

Deloitte.

Hundertwasser Wairau Maori Art Centre –
Feasibility Study Update
For Whangarei District Council

March 2015



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Abbreviations

HWMAC	Hundertwasser Wairau Maori Art Centre
HNPF or Foundation	Hundertwasser Non-Profit Foundation, Austria, the owners of the rights to Friedensreich Hundertwasser's works and designs.
m	Million
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".
PNT	Prosper Northland Trust, the promoters of the HWMAC proposal.
WDC	Whangarei District Council
WAMT	Whangarei Art Museum Trust, a Council controlled organisation that currently operates the Whangarei Art Museum and is proposed to operate the HWMAC.

1. Executive Summary

The proposed Hundertwasser Wairau Maori Art Centre (HWMAC) is a detailed proposal that has the potential to bring additional visitors to Whangarei, create jobs, bring economic benefits to Whangarei and act as a catalyst to the revitalisation of the Town Basin.

The Prosper Northland Trust (PNT) is proposing the development of the Hundertwasser Wairau Maori Art Centre on the site of the old Harbour Board Building on Whangarei Town Basin.

- The HWMAC would be a unique building based on the concept designed for redevelopment of that building by world renowned Austrian artist, Friedensreich Hundertwasser, who had spent much of the last 30 years of his life in Northland and became a citizen of New Zealand.
- The development would include a Hundertwasser gallery, a contemporary Maori Art gallery, education facilities, souvenir shop and café.
- It would be one of a limited number and the last authentic Hundertwasser building in the world.
- The HWMAC has the support of the Hundertwasser Non-Profit Foundation in Vienna, who would also provide Hundertwasser art work on free loan for as long as the HWMAC is active.
- The HWMAC would include the only curated display of contemporary Maori Art in New Zealand and has the support of the Wairau Maori Advisory Panel.



The key assumptions behind the HWMAC feasibility study include:

- The capital cost has been independently estimated at \$15.1 million (\$13.5 million plus a \$1.56 million provision for escalation to the anticipated start of construction in 2017). This includes a building contingency of \$0.89 million. The independent construction specialist assesses the estimated cost as “low risk” given the detail of planning work that has been completed.
- A provision for initial set up costs of \$500,000 including recruitment, staff training, freight and insurance, set up and 1 months operating costs before opening is added to the construction cost to total funding requirement to \$15.6 million.

- Funding of \$12.8 million from grants and donations and \$2.8¹ million from Whangarei District Council (WDC).
- Selling approximately \$350,000 of souvenir sales per annum at a 40% margin.
- Leasing out the café space at \$80,000 per annum.
- Operating costs of approximately \$1 million per annum, including 10 staff, marketing (\$120,000 per annum), power, insurance (\$50,000 per annum to cover the building and art works), security (\$80,000 per annum) and other overhead costs based on Deloitte detailed estimate, which have been reviewed by PNT and benchmarked with Whangarei Art Museum Trust (WAMT).
- Inflation at 2% per annum.
- PNT will engage the Whangarei Art Museum Trust to operate the HWMAC.
- PNT will provide an operating deficit guarantee to cover a cash operating deficit (if any) over the first ten years of operation.

At proposed ticket prices of \$15 per adult and \$7.50 per child (both including GST), with a 50% discount for locals, the proposed development would breakeven on a cash basis at an estimated 95,000 visits per annum. If the price was \$20 per adult the cash breakeven would be approximately 73,000 visits per annum or 60,000 visits per annum if the adult price was \$25.

Taking into account the cash operating deficit guarantee the breakeven visitor volumes before HWMAC exceeded the guarantee (and potentially became a burden on WDC and ratepayers) would be approximately 75,000 visits if the guarantee cap was \$200,000 per annum (maximum of \$2 million over 10 years) or 48,000 visits if the guarantee cap was \$500,000 (the maximum per year).

Based on the estimated visits per annum of approximately 150,000² at an entrance cost of \$15 per adult and \$7.50 per child, with a 50% discount for locals, the proposed development is forecast to achieve a cash operating surplus of approximately \$500,000 per annum.

	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25
	Construction		Operating					
Annual Visit Estimates								
International			76,000	79,000	81,000	83,000	85,000	87,000
Domestic			54,000	54,000	54,000	54,000	53,000	53,000
Local			30,000	15,000	9,000	7,000	6,000	6,000
Total			160,000	148,000	144,000	144,000	144,000	146,000
Forecast of Financial Performance	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Admissions	\$0	\$0	\$1,460	\$1,414	\$1,407	\$1,421	\$1,434	\$1,455
Grants	\$7,553	\$8,053	\$0	\$0	\$0	\$0	\$0	\$0
Souvenir Shop	\$0	\$0	\$359	\$338	\$335	\$343	\$351	\$363
Café Lease	\$0	\$0	\$80	\$80	\$80	\$80	\$80	\$89
	\$7,553	\$8,053	\$1,900	\$1,832	\$1,823	\$1,844	\$1,865	\$1,907
Cost of Sales - Souvenir Shop	\$0	\$0	(\$216)	(\$203)	(\$201)	(\$206)	(\$211)	(\$218)
	\$7,553	\$8,053	\$1,684	\$1,629	\$1,622	\$1,638	\$1,655	\$1,689
Personnel Costs	\$0	(\$41)	(\$506)	(\$516)	(\$527)	(\$537)	(\$548)	(\$559)
Overhead costs (including Insurance)	\$0	(\$389)	(\$372)	(\$377)	(\$384)	(\$391)	(\$399)	(\$407)
Exhibitions & Freight	\$0	(\$62)	(\$24)	(\$24)	(\$25)	(\$25)	(\$26)	(\$26)
Security	\$0	(\$7)	(\$84)	(\$85)	(\$87)	(\$89)	(\$90)	(\$92)
Property Maintenance Expenses	\$0	\$0	(\$80)	(\$81)	(\$83)	(\$84)	(\$86)	(\$88)
	\$0	(\$500)	(\$1,065)	(\$1,084)	(\$1,105)	(\$1,127)	(\$1,149)	(\$1,172)
Cash Operating Surplus (Deficit)	\$7,553	\$7,553	\$619	\$545	\$517	\$511	\$506	\$518

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

² There have been three visitor estimates for HWMAC. Visitor Solutions Limited 2011 estimated 170,000 to 220,000 (but did not consider charges). Deloitte in 2011 estimated 159,000 visits in the first year declining to about 143,000 visits per annum after year 3 (based on the expectation that locals will visit when it is new but not visit every year). Crowe Horwath in a peer review in 2014 estimated 153,000 visits per annum.

Key Risks

As the HWMAC is well detailed, the level of operating expenses and capital costs can be reasonably estimated. The key areas of risk related to the HWMAC are:

- Visitor Volumes and Prices: As visit numbers and pricing are one of the key risks in this proposal, the initial evaluation of the project has been completed on a break even basis. This indicates that HWMAC would breakeven even on a cash basis at less than 100,000 visits per annum based on proposed pricing and half the forecast volume at a ticket price of \$20 per adult. This risk is further mitigated by the cash operating deficit underwrite offered by PNT.
- Fundraising: The HWMAC proposal requires the PNT and community to raise \$12.8 million (excluding GST). \$2 million in live pledges towards the HWMAC are currently held, leaving \$10.8 million to be raised. The earlier Hundertwasser proposal had \$5 million in confirmed grants and donations before it was discontinued by WDC. PNT would have two years to raise this sum or the project would not proceed.

Summary

The proposed HWMAC proposal includes:

- A detailed feasibility study indicating viability, which has been peer reviewed.
- Detailed designs, including full architectural drawings and quantity survey costing, which we have had peer reviewed.
- Resource consent for the proposal, including parking assessments.
- Strong support from potential funders of the proposal through PNT.
- A long established trust in WAMT to funnel the funding support through and manage the operations.
- Strong iwi support from the Wairau Maori Advisory Panel and the complimentary Hihiaua Cultural Centre.
- Potential to grow visits to Whangarei and Northland, provide jobs and economic benefits to Whangarei, and act as an enabler of further development of the Town Basin and the city.
- Recognition as a high rated economic development opportunity by government.

