

Masterton Civic Centre Project - Draft

Stage 1: Market Demand and Financial Analysis



Prepared for

Masterton District Council

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Hotel, Tourism and Leisure

A member of Crowe Global

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1 Introduction

Horwath HTL has been engaged to assist Masterton District Council (“Council”) with advice in relation to the replacement or redevelopment of the Masterton Town Hall and Municipal Building at 64 Chapel Street, Masterton.

Stage One of the project includes market demand analysis and an economic impact assessment. Stage Two is planned to include a more detailed feasibility study and business case development.

1.1 Your Requirements

Council has advised that the project objectives are to replace the Town Hall with a Civic facility that:

- meets the needs of the Masterton community and the Wairarapa
- is sustainable and affordable
- is multipurpose, eg. caters for performing arts events, concerts, conferences, meetings and potentially accommodation
- future proofs requirements for the next 50–80 years
- reflects our Maori culture and our bicultural heritage
- contributes to the wellbeing and liveability of the Wairarapa
- contributes to the economic development of the district and vibrancy of the town
- utilises Green Building design for efficiency and to meet environmental objectives.

1.2 Scope of Work

Our proposed Scope of Work and Approach for Stage One was documented in our RFP response dated 19 October 2018. It included the following steps:

- meeting with the Council project team to discuss the proposed development, view the site and obtain any relevant information for Stage One of the project, including:
 - former utilisation data of the Town Hall
 - a list of former ‘users’ and significant ‘non-users’ of the Town Hall facilities
 - Council’s view on potential “future users” and target markets for the Civic Centre and how they see these evolving over the projection period
 - the scale of existing Business Events business in Masterton and the Wairarapa

- statistics relating to population, demographics, economic activity in Masterton and the wider region
- Council's projections for population and economic growth
- any requirements for iwi consultation and discussion around how this might be facilitated
- details of the new Town Centre Strategy
- undertaking primary market research by way of interviews with users to establish the needs for a Civic Centre in the proposed location and setting / context; this has included:
 - establishing the most recent range of uses of the building prior to closure (eg: commercial hires, community use)
 - identifying the community's perceptions of the Town Hall, including attitudes towards its former use, its potential shortcomings and its current place within the community
 - assessing how the Town Hall facilities did or didn't meet the needs of the former users
 - assessing the current and projected needs of potential hall users / hirers
 - assessing why the Town Hall facilities were not used by non-users
 - assessing the demand for "venues for hire" in the Wairarapa by event type (eg: for multi-day conferences, day meetings, functions, events, indoor sport, etc)
- undertaking a supply and demand analysis of competitive venues in the lower North Island, especially those which are the most direct competitors of the proposed facility
- analysing national market trends in the supply of and demand for such venues outside of the main centres, including benchmark analysis
- preparing operating activity and financial models for the proposed Civic Centre including:
 - event activity
 - venue space rental revenue (based on current market pricing)
 - other gross venue revenues (including F&B, technical services revenue, staff hire, utility recoveries, etc)
 - venue operating costs (including contracted services such as F&B, technical services, etc)
 - venue overhead costs (excluding cost of capital charges, depreciation, ongoing capital expenditure, etc) including:
 - administration and general expenses

- sales and marketing
- asset management, maintenance and replacements
- other overhead costs
- based on the market analysis and demand projections, estimate the incremental economic impact on the Masterton economy, measured in terms of incremental 'new money' generated / spent in Masterton
- identification of social drivers and impacts on the community
- preparation of a draft report for discussion with you
- workshop with you
- finalisation of the report based on feedback from you.

Our Scope of Work has not included:

- more detailed independent primary market research / interviews except to the extent indicated here
- preparation of concept designs, plans, sections, elevations, perspective sketches or a detailed design report
- preparation of development cost estimates of any of the scenarios except to the extent indicated here
- detailed verification of information or representations provided by third parties.

1.3 Disclaimers

This summary report is based on certain assumptions, estimates and other information available to us (the sources of which are stated in our report) and our knowledge of the venue and events industry in the Wairarapa region and New Zealand. We did not carry out an audit or verification of the information supplied to us during the engagement, except to the extent stated in this report.

Some assumptions and forward-looking statements inevitably will not materialise, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis may vary from those described in our report (including forward looking statements and projections) and the variations may be material.

Our summary report is intended for the use of Masterton District Council, and not for inclusion in a private offering, prospectus or public *offering* for equity and / or debt raising purposes or other reasons. Neither the report nor its contents, nor any reference to our firm, may be included or quoted in any offer document, prospectus, valuation or other document without our prior written consent and input.

We reserve the right to (i) review any document for consistency with our report, where there is a reference to our report, or inclusion of any part, and (ii) suggest

amendments to your document. This may result in additional engagement by our firm, and therefore additional fees.

Horwath HTL Ltd owes a duty of care to Masterton District Council, as our client and cannot be held responsible for any loss suffered by a third party as a result of that party relying on our report. The potential liability of Horwath HTL Ltd under this engagement, or in any way associated with the services rendered, will be limited to the extent of our fees paid to Horwath HTL Ltd in relation to this engagement.

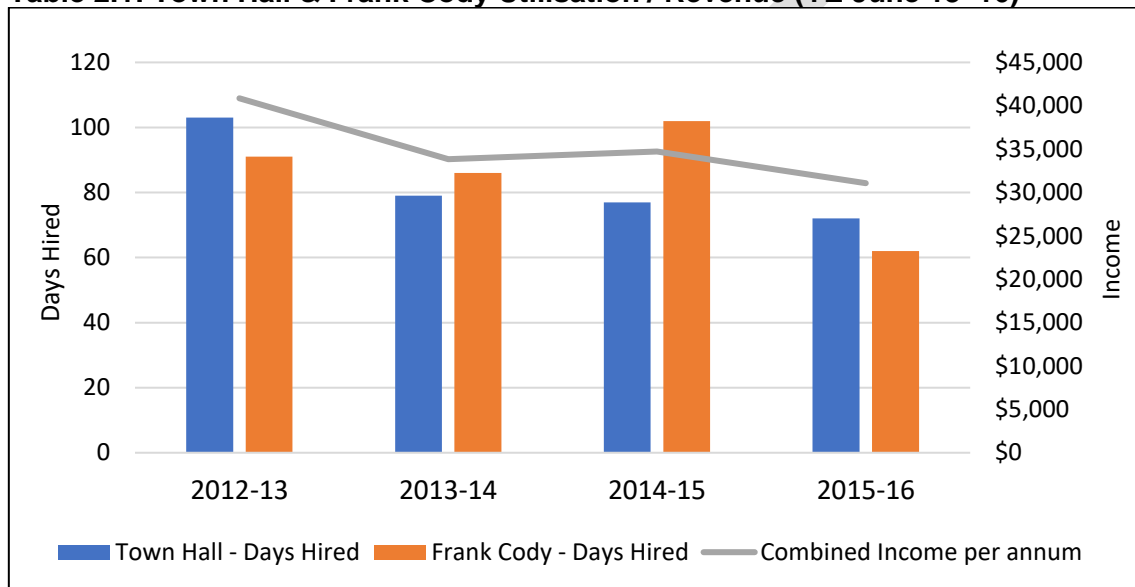
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2 Executive Summary

Our consultation with former users of the Masterton Town Hall (including a face-to-face meeting and in subsequent phone calls and e-mails) identified that most or all users believe that the Masterton Town Hall no longer meets their needs or requirements.

These comments are reflected in the Town Hall utilisation data which confirms that demand for the Town Hall had been low, and in decline, prior to the closure of the venue for seismic reasons in June 2016.

Table 2.1: Town Hall & Frank Cody Utilisation / Revenue (YE June 13–16)



(Source: Masterton District Council)

Community groups and event organisers identify that there are significant limitations with the current range of venues available in Masterton. The limited / compromised venue situation not only impacts the range and style of events that can be staged / hosted locally but restricts the region's ability to host events of a type (including touring shows, events and meetings / conferences) that could deliver improved social, cultural and economic outcomes for the community.

Among the limited range of identified potential users / hirers, there is no strong commonly shared view about the needs and requirements for a new civic venue space. In addition, there is little advocacy for meeting / conference facilities in addition to those already available in the District.

The Carterton Events Centre has filled a venue gap in the region to a reasonable extent. This seven-year-old venue hosts a range of commercial and community events, some of which were formerly held in the Masterton Town Hall and other Wairarapa venues, as well as new product / events to the region. Despite its popularity, some users identify that the venue has some limitations,

predominately related to its size, and that its recent relatively high utilisation has made the venue relatively difficult to hire, particularly for community groups.

The user groups which have articulated most clearly their need for a new venue in Masterton are the two local theatre groups – Masterton Amateur Theatre Society (“MATS”) and Harlequin Theatre Society (“Harlequin”). These groups have been exploring options for a new theatre for some time. While there is an evident desire for a permanent theatre space in Masterton, such a venue would provide little or no flexibility for other hirers and therefore likely result in low utilisation.

Provision of some theatre capability in a new civic venue could align with several of Council’s stated objectives including:

- meeting the community’s needs
- catering for a range of event types
- future proofing the venue for 50–80 years.

There has also been a need identified by local event promoters for a venue capable of hosting music concerts and touring shows / events.

Depending on Council’s long-term objectives, a replacement venue could be developed in two stages. A flat-floor event venue and breakout / meeting space component would be the priority venue and could be completed as Stage One. For this venue, we suggest the use of a moveable seating block which could be removed from the events space, similar to the Carterton Events Centre.

An auditorium / theatre component could be developed as a future Stage Two. For this component, more permanent seating, possibly in the form of ‘retractable’ seating could be provided. The combination of both spaces would provide the greatest flexibility to users and create a genuine ‘multi-purpose’ events centre. There are several examples of such venues in regional centres in New Zealand. Some of these are identified in Section 6 and further analysed in Appendix 1.

The most effective ways to differentiate a new venue in Masterton from the Carterton Events Centre are in relation to venue scale and functionality. The larger population of Masterton suggests that a new venue in Masterton should be of greater scale than the Carterton venue. This will also ensure that it is a venue for the region, and not just Masterton.

We have prepared indicative event projections, financial operating projections and a preliminary economic impact assessment for a proposed future venue. We have assumed that the venue is managed by or on behalf of Council by an experienced management team, with catering and technical services contracted out to experienced third party operators.

The projections are based on a Civic Centre with a Gross Floor Area (‘GFA’) of approximately 1,500m² (including a Centre approximately 750m² of main event space, 250m² of foyer / exhibition space and 500m² back of house facilities) which

could cater for up to approximately 750 or more attendees in theatre-style seating and approximately 50 tables of 10 for a banquet.

Table 2.2 shows the projected level of events at the proposed venue.

Table 2.2: Projected Event Activity per Annum

Number of Event Days	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	2	2	4	4	6
Meetings (single-day)	50	53	55	58	60
Tradeshows / exhibitions (not public)	2	4	4	4	4
Public Shows	5	5	5	5	5
Banquets / awards dinners / weddings	5	7	8	9	10
Entertainment / concerts	10	12	13	14	15
Community - Church	1	1	2	2	2
Community - School	3	6	9	9	9
Community - Theatre, Dance, Music	20	24	28	28	28
Community - Other	15	20	22	24	25
Other	5	6	7	8	9
Total	118	140	157	164	173

(Source: Horwath HTL)

The Civic Centre venue will generate revenue from four main sources:

- Venue rental
- Food and Beverage
- Recoveries of additional labour and other services provided
- Technical support services / AV rental.

Table 2.3 shows the projected level of revenue by event type for the venue's first five years of operation.

Table 2.3: Projected Revenue by Event Type

Total Revenue by Event Type	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	\$23,500	\$24,160	\$49,678	\$51,075	\$78,768
Meetings (single-day)	\$112,500	\$121,866	\$131,714	\$142,068	\$152,949
Tradeshows / exhibitions (not public)	\$11,500	\$23,680	\$24,381	\$25,102	\$25,846
Public Shows	\$27,500	\$28,313	\$29,150	\$30,012	\$30,900
Banquets / awards dinners / weddings	\$122,500	\$176,138	\$206,750	\$238,649	\$272,072
Entertainment / concerts	\$31,000	\$38,511	\$43,178	\$48,109	\$53,317
Community - Church	\$225	\$461	\$709	\$727	\$745
Community - School	\$750	\$1,538	\$2,364	\$2,423	\$2,484
Community - Theatre, Dance, Music	\$9,000	\$11,070	\$13,238	\$13,569	\$13,908
Community - Other	\$3,750	\$5,125	\$5,778	\$6,461	\$6,899
Other	\$1,750	\$2,154	\$2,576	\$3,016	\$3,474
Total Revenue	\$343,975	\$433,014	\$509,515	\$561,212	\$641,362
<i>Average revenue per attendee day</i>	<i>\$17.01</i>	<i>\$17.15</i>	<i>\$17.46</i>	<i>\$18.36</i>	<i>\$19.93</i>

(Source: Horwath HTL)

Error! Reference source not found. summarises the Civic Centre's projected net cashflow for the first five years of operation. It includes three components:

- Cost of operations
- Costs associated with financing activity
- Provision for future investment (sinking fund).

Table 2.4: Projected Statement of Net Cashflow

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<u>Operations</u>					
Gross Revenue	\$343,975	\$433,014	\$509,515	\$561,212	\$641,362
Less Variable Operating Costs	\$246,600	\$306,091	\$355,722	\$388,383	\$440,407
Gross Operating Surplus	\$97,375	\$126,924	\$153,793	\$172,828	\$200,954
% of Total Revenue	28%	29%	30%	31%	31%
Less Fixed Operating Costs	\$575,690	\$593,539	\$611,986	\$631,054	\$650,764
Net Operating Cost	-\$478,315	-\$466,615	-\$458,193	-\$458,226	-\$449,810
<u>Financing Activity</u>					
Debt Servicing (7.5% of \$20m)	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Amortisation of Pre-opening Expenses (\$0.5m)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Net Cost	-\$2,078,315	-\$2,066,615	-\$2,058,193	-\$2,058,226	-\$2,049,810
<u>Provision for Future Investment (Sinking Fund)</u>					
FF&E Reserve (10% of venue rental)	\$5,048	\$6,308	\$7,367	\$7,907	\$8,722
Asset Additions / Improvements (1% of \$20m)	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Net Cashflow (after CapEx provisions)	-\$2,283,363	-\$2,272,923	-\$2,265,560	-\$2,266,132	-\$2,258,532

(Source: Horwath HTL)

The indicative financial operating projections indicate a net operating cost of \$478,000 in Year 1. Increases in Gross Revenue and Gross Operating Surplus in subsequent years are approximately offset by increases in Fixed Operating Costs.

Projected costs associated with financing activity include:

- repayment of \$20m loan (assumed to be in the form of a table loan and roughly equivalent to interest plus depreciation over loan term)
- amortisation of pre-opening expenses (eg: staff recruitment and training, sales, marketing)

Provisions for future investment include:

- provision for replacement of FF&E (excludes the replacement of kitchen and AV equipment owned by third parties)
- new asset purchases and asset upgrades (in order to stay competitive).

3 Project Background

The Masterton Town Hall and Municipal building were constructed in 1915. Major additions to the original structures have included a rear extension to the main hall and the development of a Civil Defence Building in 1984.

The buildings suffered some damage in the 1942 Wairarapa Earthquakes and were subject to subsequent strengthening work and refurbishment in 1954. While there is some connectivity between the Town Hall and Municipal building, they are two separate structures and are built / supported differently, meaning that they are likely to move out of sync during an earthquake.

The three structures which make up the site at 64 Chapel Street are shown in the figure below.

Figure 3.1: Aerial photograph of the structures on 64 Chapel Street



(Source: 2016 Structural Report for Town Hall and Municipal Building – LGE Consulting)

The Masterton Town Hall and a large proportion of the Municipal building were closed in June 2016 after an ‘LGE Consulting’ engineering report¹ indicated that the buildings were earthquake prone. The Town Hall in particular rated poorly, with the report finding that the reinforced concrete frames which brace the Hall

¹ Structural Report on the Masterton Town Hall and Masterton Municipal Building, prepared by Michelle Grant – LGE Consulting, 27 September 2016

were at a compliance level of 20–25 percent of the New Building Standard (below the legal requirement of 34 percent).

The LGE report identified that the works required to improve the Hall would be substantial, and of a similar scope to constructing a new Hall structure. A peer review of this report, undertaken by Dunning Thornton confirmed that the seismic retrofit cost, “with all make-good, disabled access and fire compliance requirements” may be in the same order of cost as replacement with a new building (though unlikely to have a façade of the same quality as the existing).

