

24.2.21 CROMWELL MEMORIAL HALL - OPERATING MODEL AND FUNDING PRINCIPLES

Doc ID: 1454179

Public Excluded

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(h) and s7(2)(i) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities and the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

1. Purpose of Report

To consider the proposed operating model, funding principles and likely impact on rates of the Cromwell Memorial Hall.

Recommendations

That the Council

- A. Receives the report and accepts the level of significance.
- B. Adopts the low scenario potential operating model to progress as the preferred option and agree to further develop it in parallel with the construction, particularly in relation to the utilisation rates, staffing structure, and the potential hybrid museum options.
- C. Approves the funding model principles for the construction of the Cromwell Memorial Hall being:
 - The use of existing reserves inclusive of the 2022/23 financial year net land sales
 - Apply to external funders for contributions.
 - Debt fund the balance.
 - Repay the debt from future land sales.
 - Consider options for capitalisation of financing costs as opposed to rate funding the interest and principal repayments.
 - Consider a community facility development contribution in the upcoming review of the development contribution policy.
 - Phase the rate funding of the depreciation cost following the repayment of the debt.
- D. Agrees to release the report with the Key Assumptions in the report and appendix redacted once the decision has been approved by Council.
- E. Agrees to release the minutes once the decision has been approved by Council.

2. Background

On the 28 November 2023 meeting, the Cromwell Community Board (the Board) considered a report on the operating model and funding principles for the Cromwell Memorial Hall. The report was left on the table while further information was provided.

On the 12th of February, a supplementary report was referred to the Board. The report detailed additional information around the operating model and the impact on rates. The report made recommendations to Council because the proposed funding model relies on debt in the short term, plus land sales and will impact rates in the Cromwell Ward.

At the meeting the Board sought clarification (to be addressed in the report to Council) around whether there had been any changes from the developed design adopted by the Board on the 8 May 2023, to the detailed design. The developed design was submitted for building consent and used for the construction tender process. Clarification that only minor changes have been made would preclude the necessity for a separate resolution approving detailed design.

The Board also sought clarity around the debt level in the 2021-2031 Long Term Plan and further details on land sales.

The Board on the 12 February made the following resolution:

That the Cromwell Community Board

- A. *Receives the report and notes that legal advice is being sought on the level of significance.*
- B. *Receives the amended information for the potential operating model.*
- C. *Recommends to Council to adopt the low scenario potential operating model to progress as the preferred option and agree to further develop it in parallel with the construction, particularly in relation to the utilisation rates, staffing structure, and the potential hybrid museum options.*
- D. *Recommends to Council that the funding model principles be:*
 - *The use of existing reserves inclusive of the 2022/23 financial year net land sales*
 - *Apply to external funders for contributions.*
 - *Debt fund the balance.*
 - *Repay the debt from future land sales, to include Cemetery Road sections and Bannockburn Road Industrial.*
 - *Consider options for capitalisation of financing costs as opposed to rate funding the interest and principal repayments.*
 - *Consider a community facility development contribution in the upcoming review of the development contribution policy.*
 - *Phase the rate funding of the depreciation cost following the repayment of the debt.*
- E. *Agrees to release the report with the Key Assumptions in the report and appendix redacted once the decision has been ratified by Council.*
- F. *Agrees to release the minutes once the decision has been ratified by Council. For ease of reference, the report of 28 November 2023 and the supplementary information report of 12 February 2024 are contained in their entirety as Appendix I.*

3. Discussion

The additional information requested by the Board on 12 February 2024 is detailed below.

Design

The developed design was adopted by the Board at its meeting on 8 May 2023. The detailed design has since been completed and the structural layout/footprint and gross floor area

(GFA) from developed design is unchanged. The internal walls in the building were designed to enable some flexibility and in discussion with the museum representatives a shift in internal walls and resulted in a change to some spaces within the museum. No other areas have any visible changes. The developed and detail design floor plans are attached in Appendix II.

2021-2031 Long Term Plan.

The 21-31 LTP had loan funded the debt of \$16.1 million. The funding options included using cash reserves, debt (Council taking out a loan), land sales and rates.

Following the construction tender and valued engineering process the capital funding is now made up of

- \$6,700,000 from land sales
- \$2,500,000 from external funders
- \$18,000,000 from reserves
- \$18,640,000 to be loan funded with interest paid from rates.

In the 8 May 2023 meeting the Board made the following resolution:

“Notes the shortfall in project funding of \$11.349M of which \$5M is expected to be met from external funders that are to be confirmed in November 2023 and that the remaining \$6.349M is proposed to be funded by way of by land sales from the Cemetery Road industrial development.”

The 6.34 million from Cemetery Road land sales is held in an account for this purpose.

There are five additional sections at Cemetery Road, Cromwell yet to be sold. They are valued at approximately \$2 million in total.

In addition, there is a 52-hectare block of industrial land on Bannockburn Road, yet to be developed. The Bannockburn Road property is endowment land, endowed to the Borough of Cromwell via a Crown grant. The purpose of the endowment land is *in aid of Borough funds*.

The revenue from the combination of the sections at Cemetery Road and the yet to be developed block at Bannockburn Road will repay the debt of 18.6 million in a period of five years.

Significance and Engagement

When considering the operational model and funding principles on 12 February 2024, the matter of significance and potential further consultation was discussed with the Cromwell Community Board. At that point there had been an initial conversation with Council's legal advisers. After exploring the matter further, it is clear that for Council significance and engagement is more a question of judgement than a matter of law.

The question is whether to further consult on the construction of the Cromwell Memorial Hall because of increased capital costs, and increased operational costs or, having consulted already, and knowing that the project has sufficient support from the community, whether it is the Council's responsibility to now manage the activity through land sales and rates, which are within the range consulted on it the 21-31 LTP.

When making decisions Council must consider Sections 76 - 82 of the Local Government Act 2002 (the Act). Council must consider Section 76 which points to sections 77 and 78 of the Act. Section 77 requires Council to identify all reasonably practicable options for the decision and assess those options in terms of advantages and disadvantages, whilst Section 78 requires Council to give consideration to community views and preferences of persons likely

to be affected. It is important to note that Section 78(3) states that a local authority is not required to undertake any consultation process or procedure.

