur, the impacts can be seen on the right hand side of the diagram. These are largely logistical, financial and reputational in nature. All the controls applied on the right hand side of the diagram are corrective in nature; that is, direct prevention of the risk is not feasible (as it has become an issue), so all actions are aimed at mitigating the worst effects and correcting the outcome.

← causes, addressed by preventative actions | consequences, addressed by corrective actions →

# ECONOMIC CASE | Decision risk | quantification and mitigation



The table below describes each of the risks identified on the previous page, and assesses it for probability and impact. The two scores are multiplied together to get an overall P/I rating, which describes the severity of the risk. The next section of the table describes the mitigations for each risk, as well as their likely effectiveness and confidence that the mitigations are of a high quality. These are multiplied together to get an overall E/C rating. The risks are then re-assessed in the third section based on the mitigations, with the probability and impact quantified to show how it has changed after the mitigations are applied. The overall pre-mitigation and post-mitigation summaries for each category of risk are shown in the tables at the bottom of the page.

| Risk ID | Risk  | Category   | Pre-mitigation |        |     |  | Intervention             |               |            |   | Post-mitigation |             |        |
|---------|---|------------|----------------|--------|-----|--|--------------------------|---------------|------------|---|-----------------|-------------|--------|
|         |   |            | Probability    | Impact | P/I |  | Intervention description | Effectiveness | Confidence |   | E/C             | Probability | Impact |
| 1       | The functional requirements of the council are not valued               | Scope      | 1              | 5      | 5   | Project scope definitions<br>Functional requirements<br>Precinct Master Plan<br>Communication Plan | 4                        | 4             | 16         | 1 | 3               | 3           |        |
| 2       | Supporters of the development remain on the sidelines                   | Political  | 2              | 3      | 6   | Communication plan   | 2                        | 4             | 8          | 2 | 2               | 4           |        |
| 3       | The issue of the CAB location derails the wider project                 | Political  | 3              | 3      | 9   | Communication plan<br>Business case and cost/benefit analysis                                      | 2                        | 5             | 10         | 2 | 3               | 6           |        |
| 4       | The scope of the development is poorly communicated or understood       | Political  | 2              | 4      | 8   | Communication plan   | 4                        | 4             | 16         | 1 | 3               | 3           |        |
| 5       | The balance of functions between locals and visitors is incorrect       | Scope      | 1              | 3      | 3   | Precinct Master Plan   | 5                        | 5             | 25         | 1 | 2               | 2           |        |
| 6       | The budget for the development grows to an unaffordable level           | Commercial | 3              | 4      | 12  | Commercial engagement plan<br>Quantity Surveyor Assessment   | 3                        | 4             | 12         | 2 | 4               | 8           |        |
| 7       | The reserve is comprised by the scale of the development                | Scope      | 1              | 2      | 2   | Precinct Master Plan   | 5                        | 5             | 25         | 1 | 1               | 1           |        |
| 8       | Poor or incorrect communication leads to unwarranted negative sentiment | Political  | 2              | 4      | 8   | Communication plan   | 3                        | 4             | 12         | 2 | 4               | 8           |        |
| 9       | PGF funding criteria changes  | Financial  | 1              | 5      | 5   | External constraint - unable to be managed   | 0                        | 0             | 0          | 1 | 5               | 5           |        |
| 10      | The scope of the project does not meet PGF criteria                     | Financial  | 1              | 5      | 5   | Business Case and cost/benefit analysis  | 5                        | 5             | 25         | 1 | 5               | 5           |        |
| 11      | The scope of the project does not meet external funding criteria        | Financial  | 1              | 5      | 5   | Precinct Master Plan<br>Business Case and cost/benefit analysis*                                   | 3                        | 5             | 15         | 1 | 3               | 3           |        |
| 12      | TDC does not follow the correct processes for the development           | Management | 1              | 4      | 4   | LGA process observance<br>Audit NZ review  | 5                        | 5             | 25         | 1 | 3               | 3           |        |
| 13      | The business case is poor or unconvincing                               | Financial  | 1              | 4      | 4   | Business Case and cost/benefit analysis  | 5                        | 5             | 25         | 1 | 3               | 3           |        |
| 14      | There is significant public opposition                                  | Political  | 3              | 3      | 9   | Communication plan<br>Precinct Master Plan<br>Business case and cost/benefit analysis              | 2                        | 3             | 6          | 2 | 2               | 4           |        |
| 15      | There is an unfavourable judicial review of the process                 | Management | 1              | 4      | 4   | LGA process observance<br>Audit NZ review  | 5                        | 5             | 25         | 1 | 3               | 3           |        |
| 16      | Council vote not to proceed with the development                        | Political  | 2              | 5      | 10  | LGA process observance   | 4                        | 5             | 20         | 2 | 5               | 10          |        |
| 17      | The Minister intervenes and rescinds delegated authority                | Political  | 1              | 5      | 5   | LGA process observance<br>Reserves Act observance  | 5                        | 4             | 20         | 1 | 5               | 5           |        |
| 18      | A timely decision cannot be made by Council                             | Management | 2              | 4      | 8   | Project Management Plan<br>LGA process observance  | 4                        | 4             | 16         | 1 | 3               | 3           |        |
| 19      | Funders withdraw from the project after earlier commitments             | Financial  | 1              | 5      | 5   | Communication plan<br>Precinct Master Plan<br>Business case and cost/benefit analysis              | 4                        | 4             | 16         | 1 | 3               | 3           |        |
| 20      | External funding for elements of the development is not obtained        | Financial  | 2              | 4      | 8   | Precinct Master Plan<br>Business Case and cost/benefit analysis                                    | 4                        | 4             | 16         | 2 | 4               | 8           |        |