A subsequent Rider Levett Bucknall report² (still labelled as Preliminary Draft) estimated the following budgets for two major redevelopment options and then rebuild for the Town Hall only. Prices exclude GST.

▪ Municipal Building - basic interior reinstatement:	\$5,000
▪ Town Hall - basic interior reinstatement:	\$7,000
▪ Municipal Building - full reinstatement & refurbishment:	\$7,000
▪ Town Hall - full reinstatement & refurbishment:	\$7,750
▪ Town Hall – rebuild:	\$6,000

Therefore, basic interior reinstatement of both facilities was estimated to cost \$12m and full reinstatement was estimated to cost \$14.78m. MDC estimated that project management, design, engineering, fire reports professional fees and consents would total an additional \$500k.

MDC identified three options:

1. demolishing the existing building and replacing it with a performing arts and events centre at a cost of \$15.5m (based on the Dunning Thornton advice and Rider Levett Bucknall estimates)
2. strengthening the existing town hall at a cost of \$12–15m (based on Rider Levett Bucknall estimates)
3. demolishing the building and not replacing it at a cost of \$850,000.

In 2017, MDC undertook two rounds of public consultation to engage with the local community about the possible options. 65% of respondents favoured Option 1 – demolishing the existing structure and developing a new building.

Following this, MDC has made a provision of \$15.5m for a new Civic Centre over the first three years of its Long Term Plan 2018–2028.

The rates estimated by Rider Levett Bucknall were current in January 2017 and are therefore now over two years old. They do not account for any cost escalation and are labelled as ‘preliminary estimates’ with the report still in draft. Taking this

² PRELIMINARY DRAFT - Masterton - Municipal Building & Town Hall - Preliminary Budget Estimate, Prepared by Rider Levett Bucknall, 2017

into account, we have that agreed with MDC that a more conservative capital cost to base the financial projections on is \$20m.

MDC have identified an opportunity to redevelop the existing site and provide a facility that will meet the needs of the community into the future.

MDC's objectives / aspirations for a Civic facility are that it:

- meets the needs of the Masterton community and the Wairarapa
- is sustainable and affordable
- is multipurpose, eg. caters for performing arts events, concerts, conferences, meetings and potentially accommodation
- future proofs requirements for the next 50–80 years
- reflects our Maori culture and our bicultural heritage
- contributes to the wellbeing and liveability of the Wairarapa
- contributes to the economic development of the district and vibrancy of the town
- utilises Green Building design for efficiency and to meet environmental objectives.

4 Recent Demand for the Town Hall

We have analysed the demand for the Masterton Town Hall prior to its closure including discussing its functionality as a venue for these events with a number of user groups and key community stakeholders.

4.1 Recent Utilisation / Revenue Analysis

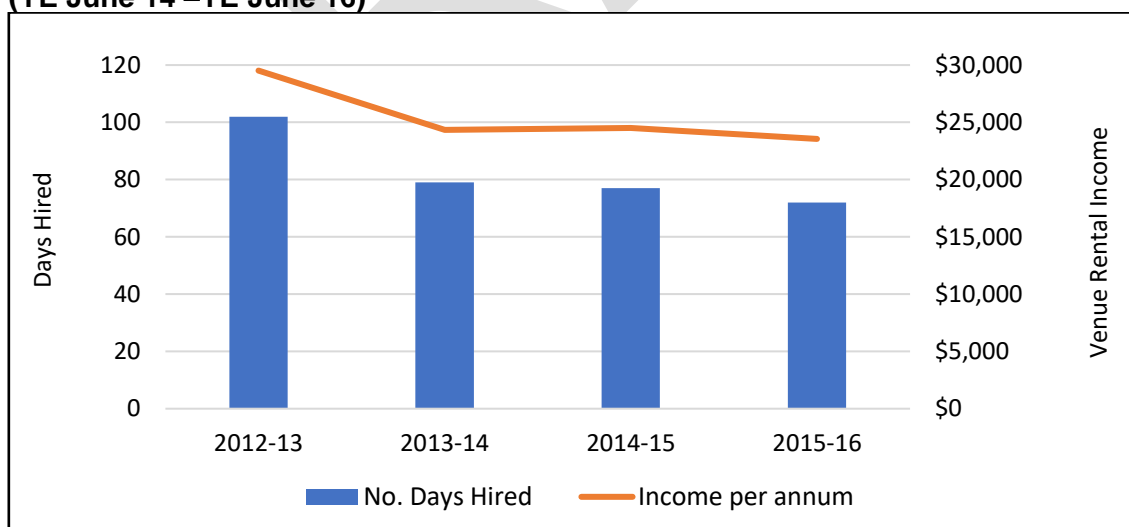
MDC have provided a schedule of user data and associated revenue from hirers for the Town Hall and Frank Cody Lounge relating to the four years prior to the venue's closure.

According to the data, the Town Hall (excluding Frank Cody Lounge) was hired on 72 days in the Year Ended ("YE") June 2016. Over the same period in the previous year, the Hall was hired for 77 days, and in the year prior, it was hired on 79 days. The number of days hired has been in decline since the 103 days recorded in the YE June 2013.

The reduction in venue rental revenue (total) has not been as substantial as the reduction in days hired due to an increasing achieved revenue per day of hire. Average revenue per day of hire has increased from \$287 in 2013 to \$327 in 2016 (approximately 4.6% growth per annum).

Chart 4.1 shows the utilisation and annual venue rental revenue for the Town Hall decreasing over the recorded period.

Chart 4.1: Town Hall Utilisation (Days Hired) and Annual Revenue (YE June 14 –YE June 16)



(Source: Masterton District Council)

We have analysed the utilisation and revenue contribution by event type, based on the event descriptions provided by MDC, for the three years prior to closure. Table 4.1 shows the number of unique events by event type in the Town Hall.

Table 4.1: Number of events by event type (YE June 14–16)

Event Type	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>
Touring Concert Group	14	11	11
Public Meetings	6	4	13
School Groups	1	0	1
Church Groups	0	3	2
Local Dance / Theatre	2	6	3
Local Private Events	13	14	6
Public Events	14	12	9
Other	16	5	3
Total	66	55	48

(Source: Masterton District Council)

Table 4.2 shows the total number of days hired by event type in the Town Hall.

Table 4.2: Number of days hired by event type (YE June 14–16)

Event Type	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>
Touring Concert Group	14	11	10
Public Meetings	6	4	15
School Groups	1	0	4
Church Groups	0	3	3
Local Dance / Theatre	14	17	12
Local Private Events	13	14	7
Public Events	19	18	15
Other	12	10	6
Total	79	77	72

(Source: Masterton District Council)

Table 4.3 shows the average achieved revenue (excl. GST) per day hired by event type in the Town Hall.

Table 4.3: Revenue per day hired by event type (YE June 14–16)

Event Type	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>
Touring Concert Group	531	584	577
Public Meetings	190	137	250
School Groups	387	-	336
Church Groups	-	447	419
Local Dance / Theatre	290	305	388
Local Private Events	253	302	334
Public Events	286	245	262
Other	248	254	378
Average	308	318	327

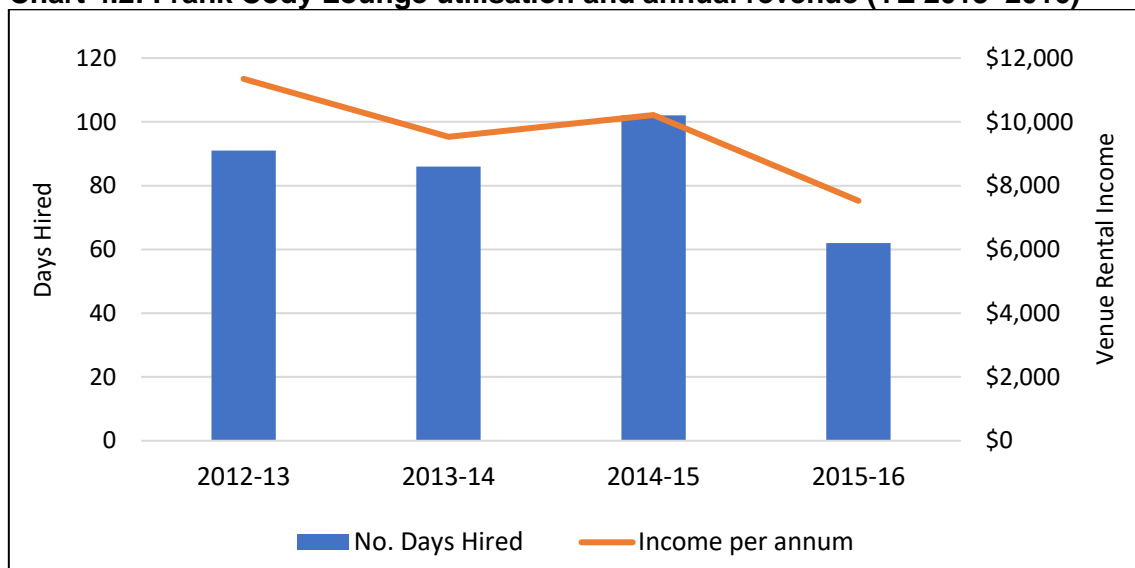
(Source: Masterton District Council)

The data shows that the Frank Cody Lounge was hired for 62 events in the YE June 2016. In the previous year, the Lounge was hired for 102 events.

The average revenue per day of hire has been more stable on an annual basis for the Frank Cody Lounge, increasing only marginally between YE June 2013 and YE June 2016.

Chart 4.2 shows the utilisation and annual venue rental revenue decreasing over the recorded period.

Chart 4.2: Frank Cody Lounge utilisation and annual revenue (YE 2013–2016)



(Source: Masterton District Council)

Although the event data for the Frank Cody Lounge is not as detailed as the Town Hall event data in relation to event type/category, and therefore hasn't been analysed in as much detail, it is evident that the Lounge is primarily used for meetings.

4.2 Feedback from Recent Users and Community Groups

A number of significant 'users' and 'non-users', including key community groups and stakeholders, have shared insights into the appropriateness of the Town Hall as a venue for hosting events in the current market. These parties have also highlighted / suggested some potential requirements of a potential future venue to take its place.

The former users and community stakeholders consulted have included:

- Marilyn Bouzaid – Harlequin Theatre
- Ashley Rogers – Harlequin Theatre
- Trevor von Keisenberg – Masterton Amateur Theatre Society
- Ross Cottle – Masterton Amateur Theatre Society

- Colin Dodd – Masterton Amateur Theatre Society
- Jenny Gasson – Kokomai Arts Festival
- Robyn Cherry Campbell – Storm Productions / Oversew Fashions
- Sharon Stevens-Cottle – The Jazz Dance and Drama Centre
- Lynda Feringa – Aratoi Wairarapa Museum of Art and History
- David Hancock – Destination Wairarapa
- Mike Kawana – Rangitane iwi
- Mark Rogers – Event promoter / organiser
- Kane Harris – Masterton District Council
- Toby Mills – Noise Productions
- Lynne Bushell – Limelight Productions
- Mike Genty – Wairarapa College
- Kirsten Mason – Orchestra Wellington
- Lucy White – Operatunity.

The consultation has identified a number of inadequacies and inefficiencies with the Town Hall. While this was not the primary objective of the consultation, having an understanding the strengths and weaknesses of the former venue from the perspective of potential future users is an integral part of identifying the needs and requirements for a future venue.

Weaknesses and physical limitations of the Town Hall include:

- there are no staging or dressing rooms
- there are no stage wings
- it is not built for performing arts
- not many people are registered / capable of using the fly tower
- the venue has poor acoustics, sound transfer
- there is no capability to bring any complex equipment (light and sound) in
- the layout is unattractive.

A common view was that venues that lack modern technical equipment, most prominently internet and AV functions, will increasingly limit the range of potential hirers and diminish the value of the venues to hirers.

It has not been indicated that any former user has had to discontinue hosting events in the region because of the closure of the Town Hall. Displaced events have relocated to several venues around the Wairarapa depending on their specific requirements. Larger bookings have relocated to the Wairarapa College Hall, the War Memorial Stadium (Trust House Recreation Centre) and the

Carterton Events Centre. Smaller events have relocated to venues such as the Masterton Club, YMCA and the Senior Citizens Hall.

Some former Town Hall users express that view that the alternative venues had been favoured over the Town Hall for some time and that, while most of the alternative venues also have some degree of deficiency for their specific needs and purposes, the Town Hall was more significantly compromised.

Most users also identified that budget was a significant factor when it comes to selecting a venue. Therefore, while many have expressed a desire for a more fit-for-purpose facility with functional and modern facilities, it was identified that a new venue would need to provide community hire rates which are affordable to local users.

This is a common situation in community-owned and funded venues in New Zealand but which can be managed effectively by experienced venue managers within agreed guidelines.

There is commercial entertainment product available in the market which does not visit Masterton because of the absence of a suitable venue. Examples could include domestic popular music artists, some domestic comedy productions (such as *The Naked Samoans*), the 'Pro Am'³ regional operatic and musical theatre touring productions, a limited range of international comedy performers (such as those undertaking break out tours around the NZ Comedy Festival), and a limited range of smaller international shows.

It is not clear that there is a significant opportunity to win large regional or national multi-day conferences of a size larger than can be accommodated at the Copthorne Solway Park hotel.

³ 'Pro Am' refers to Professional standard Amateur productions

5 Future Venue Needs and Opportunities

5.1 Venue Concept

In undertaking our consultation, we have sought comments and feedback from previous and potential future users in relation to two types of potential event venues for Masterton. These are:

1. a permanent 'conventional' end stage theatre with raked seating, possibly with some retractable seating
2. a flat-floor or 'black box' style event space – similar (in style) to Carterton, but larger, and which could potentially include a 'black box' flexi-form theatre capability.

A new venue in Masterton will need to be differentiated from the Carton Events Centre. The most obvious ways to differentiate are based on scale and functionality. The larger population of Masterton suggests that a new venue in Masterton should be of greater scale than the Carterton venue.

While there is an evident desire for a permanent theatre space in Masterton, such a venue would provide little or no flexibility for other hirers and therefore likely result in low utilisation.

A flexible space is preferable to a single purpose venue – providing it does not involve too many compromises. A flat-floor venue with capability for hosting theatre and performing arts events provides the widest degree of flexibility to both community and commercial hirers.

There is a risk that a flexible venue which attempts to meet the requirements of too many user groups compromises on meeting the specific needs of some users. This risk can be minimised by carefully considering the specific requirements of the most likely range of users and designing the venue and its fitout accordingly.

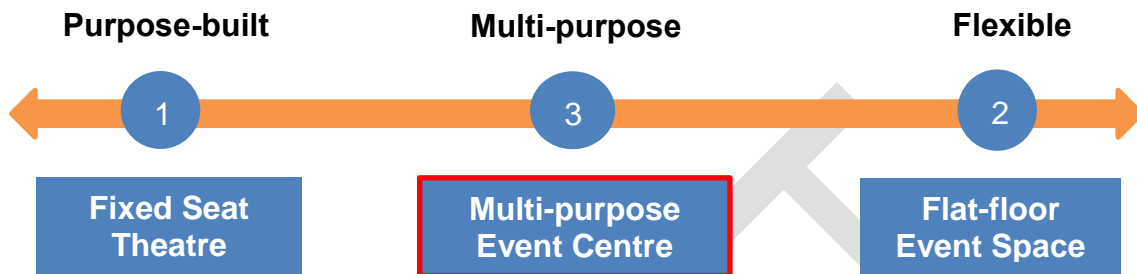
While designing the venue to meet the needs of the widest range of users may increase the cost of construction and fitout from a 'bare bones' alternative, the venue will have a much longer and more successful economic and productive life, without the need for major enhancement, rectification and modification in future years.

The complex nature of such a venue means there can be challenges during concept, design and construction phase. However, these are all within the capabilities of professional organisations and potential partners, including consultants, contractors, suppliers and specialists in New Zealand and Australia.

Even in those sectors where there are limited suppliers (eg: for seating design and specialist equipment) there are multiple expert designers and suppliers that ensure both availability and skills.

Ideally (or in the long run) it would be preferable to include both types of event spaces in a new Civic Centre, either in one stage or in two or more stages. The resulting facility would likely generate considerably more use than either of the two single use venues.