Section 79 of the Act refers to the procedure for complying with sections 77 and 78 being largely in proportion to the significance of the matters affected by the decision, in accordance with the Council's Significance and Engagement Policy.

Central Otago District Council's Significance and Engagement Policy provides a step by step method to address the relevant sections of the Act and this is applied below.

Step 1 - Determine Significance

At the outset of the project in 2018 it was identified that community engagement was vital to the success of the Cromwell Masterplan development and associated projects. A communication and engagement programme was prepared to support the programme, and a range of engagement activities and forums were undertaken to enable community opportunities to provide input and feedback.

Following adoption of the Masterplan, the project was the main consultation item in the 21-31 LTP Consultation Document, and following adoption of the LTP further consultation was undertaken with a Stakeholder Engagement Group and the wider community with respect to community needs and design of the facility.

Whilst the initial report and following reports did not specifically identify the decisions around project as being significant under the Council's Significance and Engagement Policy it is clear that the decision to construct the Cromwell Memorial Hall has been treated as significant.

Step 2 - Determine whether engagement is required.

The policy states that Council will identify community views when a significant decision needs to be made, and goes on to set out the circumstances where engagement is not required. These are the following:

- matters where the Council already has a sound understanding of the views and preferences of those likely to be affected or interested in the matter;
- matters where the costs of engagement outweigh the benefits of it;
- matters that have already been addressed by the Council's strategies or plans, which have been previously consulted on; and
- issues where there an immediate or quick response is needed, or it is not practical to engage.

As detailed in Step 1, extensive engagement has occurred at three different times; through development of the Cromwell Masterplan; as a major item in the consultation document in the 21-31 LTP and with community and a Stakeholder Engagement Group through the design process.

Council has a clear understanding of community views, noting that there has been an increase in costs (capex and opex) from the 21-31 LTP, although the rates impact falls within the range consulted on for the Cromwell Masterplan projects.

The fixed price contract offer for the construction of the hall will expire if not awarded on 28 February 2024. The implications of this are a likely escalation in prices, which may require further consultation.

Step 3 - Decide how to engage.

The policy addresses the level of engagement the Council may adopt depending on the significance of the decision.

The section emphasises that where a decision is determined significant it does not necessarily trigger engagement.

Determination

Having considered the steps above the question is whether the construction of the Cromwell Memorial Hall is a significant decision, and whether further consultation is required.

Having completed Step 1 above, it is considered that the Cromwell Memorial Hall is a significant decision for the Cromwell Community.

As outlined above the project of the Cromwell Memorial Hall has been the subject of extensive consultation at three stages of the development (including the 21-31 LTP), and the community views are well understood.

The costs of construction have increased, and the revised capital costs and operation costs do have a greater impact on rates, however these fall within the range consulted on in the 21-31 LTP.

Having reviewed Councils Significance and Engagement Policy and the relevant sections of the Local Government Act it is considered that: the decision is significant; that sufficient consultation has been undertaken to understand the views of the community; that further consultation will risk consultation fatigue and may result in the contract being lost resulting in higher costs and the possible need for further consultation; and that the commercial matters now confronting Council are within the ambit of the Council to manage.

Based on the analysis above it is recommended that the construction of the hall should commence without further consultation.

4. Financial Considerations

During the tender process for the construction contract, all tenders were higher than the estimated cost of \$42.8 million. The preferred tenderer was identified, and a Value Engineering (VE) process entered into, with the aim of reducing the construction cost to meet the estimated cost. The amount has reduced to \$45.8 million which is still higher than the estimate cost. It is therefore proposed that the shortfall of \$3 million be funded by debt in the short term to be repaid from land sales within the first five years. The numbers modelled in this report reflect the total tender of \$45.8 million which contains a \$2 million contingency.

All other funding model assumptions are as per the first report (left on the table). Discussions to date with external funders indicate greater contribution than has been modelled. Again, a conservative approach has been taken.

Work on a development contribution policy for community facilities is in early stages. This policy would provide funding for the growth portion of this project, from developments in the Cromwell ward.

Further work will be undertaken around the capitalisation of interest costs with repayment from land sales to minimise and smooth the rates impact.

The paper left on the table proposed a medium operating scenario. The revised modelling is more conservative regarding utilisation and therefore revenue and presents the low operating scenario. This leads to a higher rates impact than presented in the November report.

The impact on rates is now greater than the 21-31 LTP for the Cromwell Memorial Hall project. Figure 4, however, is within the range of the rates impact for all the Cromwell Masterplan projects consulted on in the 21-31 LTP (see attached Appendix 1). In the 21-31

LTP, The Cromwell Memorial Hall and the Town Centre upgrades were modelled to progress in tandem (The Hybrid option).

Whilst this presents a rates impact that might be higher than desirable in the current financial environment, it is within the range of rates impact modelled in the 21-31 LTP for the Cromwell Masterplan projects. After many years of planning the project is ready to commence subject to Board and Council approval.

The proposal has been reviewed and the construction of the new hall as designed, delivers the benefits and meets all strategic objectives of the Cromwell Masterplan, and other strategic documents and has strong community support.

The fixed price construction contract has been negotiated and the tender can now be awarded enabling the Council to embark on the one significant community project in the next 15 years outside of core infrastructure.

The Cromwell Town Centre on the other hand is still in the planning and design stages, with many decisions yet to be made by Council. The Council will have opportunity to consider the town centre project separately, inclusive of the funding options, and review whether further community consultation is required to determine whether the project should progress.

There is further opportunity to reduce the rating impact of this project as further analysis is undertaken on the operating and funding models when considering the LTP in its entirety. Also, a hybrid share arrangement with the museum could be explored as the flexible spaces in the facility are shown to offer the greatest potential for earning revenue. It is again emphasised that the financial modelling is conservative and by adopting the low operating scenario there is opportunity to improve the utilisation of the facility and therefore the revenue.

There is a well-documented history relating to upgrading the Cromwell Memorial Hall. The reputational risk of not progressing now should not be overlooked. Delays at this time are likely to result in the fixed price contract offer expiring (if not awarded by 28 February 2024) and new negotiations will result in further escalation of prices. The project falls into the rates impact of the 21-31 LTP for the Cromwell Masterplan projects and has strong community support.

