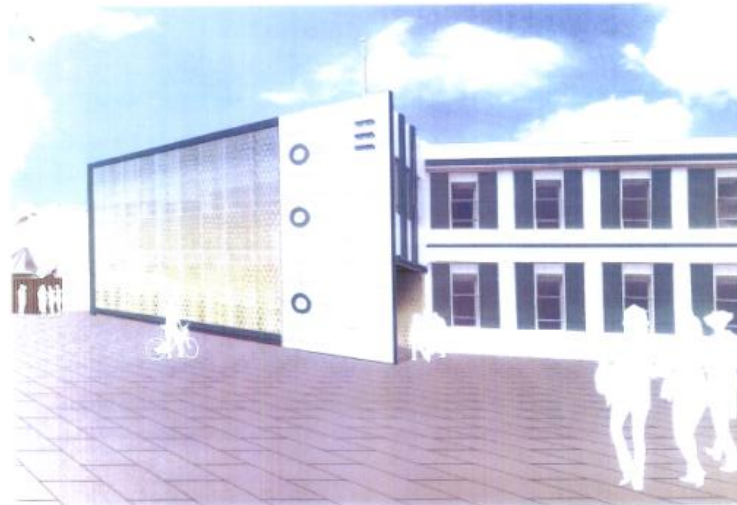


Deloitte.

Harbourside - Indicative Feasibility Study
Whangarei District Council

March 2015



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Abbreviations

| | |
|--------------------|--|
| Harbourside | Harbourside proposal for the redevelopment of the former Harbour Board Building in Town Basin promoted by Future Whangarei. |
| FW | Future Whangarei – an unincorporated group of local Whangarei residents who are the promoters of the Harbourside proposal. |
| CHART | Culture Heritage Arts Resources Trust, Whangarei. A Trust established to enable the community to develop and progress long term visions to support and build capacity to the creative sector. |
| NBS | New Building Standard established by the Building Act 2004 and subsequent regulation. A building that fully meets the standards is described as 100%NBS. A building between 34%NBS and 66%NBS is classified as "earthquake risk". A building below 33%NBS is classified as "earthquake prone". |
| WDC | Whangarei District Council |
| WAMT | Whangarei Art Museum Trust, a Council controlled organisation that currently operates the Whangarei Art Museum. |

1. Executive Summary

Future Whangarei propose redeveloping the former Harbour Board Building into a “multi media arts centre that celebrates the maritime and marine history of those who peopled this place over many years”. We estimate it will cost \$10.3 million to redevelop and equip, and approximately \$0.7 million per annum to operate. Based on our analysis Harbourside is unlikely to be cash flow positive and would require ongoing financial support. Harbourside is still at a concept stage and there is little detailed information available.

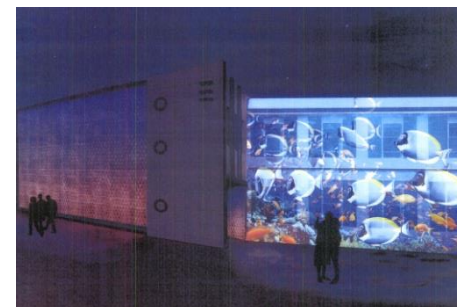
Future Whangarei (FW) proposes to redevelop the former Harbour Board Building on the Town Basin into a “multi media arts centre that celebrates the maritime and marine history of those who peopled this place over many years”.

The design incorporates a traditional heritage harbour face with a permeable lightweight cladding on the Dent Street side to be a screen for interactive projection of colour, art and moving digital images.

Harbourside is proposed to include local maritime and harbour history; a fish aquarium; local Maori, Nova Scotian & Dalmatian history; a contemporary Maori Art gallery; Northland art; space for digital art exhibitions from a range of collections; a 4D theatre, and an interactive learning centre which will be available for educational purposes aimed particularly at young users.

Key assumptions in this feasibility study include:

- Capital Cost: Our independent specialist construction adviser estimates the capital cost is likely to cost \$10.3 million to redevelop and equip Harbourside including contingencies of \$1.25 million, building consents, professional fees, specialist equipment including external projection equipment, an aquarium and a 4D theatre and a provision of \$1.25 million for cost escalation to the time the building is expected to commence in July 2017. Our construction adviser describes the redevelopment estimate as “high risk” as Harbourside is still at the concept stage and because “redevelopment of buildings of this age and type contain the potential to surprise on the down side”.



- Funding: Funding is planned to come \$2.5 million¹ from Whangarei District Council (WDC) with the balance (\$7.8 million) to be raised by FW and the community.
- Operating Costs: Operating costs of approximately \$700,000 per annum, including 7 staff plus volunteers, marketing (\$30,000 per annum), power (\$60,000 per annum), insurance (\$25,000 per annum to cover the art works, with WDC retaining the building and its insurance), and other overhead costs based on Deloitte estimates.
- As numbers of visits per annum and pricing are the key risks in the financial viability of this proposal the primary evaluation of the project has been completed on a break even basis. To breakeven at the proposed pricing of \$10 per adult (including GST), \$3 per child and \$8 per senior citizen would require 95,000 paying visits per annum. At \$15/\$5/\$10 respectively the breakeven would be approximately 67,500 paying visits.
- Inflation at 2% per annum.

The proposal is consistent with the WDC 20/20 Strategy and the plans for the redevelopment of the Whangarei Town Basin.

Key Risks

There are key risks in the Harbourside proposal, given that Harbourside is still at a concept stage and there is little detailed information available. They include:

- FW forecasts 70,000 paying visits each year, which is significantly higher than being experienced by many similar local and regional museums and galleries.
- The capital costs of redeveloping the former Harbour Board Building into Harbourside are best estimates as little detail is available. This is covered by contingencies in the estimated capital cost.
- The ability to fundraise \$7.8 million as FW is not yet established as a Trust; the building is not considered by Heritage New Zealand as being a heritage building and is not identified as a heritage building or site in the District Plan, reducing the potential ability to successfully obtain heritage related grants; and Harbourside's focus is essentially local and regional, reducing its ability to successfully obtain grants related to significant buildings.

Summary

This feasibility study has been completed based on limited information (the initial Harbourside proposal from October 2014 and a brief revised proposal dated December 2014). We have used our experience and judgement to develop this feasibility study with our reasoning set out in this report.

Based on these assumptions and our judgement we believe Harbourside is likely to operate at a cash deficit annually (of between \$165,000 and \$525,000), depending on the level of annual visits and the admission price.

¹ This will be adjusted for CPI in the WDC Long Term Plan.

2. Introduction

“A critical part of the Whangarei district having a sustainable community going forward is its ability to attract highly skilled professionals to live here. Whangarei needs to shape cultured, vibrant and stimulating Centres... museums, galleries, markets and public art all help create a sense of place for residents and prospective residents... ”²

2.1. Background

The Whangarei District's 30/50 Sustainable Futures Growth Strategy completed by Council in its previous term projected Whangarei District's population to increase by a minimum of 50,000 in the next 50 years. These new residents will choose to live, work and play in Whangarei for a variety of reasons connected to the “sense of place” they feel about Whangarei District, in other words what they find attractive about the area and how it meets their needs. Over time the District has developed a variety of community assets across various sectors, all of which have been built around catering for the present and future needs of the people of the Whangarei District.

Whangarei is the largest urban population north of Auckland, and WDC continues to follow a strategy of developing the District to be among the country's most desirable and affordable places to live, work and play. WDC has initiated a significant redevelopment of the town basin, and when combined with the continued development of arts, cultural, heritage and civic amenities, it could act as a catalyst to further enhance the district's economic prosperity. Not only could this influence economic development directly in the creative industries, it could attract new residents and businesses to the area and boost tourism by increasing the flow of domestic and international visitors.

² Whangarei 20/20 plus (COD Guideline Development Plan) 2006.

2.2. The Former Harbour Board Building

The former Harbour Board Building was built in the 1920s. In the 1960's an addition was completed. The addition was approximately one and a half times the size of the original building and “was of a noticeably different and more utilitarian design”. “Neither the 1923 nor the 1970 building is recognised by Heritage New Zealand as being a heritage building and is not identified as a heritage building or site in the District Plan”.³

A Seismic Costing Assessment⁴ was commissioned in October 2014 which concluded:

- Use is likely to change and compliance with the Building Act will require the building to be strengthened to 100% NBS.
- For the 1920s unreinforced masonry part of the building it is expected that the cost of seismic strengthening will be in the order of \$400,000.
- For the 1964 concrete moment resisting frame part of the building it is expected that the costs of seismic strengthening works will be in the order of \$550,000.
- Improvement works are required to mitigate the effects of liquefaction and lateral stretch, which would require underpinning the existing building with new 27 metre deep piles and ground beams at an estimated cost of \$500,000.