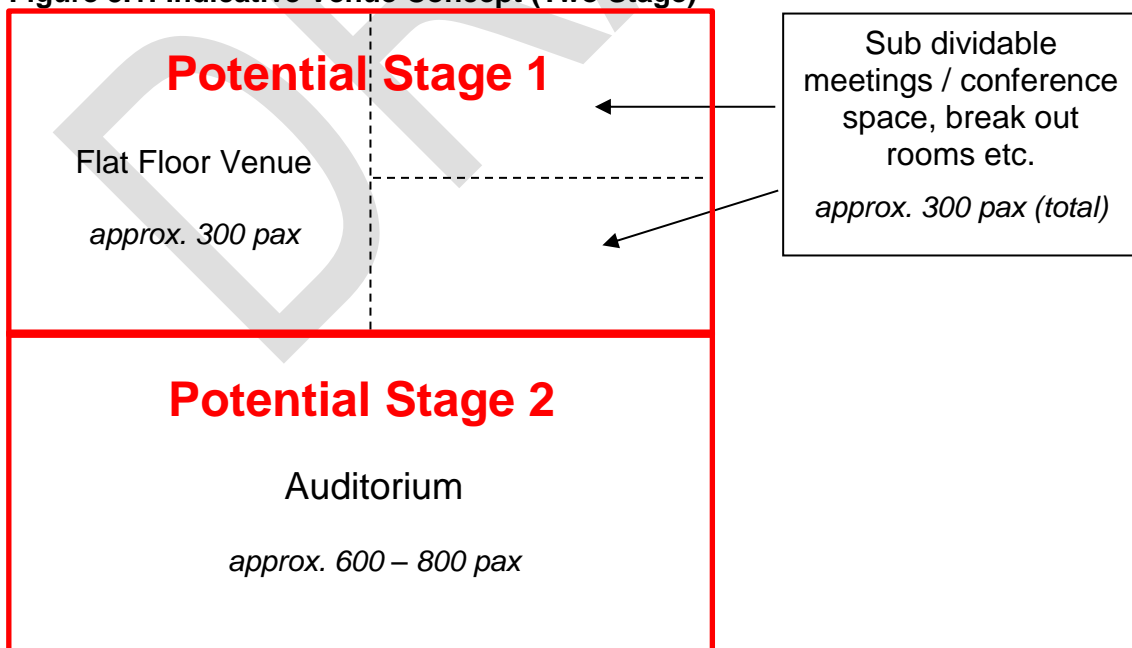
This leads to the option of providing a multi-purpose Event Centre with both a flexible flat-floor space which is potentially sub-dividable and a theatre / auditorium with raked (tiered) seating (possibly partly retractable).



There is not a 'one size fits all' solution in terms of number of seats required for either or both spaces. MATS and Harlequin typically perform to between 50 people (low end) and 300 people (high end) several times a year. At the other end of the scale, touring product and concerts will most likely require at least 500 seats plus to make their touring show commercially viable.

Figure 5.1 is an indicative venue concept, illustrating a venue that meets a number of Council's objectives, and a number of suggestions and requirements which were highlighted in our consultations.

Figure 5.1: Indicative Venue Concept (Two Stage)



Depending on Council's long-term objectives, a replacement venue could be developed in two stages. A flat-floor event venue and breakout / meeting space component would be the priority venue and could be completed as Stage One. For this venue, we suggest the use of a moveable seating block which could be configured in various ways to provide a variety of staging options, and as a result be more flexible than the Carterton Events Centre.

An auditorium / theatre component could be developed as a future Stage Two. For this venue, permanent seating, possibly some of which could be in the form of 'retractable' seating, would be provided. The combination of both spaces would provide the greatest flexibility to users and create a genuine 'multi-purpose' events centre. There are several examples of such venues in regional centres in New Zealand. Some of these are identified in Section 6 and further analysed in Appendix 1.

We have not identified a strong case for building a theatre or auditorium with a permanent seating rake as Stage One.

Retractable seating does not offer quite the same flexibility, but is less labour intensive than removable seating and is a more practical permanent solution. Retractable seating systems can range from low budget (but labour intensive) to more expensive automated systems.

New Zealand examples of a removeable seating block (and maximum number of seats) can be found in the following venues:

- X Space, Baycourt Theatre, Tauranga (169 seats)
- Mangere Arts Centre (200 seats)
- Carterton Events Centre (350 seats)
- Rangatira Performance Space, Q Theatre, Auckland (450 seats).
- BNZ Theatre, Vodafone Events Centre, Manukau (600 seats)

New Zealand examples of retractable seating include:

- Queenstown Memorial Centre (172 seats)
- Taupo Events Centre (432 seats)
- NZICC (2,850 seats).

The venue concept we have assumed as the basis for our financial projections is the suggested Stage One flat-floor event venue only, comprising of the flat-floor venue with sub dividable space. To the extent that the theatre community has identified needs, we believe that these groups should be able to be accommodated in this venue as an initial stage and in the medium term.

5.2 AV and Technical Capability

To align with MDC's objectives of an 'affordable' 'multi-purpose' Civic Venue, our expectation would be that Council would provide a basic level of AV and technical equipment to meet the normal operating requirements of an events venue and suited to a range of event types (ie: basic 'house' lighting, a basic 'house' public address system, screens, projectors, and high-speed internet / Wi-Fi access throughout the venue).

Any specialist equipment (eg: stage lighting and sound decks) are assumed to be hired from an external AV supplier. Given that the suggested flat floor event venue has no fixed stage, special event lighting and sound equipment will need to be adjustable and additional.

The Carterton Events Centre is an example of a venue which has been designed with a basic but sufficient level of technical infrastructure, which over time can be added to and extended. From a non-performing arts perspective, high-speed Wi-Fi, quality wiring and sufficient power outlets, whiteboards and high-quality, user-friendly projection capability would be the industry standard.

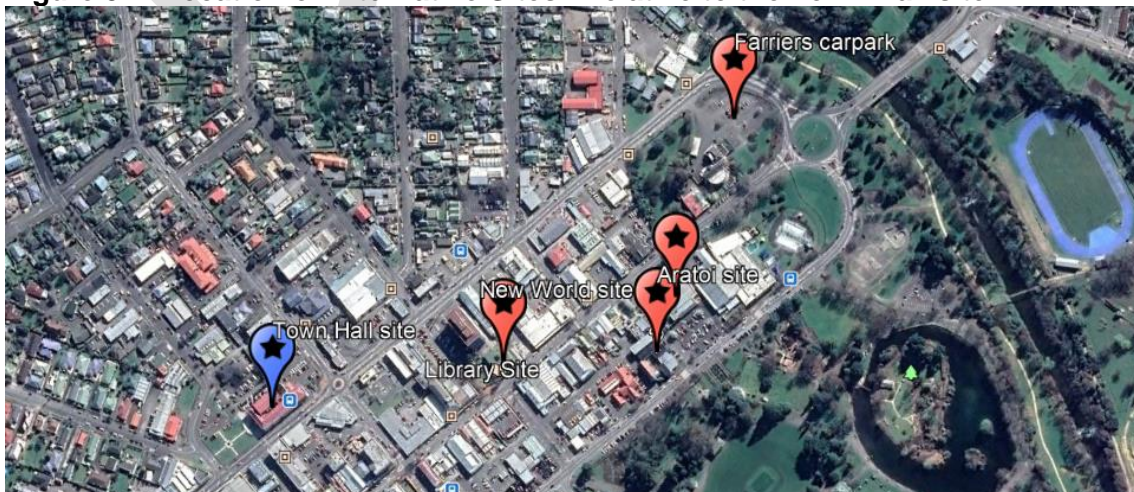
5.3 Site Analysis

In an agreed extension to the original scope, the consultation process involved asking potential future users of the proposed Civic Centre to consider a number of alternative sites.

The alternative sites were identified by Council and include the following:

1. Library site
2. Aratoi site
3. New World site
4. Farriers car park site

Figure 5.2: Location of Alternative Sites – relative to the Town Hall site



(Source: Google Earth)

As shown in

Figure 5.2, these alternative sites are all centred toward the north-east end of town, closer to Queen Elizabeth Park and the Waipoua River.

MDC advised that the Town Hall site is the primary focus. However the other locations have been suggested by Councilors and in previous community workshops, and therefore MDC has been interested to understand public perception about alternative sites.

The majority of feedback arising from our consultation has been that the existing Town Hall site is seen to be preferable to alternatives. This is primarily on the basis that the current site is central, well recognised, close to hospitality and retail outlets. There was also some question or concern as to what would happen to the existing site if a replacement facility was not constructed there.

A minority of respondents responded positively to the idea of developing the Civic Centre on one of the alternative sites. However responses / perceived benefits were not clearly site specific and largely related to the general area. Some positive comments around the alternative sites included:

- a hope that there might be better parking
- nice outlook over park setting and also closer to other facilities (eg: Genesis, which could be accessed via an airbridge)
- activation of an 'arts precinct' which was seen to be an attractive outcome for some parties
- more visibility from that end of town.

Providing sufficient car parking has been identified as a key requirement for a new venue by the majority of people.

6 Supply & Demand for Business Events Venues in NZ & Wellington

6.1 National

The addition of the NZICC in Auckland, Te Pae in Christchurch and the recently announced Wellington Arts and Convention Centre will substantially increase the capability of the New Zealand business events industry over the next 5–10 years.

However, despite this high level of recent activity (focussed at the larger end of the scale), new purpose-built civic and event centres in regional New Zealand centres are not common.

Table 6.1 identifies a number of civic events venues which have been built in the last decade, outside of the main centres.

Table 6.1: New Centres built in the past decade

Venue	Regional Centre	Year opened
Waihinga Martinborough Community Centre	Martinborough	2018
Lower Hutt Events Centre	Lower Hutt	2018
ASB Theatre Marlborough	Blenheim	2016
Te Takeretanga o Kura-hau-pō	Levin	2015
Carterton Events Centre	Carterton	2011
Te Ahu	Kaitaia	2011
TSB Hub	Hawera	2010

(Source: Horwath HTL)

The list above excludes known extensions / renovations to existing centres (eg: Rangiora Town Hall in 2015, Turner Centre Kerikeri in 2012). It also excludes extensions / renovations to strictly theatre venues.

The Ministry of Business Innovation and Employment (“MBIE) has until now published quarterly data with the objective of identifying market trends in relation to the capacity of and demand for business events venues (MICE events).

This publication, known as the Business Events Activity Survey (“BEAS”), measures the level of business event activity across 13 regions in New Zealand, and includes meetings and seminars, incentive activities, conferences and conventions, trade shows and exhibitions, and special occasions. It is part of a broader Business Events Research Programme, in which the Business Events Delegate Survey measures the annual contribution of multi-day convention and conference activity to the New Zealand economy.

Event activity data is collected from qualifyingⁱ, participating venues in the 13 main regions. For qualifying non-participating venues, their event activity is estimated or ‘imputed’. Between 2009 and 2012, the method for calculating unreported

MICE data for each region was multiplying up the event data of participating venues in the region on a weighted basis (based on the total delegate capacity for the region divided by the delegate capacity of submitting venues in the region).

Since December 2012 a 'nearest neighbour' method has been used to estimate or impute missing venue data based on the mean of the values reported by the five most similar venues in terms of capacity, region and venue type.

MBIE does not publish a schedule of the qualifying and participating venues. However, when we have been provided with this data in the past, it has shown that in some regions, venues which participate may make up only half of the qualifying venues. This has resulted in ongoing uncertainty as to the reliability of the BEAS data, and MBIE's recent decision to terminate the research.

For these reasons, interpretation of the following data needs to be undertaken with care.

Table 6.2 shows the total delegate capacity for each of the 13 regions, based on the venues which qualify for the BEAS and how this has changed over the past five years.

Table 6.2: Total Delegate Capacity by Region (YE Sept 2014 – YE Sept 2018)

	2014	2015	2016	2017	2018	Change*	%
Auckland	33,411	33,501	33,626	34,305	36,809	2,101	6%
Hamilton & Waikato	20,915	17,915	16,347	16,634	16,594	-2,801	-14%
Bay of Plenty	8,608	8,408	8,408	8,408	8,263	-173	-2%
Rotorua	9,010	9,010	10,648	10,610	10,210	1,400	16%
Taupo	2,320	2,320	2,320	2,320	2,320	0	0%
Hawkes Bay	2,030	1,540	1,365	1,390	1,640	-270	-15%
Manawatu	10,453	10,453	9,433	7,958	8,046	-2,451	-23%
Wellington	17,313	17,016	17,016	16,936	17,361	-16	0%
Marlborough	1,574	1,610	1,820	3,435	3,390	1,821	114%
Nelson	4,405	4,500	3,545	3,940	7,209	1,122	25%
Christchurch & Canterbury	9,980	10,035	12,775	13,055	13,128	3,084	31%
Dunedin	5,463	5,603	5,765	5,846	5,996	389	7%
Queenstown	4,335	3,060	3,060	3,250	3,920	-113	-3%
Grand Total	129,816	124,971	126,127	128,087	134,885	4,092	3%

(*The last two columns, 'change' and '%' have been calculated by averaging the 17/18 years and dividing this by the average of the 14/15 years)

(Source: BEAS)

There has been little change in total venue capacity in the last five years on a national basis. Hamilton & Waikato and Manawatu have experienced the most notable apparent reductions in venue capacity. According to the data, Auckland, Rotorua, Marlborough, Nelson and Christchurch & Canterbury have increased their venue capacities.

These changes are likely to include a combination of actual venue changes and changes to the 'qualifying venues' list recognised by MBIE.

The reduction in Hamilton may be as a result of the closure of Founders Theatre in February 2016. In the case of Manawatu, we believe that this a result of the removal of Area Manawatu from the list of qualified MICE venues, which is an appropriate change as the venue is predominately a sports stadium and was inflating the projected events activity in Manawatu.

Christchurch has been steadily rebuilding and reopening event space / venues following the earthquakes. Blenheim has seen the opening of the ASB Theatre Marlborough in 2016. We are unaware of any major new events spaces opening in the other regions and have therefore assumed that increases in Auckland, Rotorua and Nelson have predominately been a result of changes to the venue supply recognised by MBIE. In Nelson's case this may include the addition of the Trafalgar Park venue during the period.

Table 6.3 shows the annual number of delegate days generated from meetings, seminars, conferences and conventions over the five years. This indicates the level of business event activity by region and changes over the period.

Table 6.3: Total Number of Meeting/Seminar/Conference Delegate Days by Region (YE Sept 2014 – YE Sept 2018)

	2014	2015	2016	2017	2018	Change*	%
Auckland	963,883	912,388	1,048,214	961,610	1,080,473	82,906	9%
Hamilton & Waikato	209,358	190,693	192,756	208,933	227,781	18,331	9%
Bay of Plenty	109,070	112,338	97,003	105,666	112,997	-1,372	-1%
Rotorua	110,503	136,504	133,591	137,806	129,830	10,314	8%
Taupo	55,512	46,996	50,079	49,499	57,549	2,270	4%
Hawkes Bay	47,722	53,746	35,923	53,217	67,039	9,394	19%
Manawatu	187,044	183,616	155,973	138,518	138,042	-47,051	-25%
Wellington	483,212	446,306	594,240	603,686	678,627	176,398	38%
Marlborough	28,103	28,997	29,057	62,594	53,792	29,643	104%
Nelson	60,745	67,946	59,998	75,614	66,386	6,654	10%
Christchurch & Canterbury	227,220	231,295	235,872	208,044	208,746	-20,863	-9%
Dunedin	85,290	69,988	58,206	80,027	87,151	5,951	8%
Queenstown	89,958	75,698	73,185	90,422	85,112	4,939	6%
Grand Total	2,657,620	2,556,509	2,764,097	2,775,636	2,993,524	277,515	11%

(*The last two columns, 'change' and '%' have been calculated by averaging the 17/18 years and dividing this by the average of the 14/15 years)

(Source: BEAS)

The BEAS shows that there has been a slight upward trend in the number of national delegate days for business events, with most regional markets achieving growth over the period.

It appears that Marlborough's significant increase in the number of delegate days corresponds with the opening of the ASB Theatre. Developing the ASB Theatre adjacent to the existing Convention Centre has increased Blenheim's capability for hosting larger business events and compensated for the Convention Centre's previous lack of scale compared to other competitive venues.

The data shows that Manawatu has experienced the largest decline in business event activity over the period. This reduction directly corresponds to the reduction in venue capacity which we suspect relates to removal of Arena Manawatu, and

therefore the reduction of the (previously incorrect) assumed business event activity at this venue.

Because of the lack of new venues being developed and the large scale of some of the regions, it is difficult to assess the impact of a new venue in terms of its ability to improve its region's market share of national business events. Marlborough is possibly an exception, with the BEAS data suggesting that Marlborough has considerably improved its market share of business event delegate days after the opening of the ASB Theatre.

Marlborough is a good example of the benefit in developing a large flat-floor multi-purpose space first, and then a co-located theatre subsequently, creating an attractive 'suite' of venues.