The proposal is consistent with the WDC 20/20 Strategy and the plans for the redevelopment of the Whangarei Town Basin. The proposal is viable and forecast to make reasonable annual surpluses.

Whilst there are risks related to the HWMAC proposal, the impact on ratepayers of operating and funding risks are largely negated by the proposed funding of the HWMAC and the operating deficit guarantee to be provided by PNT to WAMT for the first 10 years of operation, if required. The successful raising of the \$12.8 million funding and the operating loss guarantee within two years would be a condition of approval of the HWMAC proposal, prior to WDC releasing their contribution to the capital cost.

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, and Hundertwasser could have a significant impact in this”³

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 the 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, the HWMAC could act as a catalyst to further enhance the district's economic prosperity. In addition this could influence economic development directly in the creative industries, attract new residents and businesses to the area and boost tourism by increasing the flow of domestic and international visitors.

WDC initially promoted the development of the HWMAC on the site of the old Harbour Board Building in the Town Basin as a development initiative, however in 2014 it voted to discontinue the project as a WDC initiative. The promotion of the HWMAC has now been taken on by the PNT.

³ Whangarei 20/20 plus (CBD 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".⁴

A Seismic Costing Assessment⁵ 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)

⁴ Whangarei District Council – assessment of development of alternatives for the former Harbour Board/ NRC Building, August 2014, page 16.

⁵ Base Consulting Group Seismic Costing Assessment 2-6 Quayside, Whangarei, for Whangarei District Council, 28 October 2014.

2.3. Hundertwasser Wairau Maori Art Centre

Friedensreich Hundertwasser is a celebrated 20th century Austrian artist, who died in 2000, but for much of the last 30 years of his life lived at Kaurinui, not far from Kawakawa. His works are celebrated across the globe from Europe, through Japan and the Pacific. In 1993 Hundertwasser was invited to select a building in Whangarei that would be suitable for one of his world famous architectural transformations. He selected the Northland Harbour Board building as his chosen subject. Hundertwasser made a number of sketches of the building along the lines of previous projects that have been made works of art in Europe and Japan.

These sketches were retrieved from the Hundertwasser Non-Profit Foundation's archives to create the architectural drawings for the proposed development. The Foundation supports the proposal to develop and convert the Northland Harbour Board building, as this is the building Hundertwasser himself selected for transformation. It is unlikely that the Foundation would support an alternative building, as this is the only building with a direct link to the artist. The Foundation has indicated it will support the Hundertwasser Wairau Maori Art Centre through the provision of original Hundertwasser pieces of work free of charge, with the HWMAC bearing only the freight, shipping and insurance costs. The support of the Hundertwasser Non-Profit foundation for the project was clearly outlined in a presentation by Richard Smart (Representative for the Hundertwasser Non-Profit Foundation, New Zealand) to a Whangarei District Council meeting on 27th April 2011 and has been reiterated in correspondence from the Foundation to the WDC with the PNT in 2014.

The Hundertwasser Wairau Maori Art Centre provides Whangarei with a unique opportunity to establish a nationally and internationally recognised cultural facility and tourist attraction. Not only is its proposed location in the former Northland Harbour Board building at the town basin linked directly to the artist, it is strategically located to incentivise investment in the local economy. The conversion of the building to a Friedensreich Hundertwasser-designed art gallery housing contemporary Maori art and Hundertwasser originals could make Whangarei a sought after tourist destination and help transform the perception of the city.

The building itself will be an artwork on a grand scale and will immediately become one of New Zealand's few iconic buildings. It could have an impact on Whangarei which parallels the impact of the Guggenheim building in Bilbao, Spain and could put Whangarei on the international stage.

2.4. Update

In 2011 WDC requested that a feasibility study be carried out for the Hundertwasser Art Centre. A financial model was developed to determine the cash flows that the Centre itself (excluding the impact on the district as this was covered under a separate economic impact assessment) could generate and to determine the likelihood of the Centre requiring ongoing financial support from WDC. The report also incorporated the key findings from the Economic Impact Assessment, carried out separately to this study.

An initial feasibility study was completed for WDC in 2011, with the majority of funding planned to come from WDC. In 2014 the WDC decided not to proceed with the HWMAC.

The proposal was then taken up by the PNT, with increased community funding and reduced WDC funding. PNT also propose to provide an operating loss guarantee for the first ten years of operation.

The WDC have requested Deloitte to update the HWMAC feasibility study based on the PNT proposal (as well as a one for the Harbourside proposal). In preparing this update we have met with Council, the PNT, WAMT (a Council controlled organisation who will operate the HWMAC) and had an independent review of the capital costs completed by Klu'dup Limited.

2.5. Reliance on Information and Disclaimer

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 HWMAC 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 HWMAC 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.

3. Approach

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

- Start with the original Hundertwasser Art Centre feasibility study from 2011.
- Understand the changes proposed from the original Hundertwasser Art Centre feasibility study from 2011 through discussion with WDC, PNT, WAMT and other sources.
- Review the visitor estimates and pricing based on information currently available and the Crowe Horwath Peer Review of the original feasibility study completed in October 2014.
- 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 HWMAC completed by independent development advisers, Klu'dup Limited.
- Revise the feasibility study accordingly.
- The feasibility study was forwarded to PNT for comment and their feedback was considered.

In completing this update we have met or communicated with:

- Prosper Northland Trust: Barry Truss, Chair; Ian Reeves and Greg Guy, Trustees.
- Whangarei Art Museum Trust: Grant Faber, Chair.
- Elizabeth Ellis, Chair Wairau Maori Advisory Panel for the Wairau Maori Art Gallery.
- Griffiths and Associates: Trevor Griffith, Project Manager.
- Whangarei District Council: Paul Dell, Group Manager, District Living.
- John Barber, Quantity Surveyor.

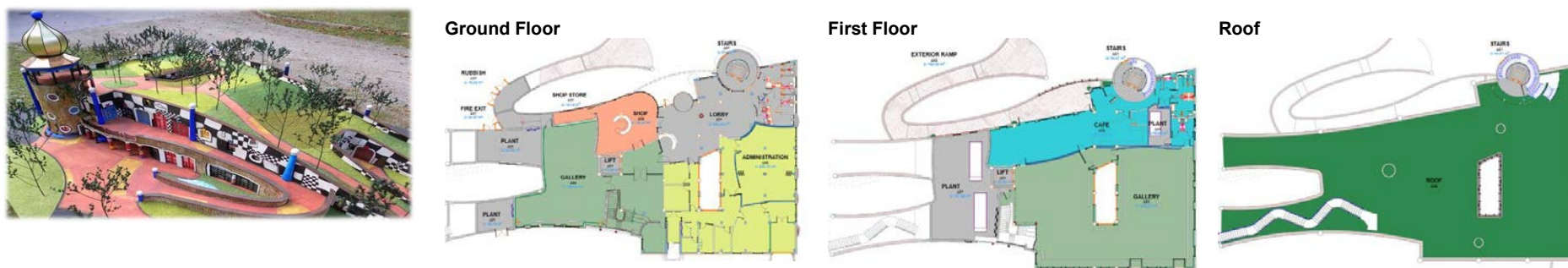
4. Proposal

4.1. Background

Friedensreich Hundertwasser is a celebrated 20th century Austrian artist, who for much of the last 30 years of his life lived at Kaurinui, not far from Kawakawa. His works are celebrated across the globe from Europe, through Japan and the Pacific. In 1993 Hundertwasser was invited to select a building in Whangarei that would be suitable for one of his world famous architectural transformations. He selected the Northland Harbour Board building as his chosen subject. Hundertwasser made a number of sketches of the building along the lines of previous projects that have been made works of art in Europe and Japan.

4.2. Hundertwasser Wairau Maori Art Centre

Hundertwasser's sketches were retrieved from the Hundertwasser Non-Profit Foundation's archives to create the architectural drawings for the proposed development of the HWMAC on the Town Basin.



The HWMAC is proposed to incorporate:

- Ground Floor: Entrance, shop, education space, admin space and a contemporary Maori Art display area.

The Wairau Maori Art Centre would be the only curated Maori fine art gallery in New Zealand and would show works of Maori artists who have achieved recognition internationally. It is anticipated that the Wairau Maori would become a centre for learning and study, aspiration for artists of Maori descent and as such would be recognised internationally in gallery standings. Originally the WDC established an advisory panel of distinguished scholars, artists and kaumatua to establish the terms of reference and engage with Maori in establishing the gallery.