A total cost of \$1.4 million.

The former Harbour Board building is currently owned by WDC and has been vacant for over a decade.

In August 2014 WDC sought proposals from the community for the development of the former Harbour Board building. Twenty-one proposals were received and eventually two were shortlisted.



Figure 1: Ground floor plan (1964)

³ Whangarei District Council – assessment of development of alternatives for the former Harbour Board/ NRC Building, August 2014, page 16.

⁴ Base Consulting Group Seismic Costing Assessment 2-6 Quayside, Whangarei, for Whangarei District Council, 28 October 2014.

2.3. Harbourside

FW, an unincorporated group of local Whangarei residents, put forward a proposal to develop the former Harbour Board Building into a “multi media arts centre that celebrates the maritime and marine history of those who peopled this place over many years”. This was one of two proposals to be shortlisted by WDC Councillors.

Post the WDC decision to shortlist the Harbourside proposal, FW had discussion with two local arts organisations they wished to be part of the Harbourside. For various reasons what was proposed did not suit the organisations.

As a consequence, FW have revised their proposal, still retaining and upgrading the historic building. The details are discussed in Section 4.

2.4. Reliance on Information and Disclaimer

WDC have requested Deloitte to develop a feasibility study for the revised Harbourside proposal.

In preparing our report, we have relied upon and assumed the accuracy and completeness of all information as furnished to us. We have evaluated that information through analysis, enquiry and examination for the purposes of performing our financial analysis.

Our report has been prepared with care and diligence and the statements and conclusions in our report have been given in good faith and in the belief, on reasonable grounds, that such statements and conclusions are not false or misleading. However, in no way will we guarantee or otherwise warrant that any forecasts of future surpluses, cash flows or financial position of Harbourside will be achieved. Forecasts are inherently uncertain. They are predictions of future events which cannot be assured. They are based upon assumptions, many of which are beyond the control of Harbourside and its management team. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We will assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of our report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in our report or assumptions reasonably taken as implicit.

We note the Harbourside proposal indicative feasibility study has been based on limited information (FW’s original proposal to WDC dated October 2014 and a brief letter to WDC 19 December 2014 significantly revising that proposal). We have sought to engage with FW to better understand the proposal and support for the key assumptions but have not been successful. As such we have needed to rely on our own judgement and experience in regard to a number of key assumptions.

3. Approach

The approach we followed in performing this feasibility study has been to:

- Utilise the available information related to the Harbourside proposal to develop a draft feasibility study. This included:
 - The original FW proposal to WDC dated October 2014. Note this proposal was subsequently significantly altered.
 - The FW letter to WDC dated 19 December 2014 outlining their revised proposal. This letter was 10 pages including
 - a cover sheet,
 - a one page description of the proposal,
 - a brief one page forecast Statement of Financial Performance,
 - a builders letter on the estimated capital cost,
 - three pages of pictures, and
 - three pages of proposed floor plans.
- Attempt to contact FW to discuss the proposal. Walter Yovich of FW advised he and Alan Martin, another FW member, are not available to meet.
- Discussed our approach with Richard Dunbar of Nexus Planning and Research, Auckland, the independent peer reviewer engaged by WDC to review these projects.
- Have a specialist review completed of the capital costs of the proposed Harbourside.
- Developed an indicative feasibility study for Harbourside based on best available information.

The indicative feasibility study was forwarded to FW for comment but no response was received.

4. Proposal

4.1. Background

FW put forward a proposal for re-visioning the former Harbour Board Building in the Town Basin in response to a WDC request for proposal in September 2014. In the original FW proposal to WDC Harbourside proposed to:

- Retain and redevelop the existing Harbour Board Building. The building was original built in the early 1920's with a larger extension surrounding two sides being added in the 1970s.
- Include in the redeveloped building an interactive maritime heritage themed display; a contemporary Maori Art gallery; space for digital art displays; the Whangarei Art Museum collection, an interactive learning centre, medium size conference space and office space for lease to arts and creative industries.
- Be operationally funded by the transfer of the WDC WAMT and CHART operating grants (\$460,000 per annum) to Harbourside.
- Attract approximately 20,000 visits per annum ("double the number of current WAMT visitors") with no admission charge.

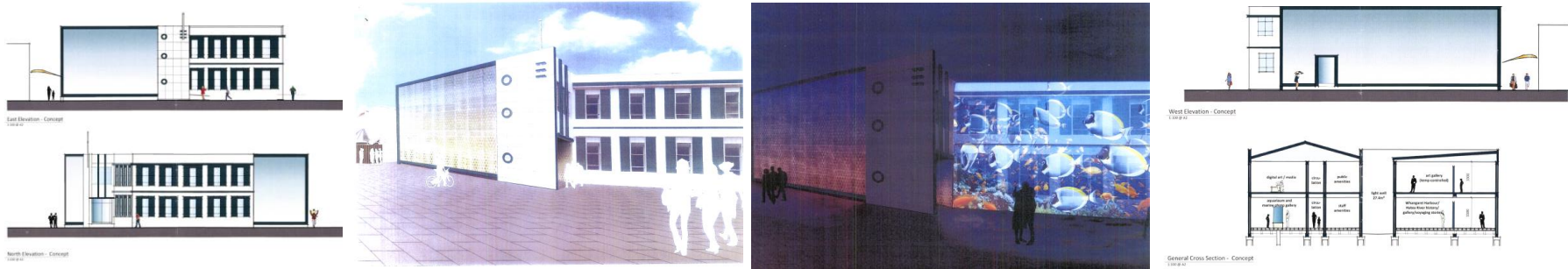
The cost to redevelop the building and establish Harbourside was estimated at \$6.5 million.

Post the WDC decision to shortlist the Harbourside proposal, FW had discussion with WAMT who did not believe the Harbourside proposal would have capacity for its collection, and with CHART, who did not wish to move from their current location. As a consequence FW have significantly revised their proposal, still retaining and upgrading the historic building. This is detailed below.

4.2. Harbourside Proposal (December 2014)

FW note that the former Harbour Board Building is the second oldest Council building in Whangarei. As such they believe it is proper that the historical building is retained and upgraded. Consistent with the original proposal it is proposed that the buildings redevelopment will use digital art and architectural enhancement to show two faces of the building:

- The Harbour heritage face on the Quayside.
- A modern face on the Dent Street side using a steel structure and permeable lightweight cladding to be a screen for interactive projection of colour, art and moving digital images.



Harbourside's proposal is for the building to include:

- Maritime and harbour history (including the Hatea River, Mair Park and Town Basin);
- A fish aquarium;
- Local Maori, Nova Scotian and Dalmatian history;
- Maori Art Gallery - New Zealand's first by Maori for Maori contemporary art gallery dedicated to exhibiting the works of Maori artists, many of who are from the North;
- Northland art;
- Digital art exhibitions from a range of collections e.g. Auckland Art Gallery (Auckland has no dedicated digital gallery) and Chartwell Trust (Collection includes Contemporary NZ Digital Art);
- A 4D theatre, and
- An interactive learning centre which will be available for educational purposes aimed particularly at young users.



Ground Floor Plan - Proposed Concept
1:100 @ A2

Notes
These plans have been prepared from base plan information provided in the briefing document for alternatives for the former Harbourside / MARC Building by PDC. No 3D shown in plans.
No further site measure or investigation has been carried out.
These plans are indicative layouts only and are subject to further site investigations and structural analyses.