5. Options

Option 1 – (Recommended)

Receive the amended information for the potential operating model.

Adopt the low scenario potential operating model to progress as the preferred option and agree to further develop it in parallel with the construction, particularly in relation to the utilisation rates, staffing structure, and the potential hybrid museum options.

Agree the funding model principles being:

- The use of existing reserves inclusive of the 2022/23 financial year net land sales
- Apply to external funders for contributions.
- Debt fund the balance.
- Repay the debt from future land sales.
- Consider options for capitalisation of financing costs as opposed to rate funding the interest and principle repayments.
- Consider a community facility development contribution in the upcoming review of the development contribution policy.

- Phase the rate funding of the depreciation cost following the repayment of the debt.

Advantages:

- Following review the project continues to meet the benefits and all strategic objectives of the Cromwell Masterplan, and other strategic documents and has strong community support.
- The rates impact is in the range of impact modelled and consulted on in the 2021-31 LTP for the Cromwell Masterplan projects.
- The fixed price construction contract has been negotiated and the tender can now be awarded, enabling the Council to embark on the one significant community project in the next fifteen years outside of core infrastructure.

Disadvantages:

- Cost escalations and timing have resulted in a higher rates impact than anticipated meaning the hall project has needed to be given priority over the balance of the Cromwell Masterplan, rather than being developed in tandem as modelled in the 21-31 LTP.

Option 2

Receive the amended information and adopt the low scenario model and agree the funding principles as outlined in option 1

Inform the community as per Councils Significance and Engagement Policy of the changes in scope and costs to the project, and the rates impact (which falls within the range consulted on in the 21-31 LTP for Cromwell Masterplan Projects)

Advantages:

- Following review the project continues to meet the benefits and all strategic objectives of the Cromwell Masterplan, and other strategic documents and has strong community support.
- The rates impact is in the range of impact modelled and consulted on in the 2021-31 LTP for the Cromwell Masterplan projects.
- The fixed price construction contract has been negotiated and the tender can now be awarded, enabling the Council to embark on the one significant community project in the next fifteen years outside of core infrastructure.
- We take the community with us whilst avoiding reputational damage of delaying the project and causing consultation fatigue.

Disadvantages:

- Cost escalations and timing have resulted in a higher rates impact than anticipated meaning the hall project has needed to be given priority over the balance of the

Cromwell Masterplan, rather than being developed in tandem as modelled in the 21-31 LTP.

Option 3

Do not adopt the low scenario model and funding principles as outlined in option 1, but rather include the total project in the upcoming 24-34 LTP.

Advantages:

- This will show the rates impact alongside all other projects and costs in the 24-34 LTP

Disadvantages:

- Reputational risk for delaying the project, failing to award the tender and likely causing further price escalation with both community and the construction sector.
- Financial risk relating to price escalation.

Option 4

Do not progress construction of the new Cromwell Memorial Hall in accordance with adopted design.

Advantages:

- No construction costs and little impact on rates (outside costs to demolish the existing hall).
- Funding streams could be used for other projects.

Disadvantages:

- The Community do not get a facility that meets their expectations as previously consulted on.
- Reputational risk for aborting the project when it meets the strategic objectives identified through the planning and design phases.
- Reputational risk with the construction sector as it relates to submitting tenders with Council.
- Funding the costs incurred to date, in excess of \$3.2 Million would need to be considered.

6. Compliance

Local Government Act 2002 Purpose Provisions	This decision promotes the (social/cultural/economic/environmental) wellbeing of communities, in the present and for the future by delivering a hall/events centre to the community which will enable a range of events and community use, and a hub for arts and culture.
Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.	The decision is consistent with the Cromwell 'Eye to the Future' Masterplan and the Long-term Plan.

Considerations as to sustainability, the environment and climate change impacts	The impacts on sustainability such as waste to landfill will be off-set by salvage operations and in the long term by the creation of a modern and environmentally efficient building on this site.
Risks Analysis	<p>Financial risks are managed by using combination of funding sources including reserves, land sales, short term debt, rates, external funding, and development contributions.</p> <p>A conservative approach has been taken for financial modelling with a low operating scenario adopted. Further opportunity exists to increase revenue and smooth rates.</p> <p>There is a risk of the offer of fixed price construction contract expiring, which will likely result in further price escalations. This would be damaging to Council's reputation in the construction sector and the Cromwell community.</p>

7. Next Steps

1. Apply for external funding from Lotteries and Otago Community Trust and other agencies
2. Continue planning for the farewell ceremony to be held prior to demolition.
3. If agreed include the latest funding principles in the financial strategy work going forward and further develop the operating model in parallel with construction.

8. Attachments

Appendix 1 - Reports from Cromwell Community Board [↓](#)

Appendix 2 - Developed and Detailed Design - Top View Drawings [↓](#)

Report author:



Garreth Robinson
Property and Facilities Manager
20/02/2024

Reviewed and authorised by:



Louise van der Voort
Group Manager - Planning and Infrastructure
20/02/2024



28 November 2023

23.9.8 CROMWELL MEMORIAL HALL

Doc ID: 1360581

Public Excluded

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.

1. Purpose of Report

To consider the proposed operating model and funding principles and likely impact on rates.

Recommendations

That the Cromwell Community Board

- A. Receives the report and accepts the level of significance.
 - B. Receive the results of the potential operating model and agree to further develop it in parallel with the construction.
 - C. Adopt the medium scenario operating model, acknowledging this modelling is in isolation of other projects and activities, and agree the funding principles being:
 - i. The use of existing reserves inclusive of the 22-23 financial year net land sales.
 - ii. Apply to external funders for contributions.
 - iii. Debt fund the balance.
 - iv. Rate fund the interest and principal repayments.
 - v. Repay the debt from future land sales.
 - vi. Consider a community facility development contribution in the upcoming review of the development contribution policy.
 - vii. Phase the rate funding of the depreciation cost following the repayment of the debt.
 - D. Agree that once the Board supports that the operating model be further developed in parallel with the construction of the facility and the funding principles are agreed; and the construction contract is awarded by Council within the agreed budget of \$42.8 million then the project can progress.
 - E. Report to be released from confidential once the construction contract has been awarded
- Notes.