ECONOMIC CASE

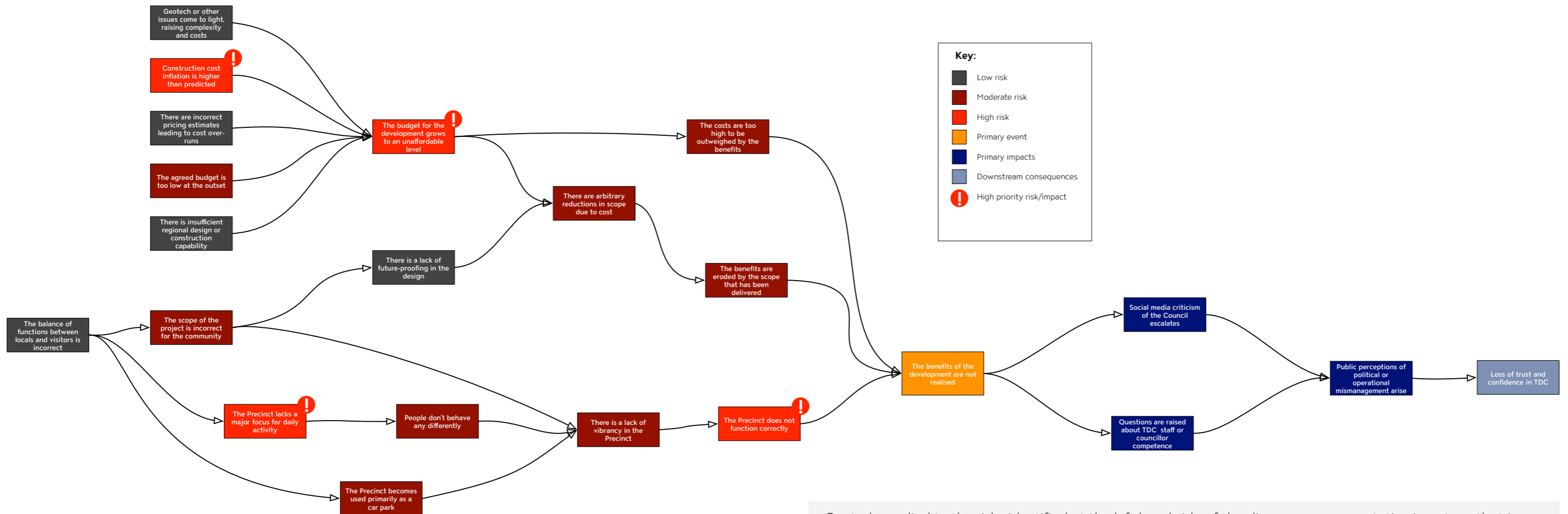
## Initial risk assessment prior to mitigations

| Category   | Count | Value | Average |
|------------|-------|-------|---------|
| Political  | 7     | 55    | 7.9     |
| Scope      | 3     | 10    | 3.3     |
| Commercial | 1     | 12    | 12.0    |
| Financial  | 6     | 32    | 5.3     |
| Management | 3     | 16    | 5.3     |

## Subsequent risk assessment following mitigations

| Category   | Count | Value | Average |
|------------|-------|-------|---------|
| Political  | 7     | 40    | 5.7     |
| Scope      | 3     | 6     | 2.0     |
| Commercial | 1     | 8     | 8.0     |
| Financial  | 6     | 27    | 4.5     |
| Management | 3     | 9     | 3.0     |

The key event being managed is the risk that the development will not achieve the benefits that are being sought. This can be for a variety of factors, and the purpose of the risk analysis is to identify areas where the outcomes can be influenced by direct or indirect Council action.



Controls applied to the risks identified at the left hand side of the diagram are preventative in nature; that is, they are intended to either prevent the risk occurring at all, or will mitigate the severity of the risk if it does arise.

Should the development not deliver the benefits the community expects, the impacts can be seen on the right hand side of the diagram. These are largely logistical, financial and reputational in nature. All the controls applied on the right hand side of the diagram are corrective in nature; that is, direct prevention of the risk is not feasible (as it has become an issue), so all actions are aimed at mitigating the worst effects and correcting the outcome.



# ECONOMIC CASE | Benefit realisation risk | quantification and mitigation



The table below describes each of the risks identified on the previous page, and assesses it for probability and impact. The two scores are multiplied together to get an overall P/I rating, which describes the severity of the risk. The next section of the table describes the mitigations for each risk, as well as their likely effectiveness and confidence that the mitigations are of a high quality. These are multiplied together to get an overall E/C rating. The risks are then re-assessed in the third section based on the mitigations, with the probability and impact quantified to show how it has changed after the mitigations are applied. The overall pre-mitigation and post-mitigation summaries for each category of risk are shown in the tables at the bottom of the page.

| Risk ID | Risk  | Category   | Pre-mitigation |        |     | Intervention description   | Intervention  |            |             | E/C | Post-mitigation |     |  |
|---------|---|------------|----------------|--------|-----|--|---------------|------------|-------------|-----|-----------------|-----|--|
|         |   |            | Probability    | Impact | P/I |  | Effectiveness | Confidence | Probability |     | Impact          | P/I |  |
| 1       | The functional requirements of the council are not valued               | Scope      | 1              | 5      | 5   | Project scope definitions<br>Functional requirements<br>Precinct Master Plan<br>Communication Plan | 4             | 4          | 16          | 1   | 3               | 3   |  |
| 2       | Supporters of the development remain on the sidelines                   | Political  | 2              | 3      | 6   | Communication plan   | 2             | 4          | 8           | 2   | 2               | 4   |  |
| 3       | The issue of the CAB location derails the wider project                 | Political  | 3              | 3      | 9   | Communication plan<br>Business case and cost/benefit analysis                                      | 2             | 5          | 10          | 2   | 3               | 6   |  |
| 4       | The scope of the development is poorly communicated or understood       | Political  | 2              | 4      | 8   | Communication plan   | 4             | 4          | 16          | 1   | 3               | 3   |  |
| 5       | The balance of functions between locals and visitors is incorrect       | Scope      | 1              | 3      | 3   | Precinct Master Plan   | 5             | 5          | 25          | 1   | 2               | 2   |  |
| 6       | The budget for the development grows to an unaffordable level           | Commercial | 3              | 4      | 12  | Commercial engagement plan<br>Quantity Surveyor Assessment   | 3             | 4          | 12          | 2   | 4               | 8   |  |
| 7       | The reserve is comprised by the scale of the development                | Scope      | 1              | 2      | 2   | Precinct Master Plan   | 5             | 5          | 25          | 1   | 1               | 1   |  |
| 8       | Poor or incorrect communication leads to unwarranted negative sentiment | Political  | 2              | 4      | 8   | Communication plan   | 3             | 4          | 12          | 2   | 4               | 8   |  |
| 9       | PGF funding criteria changes  | Financial  | 1              | 5      | 5   | External constraint - unable to be managed   | 0             | 0          | 0           | 1   | 5               | 5   |  |
| 10      | The scope of the project does not meet PGF criteria                     | Financial  | 1              | 5      | 5   | Business Case and cost/benefit analysis  | 5             | 5          | 25          | 1   | 5               | 5   |  |
| 11      | The scope of the project does not meet external funding criteria        | Financial  | 1              | 5      | 5   | Precinct Master Plan<br>Business Case and cost/benefit analysis                                    | 3             | 5          | 15          | 1   | 3               | 3   |  |
| 12      | TDC does not follow the correct processes for the development           | Management | 1              | 4      | 4   | LGA process observance<br>Audit NZ review  | 5             | 5          | 25          | 1   | 3               | 3   |  |
| 13      | The business case is poor or unconvincing                               | Financial  | 1              | 4      | 4   | Business Case and cost/benefit analysis  | 5             | 5          | 25          | 1   | 3               | 3   |  |
| 14      | There is significant public opposition                                  | Political  | 3              | 3      | 9   | Communication plan<br>Precinct Master Plan<br>Business case and cost/benefit analysis              | 2             | 3          | 6           | 2   | 2               | 4   |  |
| 15      | There is an unfavourable judicial review of the process                 | Management | 1              | 4      | 4   | LGA process observance<br>Audit NZ review  | 5             | 5          | 25          | 1   | 3               | 3   |  |
| 16      | Council vote not to proceed with the development                        | Political  | 2              | 5      | 10  | LGA process observance   | 4             | 5          | 20          | 2   | 5               | 10  |  |
| 17      | The Minister intervenes and rescinds delegated authority                | Political  | 1              | 5      | 5   | LGA process observance<br>Reserves Act observance  | 5             | 4          | 20          | 1   | 5               | 5   |  |
| 18      | A timely decision cannot be made by Council                             | Management | 2              | 4      | 8   | Project Management Plan<br>LGA process observance  | 4             | 4          | 16          | 1   | 3               | 3   |  |
| 19      | Funders withdraw from the project after earlier commitments             | Financial  | 1              | 5      | 5   | Communication plan<br>Precinct Master Plan<br>Business case and cost/benefit analysis              | 4             | 4          | 16          | 1   | 3               | 3   |  |
| 20      | External funding for elements of the development is not obtained        | Financial  | 2              | 4      | 8   | Precinct Master Plan<br>Business Case and cost/benefit analysis                                    | 4             | 4          | 16          | 2   | 4               | 8   |  |