6.2 Regional / Lower North Island

As shown in Table 6.2, the BEAS identifies a total delegate capacity in the Wellington region of 17,361. This makes up approximately 12.8% of the national delegate capacity, making it the second largest region after Auckland.

The majority of this delegate capacity sits in Wellington City. However there are several regional civic / events venues outside of Wellington City which can be hired for events throughout the year.

We have identified four such venues in the wider Wellington region. These are:

- Lower Hutt Events Centre
- Te Rauparaha Arena, Porirua
- Levin Community Centre – Te Takere tanga o Kura-hau-pō
- Expressions Whirinaki Arts and Entertainment Centre.

The Palmerston North Conference and Function Centre has been included in the more detailed analysis of these 'Lower North Island Venues' in Appendix 1, due to its proximity to Masterton.

Table 6.4 shows the recorded level of business event activity in the Wellington region by event type for the year ended September 2018. It shows the recorded number of events, delegates, delegate days and also how this number has changed since the same period in the previous year. It also shows the average event length and event size.

Table 6.4: Wellington Business Events Activity – YE Sept 2018

Event Type	Events	% change	Delegates	% change	Del. Days	% change	Ave Length	Ave Size
Meetings / Seminars	4,154	-23%	350,175	-10%	408,600	-7%	1.17	84
Conferences / Conventions	1,098	0%	126,030	8%	270,028	65%	2.14	115
Incentive Activity	63	0%	5,205	13%	6,597	447%	1.27	83
Trade Shows / Exhibitions	144	57%	29,055	135%	39,885	179%	1.37	202
Special Occasions	1,140	-15%	214,049	-14%	238,943	-4%	1.12	188
Don't Know	-	0%	-	0%	-	0%	-	-
Total	6,599	-17%	724,515	-6%	964,052	10%	1.33	110

(Source: MBIE, Business Events Activity Survey)

The latest BEAS reported a 17% reduction in the total number of business events held in Wellington compared to the year before when analysed by event type⁴.

BEAS data showed that the number of single-day events decreased by 21% and the number of multi-day events increased by 4%. As a result, Wellington's market share of single day events fell by 2% and there was no change in multi-day event market share. This is shown in Table 6.5.

Table 6.5: Wellington Multi-day Business Events and Market Share – YE Sept 2018

Event Type	2018	% market share	2017	% market share
Single-Day Events	5,014	14%	6323	16%
Total Multi-Day Events	1,745	19%	1,683	19%

(Source: MBIE, Business Events Activity Survey)

Wellington is the second most popular region in New Zealand for multi-day events after Auckland, hosting more than double the amount of multi-day events, including Trade Exhibitions and Public Shows, (1,920) than the next most popular region, Christchurch and Canterbury (767) in the year ended September 2018.

6.3 Local

There are a number of venues available in the Wairarapa for hosting a range of community and commercial events. These venues range from specific-purpose venues to more general-purpose venues.

The four main venues in Masterton, which are available for hire throughout the year, (subject to conditions) are:

- Copthorne Hotel and Resort, Solway Park Conference Centre
- Trust House Recreation Centre & War Memorial Stadium
- Wairarapa College Hall, Wairarapa College
- Trust House Theatre, Rathkeale College.

The two main venues elsewhere in the Wairarapa, which are available for hire throughout the year, are:

- Carterton Events Centre
- Waihinga Martinborough Community Centre.

While there is no quantitative data in relation to overall events activity, we have spoken with representatives of key local stakeholders including Destination Wairarapa, Trust House, WREDA and the Carterton Events Centre to get a sense of the scale of existing business events in Masterton and the Wairarapa.

⁴ In the BEAS pivot tables, the sum of annual events varies marginally depending on the way it is analysed, eg. the sum of all single day events + multi-day events is not the same as the sum of all events by event type. This has always been a constraint of the former CAS, due to the way some events are estimated.

We estimate that there are up to 25 multi-day conferences per annum regionally, at approximately 2.5 days length (2 nights) with approximately 80–90 delegates. As the leading conference venue, we would expect that Copthorne Solway Park holds the majority of these events. They will include frequent events (annual and bi-annual events) and some which may come infrequently as part of an annual circuit around the regional centres.

A view from Trust House is that a new conference venue would compete directly with Copthorne Solway Park for this existing conference business. WREDA are not convinced about the opportunity to win a significant number of 'incremental' business events, given there are many venues in Wellington and closer to Wellington, including in Porirua and the Hutt Valley.

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7 Management Options

This section identifies and discusses the main venue management and catering options available to Council for the proposed venue.

7.1 Venue Management

Council will need to consider the implications of various venue management options, in relation to the expected range and number of events and alignment with community expectations and venue performance objectives.

A more actively managed and marketed venue will achieve higher utilisation and a wider range of events, but probably at a higher net cost in the case of Masterton.

The main potential management options are identified below, as well as some key potential advantages and disadvantages.

Council Management

There are several variations of Council management available. These include:

- a) a quasi-independent operating model (eg: H3, Hamilton City Council)
- b) as a division of Council (eg: Carterton Events Centre or (previously) Positively Wellington Venues)
- c) as a Council Controlled Organisation (CCO) (eg: Bay Venues Limited (Tauranga) and Regional Facilities Auckland).

Advantages

- Council maintain relative control over the venue operations and staff.
- Potentially lower operating costs (control over expenses and no management fees).
- Relative adaptability / greater ability to respond to community or market needs.

Disadvantages

- Relative inexperience / skills / commercial focus.
- Potentially lower utilisation, which may result in higher operating losses.

Lease to a Commercial Operator

Under this option (as is the case with the Lower Hutt Events Centre) we assume that Council would receive a turnover-based lease rental and would be responsible for funding property ownership costs (eg: rates and insurance), major repairs and maintenance, major equipment repairs and ongoing capital expenditure.

Advantages

- A commercial operator with relevant skills and experience is managing the business, therefore increasing the chance of winning major events.
- Council has possibly reduced its exposure to the commercial risk⁵.

Disadvantages

- Council do not own the business and have no control of how it is operated.
- Potential conflict of objectives between lessor and lessee which could make structuring the terms of the lease difficult.

Management Contract

Council enter into a management agreement with a third party management company (eg: Marlborough Convention Centre – where Marlborough District Council have a management contract with Scenic Convention Services Limited (part of Scenic Group))

Advantages

- A suitably skilled and experienced operator is managing the business with clearly defined targets.
- Council retain the ownership of the business.

Disadvantages

- Under this private sector model, Council loses day-to-day control of the business yet are responsible for funding any net operating cost.

Trust Model

A special-purpose community Trust could be formed with the objective of managing the venue operations. Council's role could be to contribute capital expenditure and operating expenditure and in return, could be responsible for setting the Trust objectives and appointing the initial trustees and potentially replacement. While such Trusts can differ significantly in terms of the detail as to how they are structured, governed and managed, there are some examples in New Zealand (eg: Marlborough Civic Theatre Trust, Ashburton Performing Theatre Trust).

Advantages

- Trust is not directly controlled by Council.
- Trustees are appointed based on their relevant experience and skills.

⁵ Due to Council's community objectives for the venue, a commercial lease would be relatively difficult to manage and is not a likely outcome for this venue. A commercial lessee would likely require Council to bear some commercial risk.

- Trust has clearly defined and specific objectives, and therefore focus on the business.
- Can be an appealing option to community-minded people who would not work directly for Council.

Disadvantages

- Can be limited pool of locally available suitably qualified and experienced trustees who are prepared to commit the time, usually for limited remuneration.

7.2 F&B / Catering

The scale of kitchen facilities required at the Civic Centre will be influenced by the preferred management model and the decision as to whether or not to contract out the F&B to an external third party operator.

If Council decides to manage the venue internally, it will need to decide from the following F&B / catering options:

No F&B contract

This is currently the 'status quo' position at the Town Hall. Hirers need to make their own catering arrangements and have to pay a slightly higher rental to use the available kitchen facilities.

Exclusive contract

Council appoint an 'exclusive' third party caterer to manage all catering services at the venue for an agreed period of time. The longer the term of the contract, the more valuable the contact is for the catering company. This increases the likelihood of the caterer funding all, most or some of the kitchen fitout and catering equipment (including fixed property and moveable objects). Funding of the loose chattels including tables, chairs, crockery, cutlery, glassware, etc, may also be negotiable.

Council will typically earn a commission on catering revenue (eg: approximately 15%) from a third-party caterer. This can be a complex commercial arrangement. Examples of such companies include Spotless and Eurest (operate nationally) and Montana (based in Hamilton).

Non-exclusive contract

Council may decide to outsource the catering to a small number of selected parties, with whom it would enter into 'non-exclusive' catering contracts. These caterers would need to meet Council's health and safety requirements and any other requirements. The advantage of having multiple contracts is that the venue is seen to be more flexible in its capability and hirers would have more options to choose from, arguably improving the attractiveness of the venue.

Council would earn commission, but the amount would be influenced by who funds the fit-out, which would be likely to be Council.

7.3 Current Assumptions

For the purposes of our event and financial operating projections we have assumed that the venue is managed by or on behalf of Council by an experienced management team, with catering and technical services contracted out to experienced third party operators.

We have also assumed that the new venue complements rather than competes directly against the Carterton Events Centre. This could be achieved through (for example) a shared services management and marketing arrangement.

There is also an opportunity for a similar cooperation arrangement with the Copthorne Solway Park hotel, for example through a catering contract.

No management fees (other than management salaries and wages) are included in our projections. Gross catering and technical revenues are included in the projections, less the charges paid to the external service providers, leaving a net margin on catering and technical services.

8 Activity and Financial Projections

We have prepared indicative demand projections based on the number and range of events which we believe could be hosted at a new flat-floor Civic Centre venue (concept identified in section 5.1) in its first five years of operation.

Our projections assume a Civic Centre with a Gross Floor Area ('GFA') of approximately 1,500m² (including approximately 750m² of main event space, 250m² of foyer / exhibition space and 500m² back of house facilities) which could cater for up to approximately 750 or more attendees in theatre-style seating and approximately 50 tables of 10 for a banquet.

This compares with the Carterton Events Centre which has a GFA of approximately 1,250m² (including 600 m² of flat floor public space including foyer, but excluding the Library and Plunket Rooms).

8.1 Projected Civic Centre Demand

Table 8.1 contains a schedule of the projected number of events hosted the proposed Civic Centre in its first five years of operation.

Table 8.1: Projected Event Activity per Annum

Number of Events	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	1	1	2	2	3
Meetings (single-day)	100	105	110	115	120
Tradeshows / exhibitions (not public)	1	2	2	2	2
Public Shows	2	2	2	2	2
Banquets / awards dinners / weddings	5	7	8	9	10
Entertainment / concerts	10	12	13	14	15
Community - Church	1	2	3	3	3
Community - School	1	2	3	3	3
Community - Theatre, Dance, Music	5	6	7	7	7
Community - Other	15	20	22	24	25
Other	5	6	7	8	9
Total	146	165	179	189	199

(Source: Horwath HTL)

The projected event categories are based on a combination of events at the Town Hall and new events which are capable of being hosted at the proposed venue.

We have assumed an average length of hire for the various event types (including time for 'packing' the event in and out of the venue).

These assumptions include:

- 2 days for multi-day conferences
- 0.5 days for meetings

- 2 days for tradeshows / exhibitions
- 2.5 days for public shows
- 1 day for banquets / awards dinners / weddings
- 1 day for entertainment / concerts
- 0.5 days for community – church
- 3 days for community – school
- 4 days for community – theatre, dance, music
- 1 day for community – other
- 1 day for other sundry events.

We have projected one multi-day conference in Year 1, rising to two in Year 3 and three in Year 5. These 2-day conferences are assumed to be ‘incremental’ to Masterton / Wairarapa and are assumed to be of a slightly larger scale than the existing conferences which are hosted currently in Masterton (presumably mostly all of these will be at the Copthorne Solway Park).

We have not assumed that the Civic Centre will take existing conference business away from Copthorne Solway Park. We have assumed that this established hotel and conference facility will continue to maintain its current level of small–medium conferences per annum.

We have assumed that this incremental conferencing business will be small–medium conferences which tends to move around regional centres, and who will be interested to try a new conference destination and venue.

While a new venue will help to improve the marketability of Masterton and the Wairarapa from a business events perspective, there are still two fundamental constraints for the region going forward. These are:

- accessibility (no commercial air service)
- limited commercial accommodation of quality and scale.

Relative to other competing regional destinations, accessibility is a significant challenge for the Wairarapa. The absence of an air service means that non-local event delegates must travel via car or via train (if coming from Wellington) and it is likely that they would need to cover a considerable distance, given Masterton’s relatively remote location. For event planners, the time and cost associated with delegate transportation is likely to detract from Masterton’s overall value proposition.

Other than the Copthorne Solway Park, commercial accommodation options in Masterton are limited to a small number of motels and motor lodges. While these accommodation providers serve a purpose in the market, this style of accommodation is not the preferred style of accommodation for business event organisers.

The combination of these two factors will impact Masterton and the Wairarapa's marketability and limit its ability to win more incremental business events than has been projected.

The projected meetings include both Council / committee meetings and external meetings. The meeting projections are based on an assessment of the level of meetings formerly held in both the Town Hall and Frank Cody Lounge, and a provision for new meetings which currently take place in other existing Masterton / Wairarapa venues.

Table 8.2 summarises the resultant annual 'event days' for the venue. This includes concurrent events, eg: separate smaller meetings held concurrently in different rooms in the venue.

Table 8.2: Total Event Days Per Annum (including pack in / out)

Number of Event Days	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	2	2	4	4	6
Meetings (single-day)	50	53	55	58	60
Tradeshows / exhibitions (not public)	2	4	4	4	4
Public Shows	5	5	5	5	5
Banquets / awards dinners / weddings	5	7	8	9	10
Entertainment / concerts	10	12	13	14	15
Community - Church	1	1	2	2	2
Community - School	3	6	9	9	9
Community - Theatre, Dance, Music	20	24	28	28	28
Community - Other	15	20	22	24	25
Other	5	6	7	8	9
Total	118	140	157	164	173

(Source: Horwath HTL)

Table 8.3 summarises the average annual event attendance at each event type.

Table 8.3: Average Event Size

Average Event Size	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	150	150	150	150	150
Meetings (single-day)	50	50	50	50	50
Tradeshows / exhibitions (not public)	200	200	200	200	200
Public Shows	500	500	500	500	500
Banquets / awards dinners / weddings	250	250	250	250	250
Entertainment / concerts	450	460	470	480	490
Community - Church	150	150	150	150	150
Community - School	400	400	400	400	400
Community - Theatre, Dance, Music	250	250	250	250	250
Community - Other	100	100	100	100	100
Other	200	200	200	200	200

(Source: Horwath HTL)

Table 8.4 shows the projected total attendee days at the Civic Centre in its first five years of operation.

Table 8.4: Total Attendee Days

Total Attendee Days	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	300	300	600	600	900
Meetings (single-day)	2,500	2,625	2,750	2,875	3,000
Tradeshows / exhibitions (not public)	400	800	800	800	800
Public Shows	2,500	2,500	2,500	2,500	2,500
Banquets / awards dinners / weddings	1,250	1,750	2,000	2,250	2,500
Entertainment / concerts	4,500	5,520	6,110	6,720	7,350
Community - Church	75	150	225	225	225
Community - School	1,200	2,400	3,600	3,600	3,600
Community - Theatre, Dance, Music	5,000	6,000	7,000	7,000	7,000
Community - Other	1,500	2,000	2,200	2,400	2,500
Other	1,000	1,200	1,400	1,600	1,800
Total	20,225	25,245	29,185	30,570	32,175

(Source: Horwath HTL)

8.2 Operating Projections

The Civic Centre will generate revenue from four main sources:

- Venue rental
- Food and Beverage (catering revenue)
- Recoveries of additional labour and other services provided
- Technical support services / AV rental.

Venue Rental Assumptions

Our venue rental assumptions are based on multiple factors; an assessment of current market pricing (of similar or potentially competing regional venues), an assessment of the various user groups and current local venue rates, and our experience with venues of this type in similar locations.

We have assumed that the average achieved venue rental for the venue in the first year of operations is as follows:

- conferences, trade shows / exhibitions: \$1,250 + GST per day, assumed to be a 'whole of venue' hire
- day meetings: \$250 + GST per day, one meeting room / break-out space
- public shows: \$1,000 + GST per day
- banquet, awards dinner, wedding: \$1,000 + GST per day
- entertainment / concerts: \$750 + GST per day
- community – church and community – theatre, dance, music: \$450 + GST per day

- community – school and community – other: \$250 + GST per day
- other: \$350 + GST per day.