2. Background

On 8 May a report was referred to the Cromwell Community Board regarding the Cromwell Memorial Hall. The report contained the following recommendations:

That the Cromwell Community Board:

- A. Receives the report and accepts the level of significance.
- B. Adopts developed design for the Cromwell Memorial Hall building.
- C. Approves the commencement of detailed design.
- D. Approves the demolition of the existing hall building and appropriate salvaging.
- E. Approves the procuring of construction services.
- F. Approves the developed design estimate and funding of short fall from land sales up to the value of \$7,000,000.
- G. Authorises the Chief Executive to do all that is necessary to give effect to the resolution.

The Board approved recommendations A - E, and amended and passed new resolutions now F - I.

The minutes record the Board 8 May resolutions as follows:

COMMITTEE RESOLUTION

Moved: Browne

Seconded: Scott

That the Cromwell Community Board:

- A. Receives the report and accepts the level of significance.
- B. Adopts developed design for the Cromwell Memorial Hall building as detailed in appendix one of the report.
- C. Approves the commencement of detailed design.
- D. Approves the demolition of the existing hall building and appropriate salvaging.
- E. Approves the procuring of construction and demolition services.
- F. Notes that the 2021/31 Long Term Plan funds the Cromwell Memorial Hall project at a cost of \$31.5M and that the developed design estimate is now expected to be \$42.849M.
- G. Notes the shortfall in project funding of \$11.349M of which \$5M is expected to be met from external funders that are to be confirmed in November 2023 and that the remaining \$6.349M is proposed to be funded by way of by land sales from the Cemetery Road industrial development.
- H. Prior to approval of the detailed design, the Board receives for its approval: i. The proposed operating model for the facility ii. The projected operating and maintenance costs iii. The likely rating implications going forward.
- I. The Board notes the district review of museum services and recommends to Council that it considers the Cromwell Memorial Hall project in that review.
- J. Authorises the Chief Executive to do all that is necessary to give effect to the resolution.

Resolution H requires that the Board approve detailed design for the hall project, and prior to approval of detailed design, they receive for approval the proposed operating model for the facility, the projected operation and maintenance costs and the likely rating implications going forward.

3. Discussion
Operating Model



4. Financial Considerations

This project needs to utilise a number of funding streams that make up Councils financial strategy inclusive of an increase in rates for the Cromwell ward.

Apart from the potential introduction of community facility development contributions these funding streams have been consulted on in the 2021-31 Long term plan.

The potential direct operating deficit has now also been included with the funding model to outline the potential increase in rates for this project overall.

It needs to be noted this modelling is being provided in isolation of other projects and activities that will impact the financial strategy and therefore potential rates increases in the coming 2024-34 LTP.

On the 8 May 2023 report, the board received advice that the outcomes of external funding applications would be available in November 2023. Staff have collaborated with the funder advisors and were instructed to initiate the funding application process once building consent was obtained. Notably, there are two Lottery application windows in January and February, spanning a three-month period, with results typically announced approximately six months after the opening dates.

5. Options

Option 1 – (Recommended)

1. Receive the results of the potential operating model and agree to further develop it in parallel with the construction.
2. Adopt the medium scenario operating model, acknowledging this modelling is in isolation of other projects and activities, and agree the funding principles being:
 - The use of existing reserves inclusive of the 22-23 financial year net land sales
 - Apply to external funders for contributions.
 - Debt fund the balance.
 - Rate fund the interest and principal repayments.
 - Repay the debt from future land sales.
 - Consider a community facility development contribution in the upcoming review of the development contribution policy.

- Phase the rate funding of the depreciation cost following the repayment of the debt.
3. Agree that once the Board supports that the operating model be further developed in parallel with the construction of the facility and the funding principles are agreed; and the construction contract is awarded by Council within the agreed budget of \$42.8 million then the project can progress.

Advantages:

- The modelling is not dissimilar to that of the 2021-31 LTP consultation document despite the increase in cost, where the community feedback was to proceed.
- The construction contract and the detailed design are progressing in tandem and will be ready for decision prior to Christmas.
- The decision will enable the hall project which has significant community support to progress.

Disadvantages:

The decision is being made in isolation of the impacts of other projects and activities that will impact the financial strategy and therefore potential rates increases in the coming 2024-34 LTP.

Option 2

Do not agree to further develop the operating model alongside construction, rather develop it further now and include the total project in the upcoming 2024-34 LTP.

Advantages:

- This will allow us more time to refine the operational model and include this project in the LTP alongside all other projects and activities.

Disadvantages:

- The operating model does not address the significant costs that will impact rates being debt servicing and funding depreciation.
- The build cost will most likely increase.
- The community may react at the delay.

6. Compliance

<p>Local Government Act 2002 Purpose Provisions</p>	<p>This decision promotes the social and cultural wellbeing of communities, in the present and for the future by delivering a hall/events centre to the community which will enable a range of events and community use, and a hub for arts and culture.</p>
<p>Decision consistent with other Council plans and policies? Such</p>	

as the District Plan, Economic Development Strategy etc.	This decision is consistent with the 'Eye to the Future' Cromwell Masterplan and long Term Plan
Considerations as to sustainability, the environment and climate change impacts	The impacts on sustainability such as waste to landfill will be off-set by salvage operations and in the long-term by the creation of a modern and environmentally efficient building on this site.
Risks Analysis	Construction and project risks are being managed by project planning and close project management. Procurement risks are being managed by robust evaluation with independent members on the evaluation panel. Costs risks are being managed by using a fixed price procurement method. Reputational risks are being managed by communicating with the community on progress via Council's website.
Significance, Consultation and Engagement (internal and external)	There has been significant consultation through the "Eye to the Future" masterplan, long term plan, and recently public drop-in sessions through March on design and via Council's website.