The panel is now advising PNT. The panel is chaired by Elizabeth Ellis CNZM, JP and is made up of distinguished Maori artists and leaders who have a thorough knowledge and understanding of art and culture (particularly Maori art and culture) and have long standing relationships with artists nationally and internationally. WAMT and the advisory panel Chair have confirmed there is no shortage of quality contemporary Maori art works available to the gallery if the HWMAC is built.

- First Floor: A café and display area for Hundertwasser art.

The Hundertwasser Non Profit Foundation has confirmed in writing to PNT that the HWMAC can build on the existing agreement with WDC as the basis for an agreement for the proposed HWMAC. In addition to the approval to use Hundertwasser’s concept in this agreement the Foundation committed to be responsible to supply Hundertwasser art and information content free (apart from freight and insurance) “for as long as the Hundertwasser Art Centre Whangarei is active.”⁶

- Roof: A key part of the design and Hundertwasser’s philosophy is the blending of the building with its surrounds. The green space is designed to roll up onto the roof garden which will be open to the public without paying and blend in with the surroundings. The surrounding green space will contain Maori sculpture as an outside extension of the Wairau Maori gallery.
- Tower: A tower linking the spaces and higher to provide a view of the Town Basin area.



Education is an important aspect of the proposed HWMAC including Hundertwasser’s philosophy of sustainability and harmony, his art and Maori contemporary art. The design and construction will be in keeping with Hundertwasser’s concept for the conversion of the building and in keeping with his sustainability principles and has been agreed by the HNPF in Vienna.



The building will widely feature Hundertwasser trademark design features including a large use of tiling and mosaics (a smaller scale example of Hundertwasser design is the Kawakawa public toilet, which attracts over 120,000 visits per annum). The building is planned to be an artwork in itself and become one of New Zealand’s iconic buildings.



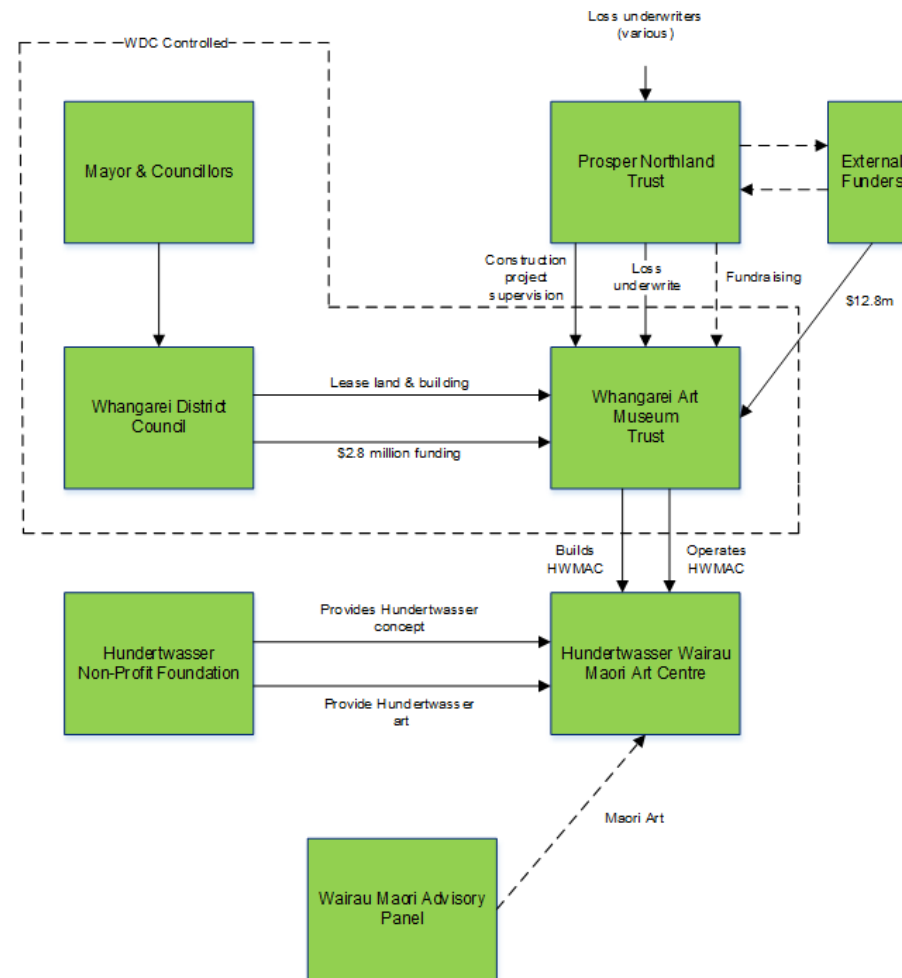
The HNPF supports the proposal to develop and convert the Northland Harbour Board building, as this is the building Hundertwasser himself selected for transformation. The Foundation would not support an alternative building, as this is the only building with a direct link to the artist. HNPF has agreed to enter an agreement, similar to the agreement previously held by WDC with WAMT, as the HWMAC operator.

⁶ Agreement between Hundertwasser Non Profit Foundation and Whangarei District Council, 20 December 2012.

4.3. Governance and Ownership

The proposed HWMAC incorporates involvement from a number of entities.

- WDC owns the old Harbour Board land and existing building where the proposed HWMAC would be situated. WDC would be required to lease the existing land and buildings to the Whangarei Art Museum Trust for a peppercorn rental. In addition WDC would be required to provide \$2.8 million towards the capital cost of the HWMAC.
- PNT is a registered charitable trust formed by members of the Whangarei community determined to assist the community to create an international cultural attraction for the District which will catalyse economic growth. PNT will work to raise \$12.8 million toward construction of the HWMAC and facilitate a 10 year cash operating loss underwrite in regarding to the HWMAC in favour of WAMT. PNT will also assist WAMT with construction supervision.
- WAMT, which was established in 1996, is a Council controlled organisation which currently operates the Whangarei Art Museum. WAMT will commission the HWMAC building and operate the completed HWMAC.
- HNPF, Vienna, Austria controls the design and art of Friedensreich Hundertwasser. The Foundation will allow WAMT to use the original Hundertwasser concept for the old Harbour Board building and will supply on long term loan, free of charge except for freight and insurance, Hundertwasser art work for display in the HWMAC.
- The Wairau Maori Advisory Panel is a group of eminent Maori artist and leaders originally put together by WDC to advise on and facilitate the contemporary Maori Art to be included in HWMAC. The Wairau Maori Advisory Panel are now advising PNT and supporting HWMAC.



4.4. Capital Cost

PNT has had a qualified quantity surveyor estimate the capital cost of the building to be \$13 million as at August 2014 based on full working drawings.

Our independent specialist construction adviser, Klu'dup Limited⁷ has reviewed the drawing and developed an elemental estimate from first principles of \$13.5 million to complete the HWMAC based on current costs. This includes the construction of the building to full seismic standards, a contingency of \$0.9 million, building consent and remaining professional fees.

The Hundertwasser design philosophy approaches every building as a work of art and makes extensive use of curves as opposed to straight lines. This has been allowed for in the capital costings.

Due to the 2 year fundraising period the building is not likely to start until July 2017, therefore he estimates a \$1.56 million provision for escalation needs to be added, making an estimate total to complete construction by June 2019 of \$15.1 million.

This would provide a 2,117 square metre building of "civic quality".

Klu'dup describes the redevelopment estimate as "low risk" given the detailed planning work that has been undertaken.

4.5. Status

The HWMAC has full working drawings completed.

An Assessment of Parking⁸ was completed in September 2014 which concluded (as did an earlier WDC assessment) that there is sufficient parking in the Town Basin area to accommodate the projected number of visits to HWMAC.