First Floor Plan - Proposed Concept
1:100 @ A2

Harbourside
for Future Whangarei

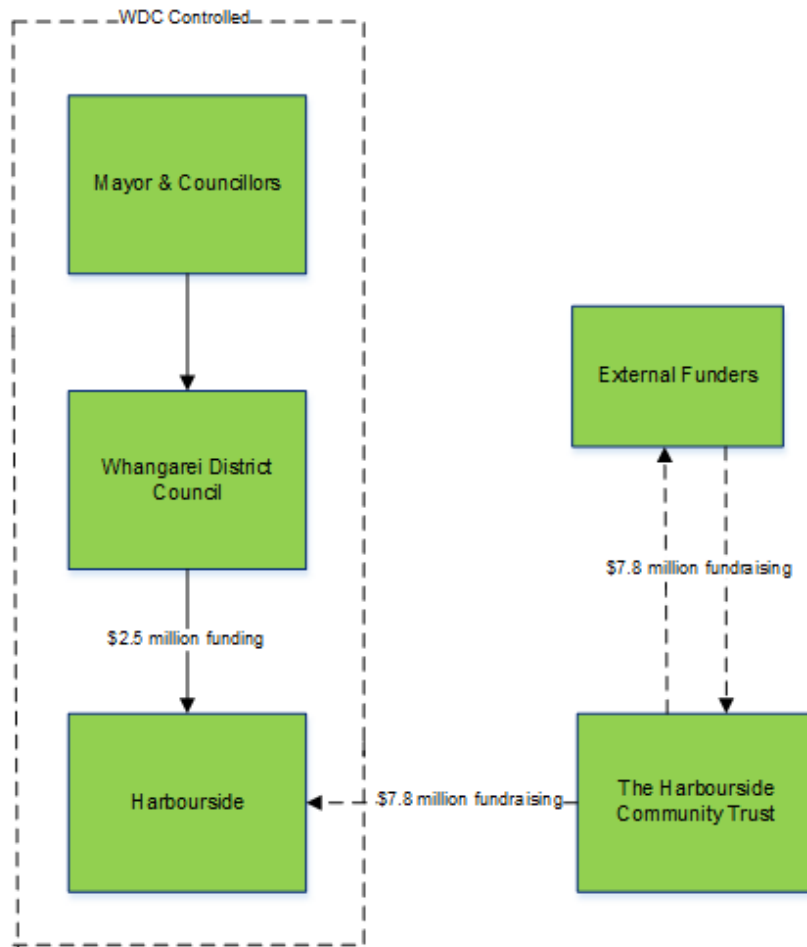
Sheet CD1
Date December 2014

FW estimate the Harbourside proposal will cost \$5 million to complete and that there will be 70,000 visits per annum at an admission charge of \$10 per adult, \$8 per senior citizen and \$3 per child, all including GST (The original proposal was based on a forecast of 20,000 visitors per annum with no admission charge). FW estimate operating costs will be \$400,000 per annum (previously \$450,000 being the sum of the WAMT and CHART grants).

4.3. Governance and Ownership

FW propose to form a charitable trust, The Harbourside Community Trust, to manage the project for the benefit of Council and ratepayers.

WDC will continue to own the land and building.



4.4. Capital Cost

FW have had capital costs estimated by Hill Construction (2006) Limited based on concept plans at a total of \$5.05 million. In their earlier proposal the cost was estimated at \$6.5 million.

Our independent specialist construction adviser, Klu'dup Limited⁵ has reviewed the concept plans and developed an elemental estimate from first principles of \$9.1 million to redevelop and equip Harbourside based on current costs. This includes the seismic strengthening identified in the Base Consulting Seismic Assessment; provision for specialist equipment of \$0.75 million including the external projection equipment, aquarium and a 4D theatre identified in the revised proposal; a construction contingency of \$584,000 and a design development contingency allowance of \$664,000 (which is normal development practice in early stage concept costing); building consents and professional fees.

Due to the 2 year fundraising period, the building is not likely to start until late 2017 and be completed until June 2019. Klu'dup estimates a \$1.25 million provision for escalation needs to be added, making an estimated total to complete construction by June 2019 of \$10.3 million.

These estimates exclude a roof podium (included in the initial FW proposal but excluded in the revised proposal). If required this would add approximately \$300,000 to the construction costs.

This would provide a 1,688 square metre building and would be a “basic developer quality” facility, with a “civic fitout”.

Klu'dup describes the redevelopment estimate as “high risk” as the Harbourside proposal is currently only at early concept stage. They also note “that redevelopment of buildings of the age and type of the old Harbour Board Building contain the potential to surprise on the down side”.

| Estimated Capital | \$000 |
|--|-----------------|
| Shell (Including site preparation) | \$3,132 |
| Fixtures, Fittings & Equipment (includes F&F of \$585 plus allowance for 4D theatre, special lighting and aquarium of \$750) | \$1,336 |
| Mechanical Services | \$903 |
| Electrical & Fire Services | \$418 |
| Lifts | \$50 |
| Sanitary Plumbing | \$43 |
| External Works | \$500 |
| | \$6,382 |
| Builders Margin | \$255 |
| Total Construction Cost | \$6,636 |
| Construction & Design Contingency | \$1,248 |
| Building Consent | \$134 |
| Professional Fees | \$1,042 |
| Total Current Cost excluding GST | \$9,060 |
| Provision for Escalation | \$1,250 |
| Estimated Cost when Constructed | \$10,310 |
| Elemental cost estimate from Kludup Ltd | |

⁵ Whangarei Town Basin, Proposals for Northland Harbour Board Building – Examination of Capital Cost. Klu'dup Limited, 4 March 2015.

4.5. Status

Harbourside is still at the concept stage with concept drawings only. As such Harbourside does not have a Resource Consent (if required) or Building Consent (will be required). Neither consent is expected to be difficult to obtain.

The Harbourside Community Trust has not yet been registered.

Parking should not be an issue for the Harbourside proposal as per a parking assessment carried out for another proposed use of the former Harbour Board building.

As noted in the background section the use of the building for Harbourside is likely to require a change in use and compliance with the Building Act will require the building to be strengthened to 100% NBS.

4.6. Funding

The revised proposal is silent on funding except that “A Charitable Trust – Harbourside Community Trust will be formed to manage the project for the benefit of Council and ratepayers. A Trust will open up Harbourside to potential funding sources”.

FW have requested \$2.5 million of WDC funding towards the project. Based on the revised capital cost estimates this would mean the Harbourside Community Trust would need to raise \$7.8 million from external grants and the community.

No funding has yet been requested or committed.

FW believe the \$2.5 million previously approved by Lottery Grants Board for the proposed Hundertwasser Arts Centre project would be able to be accessed for this (different) project. Those grants have been released as that project did not proceed at that time. New applications specific to this project would need to be submitted to be considered on their own merits.

The original proposal believed funding would come from the following sources.

Factors potentially impacting FW ability to achieve grant funding include:

- To apply for large grants organisations typically need to be well established and have audited financial statements. As the Harbourside Community Trust is not yet established, this could delay Harbourside from grant consideration.

| Estimated Funding Budget | \$000 |
|--|----------------|
| Lotteries Significant Projects Fund | \$500 |
| Lotteries Environment and Heritage Fund | \$2,500 |
| Ministry of Culture and Heritage Regional Museum | \$2,500 |
| ASB Community Trust | \$500 |
| | \$6,000 |
| Future Whangarei Proposal October 2014 page 16 | |

- The former Harbour Board Building is not recognised by the New Zealand Historic Places Trust or the WDC as a heritage building, reducing the likelihood of successful heritage grant consideration.
- The focus of the Harbourside is mainly regional and is likely to have little national or international attraction. This may reduce the chance of the Harbourside proposal being successful in obtaining grants as a significant project.

4.7. Visitor Numbers and Admission Prices

No demand studies or analysis has been completed for the Harbourside proposal.

- The original proposal forecast approximately 20,000 people visiting Harbourside, with free entry.
- The revised proposal forecasts 70,000 people visiting Harbourside producing \$450,000 of admissions revenue (30,000 adults at \$10; 30,000 seniors at \$8; and 10,000 children at \$3). FW have not provided any background to support their visitor and pricing forecasts.

The Harbourside financial estimates included \$30,000 per annum for marketing and advertising.

As described the Harbourside proposal is planned to be a local/regional museum and gallery. Often such operations do not charge entry and can have a limited appeal (as was forecast in the original Harbourside proposal). Some local examples of local / regional museums and galleries are shown below. Further information is included in Appendix 1.

| Name | Location | Annual Visits | Adult | Child | Family | Senior | Student |
|--|----------------|----------------|---------|---------|----------|--------|---------|
| Botanica Whangarei - Fernery, Conservatory & Cacti House | Whangarei | 12,000 | | | free | | |
| Claphams Clocks- The National Clock Museum | Whangarei | 9,222 | \$6-\$8 | \$3-\$4 | \$ 20 | \$6 | \$6 |
| Kiwi North - Museum. Kiwi House. Heritage Park | Whangarei | 17,022 | \$10 | \$5 | \$ 25 | | |
| Quarry Arts Centre | Whangarei | 8,395 | | | donation | | |
| Reyburn House Gallery | Whangarei | ~10,000 | | | donation | | |
| Whangarei Art Museum | Whangarei | 8,985 | | | free | | |
| Hikurangi Historical Museum | Near Whangarei | 300 | | | donation | | |
| Waipu Museum | Near Whangarei | ~21,000, 6,000 | \$8 | \$3 | \$ 20 | \$6 | \$6 |
| The Kauri Museum | Northland | ~90,000 | \$25 | \$8 | \$55 | \$20 | \$20 |
| Russell Museum | Northland | 16,678 | \$8 | \$2 | \$ 15 | | |

As such we believe it is unlikely that Harbourside will attract 70,000 visits per annum at \$10 per adult. The number of visits is more likely to be in a lower range of 20,000 to 50,000 per annum. We have run a range of sensitivities on revenue and price to determine breakeven and indicative outcomes at various levels.