7. Next Steps

1. Continue the contract negotiation process in order to present a preferred contractor and NZ3910 contract to Council in December.
2. Apply for external funding; Lotteries have two application periods opening in January and February, with deadlines in March and April. The results for Lotteries will be advised 3 months after applications close. Additionally, the Otago Community Trust funding application will be submitted in April.
3. Continue planning for a farewell ceremony to be held prior to demolition,
4. If agreed include the latest funding principles in the financial strategy work going forward and further develop the operating model in parallel with construction

8. Attachments

Appendix 1 - Inputs and Assumptions.pdf

Appendix 2 - Funding Models.pdf

Confidential Cromwell Community Board meeting Agenda

28 November 2023

Report author:

Reviewed and authorised by:



Garreth Robertson
Property and Facilities Manager
15/11/2023

Louise van der Voort
Group Manager - Planning and Infrastructure
16/11/2023

CONFIDENTIAL



12 February 2024

24.2.6 CROMWELL MEMORIAL HALL - SUPPLEMENTARY INFORMATION

Doc ID: 1447728

Public Excluded

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1. Purpose of Report

To consider supplementary information to the report titled Cromwell Memorial Hall (ID1360581).

Recommendations

That the Cromwell Community Board

- A. Receives the report and accepts the level of significance.
- B. Receive the amended information for the potential operating model.
- C. Recommends to Council to adopt the low scenario potential operating model to progress as the preferred option and agree to further develop it in parallel with the construction, particularly in relation to the utilisation rates, staffing structure, and the potential hybrid museum options.
- D. Recommends to Council that the funding model principles be:
 - The use of existing reserves inclusive of the 2022/23 financial year net land sales
 - Apply to external funders for contributions.
 - Debt fund the balance.
 - Repay the debt from future land sales.
 - Consider options for capitalisation of financing costs as opposed to rate funding the interest and principal repayments.
 - Consider a community facility development contribution in the upcoming review of the development contribution policy.
 - Phase the rate funding of the depreciation cost following the repayment of the debt.
- E. Agrees to release the report with the Key Assumptions in the report and appendix redacted once the decision has been ratified by Council.
- F. Agrees to release the minutes once the decision has been ratified by Council.

2. Background

At its meeting of 28 November 2023, the Cromwell Community Board considered the proposed operating model, funding principles, and likely impact on rates of the proposed

Cromwell Memorial Hall and Events Centre (the Centre). The report was left to lie on the table until additional information was provided around the operating costs of the facility, and further detail on the assumptions behind the low, medium, and high financial operating model scenarios.

The supplementary information (Appendix 2) goes back to the strategic case for making changes outlined in the Indicative Business Case (IBC) from 2019. The better business case was the method utilised to deliver the Cromwell 'Eye to the Future' Masterplan Spatial Framework 2019.

The Masterplan focuses on the revitalisation and enhancement of the mall and civic facilities within the Town Centre Precinct; and the future of the Cromwell Memorial Hall within the Arts, Culture and Heritage Precinct to help address this growth.

It is considered that in addition to the original strategic documents assessed in the IBC that the proposal also maintains alignment with more recent strategic documents such as the Destination Management Plan for Central Otago 2022, and the Economic Development Strategy 2019-2024.

The Economic Development Strategy sets out the impact on the region's economic and social wellbeing, suggesting actions the community and CODC could take over a five-year period. The ability to host larger conferences and events would create significant spending outside the current peak tourism season, helping to address the tourism industry's seasonality issues. Alongside that, this development would address some of the challenges identified in the strategy, including attracting international visitors, the provision of infrastructure and land to keep up with growth, and attracting and retaining talent within the region.

Having reviewed the indicative business case, including the investment objectives, the Cromwell Masterplan and the strategic documents, it is demonstrated the proposed Cromwell Memorial Hall Development continues to meet the strategic objectives for the Cromwell community.

A financial operating model was developed based on a number of assumptions around hours of operation, ratios of commercial versus community events, visitor numbers, pricing and staffing levels and modelled under three scenarios, low (conservative), medium (realistic) and high (aspirational).

The report that lies on the table (Appendix 1) recommended a medium scenario for operating revenue and costs. Since the development of the initial operating model the assumptions have been reviewed in light of new information around likely visitor numbers, to the museum in particular. It was felt that all scenarios were pitched too high for paying visitor numbers and have been revised down. The model has also been reviewed to ensure all anticipated operational costs are included. The model includes additional staff resources required to promote and market the Centre to maximise its use. Total event days for the auditorium have been revised down across all scenarios. The revised inputs and assumptions for the models are attached in Appendix 2, and the overall outputs are presented in Figures 1 and 2.

It is now recommended the new low scenario be adopted. This means all revenue, costs and utilisation rates assume a very conservative approach, with the best information available at this time.

In order for Council to make decisions around museums, the development of two operating models have been introduced for comparative purposes. This includes a museum-in option, which contains the museum activity and a museum-out option, where an alternative activity will provide a commercial lease.

3. Discussion









4. Financial Considerations

During the tender process for the construction contract, all tenders were higher than the estimated cost of \$42.8 million. The preferred tenderer was identified, and a Value engineering process entered into, with the aim of reducing the construction cost to meet the estimated cost. The amount has reduced to \$45.8 million which is still higher than the estimate cost. It is therefore proposed that the shortfall of \$3 million be funded by debt in the short term to be repaid from land sales within the first five years. The numbers modelled in this report reflect the total tender of \$45.8 million which contains a \$2 million contingency.

All other funding model assumptions are as per the first report (left on the table). Discussions to date with external funders indicate greater contribution than has been modelled. Again, a conservative approach has been taken.

Work is also occurring on a development contribution policy for community facilities. This would provide funding for the growth portion of this project, from developments in the Cromwell ward.

Further work will be undertaken around the capitalisation of interest costs with repayment from land sales to minimise and smooth the rates impact.

The paper left on the table proposed a medium operating scenario. The revised modelling is more conservative regarding utilisation and therefore revenue and presents the low operating scenario. This leads to a higher rates impact than presented in the November report.

The impact on rates is now greater than the 21-31 LTP for the Cromwell Memorial Hall project, Figure 4, however, is within the range of the rates impact for all the Cromwell Masterplan projects consulted on in the 21-31 LTP, see attached Appendix 1. In the 21-31 LTP, The Cromwell Memorial Hall and the Town Centre upgrades were modelled to progress in tandem (The Hybrid option).

Whilst this presents a rates impact that might be higher than desirable in the current financial environment, it is within the range of rates impact modelled in the 21-31 LTP for the Cromwell Masterplan projects. After many years of planning the project is ready to commence subject to Board and Council approval.