ECONOMIC CASE

## Initial risk assessment prior to mitigations

| Category   | Count | Value | Average |
|------------|-------|-------|---------|
| Political  | 7     | 55    | 7.9     |
| Scope      | 3     | 10    | 3.3     |
| Commercial | 1     | 12    | 12.0    |
| Financial  | 6     | 32    | 5.3     |
| Management | 3     | 16    | 5.3     |

## Subsequent risk assessment following mitigations

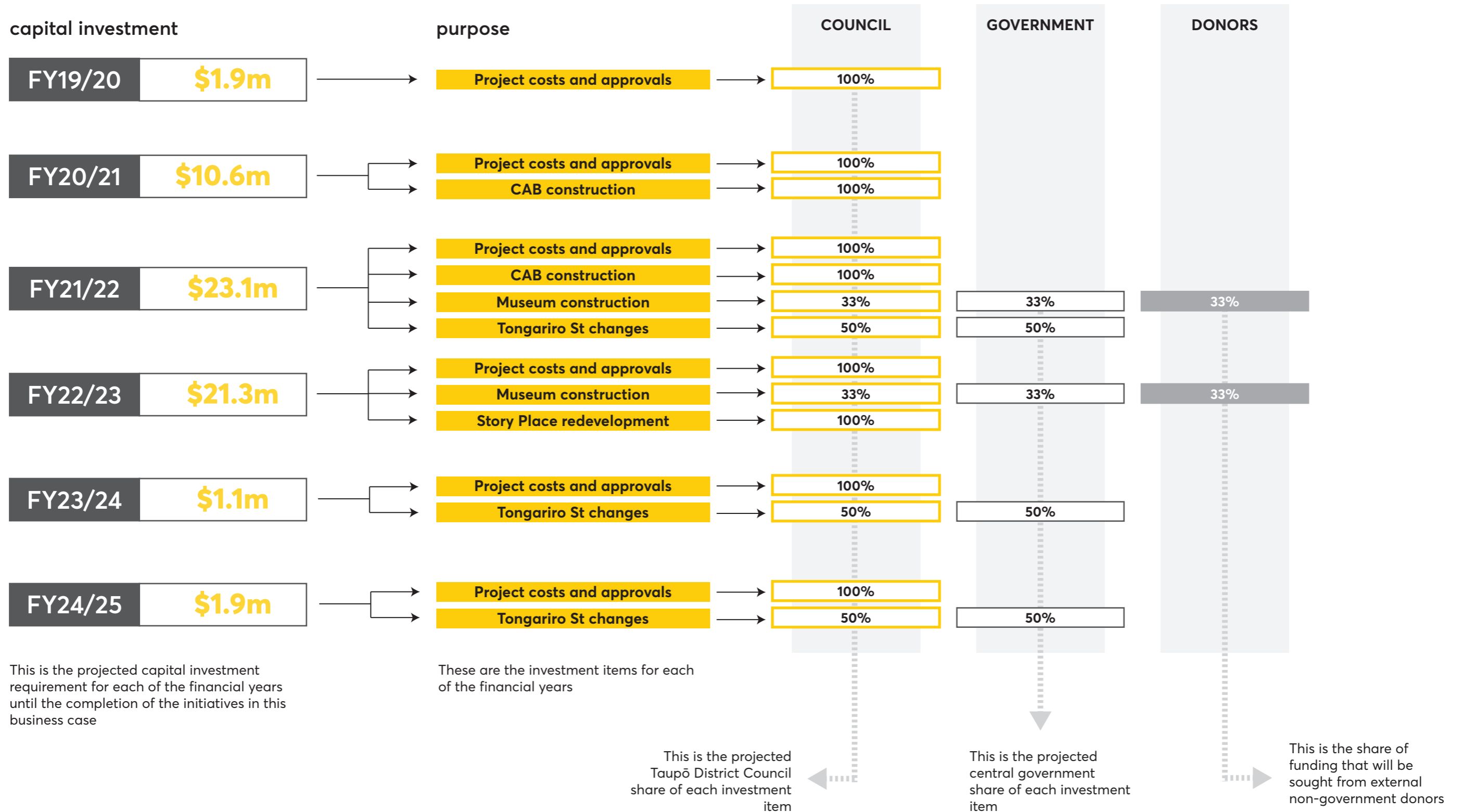
| Category   | Count | Value | Average |
|------------|-------|-------|---------|
| Political  | 7     | 40    | 5.7     |
| Scope      | 3     | 6     | 2.0     |
| Commercial | 1     | 8     | 8.0     |
| Financial  | 6     | 27    | 4.5     |
| Management | 3     | 9     | 3.0     |



**TAUPŌ CULTURAL PRECINCT | Financial Case**

# FINANCIAL CASE | Funding requirements and sources

The diagram shows the capital investment requirements by financial year, along with the projected sources for the capital funding.