We have assumed that venue rental rates will increase by 3% per annum.

F&B / Catering Revenue Assumptions

We have assumed that all venue catering will be outsourced to an external caterer or caterers. While the third party caterer will ultimately earn the majority of this revenue (at a pre-agreed margin) the cost of this service will be charged to hirers.

We have assumed that the average achieved F&B / catering revenue per person per event day is as follows:

- conferences, trade shows / exhibitions: \$50 + GST
- day meetings: \$10 + GST
- trade shows / exhibitions: \$10 + GST
- public shows: \$5 + GST
- banquet, awards dinner, wedding: \$80 + GST
- entertainment / concerts: \$3 + GST
- community events and other: no F&B expenditure.

We have assumed that the average achieved catering revenue per person will increase by 2.5% per annum.

Labour and General Recoveries Assumptions

Labour and general recoveries relates to revenue from additional event services which can be recovered from hirers.

We have assumed that the average achieved daily labour and general recoveries per event day are as follows:

- trade shows / exhibitions: \$500 + GST
- banquet, awards dinner, wedding: \$1,000 + GST
- entertainment / concerts: \$500 + GST
- all other event types: no recoveries.

We have assumed that labour and general recoveries will increase by 2.5% per annum for trade shows / exhibitions and entertainment / concerts, and 5% per annum for banquet, awards dinner, wedding events.

Technical Services Revenue Assumptions

We have assumed that the provision of technical equipment and services will be subcontracted to an external provider. Our projections include the gross revenue from the provision of these services in the venue.

We have assumed that the average achieved technical services fees and recoveries per event day are as follows:

- conferences, trade shows / exhibitions: \$3,000 + GST
- day meetings: \$1,500 + GST
- trade shows / exhibitions & public shows: \$2,000 + GST
- banquet, awards dinner, wedding: \$2,500 + GST
- entertainment / concerts: \$500 + GST
- community events and other: no recoveries.

Table 8.5 shows the projected total revenue by revenue type and by event type.

Table 8.5: Projected Total Revenue

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Number of Events Per Year	146	165	179	189	199
Number of Event Days per Year	118	140	157	164	173
Analysis by Revenue Type:					
Total Space Rental Revenue	\$50,475	\$63,076	\$73,674	\$79,067	\$87,219
Total Catering Revenue	\$170,000	\$223,768	\$269,307	\$300,894	\$350,516
Total Labour & General Recoveries	\$11,000	\$15,556	\$17,759	\$19,870	\$22,071
Total Technical Services Revenue	\$112,500	\$130,615	\$148,775	\$161,381	\$181,556
Total Revenue	\$343,975	\$433,014	\$509,515	\$561,212	\$641,362
Total Revenue by Event Type:					
Conferences (multi-day)	\$23,500	\$24,160	\$49,678	\$51,075	\$78,768
Meetings (single-day)	\$112,500	\$121,866	\$131,714	\$142,068	\$152,949
Tradeshows / exhibitions (not public)	\$11,500	\$23,680	\$24,381	\$25,102	\$25,846
Public Shows	\$27,500	\$28,313	\$29,150	\$30,012	\$30,900
Banquets / awards dinners / weddings	\$122,500	\$176,138	\$206,750	\$238,649	\$272,072
Entertainment / concerts	\$31,000	\$38,511	\$43,178	\$48,109	\$53,317
Community - Church	\$225	\$461	\$709	\$727	\$745
Community - School	\$750	\$1,538	\$2,364	\$2,423	\$2,484
Community - Theatre, Dance, Music	\$9,000	\$11,070	\$13,238	\$13,569	\$13,908
Community - Other	\$3,750	\$5,125	\$5,778	\$6,461	\$6,899
Other	\$1,750	\$2,154	\$2,576	\$3,016	\$3,474
Total Revenue	\$343,975	\$433,014	\$509,515	\$561,212	\$641,362
<i>Average revenue per attendee day</i>	<i>\$17.01</i>	<i>\$17.15</i>	<i>\$17.46</i>	<i>\$18.36</i>	<i>\$19.93</i>

(Source: Horwath HTL)

Table 8.5 shows approximately \$344,000 of projected revenue in Year 1, rising to \$641,000 in Year 5. This is an increase in revenue of 86.5% over the period, equivalent to a compound annual growth rate of 16.9%.

Banquets, awards dinners and weddings are projected to generate the most revenue, followed by single-day meetings. Collectively, we project that these two event categories will contribute over two thirds of total revenue in each year.

Catering revenue is projected to account for 49% of total revenue in Year 1, and rise to 55% in Year 5.

Table 8.6 shows the projected average revenue per event.

Table 8.6: Projected Average Revenue per Event

Average Revenue per Event	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	\$23,500	\$24,160	\$24,839	\$25,537	\$26,256
Meetings (single-day)	\$1,125	\$1,161	\$1,197	\$1,235	\$1,275
Tradeshows / exhibitions (not public)	\$11,500	\$11,840	\$12,190	\$12,551	\$12,923
Public Shows	\$13,750	\$14,156	\$14,575	\$15,006	\$15,450
Banquets / awards dinners / weddings	\$24,500	\$25,163	\$25,844	\$26,517	\$27,207
Entertainment / concerts	\$3,100	\$3,209	\$3,321	\$3,436	\$3,554
Community - Church	\$225	\$231	\$236	\$242	\$248
Community - School	\$750	\$769	\$788	\$808	\$828
Community - Theatre, Dance, Music	\$1,800	\$1,845	\$1,891	\$1,938	\$1,987
Community - Other	\$250	\$256	\$263	\$269	\$276
Other	\$350	\$359	\$368	\$377	\$386
Average Revenue	\$2,356	\$2,624	\$2,846	\$2,969	\$3,223

(Source: Horwath HTL)

Table 8.7 shows the projected average revenue per attendee day.

Table 8.7: Average Revenue per Attendee Day

Average Revenue per Attendee Day	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Conferences (multi-day)	\$78.33	\$80.53	\$82.80	\$85.12	\$87.52
Meetings (single-day)	\$45.00	\$46.43	\$47.90	\$49.41	\$50.98
Tradeshows / exhibitions (not public)	\$28.75	\$29.60	\$30.48	\$31.38	\$32.31
Public Shows	\$11.00	\$11.33	\$11.66	\$12.00	\$12.36
Banquets / awards dinners / weddings	\$98.00	\$100.65	\$103.37	\$106.07	\$108.83
Entertainment / concerts	\$6.89	\$6.98	\$7.07	\$7.16	\$7.25
Community - Church	\$3.00	\$3.08	\$3.15	\$3.23	\$3.31
Community - School	\$0.63	\$0.64	\$0.66	\$0.67	\$0.69
Community - Theatre, Dance, Music	\$1.80	\$1.85	\$1.89	\$1.94	\$1.99
Community - Other	\$2.50	\$2.56	\$2.63	\$2.69	\$2.76
Other	\$1.75	\$1.80	\$1.84	\$1.89	\$1.93
Average Revenue	\$17.01	\$17.15	\$17.46	\$18.36	\$19.93

(Source: Horwath HTL)

Table 8.8 shows the projected variable costs and contribution to overhead.

Table 8.8: Projected Variable Costs incl. Operating Surplus / Contribution to Overhead

Total Variable Costs	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Catering Direct Costs	\$136,000	\$176,777	\$210,059	\$231,688	\$266,392
Staff Costs - Direct	\$9,350	\$13,067	\$14,740	\$16,294	\$17,877
Technical Services	\$101,250	\$116,247	\$130,922	\$140,401	\$156,138
Total Variable Costs	\$246,600	\$306,091	\$355,722	\$388,383	\$440,407

(Source: Horwath HTL)

Catering direct costs cover all costs of the assumed external caterer including food preparation and service staff costs (including salaried staff), food and beverage costs, other direct F&B consumables and expenses, and the profit margin of the external caterer

Direct staff costs include casual event services staff in addition to salaried staff who are required to prepare and manage events held at the Civic Centre.

Technical equipment costs include the cost of the rental of third party technical equipment, including the profit margin of the external provider.

Table 8.9 shows the incremental fixed operating costs attributable to the Civic Centre.

Table 8.9: Projected Fixed Overhead Costs

Total Fixed Costs	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Overhead Salaries & Wages	\$175,000	\$179,375	\$183,859	\$188,455	\$193,166
Staff Costs & Training	\$15,000	\$15,525	\$16,068	\$16,630	\$17,212
Administration & General	\$50,000	\$51,000	\$52,020	\$53,060	\$54,121
Sales & Marketing	\$50,000	\$51,750	\$53,561	\$55,436	\$57,376
Cleaning	\$40,000	\$42,000	\$44,100	\$46,305	\$48,620
Insurance	\$55,150	\$57,080	\$59,078	\$61,146	\$63,286
Energy	\$30,000	\$31,500	\$33,075	\$34,729	\$36,465
Repairs and Maintenance	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297
Rates	\$70,540	\$73,009	\$75,564	\$78,209	\$80,946
Contingency	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275
Total Fixed Costs	\$575,690	\$593,539	\$611,986	\$631,054	\$650,764

(Source: Horwath HTL)

The Overhead Salaries cost (after savings from assumed synergies / shared positions either with existing Council roles, or with other management entity synergies, or both) includes general and operational management, event management, human resources, administration and finance, sales and marketing, and property management. Staff Costs and Training includes costs of recruitment, relocation, staff uniforms, employee relations and training.

We understand that, previously, less than \$40,000 per annum was attributed to Salaries & Wages and Marketing for the Town Hall. From that starting point, we could understand how the future projections may appear high. However, in our assessment, these projections are a conservative assumption for a modern

events centre with at least two full time staff, other part time staff and shared positions, and targeted, dedicated marketing resources to win events.

Administration and General expenses include items such as accounting, internal audit, legal and other professional fees, bank fees and charges, membership subscriptions, Information Technology and software systems and license fees, telephone and communications systems and costs, postage and stationery, general office and computer equipment supplies and service contracts, transport and travel costs (excluding sales and marketing), contracted security services and other miscellaneous costs.

Sales and Marketing expenses includes direct costs associated with the conference centre (excluding staff costs) after making an allowance for assumed synergies. These expenses include travel costs, familiarisation and entertainment costs, sponsorships, public relations, digital marketing and advertising, and development / printing of marketing collateral.

Cleaning and Energy costs are net expenses not recovered from hirers and includes any contracted services (eg: cleaning) and other utilities (eg: water).

Rates and Insurance expenses as are as advised by Council.

The Repairs and Maintenance cost is assumed to include routine repairs and maintenance of the assets and associated building services (eg: lifts, escalators, air conditioning, kitchen equipment), but not their replacement and does not include expenses related to any technical or kitchen equipment owned by third parties.

An allocation of \$50,000 per year for contingency with increases of 3% per annum has been assumed.

As stated earlier, the assumed development cost which forms the basis of the financial analysis is \$20m. This is assumed to include the replacement of the Town Hall plus the rectification and refurbishment of the Municipal Building. No occupancy costs in relation to the fitout or operations of the Municipal Building are included in the analysis or any notional rental associated with this building.

Council could make use of the replacement Town Hall for its own purposes eg. for Council meetings. We have not allowed for any revenue for such use. In addition, the refurbished Municipal Building could include meeting rooms, which could be used to complement the facilities of the Town Hall. We have not allowed for any revenue from such use.

We have allowed for loan repayment at an assumed cost of capital rate of 7.5%. This amounts to \$1.5m per annum over the forecast period.

Table 8.10 summarises the Civic Centre's projected net cashflow for the first five years of operation after loan repayment and provision for future investment. It includes three components:

- Cost of operations
- Costs associated with financing activity
- Provision for future investment (sinking fund).

Table 8.10: Projected Statement of Net Cashflow

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<u>Operations</u>					
Gross Revenue	\$343,975	\$433,014	\$509,515	\$561,212	\$641,362
Less Variable Operating Costs	\$246,600	\$306,091	\$355,722	\$388,383	\$440,407
Gross Operating Surplus	\$97,375	\$126,924	\$153,793	\$172,828	\$200,954
% of Total Revenue	28%	29%	30%	31%	31%
Less Fixed Operating Costs	\$575,690	\$593,539	\$611,986	\$631,054	\$650,764
Net Operating Cost	-\$478,315	-\$466,615	-\$458,193	-\$458,226	-\$449,810
<u>Financing Activity</u>					
Debt Servicing (7.5% of \$20m)	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Amortisation of Pre-opening Expenses (\$0.5m)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Net Cost	-\$2,078,315	-\$2,066,615	-\$2,058,193	-\$2,058,226	-\$2,049,810
<u>Provision for Future Investment (Sinking Fund)</u>					
FF&E Reserve (10% of venue rental)	\$5,048	\$6,308	\$7,367	\$7,907	\$8,722
Asset Additions / Improvements (1% of \$20m)	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Net Cashflow (after CapEx provisions)	-\$2,283,363	-\$2,272,923	-\$2,265,560	-\$2,266,132	-\$2,258,532

(Source: Horwath HTL)

The indicative financial operating projections indicate a net operating cost of \$478,000 in Year 1. Increases in Gross Revenue and Gross Operating Surplus in subsequent years are approximately offset by increases in Fixed Operating Costs.

Projected costs associated with financing activity include:

- repayment of \$20m loan (assumed to be in the form of a table loan and roughly equivalent to interest plus depreciation over loan term)
- amortisation of pre-opening expenses (eg: staff recruitment and training, sales, marketing)

Provisions for future investment include:

- provision for replacement of FF&E (excludes the replacement of kitchen and AV equipment owned by third parties)
- new asset purchases and asset upgrades (in order to stay competitive).

Table 8.11 summarises available data from a number of the venues identified in this report to compare the indicative costs of these venues to the ratepayer, relative to the proposed Civic Centre.

Operating performance data includes revenue generated from the provision of goods and services (trading revenue only) and operating expenses. It excludes any operating donations and grants or ownership costs (eg. interest, depreciation) in an attempt to compare similar data. The result of these is Net Cost, which is the cost of operations only.

Dividing Net Cost by the number of ratepayers in the district⁶ generates a 'Net Cost to Ratepayer' which is an ongoing cost of operations. The other key calculation is a capital cost per ratepayer assumption (shown as 'Cost per Ratepayer'), which is based on an annual loan repayment of 7.5 percent of the original development cost.

Table 8.11: Indicative Venue Cost to Ratepayer Assessment (YE June 2017)

Venue	Net Operating Performance (\$NZD)			Cost to Ratepayer (\$NZD)		Capital Cost (\$NZD)		
	Revenue	Expenses	Net Cost	Total ratepayers (District level)	Net cost to ratepayer	Original Cost of Fixed Assets*	Loan Repayment Rate	Cost per Ratepayer
ASB Theatre Marlborough	\$1,292,231	\$1,559,989	\$267,758	26,154	\$10.24	\$25,350,000	7.5%	\$72.69
Ashburton Trust Events Centre	\$438,644	\$685,101	\$246,457	15,134	\$16.28	\$8,000,000	7.5%	\$39.65
Turner Centre, Kerikeri	\$315,404	\$526,656	\$211,252	37,647	\$5.61	\$7,400,000	7.5%	\$14.74
Rangiora Town Hall	x	x	x	24,932	x	\$11,500,000	7.5%	\$34.59
Carterton Events Centre	x	x	x	4,963	x	\$8,900,000	7.5%	\$134.50
Lower Hutt Events Centre	x	x	x	39,187	x	\$34,200,000	7.5%	\$65.46
Masterton Civic Centre (Year 5)	\$641,362	\$1,091,171	\$449,809	12,240	\$36.75	\$20,000,000	7.5%	\$122.55

(Source: Horwath HTL)

We note that the 'original cost of fixed assets' column shown above contains provisional figures which we understand to be correct, however these have not been confirmed by the venues. The Turner Centre figure represents the reported cost of the original development (Stage 1), which was completed in 2005. The 2012 extensions (Stage 2) costs have not been confirmed and therefore are excluded from this figure.

⁶ http://www.ratepayersreport.nz/2018_report (2017 or previous years unavailable)

9 Economic Impact Analysis

We have assessed the economic impact of developing the Civic Centre, as the incremental value generated by visitors to Masterton attributable to the Civic Centre.

We have defined the economic impact for the purposes of our analysis as the incremental visitor expenditure arising from visitors to Masterton to attend events at the Civic Centre. This does not include downstream benefits arising from the incremental visitor expenditure (indirect and induced benefits), employment impact, household income impact, or contribution to local or regional GDP.