The proposal has been reviewed and the construction of the new hall as designed, delivers the benefits and meets all strategic objectives of the Cromwell Masterplan, and other strategic documents and has strong community support.

The fixed price construction contract has been negotiated and the tender can now be awarded enabling the Council to embark on the one significant community project in the next 15 years outside of core infrastructure.

The Cromwell Town Centre on the other hand is still in the planning and design stages, with many decisions yet to be made by Council. The Council will have opportunity to consider the town centre project separately, inclusive of the funding options, and review whether further community consultation is required to determine whether the project should progress.

There is further opportunity to reduce the rating impact of this project as further analysis is undertaken on the operating and funding models when considering the LTP in its entirety. Also a hybrid share arrangement with the museum could be explored as the flexible spaces in the facility are shown to offer the greatest potential for earning revenue. It is again

emphasised that the financial modelling is conservative and by adopting the low operating scenario there is opportunity to improve the utilisation of the facility and therefore the revenue.

There is a well-documented history relating to upgrading the Cromwell Memorial Hall. The reputational risk of not progressing now should not be overlooked. Delays at this time are likely to result in the fixed price contract offer expiring (if not awarded by 28 February 2024) and new negotiations will result in further escalation of prices. The project falls into the rates impact of the 21-31 LTP for the Cromwell Mastepplan projects and has strong community support.

5. Options

Option 1 – (Recommended)

Receive the amended information for the potential operating model

Adopt the low scenario potential operating model to progress as the preferred option and agree to further develop it in parallel with the construction, particularly in relation to the utilisation rates, staffing structure, and the potential hybrid museum options.

Agree the funding model principles being:

- The use of existing reserves inclusive of the 2022/23 financial year net land sales
- Apply to external funders for contributions.
- Debt fund the balance.
- Repay the debt from future land sales.
- Consider options for capitalisation of financing costs as opposed to rate funding the interest and principle repayments.
- Consider a community facility development contribution in the upcoming review of the development contribution policy.
- Phase the rate funding of the depreciation cost following the repayment of the debt.

Advantages:

- Following review the project continues to meet the benefits and all strategic objectives of the Cromwell Masterplan, and other strategic documents and has strong community support.
- The rates impact is in the range of impact modelled and consulted on in the 2021-31 LTP for the Cromwell Masterplan projects.
- The fixed price construction contract has been negotiated and the tender can now be awarded, enabling the Council to embark on the one significant community project in the next fifteen years outside of core infrastructure.

Disadvantages:

Cost escalations and timing have resulted in a higher rates impact than anticipated meaning the hall project has needed to be given priority over the balance of the Cromwell Masterplan, rather than being developed in tandem as modelled in the 21-31 LTP.

Confidential Cromwell Community Board meeting Agenda

12 February 2024

Option 2

Receive the amended information and adopt the low scenario model and agree the funding principles as outlined in option 1

Inform the community as per Councils Significance and Engagement Policy of the changes in scope and costs to the project, and the rates impact (which falls within the range consulted on in the 21-31 LTP for Cromwell Masterplan Projects)

Advantages:

- Following review the project continues to meet the benefits and all strategic objectives of the Cromwell Masterplan, and other strategic documents and has strong community support.
- The rates impact is in the range of impact modelled and consulted on in the 2021-31 LTP for the Cromwell Masterplan projects.
- The fixed price construction contract has been negotiated and the tender can now be awarded, enabling the Council to embark on the one significant community project in the next fifteen years outside of core infrastructure.
- We take the community with us whilst avoiding reputational damage of delaying the project and causing consultation fatigue.

Disadvantages:

Cost escalations and timing have resulted in a higher rates impact than anticipated meaning the hall project has needed to be given priority over the balance of the Cromwell Masterplan, rather than being developed in tandem as modelled in the 21-31 LTP.

Option 3

Do not adopt the low scenario model and funding principles as outlined in option 1, but rather include the total project in the upcoming 24-34 LTP.

Advantages:

- This will show the rates impact alongside all other projects and costs in the 24-34 LTP

Disadvantages

- Reputational risk for delaying the project, failing to award the tender and likely causing further price escalation with both community and the construction sector.
- Financial risk relating to price escalation.

Option 4

Do not progress construction of the new Cromwell Memorial Hall in accordance with adopted design.

Advantages:

- No construction costs and little impact on rates (outside costs to demolish the existing hall).
- Funding streams could be used for other projects.

Disadvantages

- The Community do not get a facility that meets their expectations as previously consulted on.
- Reputational risk for aborting the project when it meets the strategic objectives identified through the planning and design phases.
- Reputational risk with the construction sector as it relates to submitting tenders with Council.
- Funding the costs incurred to date, in excess of \$3.2 Million would need to be considered.

6. Compliance

Local Government Act 2002 Purpose Provisions	This decision promotes the social and cultural wellbeing of communities, in the present and for the future by delivering a hall/events centre to the community which will enable a range of events and community use, and a hub for arts and culture.
Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.	The decision is consistent with the Cromwell 'Eye to the Future' Masterplan and the Long-term Plan.
Considerations as to sustainability, the environment and climate change impacts	The impacts on sustainability such as waste to landfill will be off-set by salvage operations and in the long term by the creation of a modern and environmentally efficient building on this site.
Risks Analysis	Financial risks are being managed by using a fixed price procurement method and by continued revision of the funding and operating models in the financial strategy. Reputational risks are being managed by communicating with the preferred tenderer and community.
Significance, Consultation and Engagement (internal and external)	There has been significant consultation through the Cromwell 'Eye to the Future' Masterplan, Long-term Plan and public drop in session in March 2023.

7. Next Steps

1. Apply for external funding from Lotteries and Otago Community Trust and other agencies
2. Continue planning for the farewell ceremony to be held prior to demolition.
3. If agreed include the latest funding principles in the financial strategy work going forward and further develop the operating model in parallel with construction.
4. Hold a workshop with Community Board on detailed design.