FINANCIAL CASE

# FINANCIAL CASE | Cashflow projections | capital expenditure



The table below shows the capital investment over the anticipated six years of development.

|  |         |            | FY19/20  |          |          |          | FY20/21  |          |          |          | FY21/22  |          |          |          | FY22/23  |          |          |          | FY23/24  |          |          |          | FY24/25  |          |          |          |        |  |
|--|---------|------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|--|
|  |         |            | Q1 19/20 | Q2 19/20 | Q3 19/20 | Q4 19/20 | Q1 20/21 | Q2 20/21 | Q3 20/21 | Q4 20/21 | Q1 21/22 | Q2 21/22 | Q3 21/22 | Q4 21/22 | Q1 22/23 | Q2 22/23 | Q3 22/23 | Q4 22/23 | Q1 23/24 | Q2 23/24 | Q3 23/24 | Q4 23/24 | Q1 24/25 | Q2 24/25 | Q3 24/25 | Q4 24/25 |        |  |
| <b>Project costs</b>                   |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Project management/ governance         | 1.5 FTE | \$(225)    |          |          | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56) |  |
| Procurement                            | 1 FTE   | \$(120)    |          |          | \$(30)   | \$(30)   | \$(30)   | \$(30)   |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <i>Project costs by quarter</i>        |         |            |          |          | \$(86)   | \$(86)   | \$(86)   | \$(86)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56)   | \$(56) |  |
| <i>Project costs by financial year</i> |         |            |          |          | \$(173)  |          |          |          | \$(285)  |          |          |          | \$(225)  |          |          |          | \$(225)  |          |          |          | \$(225)  |          |          |          |          |          |        |  |
| <b>Construction costs</b>              |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <b>Civic Administration Building</b>   |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| CAB construction                       |         | \$(10,700) |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| CAB fit-out                            |         | \$(2,800)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| IL4 upgrade for 120m2                  |         | \$(2,200)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Professional fees                      |         | \$(2,600)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Contingency                            |         | \$(4,000)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <i>Subtotal</i>                        |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <b>Museum</b>                          |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Museum construction                    |         | \$(12,200) |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Museum fit-out                         |         | \$(2,500)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Professional fees                      |         | \$(2,400)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Contingency                            |         | \$(3,700)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <i>Subtotal</i>                        |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <b>Story Place/Parking</b>             |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Construction                           |         | \$(6,600)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Professional fees                      |         | \$(1,100)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Contingency                            |         | \$(1,700)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <i>Subtotal</i>                        |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <b>Tongariro Street</b>                |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Construction                           |         | \$(2,300)  |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Professional fees                      |         | \$(400)    |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| Contingency                            |         | \$(600)    |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <i>Subtotal</i>                        |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <b>Total construction</b>              |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <b>Capital by quarter</b>              |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |
| <b>Capital by financial year</b>       |         |            |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |        |  |



# FINANCIAL CASE | Cashflow projections | operational expenditure



The table below shows the operating costs – including depreciation, maintenance, operations and revenue – in the first 7 years from completion of the Civic Administration Building in FY21/22.