The Civic Centre is projected to attract additional visitors to Masterton to attend multi-day conferences, events, exhibitions and shows, etc, held at the Centre, resulting in additional incremental visitor nights. These incremental visitor nights have been assessed as the total number of delegates who attend an event, and additionally their associated accompanying person.

We have adjusted the visitor nights for delegates who may not attend all days of an event, and delegates who may not have an accompanying person.

We have assumed 90% of event delegates stay in commercial accommodation.

Each delegate or additional visitor will generate further value to the Masterton economy through their daily spend. The additional incremental hotel visitors are assumed to spend on average more than the average delegate to an event held at the Civic Centre.

Delegates who attend an event and do not stay a night have a lower spend per visitor due to no expenditure on accommodation. Visitors who stay a night in private accommodation are assumed to spend less on accommodation than delegates who stay in commercial accommodation. Delegates who stay in the hotel are assumed to spend more on accommodation than delegates who stay in other forms of commercial accommodation.

The resulting economic impact is calculated as the additional incremental visitor nights multiplied by the assumed average expenditure spent per visitor night / day visit.

We have estimated the incremental visitor nights to Masterton as a result of the projected events held at the Civic Centre.

Our projections assume that:

- 80% of conference delegates and exhibitors will be from outside of Masterton, representing the largest proportion of visitors of any event type. This is as a result of an active conference marketing program targeting national scale corporate and smaller association multi-day conferences

- 40% of function / banquet delegates / exhibitors are assumed to be from outside of Masterton
- 30% of banquet (non-conference related) attendees are visitors to Masterton
- 20% of trade exhibition attendees / exhibitors and day meeting (corporate) delegates are from outside of Masterton
- 10% of attendees to public shows and entertainment events are from outside of Masterton.

In addition to these visitors from outside of Masterton, our projections have assumed that 15% of conference delegates will bring an accompanying person.

We have made assumptions about the average number of visitor days spent in Masterton pre / post event by delegates, exhibitors and accompanying persons for each event type. These include:

- conference delegates, exhibitors and accompanying persons spend an average of 1-day pre / post event
- function and entertainment event attendees spend an average of 1-day pre / post event
- banquet (other), trade exhibition and public show attendees spend an average of 0.5 days pre / post event
- day meeting delegates spend an average of 0.2 days pre / post event.

To convert the projected number of visitor days into visitor nights we have made two assumptions for each event type.

We have made an assumption about the proportion of delegates / exhibitors and accompanying persons who are likely to stay for the entire duration of the event, including the average pre / post day. We have also made an assumption about the likelihood of an event day resulting in a visitor night by applying a percentage to each event type to get the number of event nights.

We have assumed that 90% of visitor nights in Masterton generated by events at the Civic Centre will use commercial accommodation, with the remainder spent in private accommodation (eg: with friends and family or holiday homes).

The average economic impact associated with the Civic Centre over the first 5 years of operation is estimated to be \$983,000 per annum.

10 Social and Cultural Impacts

The extent of social and cultural impacts for Masterton and Wairarapa residents which will result from a new Civic Centre is not difficult to identify but is difficult, if not impossible, to quantify. The benefits of a vibrant, diverse and active performing arts sector, at both the national and regional levels, have been the subject of considerable research in recent years.

Creative New Zealand is confident that there is research which demonstrates that the arts:

- contributes to the economy
- improves educational outcomes
- creates a more highly skilled workforce
- improves health outcomes
- improves personal well-being.

We note that positive social and cultural impacts may arise from:

- increased community participation by attending a wide range of events at the new venue (which may increase cultural awareness and provide educational opportunities which contribute to community development)
- civic pride for residents arising from hosting larger scale events at the new venue, improving resident satisfaction with living and working in Masterton / Wairarapa
- increased awareness of Masterton / Wairarapa as a place to visit which may drive repeat visitation
- growth of existing businesses (and potentially establishment of new businesses) directly providing services to the event venue, and in related industries.

A new Civic Centre will provide opportunities for Masterton and wider Wairarapa residents to attend events which they may otherwise not be able to access. In addition, it may give local performers an opportunity to engage with a larger audience than is currently possible, providing a more rewarding and satisfying experience for local performers.

Audience satisfaction and enjoyment of events hosted at the venue is an important outcome, for which many subsequent outcomes, such as social impact, depend. Positive experiences of and at the venue will likely lead to more frequent engagement with the arts and cultural scene, making outcomes such as wellbeing and education from these activities far more likely and long-lasting.

11 Appendix 1 – Competing Venues, Detailed Analysis

Appendix 1 provides details of other venues in Masterton and elsewhere in the Wairarapa and the Lower North Island.

11.1 Masterton Venues

We have identified four major venues in Masterton which are available for hire throughout the year (subject to conditions).

These venues are:

- Wairarapa College Hall, Wairarapa College
- Trust House Theatre, Rathkeale College
- Copthorne Hotel and Resort, Solway Park Conference Centre
- Trust House Recreation Centre & War Memorial Stadium.

Wairarapa College Hall



The Wairarapa College Hall was opened in 2010, following the demolition and rebuild of the College's former Hall which no longer met the College's requirements due to an expanding roll. The majority of funding came from the Ministry of Education and the rest made up from locally raised funds.

The Hall is capable of seating 1,200 people, with 344 fixed seats (tiered) in the mezzanine level and 856 moveable seats in the auditorium (flat floor) level. Hireage includes the use of the main auditorium and mezzanine level, stage, kitchen and bathroom facilities. The Hall was built with a new sound system and lighting, an orchestra pit, a large backstage area and air conditioning.

The Wairarapa College Hall has reportedly experienced a 'slight' increase in demand since the closure of Masterton Town Hall. As the largest and most modern auditorium in the District, the venue is appropriate for large school events, including music and drama productions, prizegiving and graduation ceremonies, and other community uses which require a significant plenary space. Hirers must work within certain parameters, as the primary function of the venue is to serve the College.

Hire charges and conditions are as follows:

Full Day (12 hrs) – \$900 + GST

includes: access to lighting and sound and cleaning costs.
House Technician may be supplied if required at \$25 per hour (8hr max)

Half Day (6 hrs) – \$600 + GST

includes: access to lighting and sound and cleaning costs.
House Technician may be supplied if required at \$25 per hour (4hr max)

Set up and Break Down – \$90 per hour + GST.

Trust House Theatre, Rathkeale College



At 750-seats, The Trust House Theatre is seen by many community hirers as being too large for the majority of uses. Also, as a school venue primarily, the Theatre has similar logistical constraints to the Wairarapa College Hall for hirers.

The performing stage itself is small with no side stage entrances for the lower half of the stage.

Copthorne Hotel & Resort Solway Park

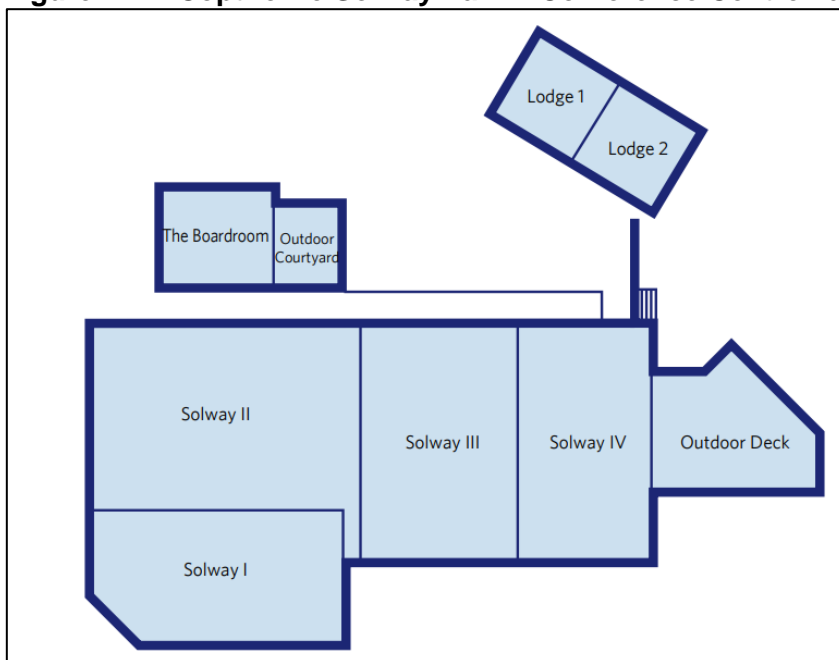


The Copthorne Hotel & Resort Solway Park (“Copthorne Solway Park”) is the largest accommodation provider in the Wairarapa. The 102 guest room hotel is set on 24 acres of landscaped parklands, native bush and gardens, and is a 5 minute drive from the existing Town Hall site on the southern entrance to Masterton.



The Copthorne Hotel & Resort Solway Park (“Copthorne Solway Park”) is the largest accommodation provider in the Wairarapa. The 102 guest room hotel is set on 24 acres of landscaped parklands, native bush and gardens, and is a 5 minute drive from the existing Town Hall site on the southern entrance to Masterton.

Copthorne Solway Park is owned and operated by Trust House Limited who have a franchise agreement with Millennium Hotels and Resorts. The hotel features seven spaces for conferences, meetings, exhibitions and other business which are contained within three main buildings. These are shown in Figure 11.1 below:

Figure 11.1: Copthorne Solway Park – Conference Centre Layout


(Source: meetingsnz.co.nz)

The capacity of these spaces in various arrangements is shown in Table 11.1 below:

Table 11.1: Copthorne Hotel & Resort Solway Park Meeting Spaces and Capacity

	Theatre	Classroom	Boardroom	Banquet	Cocktail
Solway I	60	30	30	80	100
Solway II	150	50	30	100	150
Solway III	100	50	40	100	150
Solway IV	80	50	30	100	100
Solway Conference Centre		40		400	600
The Lodge 1	20	15	12	20	30
The Lodge 2	20		10	20	20
The Boardroom			20		

(Source: meetingsnz.co.nz)

Event Spaces:

- **The Solway Conference Centre (Solway I – Solway IV)**

A 700m² space with good AV capability that can be divided into four separate fully sound-proof rooms for breakouts / concurrent sessions

- **The Lodge 1 & 2**

Standalone venue near the main conference facilities. ‘The Lodge’ has two separate rooms, (32m² and 43m²) which are perfect for private meetings and breakout spaces.

- **The Boardroom**

Located away from the main conference centre. Seats up to 15 people around large boardroom table, ideal for small meeting or conference organiser's headquarters.

- **Lobby and Lower Lounge**

Adjoining the Solway Conference Centre. Ideal for registration, informal breakout areas, catering breaks, informal drinks and nibbles or exhibition space.

A 'Full Day' conference delegate package costs \$55 per person per day (including GST) when a booking includes 18 or more delegates. This includes venue hire, morning & afternoon tea, lunch, projection screen, whiteboard, flipchart, notepads, pens, markers, iced water and mints. Additional AV equipment is available for hire on a per day basis.

Other facilities for hotel guests at Solway Park include:

- The Grill Restaurant
- The Bar at Solway Park
- Café Solway
- 10-bay Golf Driving Range
- Gym
- Indoor and outdoor swimming pools
- Tennis, squash, volleyball and petanque courts
- Jogging track and bushwalk
- Confidence course and children's playground
- Off-street parking.

Trust House Recreation Centre & War Memorial Stadium



Trust House Recreation Centre (formerly known as Genesis Energy Recreation Centre) is managed by Belgravia Leisure on behalf of MDC. The Centre serves the Wairarapa region with aquatic, fitness, sport and recreation services and includes the purpose-built sporting stadium – the War Memorial Stadium.

The War Memorial Stadium has become the home of the annual ‘Golden Shears’ event, attracting approximately 600 participants over three days of challenges and events. Additionally, the venue is used for many charitable events including Christmas lunch, Hands of Hope Fight Night etc.

Feedback from the consultation identified that the fixed wooden seats are not comfortable for long periods of time and the roof is extremely loud in high wind and rain, making the venue unsuitable for many entertainment events.

11.2 Other Wairarapa Venues

Other noteworthy venues in the Wairarapa include the Carterton Events Centre and the recently developed Waihinga Martinborough Community Centre.

The Waihinga Martinborough Community Centre is designed for a significantly smaller community and is less likely to compete for events than the Carterton Events Centre, however it shares many similarities with this project.

Carterton Events Centre, Carterton



The Carterton Events Centre opened its doors in October 2011. The multi-purpose community facility weaves around Carterton's existing heritage listed library and includes a 350 seat auditorium, information centre, exhibition space, youth centre, community meeting rooms, archive space and Plunket rooms.

The Taratahi Auditorium features multiple staging and seating options due to the Prolyte Dex System, with both the stage and seating able to be stored away. In addition, the Auditorium features an orchestra pit, a fully sprung floor, a heat and serve kitchen, two dressing rooms, theatrical technical infrastructure, sound proof doors, multiple internet points, a projection system and adjustable lighting.

The only slightly dissatisfactory comments from users have been in relation to the venue's limited storage and parking space. It has been suggested that the venues capacity at 350 seated and 400 standing potentially limits the range of touring product and other commercial events which might have been feasible if the venue was 500–600 seats. However, for most intents and purposes, the Events Centre appears to be a highly utilised facility which serves the Carterton community well.

The capacity of the main spaces in various configurations is detailed in Table 11.2.

Table 11.2: Carterton Events Centre Meeting Spaces and Capacity

	Theatre	Classroom	Boardroom	Banquet	U-Shaped
Taratahi Auditorium	350	200		300	
Te Mahau Foyer	100			80	
Rangatahi Hub	80	80		80	30
Hurunui o Rangī Room	50	30	20	35	20
Maungaraki Room	30	20	15		
Plunket Rooms			8		

(Source: www.cartertonec.co.nz)



Hire charges and room summaries (via venue website) are as follows:

Taratahi Auditorium (40–350 guests) – starting at \$60 per hour

Your guests will have plenty of room in our spectacular Taratahi auditorium. The modern, flexible, space caters for all manner of events, shows, exhibitions, weddings, meetings and community gatherings.

Te Mahau Foyer (20–200 guests) – starting at \$20 per hour

Our foyer/exhibition space features extensive natural lighting with double-glazed windows for a vibrant entertaining space.

Rangatahi Hub (40–100 guests) – starting at \$30 per hour

The Rangatahi Hub – Youth Centre, offers a fresh modern setting with access to our courtyard area that is ideal for events of 100 or less guests. With a range of layout opportunities, direct access to the kitchen, private restrooms and private entrance its perfect for your next event.

Hurunui o Rangi Room (10–50 guests) – starting at \$30 per hour

Our beautiful meeting room blends the indoor, outdoor atmosphere to create a versatile and elegant setting perfect for meetings and presentations. The room offers a full AV suite controllable at the touch of a button!

Maungaraki Room (5–20 guests) – starting at \$25 per hour

Designed to meet the requirements of medium sized meetings, the Maungaraki Room offers a light and airy space, situated at the rear of the venue.

Whole venue hire rates start at \$500 per day. Commercial hirers pay higher rates than community users.

Waihinga Martinborough Community Centre



The Waihinga Martinborough Community Centre opened in December 2018. The \$5.3m development included the restoration and extension of the 106 year old Martinborough Town Hall and the construction of a new multi-purpose community hub.

While different in scale, the origins and motivations for the Waihinga project and the Masterton Civic Centre project are not dissimilar. The Martinborough Town Hall is a heritage building, built three years prior to the Masterton Town Hall in 1912. After being identified as an earthquake prone building, it was decided to refurbish the Hall, add modern functionality and integrate the community facilities under one roof.

The community hub component includes a library, a toy library, Plunket rooms, an i-SITE and a new café / coffee bar. The Centre has been designed primarily for community use, however visitors are likely to visit the i-SITE and café and may attend events at the historic town hall.

11.3 Other Lower North Island Venues

Lower Hutt Events Centre



The Lower Hutt Events Centre and refurbished Town Hall was opened in July 2018. When it was discovered that the Town Hall and Horticultural Hall were earthquake prone, Hutt City Council decided to restore and strengthen the Town Hall and replace the Horticulture Hall with a modern, multi-functional space to host conferences, exhibitions and other events.

The venue is leased to a commercial operator USAR Commercial Assets Limited who are currently in the process of developing a new 60-room apartment-style hotel, The Sebel Wellington Lower Hutt, in Lower Hutt, which they will operate too.

Event spaces:

- Event Space – an 800m² flat floor space (sub-dividable in two)
- Town Hall – a 380m² auditorium with fixed stage and gallery, seating:
 - 800 theatre style (360 balcony, 440 stalls)
 - 250 banquet style
 - 400 cocktail style
- Function rooms - 65m² space which can be divided into three spaces
- 250m² Atrium.