8. Attachments

Appendix 1 - Cromwell Memorial Hall Report

Appendix 2 - Rationale Report Cromwell Memorial Hall

Report author:

Reviewed and authorised by:



Garreth Robinson
Property and Facilities Manager
5/02/2024

Louise van der Voort
Group Manager - Planning and Infrastructure
5/02/2024

CONFIDENTIAL

28 November 2023

**23.9.8 CROMWELL MEMORIAL HALL****Doc ID: 1360581****Public Excluded**

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.

1. Purpose of Report

To consider the proposed operating model and funding principles and likely impact on rates.

Recommendations

That the Cromwell Community Board

- A. Receives the report and accepts the level of significance.
 - B. Receive the results of the potential operating model and agree to further develop it in parallel with the construction.
 - C. Adopt the medium scenario operating model, acknowledging this modelling is in isolation of other projects and activities, and agree the funding principles being:
 - i. The use of existing reserves inclusive of the 22-23 financial year net land sales.
 - ii. Apply to external funders for contributions.
 - iii. Debt fund the balance.
 - iv. Rate fund the interest and principal repayments.
 - v. Repay the debt from future land sales.
 - vi. Consider a community facility development contribution in the upcoming review of the development contribution policy.
 - vii. Phase the rate funding of the depreciation cost following the repayment of the debt.
 - D. Agree that once the Board supports that the operating model be further developed in parallel with the construction of the facility and the funding principles are agreed; and the construction contract is awarded by Council within the agreed budget of \$42.8 million then the project can progress.
 - E. Report to be released from confidential once the construction contract has been awarded
- Notes.
-

Item 23.9.8 - Report author: Property and Facilities Manager

Page 1

2. Background

On 8 May a report was referred to the Cromwell Community Board regarding the Cromwell Memorial Hall. The report contained the following recommendations:

That the Cromwell Community Board:

- A. Receives the report and accepts the level of significance.
- B. Adopts developed design for the Cromwell Memorial Hall building.
- C. Approves the commencement of detailed design.
- D. Approves the demolition of the existing hall building and appropriate salvaging.
- E. Approves the procuring of construction services.
- F. Approves the developed design estimate and funding of short fall from land sales up to the value of \$7,000,000.
- G. Authorises the Chief Executive to do all that is necessary to give effect to the resolution.

The Board approved recommendations A - E, and amended and passed new resolutions now F - I.

The minutes record the Board 8 May resolutions as follows:

COMMITTEE RESOLUTION

Moved: Browne
Seconded: Scott

That the Cromwell Community Board:

- A. Receives the report and accepts the level of significance.
- B. Adopts developed design for the Cromwell Memorial Hall building as detailed in appendix one of the report.
- C. Approves the commencement of detailed design.
- D. Approves the demolition of the existing hall building and appropriate salvaging.
- E. Approves the procuring of construction and demolition services.
- F. Notes that the 2021/31 Long Term Plan funds the Cromwell Memorial Hall project at a cost of \$31.5M and that the developed design estimate is now expected to be \$42.849M.
- G. Notes the shortfall in project funding of \$11.349M of which \$5M is expected to be met from external funders that are to be confirmed in November 2023 and that the remaining \$6.349M is proposed to be funded by way of by land sales from the Cemetery Road industrial development.
- H. Prior to approval of the detailed design, the Board receives for its approval: i. The proposed operating model for the facility ii. The projected operating and maintenance costs iii. The likely rating implications going forward.
- I. The Board notes the district review of museum services and recommends to Council that it considers the Cromwell Memorial Hall project in that review.
- J. Authorises the Chief Executive to do all that is necessary to give effect to the resolution.

Resolution H requires that the Board approve detailed design for the hall project, and prior to approval of detailed design, they receive for approval the proposed operating model for the facility, the projected operation and maintenance costs and the likely rating implications going forward.

3. Discussion



4. Financial Considerations

This project needs to utilise a number of funding streams that make up Councils financial strategy inclusive of an increase in rates for the Cromwell ward.

Apart from the potential introduction of community facility development contributions these funding streams have been consulted on in the 2021-31 Long term plan.

The potential direct operating deficit has now also been included with the funding model to outline the potential increase in rates for this project overall.

It needs to be noted this modelling is being provided in isolation of other projects and activities that will impact the financial strategy and therefore potential rates increases in the coming 2024-34 LTP.

On the 8 May 2023 report, the board received advice that the outcomes of external funding applications would be available in November 2023. Staff have collaborated with the funder advisors and were instructed to initiate the funding application process once building consent was obtained. Notably, there are two Lottery application windows in January and February, spanning a three-month period, with results typically announced approximately six months after the opening dates.

5. Options

Option 1 – (Recommended)

1. Receive the results of the potential operating model and agree to further develop it in parallel with the construction.
2. Adopt the medium scenario operating model, acknowledging this modelling is in isolation of other projects and activities, and agree the funding principles being:
 - The use of existing reserves inclusive of the 22-23 financial year net land sales
 - Apply to external funders for contributions.
 - Debt fund the balance.

- Rate fund the interest and principal repayments.
 - Repay the debt from future land sales.
 - Consider a community facility development contribution in the upcoming review of the development contribution policy.
 - Phase the rate funding of the depreciation cost following the repayment of the debt.
3. Agree that once the Board supports that the operating model be further developed in parallel with the construction of the facility and the funding principles are agreed; and the construction contract is awarded by Council within the agreed budget of \$42.8 million then the project can progress.

Advantages:

- The modelling is not dissimilar to that of the 2021-31 LTP consultation document despite the increase in cost, where the community feedback was to proceed.
- The construction contract and the detailed design are progressing in tandem and will be ready for decision prior to Christmas.
- The decision will enable the hall project which has significant community support to progress.

Disadvantages:

- The decision is being made in isolation of the impacts of other projects and activities that will impact the financial strategy and therefore potential rates increases in the coming 2024-34 LTP.

Option 2

Do not agree to further develop the operating model alongside construction, rather develop it further now and include the total project in the upcoming 2024-34 LTP.

Advantages:

- This will allow us more time to refine the operational model and include this project in the LTP alongside all other projects and activities.

Disadvantages:

- The operating model does not address the significant costs that will impact rates being debt servicing and funding depreciation.
- The build cost will most likely increase.
- The community may react at the delay.