|                                      |                   |                     | FY21/22  |          |          |          | FY22/23    |          |          |          | FY23/24    |          |          |          | FY24/25    |          |          |          | FY25/26    |          |          |          | FY26/27    |          |          |          | FY27/28  |          |          |          |
|--------------------------------------|-------------------|---------------------|----------|----------|----------|----------|------------|----------|----------|----------|------------|----------|----------|----------|------------|----------|----------|----------|------------|----------|----------|----------|------------|----------|----------|----------|----------|----------|----------|----------|
|                                      |                   |                     | Q1 21/22 | Q2 21/22 | Q3 21/22 | Q4 21/22 | Q1 22/23   | Q2 22/23 | Q3 22/23 | Q4 22/23 | Q1 23/24   | Q2 23/24 | Q3 23/24 | Q4 23/24 | Q1 24/25   | Q2 24/25 | Q3 24/25 | Q4 24/25 | Q1 25/26   | Q2 25/26 | Q3 25/26 | Q4 25/26 | Q1 26/27   | Q2 26/27 | Q3 26/27 | Q4 26/27 | Q1 27/28 | Q2 27/28 | Q3 27/28 | Q4 27/28 |
| <b>Depreciation</b>                  | <b>Allocation</b> | <b>Period (yrs)</b> |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| <b>Civic Administration Building</b> |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| Construction                         | 100%              | 50                  |          |          | \$(87)   | \$(87)   | \$(87)     | \$(87)   | \$(87)   | \$(87)   | \$(87)     | \$(87)   | \$(87)   | \$(87)   | \$(87)     | \$(87)   | \$(87)   | \$(87)   | \$(87)     | \$(87)   | \$(87)   | \$(87)   | \$(87)     | \$(87)   | \$(87)   | \$(87)   | \$(87)   | \$(87)   | \$(87)   | \$(87)   |
| Fit-out                              | 100%              | 20                  |          |          | \$(35)   | \$(35)   | \$(35)     | \$(35)   | \$(35)   | \$(35)   | \$(35)     | \$(35)   | \$(35)   | \$(35)   | \$(35)     | \$(35)   | \$(35)   | \$(35)   | \$(35)     | \$(35)   | \$(35)   | \$(35)   | \$(35)     | \$(35)   | \$(35)   | \$(35)   | \$(35)   | \$(35)   | \$(35)   |          |
| IL4 structure                        | 100%              | 50                  |          |          | \$(8)    | \$(8)    | \$(8)      | \$(8)    | \$(8)    | \$(8)    | \$(8)      | \$(8)    | \$(8)    | \$(8)    | \$(8)      | \$(8)    | \$(8)    | \$(8)    | \$(8)      | \$(8)    | \$(8)    | \$(8)    | \$(8)      | \$(8)    | \$(8)    | \$(8)    | \$(8)    | \$(8)    | \$(8)    |          |
| IL4 fit-out                          | 100%              | 20                  |          |          | \$(7)    | \$(7)    | \$(7)      | \$(7)    | \$(7)    | \$(7)    | \$(7)      | \$(7)    | \$(7)    | \$(7)    | \$(7)      | \$(7)    | \$(7)    | \$(7)    | \$(7)      | \$(7)    | \$(7)    | \$(7)    | \$(7)      | \$(7)    | \$(7)    | \$(7)    | \$(7)    | \$(7)    | \$(7)    |          |
| <b>Museum</b>                        |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| Construction                         | 33%               | 50                  |          |          |          |          |            |          | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)   | \$(30)   | \$(30)   |          |
| Fit-out                              | 33%               | 20                  |          |          |          |          |            |          | \$(10)   | \$(10)   | \$(10)     | \$(10)   | \$(10)   | \$(10)   | \$(10)     | \$(10)   | \$(10)   | \$(10)   | \$(10)     | \$(10)   | \$(10)   | \$(10)   | \$(10)     | \$(10)   | \$(10)   | \$(10)   | \$(10)   | \$(10)   | \$(10)   |          |
| <b>Story Place/Parking</b>           |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| Construction                         | 100%              | 35                  |          |          |          |          |            |          |          |          |            |          | \$(67)   | \$(67)   | \$(67)     | \$(67)   | \$(67)   | \$(67)   | \$(67)     | \$(67)   | \$(67)   | \$(67)   | \$(67)     | \$(67)   | \$(67)   | \$(67)   | \$(67)   | \$(67)   | \$(67)   |          |
| <b>Tongariro Street</b>              |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| Construction                         | 48%               | 35                  |          |          |          |          |            |          | \$(12)   | \$(12)   | \$(12)     | \$(12)   | \$(12)   | \$(12)   | \$(12)     | \$(12)   | \$(12)   | \$(12)   | \$(12)     | \$(12)   | \$(12)   | \$(12)   | \$(12)     | \$(12)   | \$(12)   | \$(12)   | \$(12)   | \$(12)   | \$(12)   |          |
| Depreciation by quarter              |                   |                     | \$-      | \$-      | \$(137)  | \$(137)  | \$(148)    | \$(148)  | \$(189)  | \$(189)  | \$(256)    | \$(256)  | \$(256)  | \$(256)  | \$(256)    | \$(256)  | \$(268)  | \$(268)  | \$(268)    | \$(268)  | \$(268)  | \$(268)  | \$(268)    | \$(268)  | \$(268)  | \$(268)  | \$(268)  | \$(268)  | \$(268)  |          |
| Depreciation by financial year       |                   |                     | \$ (273) |          |          |          | \$ (675)   |          |          |          | \$ (1,024) |          |          |          | \$ (1,036) |          |          |          | \$ (1,071) |          |          |          | \$ (1,071) |          |          |          |          |          |          |          |
| <b>Operational costs</b>             |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| <b>Repairs and maintenance</b>       |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| CAB r+m                              | 1%                | \$ (27)             |          |          |          |          |            |          | \$(27)   | \$(27)   | \$(27)     | \$(27)   | \$(27)   | \$(27)   | \$(27)     | \$(27)   | \$(27)   | \$(27)   | \$(27)     | \$(27)   | \$(27)   | \$(27)   | \$(27)     | \$(27)   | \$(27)   | \$(27)   | \$(27)   | \$(27)   | \$(27)   |          |
| Museum r+m                           | 1%                | \$ (31)             |          |          |          |          |            |          |          | \$(31)   | \$(31)     | \$(31)   | \$(31)   | \$(31)   | \$(31)     | \$(31)   | \$(31)   | \$(31)   | \$(31)     | \$(31)   | \$(31)   | \$(31)   | \$(31)     | \$(31)   | \$(31)   | \$(31)   | \$(31)   | \$(31)   | \$(31)   |          |
| Landscaping                          | 3%                | \$ (50)             |          |          | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)   | \$(50)   | \$(50)   |          |
| <b>Operations</b>                    |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| Museum staffing uplift               | \$ (200)          | \$ (50)             |          |          |          |          |            |          | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(50)   | \$(50)   | \$(50)   | \$(50)   | \$(50)   |          |
| Museum operating costs uplift        | \$ (250)          | \$ (63)             |          |          |          |          |            |          | \$(63)   | \$(63)   | \$(63)     | \$(63)   | \$(63)   | \$(63)   | \$(63)     | \$(63)   | \$(63)   | \$(63)   | \$(63)     | \$(63)   | \$(63)   | \$(63)   | \$(63)     | \$(63)   | \$(63)   | \$(63)   | \$(63)   | \$(63)   | \$(63)   |          |
| Museum exhibitions/collections       | \$ (120)          | \$ (30)             |          |          |          |          |            |          | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)     | \$(30)   | \$(30)   | \$(30)   | \$(30)   | \$(30)   | \$(30)   |          |
| Op costs per quarter                 |                   |                     | \$-      | \$-      | \$(50)   | \$(50)   | \$(50)     | \$(50)   | \$(219)  | \$(219)  | \$(249)    | \$(249)  | \$(249)  | \$(249)  | \$(249)    | \$(249)  | \$(249)  | \$(249)  | \$(249)    | \$(249)  | \$(249)  | \$(249)  | \$(249)    | \$(249)  | \$(249)  | \$(249)  | \$(249)  | \$(249)  | \$(249)  |          |
| Op costs per financial year          |                   |                     | \$ (99)  |          |          |          | \$ (537)   |          |          |          | \$ (997)   |          |          |          | \$ (997)   |          |          |          | \$ (997)   |          |          |          | \$ (997)   |          |          |          |          |          |          |          |
| <b>Revenue</b>                       |                   |                     |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
|                                      |                   | <b>Per quarter</b>  |          |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |            |          |          |          |          |          |          |          |
| Cafe lease                           | \$40              | \$10                |          |          | \$10     | \$10     | \$10       | \$10     | \$10     | \$10     | \$10       | \$10     | \$10     | \$10     | \$10       | \$10     | \$10     | \$10     | \$10       | \$10     | \$10     | \$10     | \$10       | \$10     | \$10     | \$10     | \$10     | \$10     | \$10     |          |
| WRC lease                            | \$45              | \$11                |          |          | \$11     | \$11     | \$11       | \$11     | \$11     | \$11     | \$11       | \$11     | \$11     | \$11     | \$11       | \$11     | \$11     | \$11     | \$11       | \$11     | \$11     | \$11     | \$11       | \$11     | \$11     | \$11     | \$11     | \$11     | \$11     |          |
| Museum revenue uplift                | \$50              | \$13                |          |          |          |          |            |          | \$13     | \$13     | \$13       | \$13     | \$13     | \$13     | \$13       | \$13     | \$13     | \$13     | \$13       | \$13     | \$13     | \$13     | \$13       | \$13     | \$13     | \$13     | \$13     | \$13     | \$13     |          |
| Revenue per quarter                  |                   |                     | \$-      | \$-      | \$21     | \$21     | \$21       | \$21     | \$34     | \$34     | \$34       | \$34     | \$34     | \$34     | \$34       | \$34     | \$34     | \$34     | \$34       | \$34     | \$34     | \$34     | \$34       | \$34     | \$34     | \$34     | \$34     | \$34     | \$34     |          |
| Revenue per financial year           |                   |                     | \$43     |          |          |          | \$110      |          |          |          | \$135      |          |          |          | \$135      |          |          |          | \$135      |          |          |          | \$90       |          |          |          | \$135    |          |          |          |
| Opex position per quarter            |                   |                     | \$-      | \$-      | \$(165)  | \$(165)  | \$(177)    | \$(177)  | \$(374)  | \$(374)  | \$(472)    | \$(472)  | \$(472)  | \$(472)  | \$(472)    | \$(472)  | \$(483)  | \$(483)  | \$(483)    | \$(483)  | \$(483)  | \$(483)  | \$(483)    | \$(483)  | \$(483)  | \$(483)  | \$(483)  | \$(483)  | \$(483)  |          |
| Opex position per financial year     |                   |                     | \$ (330) |          |          |          | \$ (1,101) |          |          |          | \$ (1,886) |          |          |          | \$ (1,898) |          |          |          | \$ (1,933) |          |          |          | \$ (1,933) |          |          |          |          |          |          |          |





**Taupō Cultural Precinct** | Implementation | Commercial Case  
| Management Case

The Council's procurement strategy considers the options for how services and capabilities should be acquired in order to deliver affordable solutions, covering both the design and construction phases.

## FRAMEWORK

It is considered best-practice for councils to use the government's approved procurement framework, as this can significantly reduce the time taken to select and appoint suitable suppliers.

The necessary suppliers can be selected by tender or from an existing panel, which will be based on pre-established criteria. Typical selection criteria include the previous experience of the company and people in the design and construction of similar facilities, as well as price.