A Resource Consent⁹ for the project was granted by Independent Commissioners on 13 March 2013. No heritage issues were raised and the Commissioners concluded:

Estimated Construction Costs	\$000
Shell (Including site preparation)	\$7,520
Fixtures & Fittings	\$849
Mechanical Services	\$1,326
Electrical & Fire Services	\$669
Lifts	\$150
Sanitary Plumbing	\$123
External Works (including re-routing the road lighting, traffic control, fountain and a Hundertwasser "folly" for the grounds)	\$667
	\$11,305
Builders Margin	\$630
Total Construction Cost	\$11,936
Construction Contingency	\$891
Building Consent	\$160
Remaining Professional Fees	\$555
Total Current Cost excluding GST	\$13,542
Provision for Escalation	\$1,565
Estimated Cost when Constructed	\$15,107
Elemental cost from Kludup Ltd	

⁷ Whangarei Town Basin, Proposals for Northland Harbour Board Building – Examination of Capital Cost. Klu'dup Limited, 4 March 2015.

⁸ Assessment of Parking – Hundertwasser and Wairau Maori Art Centre Proposal by Northern Civil Consulting Engineers Limited 12 September 2014.

- *“Any actual or potential effects on the environment are considered to be less than minor because the overall design of the building is compatible with the existing visual amenity values of the surrounding area. Any adverse effects on the visual amenity, character, street scene and car parking loss are assessed to be less than minor”.*
- *“It is considered that the proposal will not be contrary to the relevant objectives and policies of the operative District Plan because a new arts centre in the Town Centre Basin will assist with providing a diverse range of land use activities in this area which will assist with providing additional vibrancy and will provide a community based facility that will attract visitors to this part of Whangarei. Furthermore the overall design will create a unique building which at the same time is of a scale, intensity and character that is compatible with surrounding activities.”*

4.6. Funding

The original proposal envisaged \$5 million funding from external grants and \$8 million from Council. As at September 2014 \$5 million had been pledged, though \$3 million lapsed when the WDC decided not to proceed with an earlier proposal.

If the HWMAC project is approved by ratepayers in the forthcoming referendum, it is now proposed that PNT will arrange funding for WAMT from grants and donations to the sum of \$12.8 million, with the remaining \$2.8 million to be funded by WDC¹⁰. PNT will have up to 2 years to secure the external funding (and a cash operating loss underwrite) or the approval will lapse. PNT is confident of raising \$12.8 million external funding within that timeframe.

- We have been assured by the Chair of WAMT that at the current date they hold over \$2 million of live pledges towards the HWMAC.
- Included in the grants released were two grants from the Lottery Grants Board totalling \$2.5 million, which PNT and WAMT believe can be successfully applied for again.
- John Key, the Prime Minister and Minister of Tourism, has indicated support for HWMAC. He said: “I mean Hundertwasser was a brilliant man in his day and the proposal was totally unique to Whangarei. It can’t be moved anywhere else”. So it can only be built there. If it went ahead he would expect representatives “to come and see me for help”¹¹.
- The additional funding is expected to come from local and national Trusts and private donors who have indicated support for the project to PNT and WAMT if the HWMAC project is approved.

⁹ Notice of Decision LU1200155 and PID 12554, 13 March 2013.

¹⁰ This will be adjusted for CPI in the WDC Long Term Plan.

¹¹ Radio New Zealand 28 November 2014 <http://www.radionz.co.nz/news/regional/260487/charities-pull-cash-for-hundertwasser> and The Northern Advocate 29 November 2014 http://www.nzherald.co.nz/northern-advocate/news/article.cfm?c_id=1503450&objectid=11366097.

As a long established Trust, with prior success in achieving external grant funding support (for the original HWMAC proposal), WAMT, with assistance from PNT are believed to be well placed to achieve the \$12.8 million proposed non WDC funding. However, if this amount (plus the operating loss guarantee) are not achieved within 2 years the proposal will not proceed.

4.7. Guarantee of Operating Losses

In addition to facilitating the provision of grants and donations towards the capital cost, PNT is also committed to provide an operating deficit guarantee for ten years from commencement of trading. PNT have entered into a signed Memorandum of Understanding¹² with WAMT with regard to the guarantee. It notes:

- This guarantee would be provided by individuals and organisations to be determined.
- WAMT is to put 75% of any operating surpluses (Earnings before Interest, Tax and Depreciation) into a proscribed account (up to \$1 million) to cover any losses.
- WAMT will draw from the account if HWMAC suffers operating losses.
- If the account reduces below \$100,000, the guarantors would provide funds to cover the trading requirements of HWMAC.
- The guarantee is capped at \$500,000 per annum, with a maximum of \$2 million over the 10 year period.

PNT requires 2 years from the time of approval of the HWMAC to raise the \$12.8 million and put in place guarantors for operating losses (if any).

4.8. Visit Numbers and Pricing Assumptions

Visit numbers and pricing are one of the key risks in this proposal. There have been three forecasts of annual visit numbers to the HWMAC:

- Visitor Solutions Limited completed an “Initial Market Appraisal and Preliminary Economic Impact Assessment” in April 2011 and estimated 170,000 to 220,000 visits per annum, but did not consider charges.
- In September 2011 Deloitte estimates approximately 160,000 visits per annum at \$12 per adult including GST and \$6 per child, with a 50% discount for locals.
- In October 2014 Crowe Horwath undertook a peer review of the Deloitte estimates and estimated 153,000 visits per annum on a different basis.

The feasibility study has allowed \$120,000 per annum for marketing and advertising HWMAC.

¹² Whangarei Art Museum Trust and Prosper Northland Trust, Memorandum of Understanding Regarding Guarantee of Operating Losses and Fundraising, 2015.

Annual Visit Forecast Summary	000	Visitor Solutions Limited	Deloitte Feasibility Study 2011	Crowe Horwath 2014
International Visitors		79	76	41
Domestic Visitors		61	54	82
Local Visitors		30	30	30
Total		170	160	153
Visitor Solutions Limited - Initial Market Assessment and Preliminary Economic Impact Assessment April 2011 Deloitte Feasibility Study September 2011 Crowe Horwath Feasibility Study Update 9 Oct 2014				

The original feasibility study reviewed local, regional and national attractions to provide the most relevant indication of how much the HWMAC could charge for admission. Based on this analysis pricing of \$12 per adult, \$6 per child, \$8 per student/senior citizen and \$28 per family was recommended, with a 50% discount for locals. This analysis has been updated and is shown in Appendix 1 with annual visit numbers where possible.

Based on an updated analysis and discussions with PNT and WAMT, it is believed that the appropriate price for admission will be at least \$15 for adults, \$7.50 for children, \$10 for senior citizens and students and \$32 for a family pass, with a 50% discount for locals.

Many regional art galleries do not charge for admission (e.g. Whangarei Art Museum does not charge). The ability of HWMAC to charge for admission is determined by the unusual nature of the building and the specialist nature of the art, making the HWMAC more comparable to some of the other national attractions noted.

As visitor 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. In addition an analysis has been completed at the forecast levels of approximately 150,000 visits per annum.

5. Financial Analysis

5.1. Overview and Assumptions

The financial analysis has been based on a financial model developed for the original HWMAC feasibility study, updated as required.

The key assumptions are:

- **Timing:** It is assumed that if the HWMAC 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 and the underwrite, followed by a two year construction period. It is assumed that the HWMAC will open in July 2019, with operating costs commencing 1 month earlier to allow for set up and training.
- **Capital Costs:** The capital costs have been based on our construction advisers estimates totalling \$15.1 million, including \$0.9 million in contingency and \$1.56 million in provision for escalation.
- **Funding:** \$12.8 million funding is assumed to come from external grants and donations, with the balance coming from WDC.
- **Visits and pricing:** As the numbers of visits 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. In addition an analysis has been completed at the previous forecast levels of approximately 150,000 visits per annum.
- **Marketing:** \$120,000 per annum has been allowed for advertising and marketing the HWMAC.
- **Start-up:** A \$0.5 million provision for start-up cost has been included before opening to include 1-2 months of salaries and wages and operating cost, initial freight and insurance, legal and other cost, training, etc.
- **Operating costs:** Operating costs have been based on the original feasibility study costs updated. These costs have been reviewed and benchmarked where appropriate against WAMT operating costs and salaries.
- **Café:** It is assumed that the café will be leased to an external operator at \$80,000 per annum, reviewable every 5 years.
- **Inflation** has been assumed at 2% per annum on all costs and on admission charges at five year intervals.