4.8. Other Income

In addition to admission charges, FW have forecast the following revenue:

Rents

Whilst the Harbourside floor plan does not have surplus office space to rent it does have a seminar room and could potentially lease out some gallery space on occasions for functions and events. The FW forecast of \$15,000 per annum has been included.

Sales of Souvenirs

The Harbourside floorplan has a 51 sqm entry and merchandising area in the entrance area. FW's financial forecasts include \$86,000 of souvenir sales at 50% gross margin, equating to \$43,000 of net income.

As a comparison the average annual souvenir sales of all New Zealand i-SITEs is \$74,000 at 37% margin. The Harbourside retail space is reasonably well located on the Town Basin. We have forecast souvenir sales based on FW's estimate of \$86,000 of sales per annum but at 40% margin, netting \$34,000 per annum.

Donations

The revised Harbourside proposal forecast \$150,000 in donations each year. There is no information about where this is expected to come from. By comparison Whangarei Art Museum (which has free entry) received \$3,000 in donations last year. It may be possible that Harbourside can get some charitable grants from local trusts towards operations or provision of services to children, etc. Even so, this forecast seems unrealistic and a sum of \$20,000 has been used in the feasibility study.

4.9. Expenses

In the original proposal no detail was provided of expenses, simply that Harbourside would be run by reallocation of the Whangarei Arts Museum Trust and CHART annual grants from WDC – totalling \$450,000.

The revised proposal has a limited operating cost budget totalling \$400,000. Our estimate is a total operating cost of approximately \$650,000 per annum at current costs. This is summarised below with our comments and estimates.

| Estimate of Operating Costs - in current costs | | | | | |
|--|--------------|----------------|-----------|----------------|--|
| | FW 19 Dec 14 | | Deloitte | | |
| Overhead Expenses | | | | | |
| Accountancy fees | \$ | - | | | WDC |
| Advertising | \$ | 30,000 | \$ | 30,000 | |
| Audit fee | \$ | - | | | WDC |
| Bank fees & charges | \$ | - | \$ | 1,200 | Say \$100 per month |
| Computer expenses | \$ | 5,000 | \$ | 20,000 | Significant high tech equipment planned to be included |
| Electricity and Water | \$ | 20,000 | \$ | 60,000 | Lift, serious aircon, 4D, outside lighting show etc. Branz 2012 100-300kwh/sqm pa at 20c/Kwh 1600sqm = \$32k-96k pa |
| General | \$ | 50,000 | \$ | 50,000 | |
| Legal Fees | \$ | - | \$ | 2,000 | |
| Postage & Courier | \$ | - | \$ | 1,200 | Say \$100 per month |
| Printing and Stationery | \$ | 15,000 | \$ | 2,400 | Say \$200 per month |
| Rent | \$ | - | \$ | - | |
| Telephone & Tolls & WiFi | \$ | 1,000 | \$ | 12,000 | Interactive equipment - say \$1,000 per month |
| Travelling & Accommodation | \$ | 4,000 | \$ | 4,000 | |
| Uniforms | \$ | - | \$ | 4,000 | Say \$4000 pa (WAMT) |
| Insurance | | | | | |
| Insurance - General | | | | | Assume property insured by WDC |
| Insurance - Art Works & Other | \$ | 25,000 | \$ | 25,000 | Depends on value of art and equipment in Harbourside |
| Exhibitions and Freight | | | | | |
| Exhibitions | | | | | |
| Freight | \$ | 20,000 | \$ | 20,000 | |
| Property | | | | | |
| Security | \$ | 2,400 | \$ | 8,340 | Monitored alarms \$45pm, patrols \$450pm, plus allowance for callouts \$200pm |
| Cleaning | \$ | 5,000 | \$ | 20,000 | Say 2.5 hours per night at \$16 (\$15,000 pa) plus materials |
| Repairs & Maintenance | \$ | 50,000 | \$ | 50,000 | |
| Personnel Costs | | | | | |
| | | <i>FTEs</i> | | <i>FTEs</i> | |
| Salary - Curator/Director | \$ | 75,000 | \$ | 90,000 | Curator \$80k/ Director \$110k (WAMT) - say \$90k |
| Ticket Counter/ Retail | \$ | 35,000 | \$ | 38,000 | 7 days per week x 2 positions equals 3 staff |
| Ticket Counter/ Retail | \$ | 35,000 | \$ | 38,000 | Salaries per WAMT |
| Ticket Counter/ Retail | \$ | - | \$ | 38,000 | |
| Education Co-ordinator | \$ | - | \$ | 40,000 | |
| 4D operator and safety person | \$ | - | \$ | 60,000 | 1 person needed to run show and be in show when running (per Intl Antarctic Centre 4D) |
| Backroom Assistant / Volunteers | \$ | 10,000 | \$ | 10,000 | |
| Administration | \$ | 16,000 | \$ | 25,000 | Say half time position of Office Admin |
| | | <i>3.3</i> | | <i>7</i> | |
| | \$ | 171,000 | \$ | 339,000 | |
| Insurance - ACC | \$ | 1,000 | \$ | 3,390 | |
| Kiwisaver | | | \$ | 13,560 | 4.00% |
| Estimated Costs - Year 2 on | \$ | 399,400 | \$ | 666,090 | |
| Additional Start Up/ Year 1 Costs | | | | | |
| Legal fees | | | \$ | 3,000 | Higher in start up period |
| Freight | | | \$ | 20,000 | Higher in start up period |
| Other set up Costs | | | \$ | 50,000 | Additional general costs in setting up |
| Recruitment Expenses - Set up | | | \$ | 16,950 | 5.00% Year 1 only |
| Estimated Costs - initial year | \$ | 399,400 | \$ | 756,040 | |
| Credit Card Commissions | | | | | |
| | | | | 1.50% | Say 1.5% - 2% is standard but some revenue will be cash |

Source - FW - per Letter 19 December 2014. Deloitte - estimates as noted

5. Financial Analysis

5.1. Overview and Assumptions

A financial model over ten years has been developed to estimate the viability of Harbourside.

The key assumptions are:

- **Timing:** It is assumed that if the Harbourside is approved by a ratepayer referendum in the second quarter of this year, the promoters will be given two years to raise their share of the capital, followed by a two year planning and construction period. It is assumed that Harbourside construction will commence in late 2017 and will be completed by June 2019, with Harbourside opening in July 2019.
- **Capital Costs:** The capital costs have been based on our construction advisers estimate of the costs to redevelop the former Harbour Board building into Harbourside totalling \$10.3 million, including \$1.25 million for contingencies, the estimated costs of the aquarium, 4D theatre and other interactive and external lighting and projection features and \$1.25 million provision for cost escalation to the possible construction start date of late 2017 and completion in June 2019.
- **Funding:** It is assumed that \$2.5 million in funding will come from WDC and the balance (\$7.8 million) will be fund raised by the Harbourside Community Trust, which is to be established. Possible difficulties with this fundraising are noted in the earlier section.
- **Visits and pricing:** As annual visit numbers and pricing are one of the key risks in this proposal, the primary evaluation of the project has been completed on a break even basis. Sensitivity analysis has also been completed basis on 20,000 visits per annum (similar to the higher of the earlier noted comparatives), 30,000 / 35,000 / 40,000 / 50,000 visits per annum (assuming the 4D and other exhibits attract higher volumes) and Harbourside's estimate of 70,000, though we believe this volume is unlikely. We have included an illustrative financial forecast at 35,000 per annum – the mid-point of our estimated visit volumes of 20,000 to 50,000.
- **Marketing:** FW has allowed \$30,000 per annum for marketing and advertising Harbourside.
- **Other income** has been included at \$15,000 for rentals, \$86,000 for sales of souvenirs at 40% gross margin and \$20,000 for donations and grants each year.
- **Operating costs:** Operating costs have been based on the estimates outlined in the earlier section.
- **Inflation** has been assumed at 2% per annum on all costs and on admission charges.