The procurement strategy defines the procurement process for the project. This may be prepared internally by the Council or externally, such as by the project manager or architect. The procurement strategy will consist of the following elements:

- Investment objectives – definition of the project objectives, risks and constraints and their effects on the procurement process.
- Policy frameworks – definition of the guiding policies and frameworks that relate to the scope of the project, from both the Council and government.
- Project scope – a clear description of the project scope required to achieve the objectives.
- Tendering approach – open, pre-selected, closed, negotiated, sole-source.
- Contracting type – the delivery method that is best suited to achieve the project objectives and mitigate project risks.
- Selection of consultants – the process for consultant selection and the criteria for selection.
- Selection of contractor – the process for contractor selection and the criteria for selection.
- Contract form and payment mechanism – the most appropriate contract form to manage the project risks, and how the payment mechanism will be defined within that contract.
- Specific contract mechanisms – specific contract mechanisms for this type of facility.
- Roles and responsibilities – delegations and clarity of authority and responsibility.
- Key requirements and documents – specific documents for this type of facility.

## ROLES AND RESPONSIBILITIES

There are a number of roles required for the procurement of the proposed investment. The project manager will typically prepare the procurement strategy, tender documentation and scope, and manage technical inputs to the procurement documentation, with the assistance and guidance of the Council's procurement team.

A critical role is the Council's Senior Responsible Officer, who has suitable delegation and authority to approve the procurement steps. Another critical role is the interface between design and operations. This role focuses on providing clarity for approvals to handover the facility to the Council.

Other key roles include technical and consultant support:

- Project management and reporting.
- Urban planning advice
- Technical advice (architect/cost consultant/other technical disciplines).
- Financial advice
- Legal advice.



In order to successfully deliver the project, a number of services will need to be procured by the Council as follows:

| Service  | Required scope   |
|--|--|
| <b>Project Manager</b>                               | Responsible for delivery of the project scope, cost, time and quality, including procurement of the team to achieve the outcomes. Reports to the Project Sponsor. Involved from initiation through to handover to operations. Can be an internal resource or externally procured. Can sometimes include design management to support the design coordination role  |
| <b>Project Engineer</b>                              | Responsible for the administration and management of the construction contract   |
| <b>Quantity Surveyor</b>                             | Responsible for developing and agreeing the capital cost estimation methodology. Also updating the project control budget and providing assessments for variations and progress claim certificates. Scope to include whole-of-life costs for plant selection   |
| <b>Architect</b>                                     | Typically lead consultant, and responsible for the provision of detailed design drawings and technical specifications and monitoring the construction in accordance with New Zealand Institute of Architects observation levels 1-5 to achieve the intent of the design. Responsible for building consent process, lodgement, responses and obtaining approvals. Key role is design coordination of all of the consultants |
| <b>Structural Engineer</b>                           | Provides detailed design drawings, technical report and technical specifications<br>Provides construction monitoring during the construction phase, assists with design-related issues in accordance with IPENZ construction monitoring levels 1-5, and as per scope of services<br>Provides certification of design in accordance with relevant standards and to achieve the Code Compliance Certificate (CCC)            |
| <b>Fire Engineer</b>                                 | Provides detailed design drawings, technical report and technical specifications<br>Provides construction monitoring during the construction phase, assists with design-related issues in accordance with IPENZ construction monitoring levels 1-5, and as per scope of services<br>Provides certification of design in accordance with relevant standards and to achieve CCC  |
| <b>Mechanical/HVAC/hydraulic/electrical engineer</b> | Provides detailed design drawings, technical report and technical specifications<br>Provides construction monitoring during the construction phase, assists with design-related issues in accordance with IPENZ construction monitoring levels 1-5, and as per scope of services<br>Provides certification of design in accordance with relevant standards and to achieve CCC.   |
| <b>Civil Engineer</b>                                | Provides detailed design drawings, technical report and technical specifications<br>Provides construction monitoring during the construction phase, assists with design-related issues in accordance with IPENZ construction monitoring levels 1-5, and as per scope of services<br>Provides certification of design in accordance with relevant standards and to achieve CCC  |
| <b>Geotechnical Engineer</b>                         | Provides detailed design drawings, technical report and technical specifications<br>Provides construction monitoring during the construction phase, and is responsible for dealing with the site ground conditions, foundations and groundwork required<br>Provides certification of design in accordance with relevant standards  |
| <b>Planning Officer</b>                              | Provides consenting strategy, schedule of consents required, specific planning advice, assessments of environmental effects and scoping of technical assessments, and includes lodgement and processing support for the resource consents  |
| <b>Legal Advisor</b>                                 | Provides legal advice as required for planning, consenting and compliance purposes   |
| <b>Construction Contractor</b>                       | Constructs the facility to the supplied designs, managing all subcontractors as required   |

| Approach                          | Summary  | Rating |
|-----------------------------------|--|--------|
| <b>Open tender</b>                | The open procedure is suitable where the contract is straightforward, with a limited requirement for specific skills/technical capacity, and where there is a limited number of potential contractors/consultants. It allows for a combined pre-qualification and tender assessment                              | Yellow |
| <b>Pre-selected tender</b>        | The pre-selected tender is suitable when specific skills/technical capacity are needed and there is a limited number of potential contractors/consultants. Advice should be sought from specialists in procurement   | Green  |
| <b>Existing procurement panel</b> | Typically, an existing procurement panel will have a pre-qualification for specific skills/ technical capacity. This is a potential approach if access to an existing panel, with a specific facility skill-set, is demonstrated   | Red    |
| <b>Competitive dialogue</b>       | This procedure should only be used for complex contracts where the local authority does not have defined service requirements or is not able to identify clearly its legal and/or financial requirements. This procedure is most commonly used for high-value and innovative contracts                           | Red    |
| <b>Closed tender</b>              | Similar to the pre-selected tender and suitable for when specific skills/technical capacity are needed and there is a limited number of potential contractors/consultants. Advice should be sought from specialists in procurement   | Green  |
| <b>Negotiated tender</b>          | Subject to relevant procurement policies, a negotiated tender between no more than two parties may be a suitable procurement approach when specific skills/technical capacity are needed and there is a limited number of potential contractors/consultants. Both parties would need to have relevant experience | Yellow |
| <b>Sole source tender</b>         | Subject to relevant procurement policies, a negotiated sole source tender may be a suitable procurement approach when specific skills/technical capacity are needed and there is a limited number of potential contractors/consultants. The party would need to have relevant experience.                        | Yellow |

There are a variety of methods for tendering, which include open, pre-selected, closed, negotiated and sole-source tendering. In turn, there are several delivery models available, which represent varying degrees of complexity, risk, innovation, client involvement and programme influence.