5.2. Breakeven Analysis

Whilst capital and operating costs can be forecast with reasonable assurance and though the visit estimates have been reviewed and supported by a number of parties, the visit numbers and pricing remains the key risk to this project. Therefore the primary analysis of the feasibility of this proposal has been completed at what level of annual visits and pricing are required to breakeven, that is, to cover the estimated \$1.1 million in annual operating costs. Breakeven is assessed at the net cashflow level.

Breakeven Analysis Typical Year - 2022	Visits at Base	Price at Base	Breakeven at Higher Prices		Breakeven with Operating Deficit Guarantee		Base Case
	Price	Visits					
Annual Visits	95,000	144,000	73,000	60,000	75,000	48,000	143,000
Adult Price (incl GST)	\$15	\$9.50	\$20	\$25	\$15	\$15	\$15
Cash Operating Surplus \$000	\$4	\$7	\$14	\$17	(\$200)	(\$490)	\$517

What this indicates is that all other things being equal, the proposal would breakeven:

- On proposed adult pricing of \$15 and child pricing of \$7.50 (both including GST), with a 50% discount for locals, HWMAC would breakeven at approximately 95,000 visits per annum.
- Based on the current annual visit estimates (approximately 150,000), HWMAC would breakeven at \$9.50 per adult and \$3.75 per child.
- At \$20 per adult and \$10 per child, at approximately half the annual visit number estimates.
- At \$25 per adult and \$12.50 per child, at approximately 60,000 annual visits.

Taking into account the cash operating deficit guarantee the breakeven volumes would be approximately 75,000 visits per annum if the guarantee cap was \$200,000 per annum (maximum of \$2 million over 10 years) before HWMAC exceeded the guarantee (and potentially became a burden on WDC and ratepayers); or 48,000 visits per annum if the guarantee cap was \$500,000 (the maximum per year).

Any increase in capital cost would not impact the cash breakeven (unless funded by debt) – it would require additional capital funding to be raised.

5.3. Financial Forecast

At expected visitor levels and pricing, the financial analysis forecasts that HWMAC will operate at a cash operating surplus each year of approximately \$500,000. More detail is provided in Appendix 2.

	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
	Construction		Operating							
Annual Visit Estimates										
International			76,000	79,000	81,000	83,000	85,000	87,000	89,000	91,000
Domestic			54,000	54,000	54,000	54,000	53,000	53,000	53,000	53,000
Local			30,000	15,000	9,000	7,000	6,000	6,000	6,000	6,000
Total			160,000	148,000	144,000	144,000	144,000	146,000	148,000	150,000
Forecast of Financial Performance	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue										
Admissions	\$0	\$0	\$1,460	\$1,414	\$1,407	\$1,421	\$1,434	\$1,455	\$1,477	\$1,499
Grants	\$7,553	\$8,053	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Souvenir Shop	\$0	\$0	\$359	\$338	\$335	\$343	\$351	\$363	\$376	\$389
Café Lease	\$0	\$0	\$80	\$80	\$80	\$80	\$80	\$89	\$89	\$89
	\$7,553	\$8,053	\$1,900	\$1,832	\$1,823	\$1,844	\$1,865	\$1,907	\$1,941	\$1,976
Cost of Sales - Souvenir Shop	\$0	\$0	(\$216)	(\$203)	(\$201)	(\$206)	(\$211)	(\$218)	(\$225)	(\$233)
	\$7,553	\$8,053	\$1,684	\$1,629	\$1,622	\$1,638	\$1,655	\$1,689	\$1,716	\$1,743
Personnel Costs	\$0	(\$41)	(\$506)	(\$516)	(\$527)	(\$537)	(\$548)	(\$559)	(\$570)	(\$581)
Overhead costs (including Insurance)	\$0	(\$389)	(\$372)	(\$377)	(\$384)	(\$391)	(\$399)	(\$407)	(\$415)	(\$423)
Exhibitions & Freight	\$0	(\$62)	(\$24)	(\$24)	(\$25)	(\$25)	(\$26)	(\$26)	(\$27)	(\$27)
Security	\$0	(\$7)	(\$84)	(\$85)	(\$87)	(\$89)	(\$90)	(\$92)	(\$94)	(\$96)
Property Maintenance Expenses	\$0	\$0	(\$80)	(\$81)	(\$83)	(\$84)	(\$86)	(\$88)	(\$90)	(\$91)
	\$0	(\$500)	(\$1,065)	(\$1,084)	(\$1,105)	(\$1,127)	(\$1,149)	(\$1,172)	(\$1,195)	(\$1,219)
Cash Operating Surplus (Deficit)	\$7,553	\$7,553	\$619	\$545	\$517	\$511	\$506	\$518	\$521	\$524
Depreciation	\$0	\$0	(\$511)	(\$511)	(\$511)	(\$522)	(\$530)	(\$525)	(\$520)	(\$529)
Net Surplus (Deficit)	\$7,553	\$7,553	\$109	\$35	\$6	(\$11)	(\$24)	(\$7)	\$1	(\$5)
Cashflow Forecast										
From Operations	\$8,686	\$8,708	\$632	\$545	\$517	\$520	\$510	\$518	\$522	\$534
From Investing	(\$8,686)	(\$8,686)	\$0	\$0	\$0	(\$65)	(\$26)	\$0	\$0	(\$70)
From Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Annual Cashflow	(\$0)	\$22	\$632	\$545	\$517	\$456	\$484	\$518	\$522	\$464
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 7.

5.4. Costs to Whangarei District Council

Under the PNT proposal the sole cost to WDC would be the initial capital contribution towards construction of \$2.8 million, which would be required in 2018/2019.

The PNT is arranging a 10 year underwrite of any operating deficit of HWMAC should HWMAC operate significantly below forecast financial outcomes. Therefore the HWMAC has little operating risk to WDC.

5.5. Benefits to Whangarei and the Region

In 2011 an economic impact analysis¹³ was completed of the HWMAC proposal which conservatively estimated that the HWMAC would provide:

- 68 Full time equivalent jobs (FTEs) in the 2 year construction period of the HWMAC. The economic impact of the construction was not calculated.
- An ongoing 10 FTEs in the HWMAC operation and a further ongoing 21 FTEs in the leased café.
- An ongoing economic benefit of between \$3.5 million - \$3.7 million per annum from opening onwards from the development.

These estimates were considered by the Crowe Horwath and other reviewers to be conservative because:

- They were limited to the HWMAC only and did not consider possible complimentary developments that may occur as a result of the HWMAC attraction to visitors. For example, we are advised that there are two possible hotel projects near the Town Basin that are waiting on the outcome of the HWMAC facility as an attractor of visitors to Whangarei and to stay in Whangarei.
- An increase in foot traffic to the HWMAC would provide flow on benefits to existing and new businesses (café, galleries, etc) near to the HWMAC.
- Cruise New Zealand and Northport believe that the HWMAC (which Northport describe as a potentially giving Whangarei as “point of difference” for the cruise market) could act as a catalyst for Cruise itineraries to include a stopover in Whangarei with flow on impacts for Whangarei in terms of transport, bunkering, food supply, retail spend, other visitor attraction visits, etc.

¹³ Hundertwasser Arts Centre – Economic Impact Assessment, Deloitte, September 2011. Hundertwasser Arts Centre – Initial Market Appraisal and Preliminary Economic Impact Assessment, Visitor Solutions, April 2011.

- The feasibility study visitor volumes are estimated based on current and projected Northland visitor forecasts and do not take into account a growth in visits that could arise as a result of adding an iconic HWMAC to the available Northland reasons to travel. There is a strong interest in art in Auckland and the point of difference of the HWMAC could act a reason for travel to Whangarei from that nearby market.

The Tai Tokerau Northland Growth Study Opportunities Report¹⁴ identifies the HWMAC as one of the highest rated economic development opportunities in Northland.

¹⁴ Tai Tokerau Northland Growth Study Opportunities Report – Martin Jenkins, for MBIE and MPI. February 2015.

6. Risk Analysis

There are a number of risks that exist around the operation of the Hundertwasser Wairau Maori Arts Centre.