Te Rauparaha Arena, Porirua



Te Rauparaha Arena is a multi-purpose indoor sports and entertainment centre in Porirua, New Zealand. The popular centre, serving a city population of 51,400, opened in late 2008 at a cost of approximately \$17.5m. It is owned and operated by Porirua City Council.

The venue was built as a replacement for the Porirua Recreation Centre, which was no longer able to be maintained and managed by the community and subsequently went into the administration of the Porirua City Council in 1998. Council made the decision to replace it with a larger sports and entertainment centre.

The centre is available for various functions, including banquets, conferences and meetings, concerts, exhibitions and trade shows and sporting events.

Event spaces:

- Mana Community Grants Foundation Stadium – 2,495m² flat floor space (three full size courts)
- NZCT Stadium – 857m² flat floor space
- Theatre – fixed tiered seating theatre for 80 people
- Meeting rooms 1 & 2 – 88m² space which can be divided into two spaces
- Meeting room 3 – 73m² space with a sprung floor.

Palmerston North Conference & Function Centre



The Palmerston North Conference and Function Centre, located in Palmerston North's CBD, is the premier conference venue in Palmerston North and the Manawatu region.

The Council-owned venue, which claims to be 'New Zealand's first purpose-built conference facility' contains a number of flexible function spaces which can cater for local, national and on occasion, international events of up to 600 people. The venue is managed by Venues and Events Palmerston North, a division of Council, and has in-house catering.

Event spaces:

- Elwood Room – 584m² flat floor function space
- NZCT Stadium – 307m² flat floor function space
- The Gallery – 87m² pre-function area
- Seminar Room – 132m² flat floor function space
- Boardroom – 23m² presentation room
- Meeting Room – 85m² break-out space.

Levin Community Hub - Te Takere tanga o Kura-hau-pō



Opened in 2012, the \$7 million Horowhenua Culture and Community Centre, or 'Te Takere tanga o Kura-hau pō' ("Te Takere" for short) combines library, community and visitor services in central Levin.

The vacant supermarket building was purchased in 2007 by Horowhenua District Council with the vision of creating a community hub. Facilities and services include:

- Levin Library
- Business and Conference Centre
- Exhibition Space
- Libretto Café
- AA Driver and Vehicle licensing agency
- i-SITE Visitor Centre
- Fusion FM – youth led community radio station
- Youth Space (ping pong tables, air hockey, foosball, PC's and an Xbox).

Te Takere is marketed by Council as a library, community lounge, meeting point, learning environment, place to play, place to do business, venue to inform and entertain, place to try out new things. According to Horowhenua District Council, the facility attracts 450,000 visitors each year.

Expressions Whirinaki Arts and Entertainment Centre



'Expressions Whirinaki' is Upper Hutt's vibrant arts centre featuring a public art gallery, theatre, and civic hall complex. The 15 year old complex is anticipating a \$7.4 million (approximate) extension this year to add a heritage gallery, a climate-controlled space for the Pumpkin Cottage collection, a creative workshop for groups, and a kitchen added to the recreation hall.

Expressions Whirinaki Centre is owned by the Upper Hutt City Council. It is leased to, and operated under contract by a not-for-profit Council Controlled Organisation, the Expressions Arts and Entertainment Trust.



Recreational Hall



Gillies Group Theatre

Event spaces:

- The Professionals Recreation Hall – 990m² flat floor space with capacity for 600 theatre style, 500 banquet style and 750 cocktail style
- Gillies Group Theatre – fixed tiered seating theatre for 212 people – but flexibility to accommodate 40 at tables
- Foyer space – space for 150 cocktail style
- Gibbs Court – outdoor function space for 60 cocktail style.

12 Appendix 2 – Other Regional Civic / Events Venues

We have identified and assessed some of the more recently-built (last 25 years) venues in regional centres around New Zealand.

The scale of these venues varies, largely due to the size of the local community and the objectives and capabilities of the developer. Across this broad range of venues are a number of features which align with MDC's objectives for the Civic Centre.

Table 12.1 compares the age, approximate capital cost, district population served and ownership / operating structure of each of the identified venues.

Table 12.1: Regional Events Venues – Comparative Examples

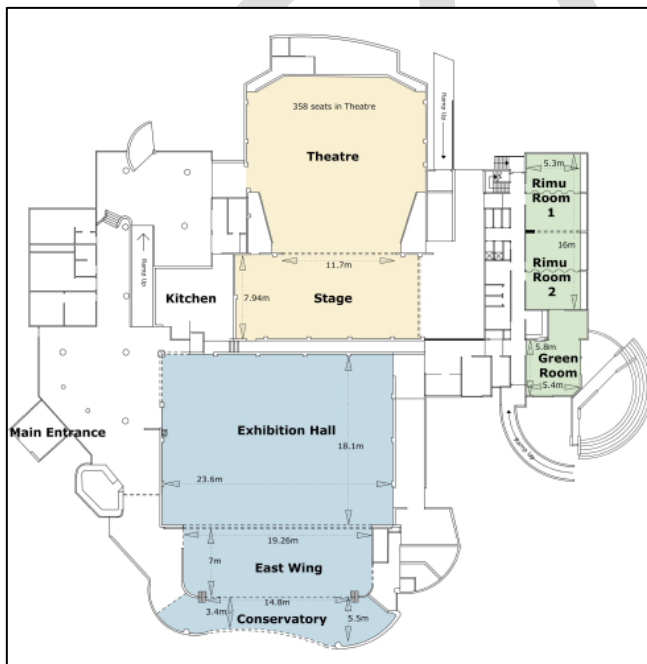
Venue	Built	Cost (approx.)	District Pop.	Ownership / Management Structure
Great Lake Centre	1990	?	37,200	Owner / Operator (Council)
Turner Centre	2005	\$7.5m	64,400	Owner / Operator (Trust)
Ashburton Trust Events Centre	2008	\$8m	34,500	Owner / Operator (Trust)
Rangiora Town Hall	2015	\$11.5m	50,000	Owner / Operator (Council)
ASB Theatre Marlborough	2016	\$25.4m	46,600	Owner / Operator (Trust)

(Source: Horwath HTL)

Great Lake Centre, Taupo



The Great Lake Centre in Taupo is a multi-purpose community venue that can cater for a range of events from corporate and sporting events to cultural and theatrical performances.



The exhibition area is used for conventions, exhibitions, banquets and tradeshow and can host up to 600 people. The theatre is suitable for touring shows and entertainment events, conferences, large plenary meetings and seminars.

The versatility and modernity of this venue (compared to many other regional facilities) give it an ability to attract national and international business events, however, it is slightly compromised through design error.

Splitting the foyer space between two levels has affected the flow of the layout, as has the meeting rooms being placed through the hall or theatre from the main entrance.

Event spaces:

- Exhibition Hall – a 596m² flat floor space (sub-dividable in two)
- The Theatre – a 358 seat theatre (permanent tiered seating)
- three small meeting rooms which can function as additional dressing rooms with bathrooms in close proximity.

Turner Centre, Kerikeri



Opened in August 2005, the Turner Centre is a flexible, multi-purpose venue in Kerikeri. Originally designed to replace the former Kerikeri Memorial Hall, the Centre has been added to over subsequent stages and is now a major events facility which serves the greater Far North District.

In June 2012, the net assets of buildings and fit out were transferred from of the Kerikeri Civic Trust to The Centre at Kerikeri Ltd, trading as the Turner Centre.

The Kerikeri Civic Trust owns 99.05% of the company. The Trustees of the Kerikeri Civic Trust are also the Directors of the Centre at Kerikeri Ltd. There are two Far North District Council appointees to the Civic Trust and The Centre at Kerikeri Ltd.

Event spaces:

- John Dalton Theatre – a 408-seat theatre (permanent raked seating)
- The Events Centre – a 320m² flat floor space (230 banquet style)
- The Plaza – a 510m² flat floor space (400 theatre style)
- The Theatre Bar and Terrace – a pre-function, expo, events space.

The main space at the Turner Centre is the John Dalton Theatre, a 408-seat auditorium developed in 2005. The subsequent stage in 2012 included the Events Centre and Plaza Theatre, which can combine to accommodate 999 people.

The plaza has a raised stage, approximately 12m wide, 6.5m deep and has a suite of dressing rooms, storage rooms and kitchen facilities backstage.

Ashburton Trust Event Centre

The Ashburton Trust Event Centre is Ashburton's premier venue for live music, theatre and performance. The venue is owned and operated by the Ashburton Performing Theatre Trust, a special purpose trust which was established primarily to deliver the development project but has retained management responsibility.



The venue was designed and built to a tight budget, originally \$4m but reaching \$8m. Local consultants, project managers and construction teams were used to keep the costs at a minimum.

Event spaces:

- O'Reilly Auditorium – a 350m², 496-seat purpose-built theatre (permanent tiered seating)
- Bradford Room – a 188m², 120-seat (theatre style) presentation / meeting room or large breakout space
- Green Room – a 58m² small meeting room, 30 theatre style or 50 cocktail style
- 2 x 170m² pre-function, expo, events spaces.

Rangiora Town Hall – Redevelopment



Following the Canterbury earthquakes, the Rangiora Town Hall had significant seismic strengthening work, refurbishment and an extension undertaken, with works completed in March 2015.

The Hall is owned and operated by the Waimakariri District Council and the movie theatre is leased to a third party operator. The original building was built in 1926 and has a Category II heritage listing. The venue has two carparks available, one on-site and another one available nearby.

According to the contractor, Naylor Love, strengthening works included “every element... from underpinning foundations to core drilling columns, reconstructing floors, new piling, shotcreting, crack injection of insitu walls, roof truss strengthening and bracing, replacing the front roof full steel structure and rebuilding the basement”.

The existing 400-seat auditorium was upgraded with a new orchestra pit, audience seating and a control room, and the exterior was repainted.

The extensions included a 150-seat multi-purpose performing arts and cinema with retractable seating, a sprung floor stage (suitable for dance performances), two fully serviced back of house facilities consisting of dressing rooms, bathrooms, green rooms, music and films studios, trucking dock, piano lift and garage, and all-new services to allow multiple community groups to simply ‘plug & play’, and a new cinema complex with two 23-seat digital cinemas, meeting rooms, and an extended and modernised foyer with a bar and casual seating.

Naylor Love state that “the rejuvenated Rangiora Town hall can now run six separate functions simultaneously, and has re-claimed its rightful place at the heart of the North Canterbury arts community”.

Main spaces:

- Main Auditorium – a 400-seat (361 fixed seats between ground and gallery) auditorium
- Performing Arts Venue – a 150-seat theatre (*retractable seating*)
- Green Room
- Rehearsal studio
- Music and Film Studios
- 4 Meeting rooms
- Functions room
- Foyer space with bar and casual seating.

We understand that the total project cost was approximately \$11.5 million. A significant proportion of this cost related to seismically strengthening the existing structure and anchoring the existing component to the new extensions.

ASB Theatre Marlborough



The ASB Theatre Marlborough is a multi-use and purpose built venue, located adjacent to the Marlborough Convention Centre, overlooking Blenheim's Taylor River. The Theatre features state-of-the-art facilities and amenities for music events, performing arts / theatre events, conference, functions and exhibitions.

The venue is owned and operated by the Marlborough Theatre Civic Trust. The current development cost is reported to be \$25.4m, however it is not fully complete yet.

Main event spaces include:

- Main Auditorium – a 701-seat purpose-built lyric theatre with a permanent rake
- Anderson Theatre – a 200-seat Black Box studio theatre (*still under development*)

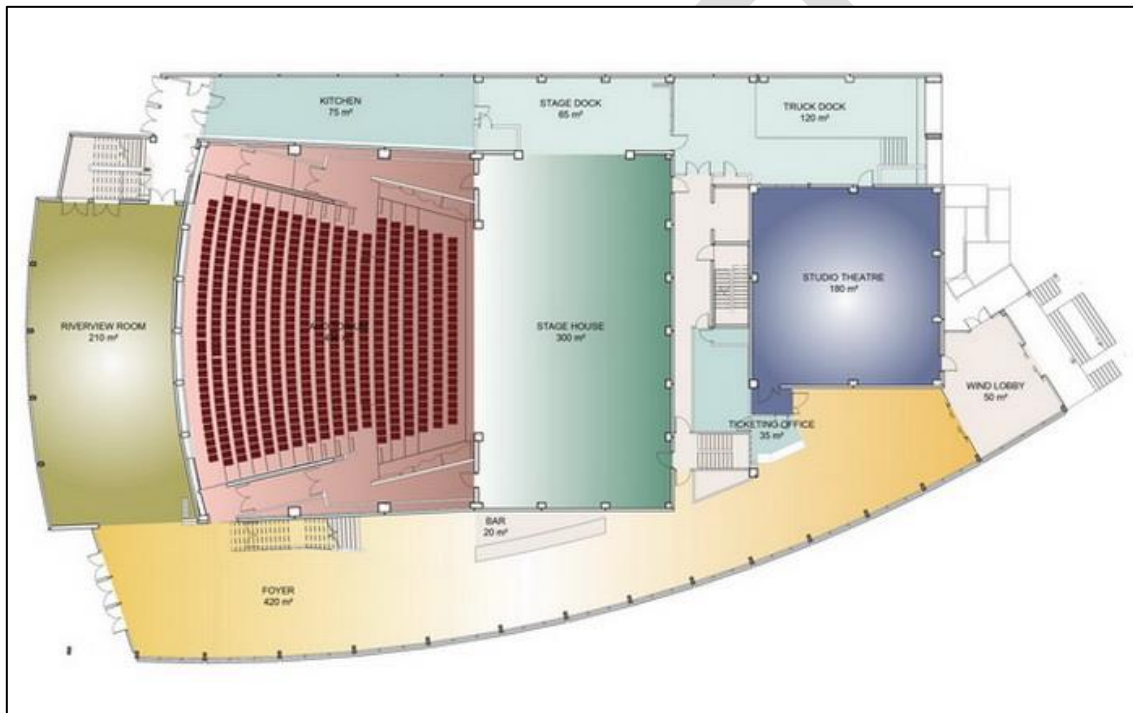
- Whitehaven Wine Room – a function area, seating 170 banquet or 300 cocktail style
- The Foyer – a pre-function, expo, events space.



(Main auditorium – ASB Theatre)



(Anderson Theatre – ASB Theatre)



(ASB Theatre – Floorplan)

13 Appendix 3 – Masterton District and the Wairarapa



The Wairarapa is a large geographical region of New Zealand, located in the south-eastern corner of the North Island. It is known for its stunning coastline, wineries, historic charm and series of rural communities.

The region is home to around 45,500 residents, with over half of these residing in the Masterton District. Other major Districts are Carterton and South Wairarapa.

Masterton is 100km, or approximately a 1.5 hour drive, from Wellington City. It was one of New Zealand's first planned inland towns, part of the small town settlement scheme set up by the Government in 1856.

The tangata whenua of Masterton / Whakaoriori have a long standing connection with the land spanning many generations.

13.1 Demographics and Economics

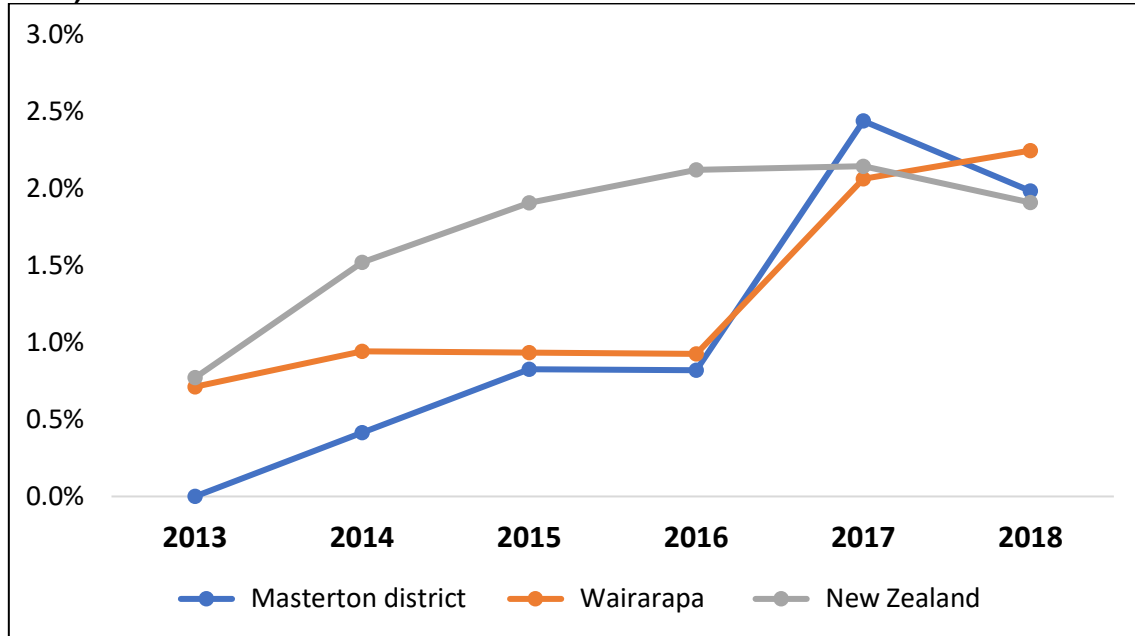
As at 30 June 2018, it was estimated that Masterton had an urban population of 20,100 and a district population of 25,700⁷. The median age of 43 is higher than the national median age of 38.