5.2. Breakeven Analysis

To breakeven on a cash basis Harbourside would need an estimated 95,000 visits per annum paying \$10 per adult, \$3 per child and \$8 per senior citizen or 67,500 visits per annum if the prices were increased to \$15 per adult, \$5 per child and \$10 per senior citizen. This is considered unlikely to be achieved.

| Breakeven Analysis | | |
|-------------------------------------|----------------------|------------------------|
| Typical year - say 2022 | At Base Price | At Higher Price |
| Annual Visits | 95,000 | 65,000 |
| Adult Price (incl GST) | \$10 | \$15 |
| Cash Operating Surplus \$000 | \$12 | \$0 |

5.3. Sensitivity Analysis

The tables below summarise the forecast annual outcome at various annual visit levels and prices.

| Scenario Analysis | | | | | |
|--|--|----------------|----------------|----------------|----------------|
| Typical year - say 2022 | At \$10 per adult, \$8 per Senior & \$3 per child (GST Inclusive) | | | | |
| Annual Visits | 20,000 | 30,000 | 40,000 | 50,000 | 70,000 |
| Cash Operating Surplus / (Deficit) \$000 | (\$525) | (\$450) | (\$380) | (\$310) | (\$170) |

| Scenario Analysis | | | | | |
|--|---|----------------|----------------|----------------|-------------|
| Typical year - say 2022 | At \$15 per adult, \$10 per Senior & \$5 per child (GST Inclusive) | | | | |
| Annual Visits | 20,000 | 30,000 | 40,000 | 50,000 | 70,000 |
| Cash Operating Surplus / (Deficit) \$000 | (\$465) | (\$365) | (\$265) | (\$165) | \$40 |

Based on similar local and regional museums and galleries we believe the likely visits to Harbourside will be between 20,000 per annum and 50,000 per annum. Therefore we believe that Harbourside is likely to operate at a cash deficit each year of between \$165,000 and \$525,000 depending on visitor numbers and pricing.

5.4. Financial Forecast

The financial analysis illustrates the forecast outcome at 35,000 visits per annum (the mid-point of our visitor estimate range) at FW's pricing of \$10 per adult (including GST), \$3 per child and \$8 per senior citizen. This forecasts that Harbourside will operate at a cash operating deficit each year of approximately \$400,000.

| | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | 30 Jun 21 | 30 Jun 22 | 30 Jun 23 | 30 Jun 24 | 30 Jun 25 | 30 Jun 26 | 30 Jun 27 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>Annual Visits</i> | Construction | | 35,000 | 35,000 | Operating | | | | | |
| | | | | | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| Forecast of Financial Performance | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | | | | | | | |
| Admissions | \$0 | \$0 | \$248 | \$251 | \$254 | \$257 | \$260 | \$264 | \$267 | \$270 |
| Grants | \$5,155 | \$5,155 | \$20 | \$20 | \$21 | \$21 | \$22 | \$22 | \$23 | \$23 |
| Souvenir Shop | \$0 | \$0 | \$86 | \$88 | \$90 | \$92 | \$94 | \$95 | \$98 | \$100 |
| Café Lease | \$0 | \$0 | \$15 | \$15 | \$16 | \$16 | \$16 | \$17 | \$17 | \$17 |
| | \$5,155 | \$5,155 | \$369 | \$374 | \$380 | \$386 | \$392 | \$398 | \$404 | \$411 |
| Cost of Sales - Souvenir Shop | \$0 | \$0 | (\$52) | (\$53) | (\$54) | (\$55) | (\$56) | (\$57) | (\$59) | (\$60) |
| | \$5,155 | \$5,155 | \$317 | \$322 | \$326 | \$331 | \$336 | \$341 | \$346 | \$351 |
| Personnel Costs | \$0 | (\$48) | (\$378) | (\$385) | (\$393) | (\$401) | (\$409) | (\$417) | (\$425) | (\$434) |
| Overhead costs (including Insurance) | \$0 | (\$88) | (\$232) | (\$237) | (\$242) | (\$246) | (\$251) | (\$256) | (\$261) | (\$267) |
| Exhibitions & Freight | \$0 | (\$42) | (\$21) | (\$22) | (\$22) | (\$23) | (\$23) | (\$23) | (\$24) | (\$24) |
| Security | \$0 | (\$1) | (\$9) | (\$9) | (\$9) | (\$9) | (\$10) | (\$10) | (\$10) | (\$10) |
| Property Maintenance Expenses | \$0 | (\$6) | (\$74) | (\$76) | (\$77) | (\$79) | (\$80) | (\$82) | (\$84) | (\$85) |
| | \$0 | (\$184) | (\$714) | (\$729) | (\$743) | (\$758) | (\$773) | (\$789) | (\$804) | (\$820) |
| Cash Operating Surplus (Deficit) | \$5,155 | \$4,971 | (\$397) | (\$407) | (\$417) | (\$427) | (\$437) | (\$448) | (\$459) | (\$470) |
| Depreciation | \$0 | \$0 | (\$467) | (\$467) | (\$467) | (\$467) | (\$467) | (\$467) | (\$467) | (\$467) |
| Net Surplus (Deficit) | \$5,155 | \$4,971 | (\$865) | (\$874) | (\$884) | (\$894) | (\$905) | (\$915) | (\$926) | (\$937) |
| Cashflow Forecast | | | | | | | | | | |
| From Operations | \$5,928 | \$5,752 | (\$385) | (\$407) | (\$416) | (\$427) | (\$437) | (\$447) | (\$458) | (\$469) |
| From Investing | (\$5,928) | (\$5,928) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| From Funding | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Annual Cashflow | \$0 | (\$177) | (\$385) | (\$407) | (\$416) | (\$427) | (\$437) | (\$447) | (\$458) | (\$469) |
| DISCLAIMER | | | | | | | | | | |
| These projections have been compiled from information and instructions furnished to us, and estimates made by Deloitte. As the projections are based on circumstances and events that have not yet taken place they are subject to variations that may arise as future events actually occur. Accordingly, we cannot give assurance that the predicted results will actually be attained. | | | | | | | | | | |
| Deloitte March 2015 | | | | | | | | | | |

This forecast must be read in conjunction with the disclaimer on page 5.

5.5. Costs to Whangarei District Council

Under the FW proposal the possible costs to WDC would be:

- An initial capital contribution towards construction of \$2.5 million, which would be required in 2018 / 2019.
- Insurance on the property as it will be retained by WDC.
- Any cash operating losses made in the operation of Harbourside, as FW propose that Harbourside continue to be owned by WDC. We believe that Harbourside will operate at a cash deficit each year of between \$165,000 and \$525,000 depending on visitor numbers and pricing.

5.6. Benefits to Whangarei and the Region

There has been no economic benefit analysis completed related to the Harbourside proposal, but based on the Hundertwasser Wairau Maori Art Centre (HWMAC) estimates Harbourside may provide an estimated:

- 50 Full time equivalent jobs (FTEs) in the construction of the Harbourside over two years.
- An ongoing 7 FTEs in the Harbourside operation.

The HWMAC proposal was also estimated to have a \$3.5 million to \$3.7 million annual economic benefit to Whangarei from extra visitors and visitor spending. No estimate of ongoing economic benefit for Harbourside is possible without further analysis as the likely Harbourside visitors are a different mix (more local and regional visitors) who do not have the same economic benefit impact as international visitors (international visitors have a higher spend, whilst some local visitor expenditure is considered substitution for other expenditure in the city).

6. Risk Analysis

There are a number of risks that exist around the operation of Harbourside.

6.1. Operational Risks

| Description | Impact on Harbourside | Consequence | Likelihood | Response |
|---|-------------------------------|-------------|------------|---|
| Obtaining quality art works and objects for display | – Less attractive to visitors | Medium | Medium | It is understood Harbourside do not have any agreements for the provision of art at this stage. |

6.2. Development Risks

| Description | Impact on Harbourside | Consequence | Likelihood | Response |
|-------------------------------------|---------------------------------------|-------------|------------|--|
| Required consent cannot be obtained | – Increased cost or project abandoned | High | Low | A Resource Consent may be required and a Building Consent will be required, but these are unlikely to be an issue. |
| Cost Overrun | – Increased fund or debt required | Medium | Medium | The Harbourside proposal is still at concept stage. Our specialist construction adviser has included typical concept stage contingency levels in their estimates and a provision for escalation to the time of expected construction completion but notes the redevelopment estimate as “high risk”. They also note that redevelopment of buildings of the age and type of the old Harbour Board Building contain the potential to surprise on the down side. |

| Description | Impact on Harbourside | Consequence | Likelihood | Response |
|--------------------------------------|----------------------------|----------------------------------|----------------|--|
| FW cannot raise the required funding | – Project cannot be funded | High Project will not proceed | Medium to High | <p>If the ratepayers select the Harbourside proposal FW will have two years to raise the \$8.1 million funding of external and community funding or the project will not progress.</p> <p>As noted in the funding section FW may have the following issues with fundraising:</p> <ul style="list-style-type: none"> – To apply for large grants organisations typically need to be well established and audited. As the Harbourside Community Trust is not yet established, this could delay Harbourside from grant consideration. – The former Harbour Board Building is not recognised by the New Zealand Historic Places Trust or the WDC as a heritage building, reducing the likelihood of successful heritage grant consideration. – The focus of the Harbourside is mainly regional and is likely to have little national or international attraction. This may reduce the chance of the Harbourside proposal being successful in obtaining grants as a significant project. |