6.1. Operational Risks

Description	Impact on HWMAC	Consequence	Likelihood	Response
Obtaining quality Hundertwasser art works for display	– Less attractive to visitors	Medium	Low	HNPf have provided written confirmation they can and will provide quality Hundertwasser art for the project if it proceeds, and for as long as it's operational. Manage by getting detailed formal agreement with HNPf before the construction project commences.
Obtaining quality contemporary Maori art works for display	– Less attractive to visitors	Medium	Low	The Wairau Maori Advisory Panel has been formed to advise on and facilitate this. The Chair has confirmed that appropriate and quality art is available and that once the HWMAC is approved "moves can be made to formalise loan agreements with national art museums, including Te Papa Tongarewa".

6.2. Development Risks

Description	Impact on HWMAC	Consequence	Likelihood	Response
Required consent cannot be obtained	– Increased cost or project abandoned	High	Low	<p>HWMAC already has:</p> <ul style="list-style-type: none"> • The required resource consent. • Full working drawings. <p>A building consent is still required but this is unlikely to be an issue.</p>
Cost Overrun	– Increased funding or debt required	Medium	Low	<p>Costs have been estimated by a Quantity Surveyor based on full working drawings and independently reviewed.</p> <p>A detailed seismic assessment has been completed and required work is included in the cost estimates.</p> <p>The level of capital cost used in this feasibility study includes a contingency and provision for escalation of costs to the time the construction is expected to start in July 2017 and be completed in June 2019.</p>
Obtaining rights to use Hundertwasser's concept	– Look and appeal	High	Low	<p>HNPf have provided written confirmation that HWMAC can use the Hundertwasser concept for the old Harbour Board Building.</p> <p>Manage by getting detailed formal agreement with HNPf before the construction project commences.</p>
PNT and WAMT cannot raise the required funding	– Project cannot be funded	High Project will not proceed	Low to Medium	<p>PNT and WAMT are confident of raising the required \$12.8 million funding from grants and donations. If they do not succeed in two year the project will not proceed and the original building will remain with WDC.</p>

6.3. Financial Risks

Description	Impact on HWMAC	Consequence	Likelihood	Response
Volume of visits lower than anticipated	– Reduced income, lower surplus	Medium	Medium	<p>A number of independent parties have assessed the expected visitor volumes but it is still a key risk.</p> <p>Based on proposed pricing and operating cost projections HWMAC would still be cashflow positive at 100,000 visits, two thirds of the forecast visitor volume. If the price was increased to \$20 per adult the HWMAC would still be cashflow positive at 75,000 visits, approximately half the forecast annual number of visits.</p>
Operating Costs higher than anticipated	– Higher costs, lower surplus	Medium	Low	<p>Costs have developed in detail and have been conservatively estimated with reasonable provisions (in general expenses).</p>
Lower income and/or higher operating costs	– Lower profitability or loss	Low	Low	<p>Volumes of visits and revenue have been reviewed by a number of parties. Costs have been developed in detail with a general provision.</p> <p>PNT will put in place an operating deficit guarantee for the first ten years of operation eliminating this risk in the first ten years.</p>

Appendix 1 – Admission Prices

Admissions Price Comparison Data

Whangarei District Attractions	Annual Visits	Location	Adult	Child	Family Pass	Senior	Student	Additional Details Noted
Claphams Clocks - The National Clock Museum	9,222	Whangarei	\$6 - \$8	\$3 - \$4				
Far North Regional Museum		Northland	\$4	\$1	\$8			
Hikurangi Historical Museum		Whangarei						No pricing information available
Hokianganga Museum		Northland						No pricing structure, all receipts by donation
Kaikohe Pioneer Village		Northland	\$12 - \$15	\$0 - \$5				
Kiwi North - Museum. Kiwi House - Heritage Park	17,022	Whangarei	\$15	\$5	\$35	\$10	\$10	
Russell Museum	16,678	Northland	\$8	\$2	\$15			
The Kauri Museum	~90,000 ~21,000,	Northland	\$25	\$8	\$55	\$20	\$20	
Waipu Museum	6,000 paying	Northland	\$8	\$3	\$20	\$6	\$6	Concessions available for Buses and groups
Waitangi National Trust Museum (Treaty House)	~250,000	Northland	\$25	\$5				NZ residents free admission
Whangarei Art Museum	8,985	Whangarei						Free Admission
World of Wheels		Northland	\$4	\$2				
Zion Wildlife Gardens		Northland	\$60	\$30				

National Attractions	Annual Visits	Location	Adult	Child	Family Pass	Senior	Student	Additional Details Noted
Kelly Tarltons Underwater World	~500,000	Auckland	\$39	\$22	\$75 - \$110	\$30	\$30	
MOTAT	~250,000	Auckland	\$16	\$0 - \$8	\$40		\$8	
Sky Tower	~500,000	Auckland	\$28	\$0 - \$11	\$61+	\$22	\$20	
Stardome	>135,000	Auckland	\$10	\$8	\$30	\$8	\$8	
Voyager New Zealand Maritime Museum	~670,000	Auckland	0 - \$15	0 - \$7.5		0 - \$12	0 - \$12	Free admission to Auckland residents; make up 50% of visitors; museum entry and harbour cruise has fee
Hobbiton	~120,000	Matamata	\$75	\$10				
Agrodome	~400,000	Rotorua	\$32.5 - \$45	\$16.3 - \$22	\$85 - \$115			Agrodome Farm Show + Farm Tour combo Adult \$62.00 Child \$30.60 Infant free, Family \$149.00
Tamaki Tours		Rotorua	\$110	\$60	\$280		\$88	
Whakararewa		Rotorua	\$35 - \$80	\$15 - \$29	\$85 - \$187			
Waitomo Caves	~400,000	Waitomo	\$49	\$0 - \$21.5	\$118	\$38		
City Gallery		Wellington						Free admission but charges for some exhibitions
Te Papa	>1,000,000	Wellington						Free Admission - exhibitions \$15+
Zealandia/ Kaori Wildlife Sanctuary		Wellington	\$7.5 - \$7.5	\$5 - \$9	\$20 - \$44	\$6 - \$14	\$6 - \$14	Night Tours offered subject to availability, \$75 adult, \$36 child, \$60 concessions
World of Wearable Arts		Nelson	\$50 - \$170					
Whale Watch	~70,000	Kaikoura	\$145	\$0 - \$60				
Shanty town	~85,000	West Coast	\$31.50	\$0 - \$15.50	\$74	\$26	\$26	
International Antarctic Centre	~150,000	Christchurch	\$39 - \$59	\$19 - \$29	\$99 - \$149	\$30 - \$45	\$30 - \$45	Locals half price
Tram	~200,000	Christchurch	\$20	Free				
Gondola	~120,000	Christchurch	\$25	\$12				
Gondola	~500,000	Queenstown		\$30	\$19	\$86		
Cadbury World	~120,000	Dunedin	\$16 - \$22	\$5 - \$15	\$56	\$20	\$20	
Lanarch Castle	~110,000	Dunedin	\$29	\$10	\$68			

Appendix 2 – Financial Modelling & Assumptions

HUNDERTWASSER WAIRAU MAORI ART CENTRE 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
VISITS														
International			76,499	78,681	80,722	82,703	84,734	86,814	88,944	91,128	93,364	95,655	98,003	100,408
Domestic			53,906	53,806	53,703	53,591	53,475	53,355	53,231	53,103	52,971	52,835	52,694	52,549
Local			29,500	14,750	8,850	7,375	5,900	5,900	5,900	5,900	5,900	5,900	5,900	5,900
			159,905	147,237	143,275	143,670	144,109	146,069	148,076	150,131	152,235	154,390	156,597	158,856

Profit & Loss Statement

REVENUE

Admissions Revenue	-	-	1,460,375	1,414,050	1,407,378	1,420,581	1,434,266	1,455,308	1,476,854	1,498,919	1,521,513	1,544,652	1,568,348	1,592,616
Grant Income	7,553,400	8,053,446	-	-	-	-	-	-	-	-	-	-	-	-
Souvenir Shop Income	-	-	359,429	337,718	335,333	343,100	351,156	363,171	375,648	388,607	402,068	416,050	430,577	445,671
Cafe/Restaurant Lease Income	-	-	80,000	80,000	80,000	80,000	80,000	88,836	88,836	88,836	88,836	88,836	103,489	103,489