Irrespective of the process to select the required consultants and the construction company for the project, an evaluation framework will be used to assess the offerings available from the various interested parties. This uses four criteria:

1. **Price** – has the tenderer demonstrated good value for money?
2. **Knowledge and experience** – Has the tenderer demonstrated good knowledge of the requirements? Have they demonstrated their skills through the completion of other/similar projects? What were the outcomes of those projects? Have references from those projects been provided?
3. **Methodology** – Has the tenderer demonstrated a good understanding of the project? And does the process they have outlined make sense and is likely to work?
4. **Personnel** – Is the tenderer able to call upon people with different/necessary skill-sets to complete the project? And what is the risk to the investment should the lead consultant or nominated key personnel leave mid-project?

Engaging with the market to obtain the correct services at the correct price is a structured process.

The business case and the Master Plan are essential precursors to engaging with the market and obtaining suitable tenders for the design and construction services required. A Procurement Strategy workshop will be run once approval for the investment has been given, which will determine the most appropriate procurement method to achieve the best value for the Council. The workshop will be independently facilitated by a specialist procurement consultant with design/build experience in similar-sized projects.

It is anticipated that there will be two major procurement components:

1. The design services required to take the concepts to detailed design and consent drawings
2. The construction services necessary to build the buildings and obtain Code Compliance.

It is likely that the greatest value for the Council will be obtained by awarding the construction agreement before completion of the detailed design. This approach will ensure the design is constructable, and will allow the construction contractor to advise the designers of suitable construction methods.

As part of this process, it is envisaged that the design Architect will play an active role in the construction tender process, and is likely to be a member of the evaluation panel.

In order to increase industry interest in the project, briefings will be held for both the design and the construction. The Master Plan, business case, Council policies (such as health and safety requirements) and related documents will be made available to ensure that bidders are both aware of and informed about the project.

An open tender process will be run on TenderLink, and probity advice will be sought throughout the process.

It is likely that any design/construction process will be desirable to the market, as it is exploitable by nature due to the design/construction work likely being profitable and the lack of the need for a long-term relationship between the parties. Both the Council and the suppliers are independent of one another and are not reliant on each other to function, so good project and contract management will be required throughout the project. The likely risks and their mitigations are shown in the table at right.

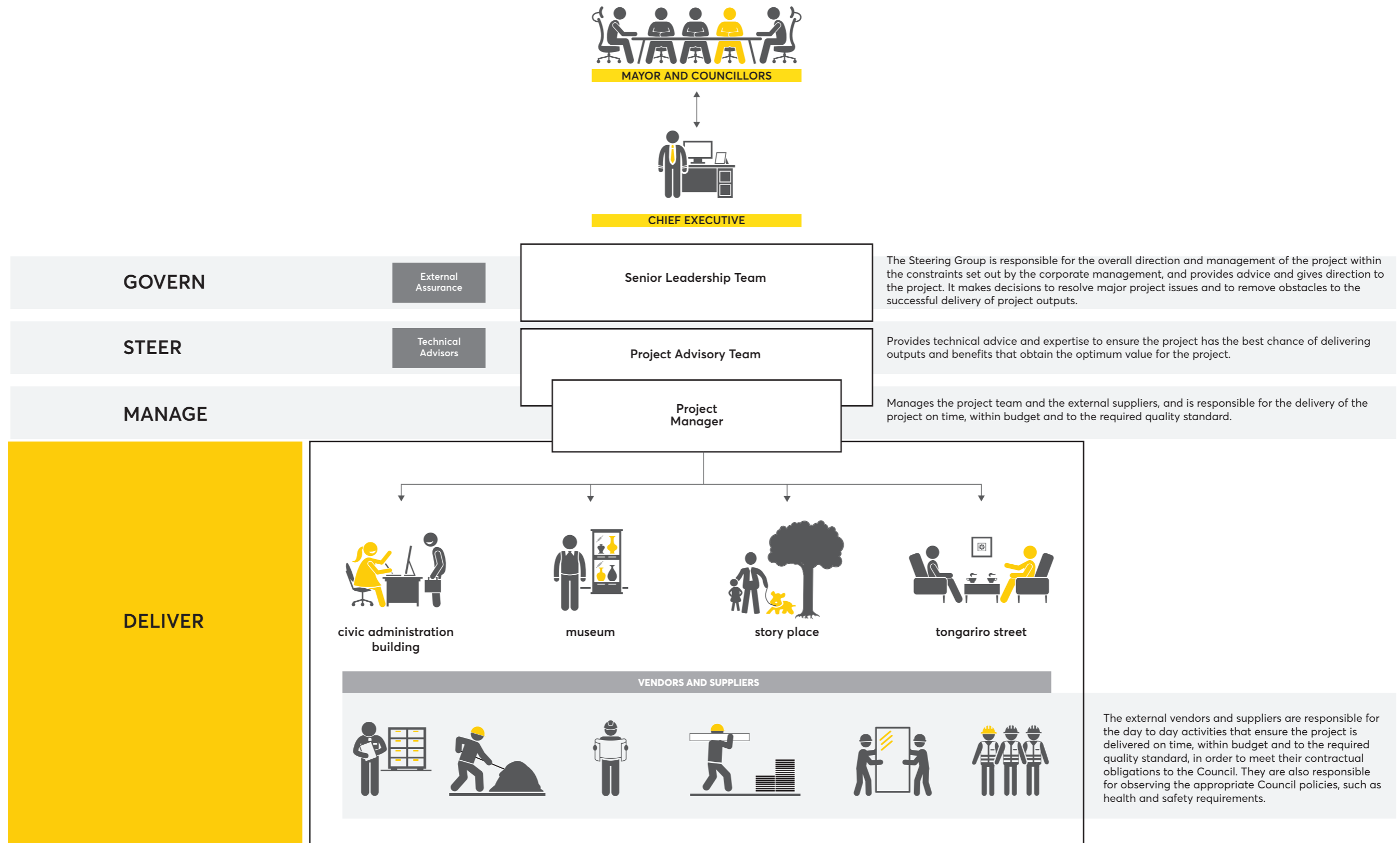
Given this context, it is likely that the Council will pursue a tactical competitive relationship with the successful design and construction suppliers.

| PHASING                    | Milestone  | Description  | Purpose  |  |
|----------------------------|--|--|--|--|
|                            | <b>Pre-Procurement</b>   |  |  |  |
|                            | Prepare strategy and documentation   | Preparation of all tender documentation including: <ul style="list-style-type: none"> <li>• Agreed procurement strategy</li> <li>• Consultant request for proposals</li> <li>• Contractor request for tenders</li> <li>• Tender evaluation criteria</li> </ul> | Clarify the scope and requirements of the procurement process  |  |
|                            | <b>Procurement</b>   |  |  |  |
|                            | Industry briefing  | Meeting with consultants/contractors/ operators to present project scope and objectives  | Consult parties prior to tender with the intent that planning for the preparation of a tender can commence                   |  |
|                            | Request for tenders/proposals  | Invitation to tender to select group of contractors/ consultants/ operators  | Formal tender process to a select group of contractors/consultants/ operators to bid competitively for the relevant contract |  |
|                            | Receipt of tenders   | Close of tender period   |  |  |
|                            | Tender evaluation  | Process implemented to assess the preferred contractors/consultants/ operators   | Determine the most suited contractors/consultants/ operators to achieve the project objectives                               |  |
|                            | Tender interviews  | Interviews of preferred and next preferred contractors/consultants/ operators  | Understand proposition in more detail and discuss key points of tender   |  |
|                            | Contract negotiation   | Final negotiations once preferred contractors/ consultants/operators selected  | Agree on terms of contract   |  |
| Due diligence              | Process to verify that the preferred contractors/ consultants/operators have the capability and capacity to deliver the contract | Obtain a high level of comfort that the contract can be delivered on time, within budget and to the required standard  |  |  |
| Contract award             | Award of consultant/construction/ operator contracts   | Enables preferred party to organise resources  |  |  |
| Contract execution         | Signing of contracts   | Official start date  |  |  |
| Early operator involvement | Approach implemented to include operator in design   | Supports improved teamwork, innovation and delivery  |  |  |