⁷ subnational population estimates (2018 boundaries) - stats.govt.nz

In the five years from June 2013 to June 2018, the populations of Masterton District and Wairarapa have grown by 6.6% and 7.3% respectively (total). This is slightly lower than the national population growth of 10% (total). However, in the past two years, there has been considerable population growth in Masterton and the Wairarapa, faster than the national growth rate.

This growth (as is estimated by Stats NZ) is shown in Chart 13.1 below.

Chart 13.1: Masterton, Wairarapa and National population growth rates (2013–2018)



(Source: Stats NZ, subnational population estimates 30 June 2018)

A significant proportion of this population growth has been through migration as many people move from other regions around New Zealand and from overseas. In the YE June 2018, Masterton District's population increased by 500 people with net migration accounting for 400 and natural increase, 100.

Masterton District's cultural and ethnic mix is predominately European. Data from the 2013 census information shows the following ethnic mix:

- European: 83.2%
- Māori: 17.9%
- Pacific Islander: 3.3%
- Asian: 2.4%
- Other: 2.4%

Driven largely by the recent increase in population, Masterton is experiencing a period of strong economic growth. This is evidenced by a provisional GDP increase of 4.5% to the YE June 2018, higher than the Wellington regional

increase of 2.5% and the national increase of 2.7%⁸. This growth places Masterton 10th out of 66 Territorial Authorities for GDP growth over the period⁹.

Chart 13.2 identifies the broad industries that make the largest contribution to employment in Masterton District.

Chart 13.2: Industries ranked by Number of Employees (YE June 2018)

Industry	Masterton District		New Zealand	
	Level	Share of total	Level	Share of total
Agriculture, Forestry and Fishing	1,665	13.7%	144,470	5.8%
Mining	24	0.2%	5,829	0.2%
Manufacturing	738	6.1%	239,214	9.6%
Electricity, Gas, Water and Waste Services	102	0.8%	16,851	0.7%
Construction	1,014	8.3%	235,038	9.4%
Wholesale Trade	397	3.3%	123,171	4.9%
Retail Trade	1,425	11.7%	226,866	9.1%
Accommodation and Food Services	833	6.8%	167,540	6.7%
Transport, Postal and Warehousing	252	2.1%	103,200	4.1%
Information Media and Telecommunications	114	0.9%	43,607	1.7%
Financial and Insurance Services	200	1.6%	65,383	2.6%
Rental, Hiring and Real Estate Services	225	1.8%	61,731	2.5%
Professional, Scientific and Technical Services	698	5.7%	239,724	9.6%
Administrative and Support Services	311	2.6%	126,306	5.1%
Public Administration and Safety	448	3.7%	117,436	4.7%
Education and Training	1,131	9.3%	194,261	7.8%
Health Care and Social Assistance	1,867	15.3%	241,999	9.7%
Arts and Recreation Services	157	1.3%	46,810	1.9%
Other Services	573	4.7%	95,080	3.8%
Total	12,172	100%	2,494,515	100%

(Source: Infometrics – Masterton District Annual Economic Profile 2018)

Mean annual earnings in Masterton District was \$49,094 in the YE March 2018, which was lower than the New Zealand mean of \$60,891. However, over the same period, mean earnings in Masterton District increased by 4.9% while mean earnings in New Zealand increase by 3.7%.

MDC have identified several sources of current and potential future economic advantage for Masterton District, some of which are unique in New Zealand. However, despite the recent economic growth, MDC understand there are many challenges facing the Masterton District economy too. MDC's identified strengths and challenges are shown in the table below:

Table 13.1: Strengths and Challenges facing Masterton District Economy

Strengths:	Challenges:
<ul style="list-style-type: none"> ▪ Location 	<ul style="list-style-type: none"> ▪ Population
<ul style="list-style-type: none"> ▪ Cost of Living 	<ul style="list-style-type: none"> ▪ Connectivity
<ul style="list-style-type: none"> ▪ Lifestyle 	<ul style="list-style-type: none"> ▪ Talent Base
<ul style="list-style-type: none"> ▪ Housing Affordability 	<ul style="list-style-type: none"> ▪ Transport
<ul style="list-style-type: none"> ▪ Education 	<ul style="list-style-type: none"> ▪ Employment
<ul style="list-style-type: none"> ▪ Diversification 	<ul style="list-style-type: none"> ▪ Earthquake Prone Buildings
<ul style="list-style-type: none"> ▪ Infrastructure 	

(Source: MDC, Economic Development Strategy – February 2018)

⁸ Infometrics Quarterly Economic Monitor – June 2018

⁹ Infometrics Quarterly Economic Monitor – June 2018

13.2 Visitor Industry

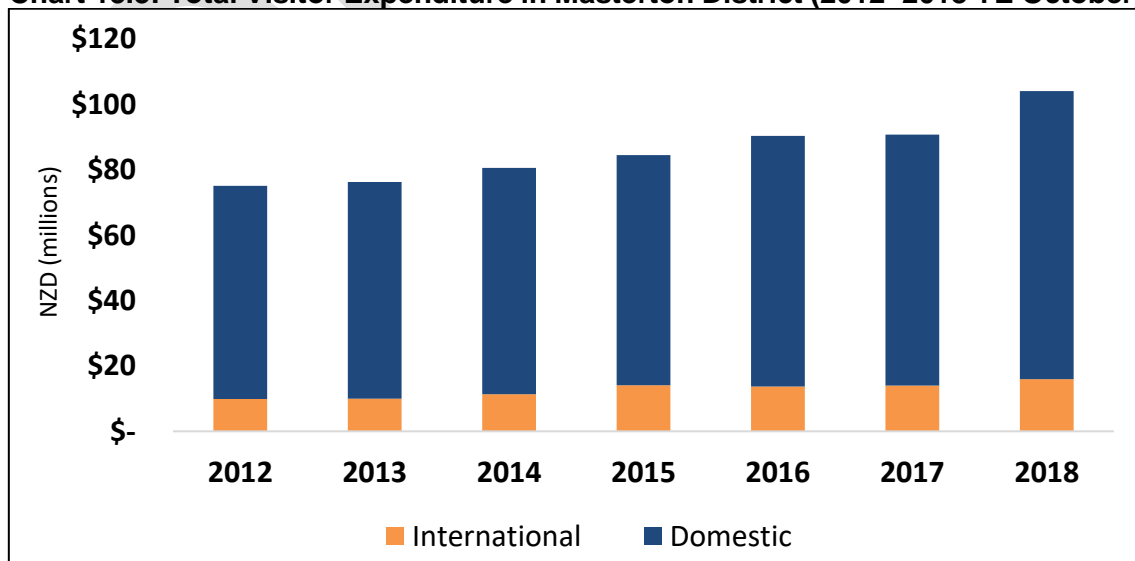


The Wairarapa Economic Development Strategy and Action Plan¹⁰ identifies that “neither the Wairarapa nor Wellington, by national comparisons, are highly rated tourism destinations for internationals and even domestic visitors, though both are growing rapidly”. We would agree that based on recent information, both markets are performing well, albeit from a low base.

Monthly Regional Tourism Estimates (“MRTE”)s, published by MBIE, provide estimates of visitor expenditure throughout New Zealand regions by visitor origin and by product. Data is calculated based on electronic card and credit card expenditure and can be broken down at a regional council level or at a Regional Tourism Organisation (“RTO”) level.

Chart 13.3 shows the estimated level of expenditure of both international and domestic visitors in the Masterton District (regional council level) between the YE October 2012 and YE October 2018.

Chart 13.3: Total Visitor Expenditure in Masterton District (2012–2018 YE October)



(Source: MBIE’s Monthly Regional Tourism Estimates)

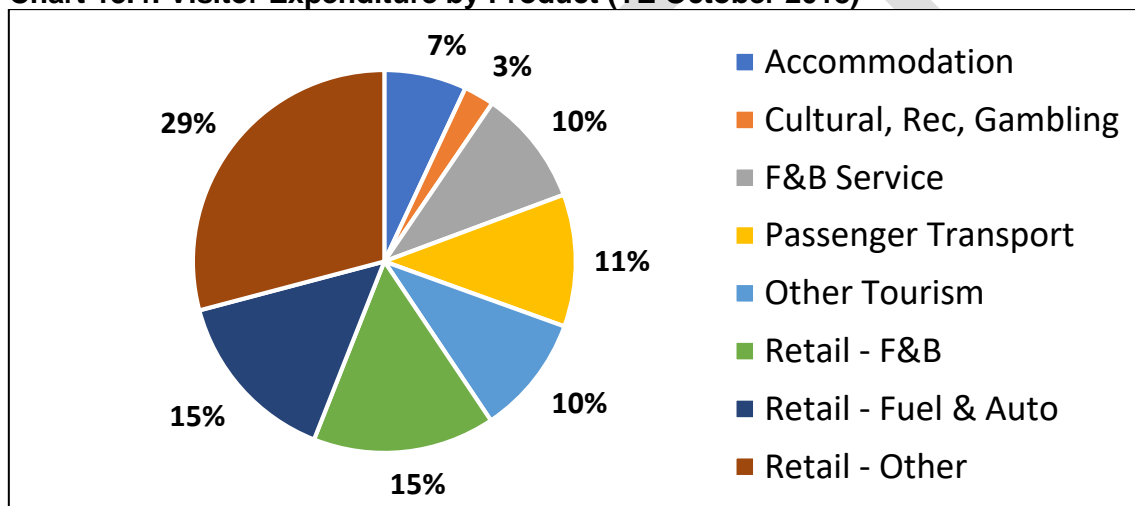
¹⁰ Wairarapa Economic Development Strategy and Action Plan, Three Councils of Wairarapa in consultation with the Greater Wellington Regional Council (GWRC), October 2018

In the YE October 2018, total visitor expenditure in the Masterton District is estimated to have been \$104.1m, up 14.7% on the previous year. International expenditure increased by 13.9% and domestic expenditure by 14.8%. 85% of total visitor expenditure in the Masterton District is estimated to have come from domestic visitors.

Between YE October 2012 and YE October 2018, international expenditure is estimated to have increased by 61.4% (at an average annual growth rate of 8.3%) and domestic expenditure is estimated to have increased by 35.1% (at an average annual growth rate of 5.1%). Total visitor expenditure has increased by 38.6% (average annual growth rate of 5.6%).

Total visitor expenditure in Masterton for the latest year can be broken down into the expenditure categories shown in Chart 13.4.

Chart 13.4: Visitor Expenditure by Product (YE October 2018)



(Source: MBIE's Monthly Regional Tourism Estimates)

Since 2012, visitor expenditure has increased in all product categories except Accommodation Services, where it has declined by 5% (actual expenditure). The product categories with the strongest growth over this period have been Cultural, Recreation and Gambling (217%) and Other Tourism (142%).

The Accommodation Survey, previous called the Commercial Accommodation Monitor ("CAM"), published monthly by Stats NZ, provides information in relation to the supply and demand for commercial accommodation throughout New Zealand. Data is published at an RTO level (Wairarapa) and a district level (Masterton District), however less information is available at the district level.

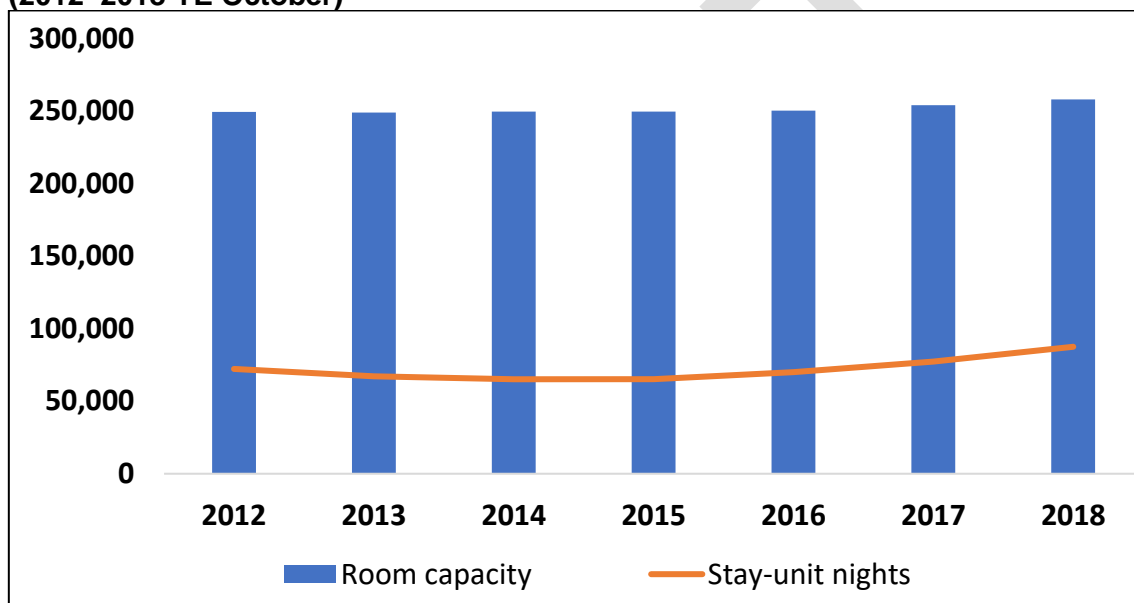
According to the latest available CAM data (YE October 2018), there are 15 commercial accommodation establishments in the Masterton District, comprising 707 daily stay units. In the wider Wairarapa RTO region, the CAM identifies 41 commercial accommodation establishments, comprising 1,344 daily stay units.

In the six years between YE October 2012 and YE October 2018, the number of guest nights spent in the Masterton District annually has increased from 133,000 to 166,000, at an average annual rate of 3.8%. These 166,000 guest nights represent 63% of the total guest nights spent in the wider Wairarapa RTO region.

At an average room density (guests per stay unit) of 1.89 and with only 26 stay units added to the district supply over this period, the annual occupancy rate across all types of commercial accommodation in Masterton has increased from 29.0% to 33.9%. This compares to 28.5% at the wider Wairarapa level (current).

Chart 13.5 shows the room capacity and number of room nights sold in Masterton over the past seven years, according to the CAM.

Chart 13.5: Supply and Demand for Commercial Accommodation in Masterton (2012–2018 YE October)



(Source: Commercial Accommodation Monitor, Stats NZ)

The CAM recognises 10 hotels in the Wairarapa region, showing a total room supply of 229. Of these, the Copthorne Hotel and Resort, Solway Park makes up 102 rooms, spreading the remaining 127 rooms across 9 properties at an average size of 14 rooms per hotel.

The Copthorne is the only significant hotel in the Region and the only commercial accommodation provider capable of accommodating large groups for a major event, including a conference.

We understand that the Copthorne Solway Park typically achieves an annual occupancy of between 50–55%, and will achieve 100% occupancy approximately five times per annum due to large local events. Over the past few years, particularly last year, the Copthorne Solway Park has achieved a higher than usual annual occupancy.

The CAM does not publish the data relating to operating performance of the 10 recognised hotels in the Wairarapa due to sensitivity, however we would suspect that the majority guest nights spent in Wairarapa hotels are spent in the Copthorne Solway Park.

^{i i} To qualify for inclusion in the Business Events Activity Survey a venue must:

- promote their venue as suitable for a range of business-related MICE activities, especially conventions, conferences and meetings
- have a theatre-style minimum delegate capacity of 50
- aim or plan to host a minimum of 12 conventions and/or business-related events each year.

Other factors:

- venues don't have to be a member of their local bureau to be included
- venues don't have to agree to submit data to be included
- the delegate capacity for a venue is defined as the largest number of MICE delegates that can be comfortably hosted at one time in spaces regularly used to host MICE events within the venue. The estimate is based on minimal partitioning, and theatre-style set up of free-form spaces

venues are asked to exclude the capacity of spaces used only for non-MICE events, such as concerts and sporting events