6.3. Financial Risks

| Description | Impact on Harbourside | Consequence | Likelihood | Response |
|---|--|-------------|------------|---|
| Visitor Volumes are insufficient to cover operating costs | – Cash operating losses | High | High | <p>As noted in the sensitivity analysis similar local and regional museum/galleries do not have high visitor attendance levels and many do not charge admission.</p> <p>Based on similar operations we believe it is unlikely that Harbourside will attract the level of visitors required at the required admission price to cover operating costs.</p> <p>As Harbourside would be owned by WDC any operating deficit would fall back on the ratepayers.</p> |
| Operating Costs higher than anticipated | – Higher costs, increased operating losses | Medium | Medium | <p>Our estimate of operating costs have been developed based on our understanding of the level of staff and costs required to operate an operation like Harbourside. As the information related to Harbourside is limited the actual costs may vary.</p> |

Appendix 1 – Visitor Numbers and Pricing

| Admissions Price Comparison Data | | | | | | | | |
|--|----------------|----------------|-------------------|---------|----------|--------|---------|--|
| Whangarei District Attractions | | | Pricing Structure | | | | | |
| Name | Location | Annual Visits | Adult | Child | Family | Senior | Student | Additional Details Noted |
| Botanica Whangarei - Fernery, Conservatory & Cacti House | Whangarei | 12,000 | | | free | | | Admission free |
| Claphams Clocks- The National Clock Museum | Whangarei | 9,222 | \$6-\$8 | \$3-\$4 | \$ 20 | \$6 | \$6 | |
| Kiwi North - Museum. Kiwi House. Heritage Park | Whangarei | 17,022 | \$10 | \$5 | \$ 25 | | | |
| Quarry Arts Centre | Whangarei | 8,395 | | | donation | | | No pricing structure, all receipts by donation |
| Reyburn House Gallery | Whangarei | ~10,000 | | | donation | | | No pricing structure, all receipts by donation |
| Whangarei Art Museum | Whangarei | 8,985 | | | free | | | Admission free |
| Tuatara | Whangarei | | | | free | | | Admission free |
| Appin Gallery | Whangarei | | | | free | | | Admission free |
| Burning Issues Gallery | Whangarei | | | | free | | | Admission free |
| The Gallery, Helena Bay Hill | Whangarei | | | | free | | | Admission free |
| Glenberrie Pottery Gallery | Whangarei | | | | | | | No pricing information available |
| Natural Wood Creations | Whangarei | | | | free | | | Admission free |
| Pacific Carvers | Whangarei | | | | | | | \$140 (per person including lunch) |
| The Papermill | Whangarei | | | | donation | | | No pricing structure, all receipts by donation |
| Hikurangi Historical Museum | Near Whangarei | 300 | | | donation | | | No pricing structure, all receipts by donation |
| Waipu Museum | Near Whangarei | ~21,000, 6,000 | \$8 | \$3 | \$ 20 | \$6 | \$6 | |
| Wider Northland Region Attractions | | | | | | | | |
| Far North Regional Museum | Northland | | \$4 | \$1 | \$ 8 | | | |
| Hokianga Museum | Northland | | | | donation | | | Koha/Donation |
| The Kauri Museum | Northland | ~90,000 | \$25 | \$8 | \$55 | \$20 | \$20 | |
| Kaikohe Pioneer Village | Northland | | \$12-\$15 | \$0-\$5 | | | | |
| Russell Museum | Northland | 16,678 | \$8 | \$2 | \$ 15 | | | |
| Waitangi National Trust Museum (Treaty House) | Northland | ~250,000 | \$25 | \$12 | | | | NZ residents admission is free |
| World of Wheels | Northland | | \$4 | \$2 | | | | |
| Zion Wildlife Gardens | Northland | | \$60 | \$30 | n/a | n/a | n/a | |

Based on the above examples of local and regional museums, galleries and heritage operations we have estimated that the visits to Harbourside are likely to be in the range of 20,000 to 50,000 per annum.

Appendix 2 – Financial Modelling & Assumptions

The illustrative financial forecast below is based on 35,000 visitors per annum, the mid-point of our forecast visitor range of 20,000 to 50,000.

WHANGAREI DISTRICT COUNCIL - FUTURE WHANGAREI - HARBOURSIDE PROPOSAL FEASIBILITY STUDY STATEMENT OF FINANCIAL PERFORMANCE

| Period End | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | 30 Jun 21 | 30 Jun 22 | 30 Jun 23 | 30 Jun 24 | 30 Jun 25 | 30 Jun 26 | 30 Jun 27 | 30 Jun 28 | 30 Jun 29 | 30 Jun 30 | 30 Jun 31 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Annual Visits | | | | | | | | | | | | | | |
| Total | | | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| | | | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| Profit & Loss Statement | | | | | | | | | | | | | | |
| REVENUE | | | | | | | | | | | | | | |
| Admissions Revenue | - | - | 247,826 | 250,871 | 253,977 | 257,146 | 260,377 | 263,673 | 267,036 | 270,465 | 273,963 | 277,531 | 281,170 | 284,882 |
| Grant Income | 5,155,000 | 5,155,000 | 20,000 | 20,424 | 20,857 | 21,299 | 21,750 | 22,209 | 22,678 | 23,156 | 23,643 | 24,141 | 24,648 | 25,165 |
| Souvenir Shop Income | - | - | 86,000 | 87,825 | 89,687 | 91,586 | 93,523 | 95,499 | 97,514 | 99,570 | 101,666 | 103,805 | 105,986 | 108,211 |
| Other Rental | - | - | 15,000 | 15,318 | 15,643 | 15,974 | 16,312 | 16,657 | 17,008 | 17,367 | 17,732 | 18,106 | 18,486 | 18,874 |
| TOTAL REVENUE | 5,155,000 | 5,155,000 | 368,826 | 374,439 | 380,165 | 386,005 | 391,962 | 398,038 | 404,236 | 410,557 | 417,005 | 423,582 | 430,290 | 437,133 |
| DIRECT COSTS | | | | | | | | | | | | | | |
| Souvenir Shop Cost of Goods Sold | - | - | 51,600 | 52,695 | 53,812 | 54,952 | 56,114 | 57,299 | 58,508 | 59,742 | 61,000 | 62,283 | 63,592 | 64,927 |
| TOTAL DIRECT COSTS | - | - | 51,600 | 52,695 | 53,812 | 54,952 | 56,114 | 57,299 | 58,508 | 59,742 | 61,000 | 62,283 | 63,592 | 64,927 |
| GROSS MARGIN | 5,155,000 | 5,155,000 | 317,226 | 321,744 | 326,353 | 331,053 | 335,848 | 340,739 | 345,727 | 350,815 | 356,005 | 361,299 | 366,699 | 372,206 |
| OVERHEADS | | | | | | | | | | | | | | |
| Overhead Expenses | - | 85,484 | 205,788 | 209,877 | 214,047 | 218,301 | 222,640 | 227,066 | 231,580 | 236,184 | 240,881 | 245,671 | 250,558 | 255,542 |
| Insurance | - | 2,168 | 26,530 | 27,061 | 27,602 | 28,154 | 28,717 | 29,291 | 29,877 | 30,475 | 31,084 | 31,706 | 32,340 | 32,987 |
| Exhibitions & Freight | - | 41,616 | 21,224 | 21,649 | 22,082 | 22,523 | 22,974 | 23,433 | 23,902 | 24,380 | 24,867 | 25,365 | 25,872 | 26,390 |
| Security | - | 723 | 8,850 | 9,027 | 9,208 | 9,392 | 9,580 | 9,772 | 9,967 | 10,166 | 10,370 | 10,577 | 10,789 | 11,004 |
| Property Maintenance Expenses | - | 6,069 | 74,285 | 75,770 | 77,286 | 78,831 | 80,408 | 82,016 | 83,656 | 85,330 | 87,036 | 88,777 | 90,552 | 92,364 |
| Salary & Wage Expenses | - | 29,391 | 359,750 | 366,945 | 374,283 | 381,769 | 389,404 | 397,193 | 405,136 | 413,239 | 421,504 | 429,934 | 438,533 | 447,303 |
| Other Personnel Expenses | - | 18,420 | 17,987 | 18,347 | 18,714 | 19,088 | 19,470 | 19,860 | 20,257 | 20,662 | 21,075 | 21,497 | 21,927 | 22,365 |
| TOTAL OVERHEADS | - | 183,870 | 714,414 | 728,676 | 743,222 | 758,059 | 773,193 | 788,630 | 804,376 | 820,436 | 836,818 | 853,527 | 870,570 | 887,955 |
| EBITDA | 5,155,000 | 4,971,130 | (397,188) | (406,931) | (416,869) | (427,006) | (437,345) | (447,891) | (458,648) | (469,621) | (480,812) | (492,228) | (503,872) | (515,748) |
| Depreciation | - | - | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 | 467,469 |
| NET PROFIT BEFORE TAX | 5,155,000 | 4,971,130 | (864,658) | (874,401) | (884,339) | (894,475) | (904,815) | (915,361) | (926,118) | (937,090) | (948,282) | (959,697) | (971,341) | (983,218) |