| RISKS | Risk   | Probability | Impact | Rating | Mitigation  | Responsible  |
|-------|--|-------------|--------|--------|---|--|
|       | Suitable companies don't tender  | Low         | High   | High   | Tenderlink process along with appropriate industry briefing       | Procurement Manager<br>Project Manager   |
|       | Best value not achieved for TDC, through inappropriate procurement process | Medium      | High   | High   | Run a procurement strategy workshop                               | Procurement Manager<br>External consultants  |
|       | Budget blowout   | Medium      | High   | High   | ROI/RFP Process/ Negotiation to ensure best value can be achieved | Procurement Manager<br>Project Manager<br>External Construction Contract Lawyer (for Construction process) |
|       | Don't wish to participate in 2-step process                                | Low         | Medium | Low    | Speak to potential respondents who have downloaded ROI documents  | Procurement Manager  |
|       | Evaluation team not able to reach consensus for RFP                        | Low         | Medium | Medium | Facilitation of evaluation session with non-voting facilitator    | Procurement Manager  |

The project has been designed with the robust governance needed to deliver a high-quality outcome and to ensure there is robust oversight.

IMPLEMENTATION CASE



The external vendors and suppliers are responsible for the day to day activities that ensure the project is delivered on time, within budget and to the required quality standard, in order to meet their contractual obligations to the Council. They are also responsible for observing the appropriate Council policies, such as health and safety requirements.

## DELIVERY MANAGEMENT APPROACH

The Council uses a fully documented methodology for project delivery, which defines specific phases in a project lifecycle, along with the processes and documents required to traverse the phases.

Assessment of the type and scale of the Cultural Precinct project has been conducted as part of the project start-up phase, resulting in the project being identified as Moderate Complexity. The overview of the phases, approach and the document artefacts required for a project of this type is as follows:

### APPROVAL

The commencement of a project occurs at the Approval phase. This has already been traversed by the project, as it allows for the development of core documents, such as the Business Case. These documents have been completed and have been submitted for governance sign-off, and the phase completes once approval has been given by Council.

In this phase a Project Manager is assigned.

### INITIATE

The Initiate phase includes the development of a detailed Work Breakdown Structure (WBS) for the intended work is developed, and the risk profile for the project is revisited in more detail to ensure that decision makers are fully informed about the likely challenges – including the risks that may arise if the investment does not proceed.

In this phase the project team is brought together and expanded as needed to commence delivery of the project.

### DESIGN/CONSTRUCTION

Once funding is allocated, the Design/Construction phase can commence. This is the core of the project, where:

- High level and detailed requirements for the facilities are compiled
- Vendors are engaged to assist with the design of the facilities, as described in the Commercial Case
- The development and delivery of the stakeholder engagement plan takes place
- Development of the facilities and the support infrastructure occurs
- Governance arrangements for operations of the new facilities are put in place
- Operation of the new facilities commences.

Throughout the phase, the standard controls used by the Council are applied.

### CLOSE

The close phase ensures that all deliverables are complete, that costs have been allocated correctly, that the benefit realisation plan is in place, and that all residual risks are allocated and are being managed. The final step in the process is to ensure that the lessons learned from the project are documented so that future projects can benefit from the knowledge that has been acquired.







**TAUPŌ CULTURAL PRECINCT** | Recommendations and next steps

[newzealand.govt.nz](http://newzealand.govt.nz)

The analysis in the business case demonstrates that there is a clear financial and non-financial benefit in locating the Civic Administration Building on the Tongariro Domain as part of the Taupō Cultural Precinct. This is aligned with the Council’s strategic direction, the intent of the Master Plan and makes the most financial sense for the community. Accordingly, two recommendations are made:

1

Recommendation:

**AGREE**

that Council officers will report back to Council with a more detailed assessment for the decision on the level of IL4-standard resilience for the Civic Administration Building, after seeking additional advice on the risks and costs of each option.



More information about this recommendation is on page

**32**

2

Recommendation:

**AGREE**

that constructing a Council-owned Civic Administration Building on the Tongariro Domain in accordance with the Master Plan is the preferred option.



More information about this recommendation is on page

**44**



As a consequence, Council agrees to consult on the preferred option via the Long Term Plan amendment process.

# NEXT STEPS | Decisions sought

There are a number of decisions required in the next 12 months in order for development of the Cultural Precinct to commence. Some of these will involve the input of the community as part of a Long Term Plan amendment.

NEXT STEPS

**decision made**

**Approve** the Master Plan and the preferred option

**Master Plan approved**  
The Master Plan for the development of the Taupō Cultural Precinct is tabled for consideration, including the preferred option for its configuration



December 2018

February 2019



**Business case approval**  
The business case for investment in the Taupō Cultural Precinct is submitted for Council consideration and approval, and officers directed to prepare an LTP amendment

**decision requested**

**Approve** the business case and agree that the LTP amendment should proceed

**decision requested**

**Approve** the LTP amendment for public consultation

**LTP consultation adopted**  
The amendment to the LTP is formally adopted by Council following Audit NZ review so that public consultation can occur



March 2019

April-May 2019



**LTP amendment consultation**  
The amended LTP is consulted on with the community (including hearings) to obtain input into the changes to the Long Term Plan

**decision requested**

**Approve** the modified LTP amendment

**LTP amendment approved**  
Council vote on the LTP amendment, subject to modifications made after receiving feedback from the community and input from Audit NZ.  
A decision to proceed with the Cultural Precinct would be subject to the outcome of Reserves Act processes (reclassification, and amendment of Reserve Management Plan)..



June 2019



= key milestone

= go/no-go decision point

**decision made**

= internal decision that has been made

**decision requested**

= internal decision requested today

**decision requested**

= internal decision that will be sought in the future

**DECISION POINTS**

There are two points where Council can choose whether to proceed with the investment, as shown by the yellow circles in the diagram. These are:

- **Business case approval** – Council can decide whether to support the initiative, based on the analysis on the business case and other investment priorities
- **LTP amendment approval** – Council can decide whether to proceed with an amendment to the Long Term Plan, on the advice of officers and input from the community following consultation