TOTAL REVENUE

	7,553,400	8,053,446	1,899,804	1,831,769	1,822,711	1,843,682	1,865,422	1,907,315	1,941,339	1,976,362	2,012,417	2,049,538	2,102,414	2,141,775
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DIRECT COSTS

Souvenir Shop Cost of Goods Sold	-	-	215,657	202,631	201,200	205,860	210,694	217,903	225,389	233,164	241,241	249,630	258,346	267,403
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TOTAL DIRECT COSTS

	-	-	215,657	202,631	201,200	205,860	210,694	217,903	225,389	233,164	241,241	249,630	258,346	267,403
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GROSS MARGIN

	7,553,400	8,053,446	1,684,146	1,629,138	1,621,511	1,637,822	1,654,728	1,689,412	1,715,950	1,743,198	1,771,177	1,799,908	1,844,068	1,874,373
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OVERHEADS

In-House Cafe/Restaurant Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overhead Expenses	-	384,741	314,114	318,308	323,792	329,990	336,319	342,993	349,806	356,761	363,863	371,113	378,515	386,073
Insurance	-	4,700	57,532	58,683	59,856	61,053	62,274	63,520	64,790	66,086	67,408	68,756	70,131	71,534
Exhibitions & Freight	-	62,424	23,877	24,355	24,842	25,339	25,845	26,362	26,890	27,427	27,976	28,535	29,106	29,688
Security	-	6,825	83,538	85,209	86,913	88,652	90,425	92,233	94,078	95,959	97,878	99,836	101,833	103,869
Property Maintenance Expenses	-	-	79,591	81,182	82,806	84,462	86,151	87,874	89,632	91,425	93,253	95,118	97,020	98,961
Salary & Wage Expenses	-	39,015	477,544	487,094	496,836	506,773	516,909	527,247	537,792	548,547	559,518	570,709	582,123	593,765
Other Personnel Expenses	-	2,341	28,653	29,226	29,810	30,406	31,015	31,635	32,267	32,913	33,571	34,243	34,927	35,626

TOTAL OVERHEADS

	-	500,046	1,064,848	1,084,057	1,104,856	1,126,675	1,148,938	1,171,864	1,195,254	1,219,119	1,243,467	1,268,310	1,293,656	1,319,517
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EBITDA

	7,553,400	7,553,400	619,298	545,081	516,655	511,146	505,790	517,548	520,695	524,079	527,709	531,599	550,411	554,856
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Depreciation	-	-	510,513	510,513	510,513	521,775	530,255	524,512	519,709	528,898	534,310	527,183	523,309	532,619
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EBIT

	7,553,400	7,553,400	108,785	34,568	6,142	(10,628)	(24,464)	(6,964)	986	(4,819)	(6,601)	4,416	27,103	22,237
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Interest (Overdraft)	12	-	-	-	-	-	-	-	-	-	-	-	-	-
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Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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NET PROFIT AFTER TAX

	7,553,388	7,553,400	108,785	34,568	6,142	(10,628)	(24,464)	(6,964)	986	(4,819)	(6,601)	4,416	27,103	22,237
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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

**HUNDERTWASSER WAIRAU MAORI ART CENTRE FEASIBILITY STUDY
STATEMENT OF CASHFLOWS**

Period End	30 Jun 17	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 (including GST)															
Operating Cash Inflow	-	8,686,410	9,261,463	2,180,999	2,106,534	2,096,112	2,120,234	2,145,240	2,192,995	2,232,534	2,272,816	2,314,285	2,356,969	2,417,078	2,463,042
Operating Cash Outflow	-	-	(553,265)	(1,549,368)	(1,561,612)	(1,578,956)	(1,599,860)	(1,635,252)	(1,674,930)	(1,710,828)	(1,738,608)	(1,785,616)	(1,820,526)	(1,866,233)	(1,897,190)
Net Operating Cash Flows	-	8,686,410	8,708,198	631,630	544,922	517,156	520,374	509,988	518,065	521,706	534,208	528,669	536,444	550,845	565,852
Interest Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Cash Flow	-	8,686,410	8,708,198	631,630	544,922	517,156	520,374	509,988	518,065	521,706	534,208	528,669	536,444	550,845	565,852
Investing Cash Flow															
Capital Expenditure (including GST)	-	(8,686,410)	(8,686,410)	-	-	-	(64,754)	(26,420)	-	-	(70,092)	-	(29,170)	-	(75,870)
Total Investing Cash flow	-	(8,686,410)	(8,686,410)	-	-	-	(64,754)	(26,420)	-	-	(70,092)	-	(29,170)	-	(75,870)
Financing Cash Flow															
Loan Drawdown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Financing Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflow/(Outflow)	-	-	21,788	631,630	544,922	517,156	455,620	483,569	518,065	521,706	464,116	528,669	507,274	550,845	489,982
Opening Balance	-	-	-	21,788	653,419	1,198,341	1,715,497	2,171,117	2,654,685	3,172,751	3,694,457	4,158,573	4,687,242	5,194,516	5,745,361
Closing Balance	-	-	21,788	653,419	1,198,341	1,715,497	2,171,117	2,654,685	3,172,751	3,694,457	4,158,573	4,687,242	5,194,516	5,745,361	6,235,342

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

The following are some of the key assumptions used in developing the financial model and projections.

B3.01 Economic Assumptions

CPI

2.00%

B5.03 Entry Fee Assumptions

		Local Discount	
		GST Inclusive	GST Exclusive
Adult	M	\$ 15.00	\$ 13.04
Children	M	\$ 7.50	\$ 6.52
Family Pass	M	\$ 32.00	\$ 27.83
Student	M	\$ 10.00	\$ 8.70
Senior	M	\$ 10.00	\$ 8.70
Adult - Local	M	\$ 7.50	\$ 6.52
Children - Local	M	\$ 3.75	\$ 3.26
Family Pass - Local	M	\$ 16.00	\$ 13.91
Student - Local	M	\$ 5.00	\$ 4.35
Senior - Local	M	\$ 5.00	\$ 4.35

50.00%

B5.04 Ticket Sales

[Ticket sales are based on the Ministry of Tourism actuals and projections of visitors to Northland through to 2016. The average growth rate is then applied to the years out to 2025.
As the growth rates are for Northland we have used a 75% capture rate to correspond with visitors to Whangarei. The split of visitors is based on studies carried out by the Ministry of Tourism.
For a Family Pass we have assumed 2 adults and 1 child.]

Period Start		1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25
Period End		30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
International Visitors								
Northland numbers		101,999	104,908	107,629	110,271	112,978	115,751	118,593
Capture rate for Whangarei	75%	76,499	78,681	80,722	82,703	84,734	86,814	88,944
International Tickets								
Adult	49%	37,485	38,554	39,554	40,525	41,519	42,539	43,583
Child	13%	9,945	10,229	10,494	10,751	11,015	11,286	11,563
Family Pass	20%	5,100	5,245	5,381	5,514	5,649	5,788	5,930
Senior Citizen	13%	9,945	10,229	10,494	10,751	11,015	11,286	11,563
Student	5%	3,825	3,934	4,036	4,135	4,237	4,341	4,447
Total Tickets		66,299	68,190	69,959	71,676	73,436	75,238	77,085
Total Numbers		76,499	78,681	80,722	82,703	84,734	86,814	88,944
Domestic Visitors (Outside of Whangarei District)								
Northland numbers		71,875	71,741	71,605	71,455	71,300	71,141	70,975
Capture rate for Whangarei	75%	53,906	53,806	53,703	53,591	53,475	53,355	53,231
Domestic Tickets (Outside of Whangarei District)								
Adult	26%	14,016	13,990	13,963	13,934	13,904	13,872	13,840
Child	26%	14,016	13,990	13,963	13,934	13,904	13,872	13,840
Family Pass	27%	4,852	4,843	4,833	4,823	4,813	4,802	4,791
Senior Citizen	11%	5,930	5,919	5,907	5,895	5,882	5,869	5,855
Student	10%	5,391	5,381	5,370	5,359	5,348	5,336	5,323
Total Tickets		44,203	44,121	44,037	43,945	43,850	43,751	43,650
Total Numbers		53,906	53,806	53,703	53,591	53,475	53,355	53,231
Local Visitors								
Capture rate		100%	50%	30%	25%	20%	20%	20%
Total Visitor Numbers estimated	29,500	29,500	14,750	8,850	7,375	5,900	5,900	5,900
Uses Visitor Solutions estimate of local visitors to the Hundertwasser								
Local Tickets								
Adult	22%	6,490	3,245	1,947	1,623	1,298	1,298	1,298
Child	22%	6,490	3,245	1,947	1,623	1,298	1,298	1,298
Family Pass	23%	2,262	1,131	679	565	452	452	452
Senior Citizen	15%	4,425	2,213	1,328	1,106	885	885	885
Student	18%	5,310	2,655	1,593	1,328	1,062	1,062	1,062
Total Tickets		24,977	12,488	7,493	6,244	4,995	4,995	4,995
Total Numbers		29,500	14,750	8,850	7,375	5,900	5,900	5,900