DISCLAIMER

These projections have been compiled from information and instructions furnished to us, and estimates made by Deloitte. As these projections are based on assumptions about circumstances and events that have not yet taken place they are subject to variations that may arise as future events actually occur. Accordingly, we cannot give assurance that the predicted results will actually be attained.

Deloitte

Mar-15

**WHANGAREI DISTRICT COUNCIL - FUTURE WHANGAREI - HARBOURSIDE PROPOSAL FEASIBILITY STUDY
STATEMENT OF CASHFLOWS**

Period End 30 Jun 18 30 Jun 19 30 Jun 20 30 Jun 21 30 Jun 22 30 Jun 23 30 Jun 24 30 Jun 25 30 Jun 26 30 Jun 27 30 Jun 28 30 Jun 29 30 Jun 30 30 Jun 31

Cash Flow Statement

Operating Cash Flow

| | | | | | | | | | | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Cash Inflow | 5,928,250 | 5,928,250 | 424,150 | 430,605 | 437,190 | 443,906 | 450,756 | 457,744 | 464,871 | 472,141 | 479,556 | 487,119 | 494,834 | 502,703 |
| Operating Cash Outflow | - | (176,569) | (809,465) | (837,151) | (853,639) | (870,510) | (887,721) | (905,218) | (923,065) | (941,327) | (959,956) | (978,896) | (998,213) | (1,017,981) |
| Net Operating Cash Flows | 5,928,250 | 5,751,681 | (385,315) | (406,546) | (416,449) | (426,605) | (436,964) | (447,474) | (458,194) | (469,186) | (480,400) | (491,777) | (503,379) | (515,278) |

Interest Paid
Tax Paid

| | | | | | | | | | | | | | | |
|---------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest Paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tax Paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Total Operating Cash Flow

| | | | | | | | | | | | | | | |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Operating Cash Flow | 5,928,250 | 5,751,681 | (385,315) | (406,546) | (416,449) | (426,605) | (436,964) | (447,474) | (458,194) | (469,186) | (480,400) | (491,777) | (503,379) | (515,278) |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

Investing Cash Flow

| | | | | | | | | | | | | | | |
|---------------------|-------------|-------------|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital Expenditure | (5,928,250) | (5,928,250) | - | - | - | - | - | - | - | - | - | - | - | - |
|---------------------|-------------|-------------|---|---|---|---|---|---|---|---|---|---|---|---|

Total Investing Cash flow

| | | | | | | | | | | | | | | |
|----------------------------------|--------------------|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Total Investing Cash flow | (5,928,250) | (5,928,250) | - | - | - | - | - | - | - | - | - | - | - | - |
|----------------------------------|--------------------|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|

Financing Cash Flow

| | | | | | | | | | | | | | | |
|---------------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Loan Drawdown | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Principal Repayment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity Contribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Total Financing Cash Flow

| | | | | | | | | | | | | | | |
|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Total Financing Cash Flow | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|

Net Cash Inflow/(Outflow)

| | | | | | | | | | | | | | | |
|----------------------------------|----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Net Cash Inflow/(Outflow) | - | (176,569) | (385,315) | (406,546) | (416,449) | (426,605) | (436,964) | (447,474) | (458,194) | (469,186) | (480,400) | (491,777) | (503,379) | (515,278) |
|----------------------------------|----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

DISCLAIMER

These projections have been compiled from information and instructions furnished to us, and estimates made by Deloitte. As these projections are based on assumptions about circumstances and events that have not yet taken place they are subject to variations that may arise as future events actually occur. Accordingly, we cannot give assurance that the predicted results will actually be attained.

Deloitte Mar-15

WHANGAREI DISTRICT COUNCIL - FUTURE WHANGAREI - HARBOURSIDE PROPOSAL ASSUMPTIONS

B2.00 Date & Time Assumptions

B2.01 Key Dates

Opening Date of Harbourside 1/07/2019

B3.00 Economic Assumptions

B3.01 Economic Assumptions

CPI 2.00%
Wage & Salary Inflation 2.00%

B4.00 Revenue Assumptions

B4.03 Entry Fee Assumptions

| | | GST Inclusive | GST Exclusive |
|---------------------|---|---------------|---------------|
| Adult | M | \$ 10.00 | \$ 8.70 |
| Children | M | \$ 3.00 | \$ 2.61 |
| Family Pass | M | \$ - | \$ - |
| Student | M | \$ - | \$ - |
| Senior | M | \$ 8.00 | \$ 6.96 |
| Adult - Local | M | \$ 10.00 | \$ 8.70 |
| Children - Local | M | \$ 3.00 | \$ 2.61 |
| Family Pass - Local | M | \$ - | \$ - |
| Student - Local | M | \$ - | \$ - |
| Senior - Local | M | \$ 8.00 | \$ 6.96 |

Ticket Sales

| Period Start | 1 Jul 19 | 1 Jul 20 | 1 Jul 21 | 1 Jul 24 | 1 Jul 25 | 1 Jul 26 | 1 Jul 27 |
|----------------------|----------|----------|----------|----------|----------|----------|----------|
| Total Tickets | | | | | | | |
| Adult | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Child | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Senior Citizen | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Total Tickets | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| Total Numbers | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |

B4.05 Grant Income

WDC Grants (pa)

| Start Date | End Date | Revenue \$ |
|------------|-----------|--------------|
| 30 Jun 17 | 30 Jun 13 | \$ - |
| 1 Jul 13 | 30 Jun 14 | \$ - |
| 1 Jul 14 | 30 Jun 15 | \$ - |
| 1 Jul 15 | 30 Jun 16 | \$ - |
| 1 Jul 16 | 30 Jun 17 | \$ - |
| 1 Jul 17 | 30 Jun 18 | \$ - |
| 1 Jul 18 | 30 Jun 19 | \$ 2,500,000 |
| 1 Jul 19 | 30 Jun 20 | \$ - |
| 1 Jul 20 | 30 Jun 21 | \$ - |
| 1 Jul 21 | 30 Jun 22 | \$ - |
| 1 Jul 22 | 30 Jun 23 | \$ - |
| 1 Jul 23 | 30 Jun 24 | \$ - |
| 1 Jul 24 | 30 Jun 25 | \$ - |
| | | 3 |
| | | \$ 2,500,000 |

Fundraising / Donations

| Start Date | End Date | Revenue \$ |
|------------|-----------|--------------|
| 30 Jun 17 | 30 Jun 13 | \$ - |
| 1 Jul 13 | 30 Jun 14 | \$ - |
| 1 Jul 14 | 30 Jun 15 | \$ - |
| 1 Jul 15 | 30 Jun 16 | \$ - |
| 1 Jul 16 | 30 Jun 17 | \$ - |
| 1 Jul 17 | 30 Jun 18 | \$ 5,155,000 |
| 1 Jul 18 | 30 Jun 19 | \$ 2,655,000 |
| 1 Jul 19 | 30 Jun 20 | \$ - |
| 1 Jul 20 | 30 Jun 21 | \$ - |
| 1 Jul 21 | 30 Jun 22 | \$ - |
| 1 Jul 22 | 30 Jun 23 | \$ - |
| 1 Jul 23 | 30 Jun 24 | \$ - |
| 1 Jul 24 | 30 Jun 25 | \$ - |
| | | 3 |
| | | \$ 7,810,000 |