B5.05 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	\$ 2,800,000
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
		\$ 2,800,000

Fundraising

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	\$ 7,553,400	\$ 7,553,400
1 Jul 18	30 Jun 19	\$ 5,253,446	\$ 8,053,446
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	
		\$ 12,806,846	\$ 15,606,846

B5.06 Souvenir Shop Income

\$ 2.50	[Adjusted per CPI per annum]
40%	[Achieved typically]

Capital Cost	15,106,800
Start Up Costs	\$ 500,046
	<u>15,606,846</u>
Less WDC share	\$ 2,800,000 Plus GST
Fundraising	<u>12,806,846</u> Plus GST

B5.07 Cafe Lease Income

125.00 m2	125sqm Effective Floor Area and 37sqm terrace - per Trevor Griffiths
\$ 640.00	[Assumed unadjusted for 5 years, then adjusted per CPI 5 yearly]
\$ 80,000.00	Rental per annum - Per Greg Guy, Landlord in Whangarei and PNT Trustee

B6.08 Personnel Costs

[Per WAMT]
[Wage inflation to be applied each year]

	FTE Value	Full Cost	Salary Costs	
Salary - Director	0.50	110,000.00	55,000.00	[Half cost - Shared with WAM. No additional salary cost to region]
Curator	1.00	80,000.00	80,000.00	[New cost - estimated]
Receptionist/Ticket Counter	3.00	38,000.00	114,000.00	[New cost - estimated] 2 but need 3 for weekend coverage
Education/ Co-ordinator / Guide	1.00	40,000.00	40,000.00	[New cost - estimated]
Retail	3.00	37,000.00	111,000.00	[New cost - estimated] 2 but need 3 for weekend coverage
Office Admin/ Support	1.00	50,000.00	50,000.00	[New cost - estimated]
	<u>9.50</u>		<u>450,000.00</u>	
Insurance - ACC			1.00%	[% of salary costs]
Kiwisaver			4.00%	[% of salary costs]
Subscriptions & Levies			1.00%	[% of salary costs]
Recruitment Expenses - Set up				[in Set up provision]

Expense Assumptions

[All expenses were reviewed with WAMT and PNT and benchmarked to WAMT]

B6.02 Overhead Expenses

[CPI to be applied each year]

	Start Up	Year 1		
Accountancy fees		\$ -	[WAMT/WDC]	
Advertising		\$ 120,000.00	[Nominal]	
Audit fee		\$ 10,000.00	[Marginal cost on top of Whangarei Art Museum]	
Bank fees & charges		\$ 300.00	[Nominal]	
Computer expenses		\$ 3,000.00	[Nominal]	
Consultancy Fees		\$ 5,000.00	[Nominal]	
General	\$ 309,000.00	\$ 50,000.00	[Nominal]	Provision Start up to cover start up freight, insurance, training, set up, legal etc In addition 1 months operating costs are assumed in the year before opening.
Legal Fees		\$ 10,000.00	[Nominal]	
Electricity/water		\$ 41,000.00	[Nominal]	
Postage & Courier		\$ 1,000.00	[Nominal]	
Printing and Stationery		\$ 3,000.00	[Nominal]	
Rent			[Peppercorn rental from WDC]	
Seminars & Conferences		\$ 4,500.00	[Nominal]	
Telephone & Tolls & WiFi		\$ 6,000.00	[Nominal]	
Transport			[Nominal]	
Travelling & Accommodation		\$ 4,000.00	[Nominal]	
Uniforms		\$ 650.00	[Cost per Employee]	[Per WAMT \$4000pa]
Credit Card Commissions		2.00%	[Percentage of sales]	

B6.03 Insurance

[CPI to be applied each year]

Capital Value	\$ 15,106,800.00	[Linked below to capital cost]
Insurance - General Percentage of Capex	0.20%	[Advised by WAMT]
Insurance - General	\$ 30,213.60	[Based on value of capex]
Art Works - Hundertwasser	\$ 10,000,000.00	
Art Works - Maori	\$ 2,000,000.00	
Insurance - Art Works of Value	0.20%	[Advised by WAMT]
Insurance - Art Works	\$ 24,000.00	[Based on % of artworks value - Percentage based on what other public art galleries are paying for insurance premiums]

B6.04 Exhibitions & Freight

[CPI to be applied each year]

Valuation fees	\$ 2,500.00	[Advised by WAMT]
Freight - Set up	\$ 60,000.00	[Advised by WAMT]
Freight -Year 2 of operation onwards	\$ 20,000.00	

B6.05 Security

[CPI to be applied each year]

Security	\$ 78,720.00	[CCTV operation during opening hours only, after hour patrols and alarm monitoring]
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[Security to be tied into new security measures for the Whangarei Basin afterhours service. Patrols in Basin at no charge to Hundertwasser.

Security monitoring based on opening times of aprox 60 hours a week @ \$23.50 per hour (52 weeks a year) (\$73,320 per annum), plus patrols at \$450 per month (\$5,400 per annum) and alarm monitoring at \$45 per month (\$540 per annum) . [Advised by Security company & WDC - may be able to be shared]

B6.06 Property Maintenance Expenses

[CPI to be applied each year]

Rates & Taxes	-	[No rate per WAMT]
Repairs & Maintenance	\$ 75,000.00	[Per WAMT]

Hundertwasser Construction

B12.01 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
HWMAC	-	7,553,400	7,553,400			
Total	-	7,553,400	7,553,400	-		
Cummulative Total	-	7,553,400	15,106,800	15,106,800		

B12.02 Splitting of Capital Costs

Summary of Costs

Construction Costs (pre inflation)	11,305,400	
	11,305,400	
Professional Fees (pre inflation)	555,000	-
Contingency (pre inflation)	891,400	-
Building Consent	159,700	
Margin	630,300	
Provison for Escalation	1,565,000	
	15,106,800	

	Direct Costs	Professional Fees	Contingency	Consent	Margin	Escalation	Total		
Shell (Including site preparation)	7,520,300	369,183	592,955	106,232	419,273	1,041,031	10,048,974	66.52%	
Fixtures & Fittings	849,000	41,679	66,941	11,993	47,334	117,527	1,134,473	7.51%	
Mechanical Services	1,326,100	65,100	104,559	18,732	73,933	183,571	1,771,996	11.73%	
Electrical & Fire Services	669,400	32,862	52,780	9,456	37,320	92,665	894,483	5.92%	
Lifts	150,000	7,364	11,827	2,119	8,363	20,764	200,437	1.33%	
Sanitary Plumbing	123,200	6,048	9,714	1,740	6,869	17,055	164,626	1.09%	
External Works	667,400	32,764	52,623	9,428	37,209	92,388	891,811	5.90%	
	-	-	-	-	-	-	-	0.00%	
	11,305,400	11,305,400	555,000	891,400	159,700	630,300	1,565,000	15,106,800	100.00%

B12.03 Depreciation Rates

Shell (Including site preparation)	50 years	2.00%	[Straight Line Depreciation Rate]
Fixtures & Fittings	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]

B12.04 Construction Completion Dates

Construction Phase Complete	30/06/2019 [Month end dates to be entered only]
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Allowances have been made for some capital expenditure by the Trust for replacement IT equipment and some fit-out costs such as cash registers, Point of sale terminals, shelving, etc every 4 to 5 years.

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