Other Grants (pa)

| Start Date | End Date | Revenue \$ |
|------------|-----------|---------------|
| 30 Jun 17 | 30 Jun 13 | \$ - |
| 1 Jul 13 | 30 Jun 14 | \$ - |
| 1 Jul 14 | 30 Jun 15 | \$ - |
| 1 Jul 15 | 30 Jun 16 | \$ - |
| 1 Jul 16 | 30 Jun 17 | \$ - |
| 1 Jul 17 | 30 Jun 18 | \$ - |
| 1 Jul 18 | 30 Jun 19 | \$ - |
| 1 Jul 19 | 30 Jun 20 | \$ 20,000 |
| 1 Jul 20 | 30 Jun 21 | \$ 20,000 |
| 1 Jul 21 | 30 Jun 22 | \$ 20,000 |
| 1 Jul 22 | 30 Jun 23 | \$ 20,000 |
| 1 Jul 23 | 30 Jun 24 | \$ 20,000 |
| 1 Jul 24 | 30 Jun 25 | \$ 20,000 |
| | | 3 |
| | | \$ 10,310,000 |

B4.06 Souvenir Shop Income

| | | |
|------------------------|--------------|------------------------------|
| Total Annual Sales | \$ 86,000.00 | [Adjusted per CPI per annum] |
| Gross Margin to be at: | 40% | |
| Other Rental | \$ 15,000.00 | [Adjusted per CPI per annum] |

Expense Assumptions

B5.02 Overhead Expenses

[CPI to be applied each year]

| | | | |
|----------------------------|--------------|--------------|---|
| Accountancy fees | | | WDC |
| Advertising | \$ | 30,000.00 | |
| Audit Fee | | | WDC |
| Bank fees & charges | \$ | 1,200.00 | [\$100 per month] |
| Computer expenses | \$ | 20,000.00 | [High tech equipment] |
| General | \$ 50,000.00 | \$ 50,000.00 | |
| Legal Fees | \$ 5,000.00 | \$ 2,000.00 | |
| Electricity/water | \$ | 60,000.00 | [Lift, aircon, 4D, outside light displays etc. Branz 2012 100 - 300 kwh/sqm pa at 20c/kwh = \$32k - \$96k pa] |
| Postage & Courier | \$ | 1,200.00 | [\$100 per month] |
| Printing and Stationery | \$ | 2,400.00 | [\$200 per month] |
| Telephone & Tolls & WiFi | \$ | 12,000.00 | [Interactive equipment] |
| Travelling & Accommodation | \$ | 4,000.00 | [\$4000 pa] |
| Uniforms | \$ | 800.00 | [Cost per Employee] |
| Credit Card Commissions | | 1.50% | [Percentage of sales] |

B5.03 Insurance

[CPI to be applied each year]

| | | | |
|---|----|-----------|--|
| Capital Value | | | [Assumed insured by WDC] |
| Insurance - General Percentage of Capex | | 0.00% | |
| Insurance - General | \$ | - | [Assumed insured by WDC] |
| Insurance Art Works & Other | \$ | 25,000.00 | [Depends on value of art and equipment in Harbourside] |

B5.04 Exhibitions & Freight

[CPI to be applied each year]

| | | |
|--------------------------------------|----|-----------|
| Valuation fees | \$ | - |
| Freight - Set up | \$ | 40,000.00 |
| Freight -Year 2 of operation onwards | \$ | 20,000.00 |

B5.05 Security

[CPI to be applied each year]

| | | | |
|----------|----|----------|--|
| Security | \$ | 8,340.00 | [Monitored alarms \$45pm, patrols, \$450pm, plus allowance for callouts \$200pm] |
|----------|----|----------|--|

B5.06 Property Maintenance Expenses

[CPI to be applied each year]

| | | | |
|-----------------------|----|-----------|--|
| Cleaning | \$ | 20,000.00 | [2.5 hours per night at \$16 (\$15,000 pa) plus materials] |
| Repairs & Maintenance | \$ | 50,000.00 | [total cost] |

B5.07 Personnel Costs

[Wage inflation to be applied each year]

| | FTE Value | Full Cost | Salary Costs | |
|--------------------------------|-------------|-----------|-------------------|---|
| Curator | 1.00 | 90,000.00 | 90,000.00 | [Curator \$80k / Director \$110 (WAMT)] |
| Retail/Ticket Counter | 3.00 | 38,000.00 | 114,000.00 | [7 days per week x 2 positions equals 3 staff; salaries per WAMT] |
| Education/ Co-ordinator | 1.00 | 40,000.00 | 40,000.00 | [New cost - estimated] |
| Office Admin/ Support | 0.50 | 50,000.00 | 25,000.00 | [say half time position of Office Admin] |
| Volunteers | - | 10,000.00 | 10,000.00 | |
| 4 D operator and safety person | 1.50 | 40,000.00 | 60,000.00 | 1 person for 7 days = 1.5 FTEs |
| | <u>7.00</u> | | <u>339,000.00</u> | |
| Insurance - ACC | | | 1.00% | [% of salary costs] |
| Kiwisaver | | | 4.00% | [% of salary costs] |
| Subscriptions & Levies | | | 0.00% | [% of salary costs] |
| Recruitment expenses | | 5.00% | 16,950.00 | Start up only |

Harbourside Construction

B10.01 Construction Timing

| Period Start | 30 Jun 17 | 1 Jul 17 | 1 Jul 18 | 1 Jul 19 | 1 Jul 20 | 1 Jul 21 |
|-------------------|-----------|-----------|------------|------------|-----------|-----------|
| Period End | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | 30 Jun 21 | 30 Jun 22 |
| Physical works | - | 5,155,000 | 5,155,000 | | | |
| Total | - | 5,155,000 | 5,155,000 | - | | |
| Cummulative Total | - | 5,155,000 | 10,310,000 | 10,310,000 | | |

B10.02 Splitting of Capital Costs

Summary of Costs

| | | |
|------------------------------------|-------------------|---|
| Construction Costs (pre inflation) | 6,381,900 | |
| Professional Fees (pre inflation) | 1,042,300 | - |
| Contingency (pre inflation) | 1,247,700 | - |
| Building Consents | 133,600 | |
| Margin | 254,500 | |
| Inflation | 1,250,000 | |
| | <u>10,310,000</u> | |

| | Direct Costs | Margin | Professional Fees | Contingency | Consents | Escalation | Total | | |
|------------------------------------|------------------|------------------|-------------------|------------------|------------------|----------------|------------------|-------------------|----------------|
| Shell (Including site preparation) | 3,131,800 | 3,131,800 | 124,891 | 511,490 | 612,286 | 65,562 | 613,415 | 5,059,443 | 49.07% |
| Fixtures Fittings & Equipment | 1,336,200 | 1,336,200 | 53,286 | 218,230 | 261,235 | 27,972 | 261,717 | 2,158,640 | 20.94% |
| Mechanical Services | 902,800 | 902,800 | 36,002 | 147,446 | 176,503 | 18,899 | 176,828 | 1,458,479 | 14.15% |
| Electrical & Fire Services | 418,200 | 418,200 | 16,677 | 68,301 | 81,761 | 8,755 | 81,911 | 675,605 | 6.55% |
| Lifts | 50,000 | 50,000 | 1,994 | 8,166 | 9,775 | 1,047 | 9,793 | 80,775 | 0.78% |
| Sanitary Plumbing | 42,900 | 42,900 | 1,711 | 7,006 | 8,387 | 898 | 8,403 | 69,305 | 0.67% |
| External Works | 500,000 | 500,000 | 19,939 | 81,661 | 97,753 | 10,467 | 97,933 | 807,753 | 7.83% |
| | <u>6,381,900</u> | <u>6,381,900</u> | <u>254,500</u> | <u>1,042,300</u> | <u>1,247,700</u> | <u>133,600</u> | <u>1,250,000</u> | <u>10,310,000</u> | <u>100.00%</u> |

B10.03 Depreciation Rates

| | | | |
|------------------------------------|----------|--------|-----------------------------------|
| Shell (Including site preparation) | 50 years | 2.00% | [Straight Line Depreciation Rate] |
| Fixtures Fittings & Equipment | 10 years | 10.00% | [Straight Line Depreciation Rate] |
| Mechanical Services | 15 years | 6.67% | [Straight Line Depreciation Rate] |
| Electrical & Fire Services | 25 years | 4.00% | [Straight Line Depreciation Rate] |
| Lifts | 15 years | 6.67% | [Straight Line Depreciation Rate] |
| Sanitary Plumbing | 15 years | 6.67% | [Straight Line Depreciation Rate] |
| External Works | 50 years | 2.00% | [Straight Line Depreciation Rate] |

B10.04 Construction Completion Dates

| | | |
|-----------------------------|------------|--------------------------------------|
| Construction Phase Complete | 30/06/2019 | [Month end dates to be entered only] |
|-----------------------------|------------|--------------------------------------|

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