6. Compliance

Local Government Act 2002 Purpose Provisions	This decision promotes the social and cultural wellbeing of communities, in the present and for the future by delivering a hall/events centre to the community which will enable a range of events and community use, and a hub for arts and culture.
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Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.	This decision is consistent with the 'Eye to the Future' Cromwell Masterplan and long Term Plan
Considerations as to sustainability, the environment and climate change impacts	The impacts on sustainability such as waste to landfill will be off-set by salvage operations and in the long-term by the creation of a modern and environmentally efficient building on this site.
Risks Analysis	Construction and project risks are being managed by project planning and close project management. Procurement risks are being managed by robust evaluation with independent members on the evaluation panel. Costs risks are being managed by using a fixed price procurement method. Reputational risks are being managed by communicating with the community on progress via Council's website.
Significance, Consultation and Engagement (internal and external)	There has been significant consultation through the "Eye to the Future" masterplan, long term plan , and recently public drop-in sessions through March on design and via Council's website.

7. Next Steps

1. Continue the contract negotiation process in order to present a preferred contractor and NZ3910 contract to Council in December.
2. Apply for external funding; Lotteries have two application periods opening in January and February, with deadlines in March and April. The results for Lotteries will be advised 3 months after applications close. Additionally, the Otago Community Trust funding application will be submitted in April.
3. Continue planning for a farewell ceremony to be held prior to demolition,
4. If agreed include the latest funding principles in the financial strategy work going forward and further develop the operating model in parallel with construction

8. Attachments

- Appendix 1 - Inputs and Assumptions.pdf**
- Appendix 2 - Funding Models.pdf**

Confidential Cromwell Community Board meeting Agenda

28 November 2023

Report author:

Reviewed and authorised by:



Garreth Robertson
Property and Facilities Manager
15/11/2023

Louise van der Voort
Group Manager - Planning and Infrastructure
16/11/2023

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Cromwell Memorial Hall & Events Centre – Supplementary Information

Version 2.0
February 2024



Document Title:

Cromwell Memorial Hall & Events Centre – Supplementary Information

Prepared for:

Central Otago District Council

Quality Assurance Statement

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Current Version

Rev No.	Date	Revision Details	Prepared by	Reviewed by	Approved by
2.0	Feb 2024	Final Report	AC	TL	EG

Executive Summary

This supplementary information has been collated to assist the Cromwell Community Board (CCB) and the Central Otago District Council (CODC) in its decisions on the proposed Cromwell Memorial Hall and Events Centre (the Centre). The case for change has been revisited and updated to ensure that the strategic alignment of the project is still current and that the substantial benefits of change will be realised.

The financial model for the Centre's operations has been updated with more conservative assumptions behind costs and revenues, and duplicated for a Centre that will not include the Museum activity and instead accommodate a leased commercial activity.

The review of the case for change found that the proposal continues to achieve the goals and objectives of the Cromwell 'Eye to the Future' Masterplan Spatial Framework 2019. The proposal aligns with the relevant strategies/plans assessed in 2019 (Cromwell Community Plan 2013, Central Otago District Arts Strategy 2013, and the Towards Better Tourism Outcomes for Central Otago 2014-2019 as well as the Destination Management Plan for Central Otago 2022, and the Economic Development Strategy 2019-2024, which were developed subsequent to an indicative business case (IBC) developed in early 2019.

The updated financial model provides higher rates requirement than was originally put forward (Figure 1), due to higher projected costs across all domains (direct costs of operations, loan interest, and depreciation). Rates impact decreases over time as the base funding model assumes no loan interest costs past 2030 due to full repayment of the loan from land sales. Furthermore, the Base Funding model assumes rate funding of depreciation only for short-life assets from 2031 onwards.

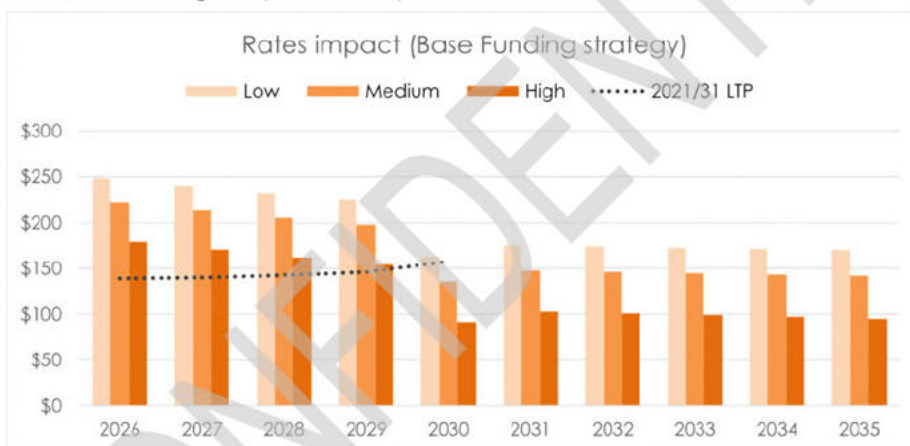


Figure 1. Projected average rates requirement per rating unit for the low, medium and high scenarios.

The development as planned will activate the Arts, Culture and Heritage Precinct and be the frontrunner to the future town centre improvements. The museum component will be more likely able to attract external funding from the Ministry for Culture and Heritage's regional fund which will reduce the total loan funding required, and the impact on rates.

It is noted that at the time of writing the Council has not completed works relating to museum investment, and this will be addressed at a later date.

Introduction

In March 2019, an indicative business case (IBC) was prepared for Central Otago District Council to investigate an upgraded Cromwell Memorial Hall, as part of the Cromwell 'Eye to the Future' Masterplan (the Cromwell Masterplan). As the business case progressed it quickly became apparent that there was significant potential for a revitalised heritage precinct. The business case subsequently

widened its scope to show the potential benefits of a more ambitious proposal, by taking a precinct-based approach to deliver a revitalised Memorial Hall to act as a catalyst for a wider planning and development programme for the area – now known as the Cromwell Arts, Culture and Heritage Precinct.

The IBC followed the Treasury Better Business Case framework organised around the five-case model:

- Strategic Case
- Economic Case
- Commercial Case
- Financial Case
- Management Case

Due to the time that has passed since the development of the IBC, it is considered prudent to revisit the case for change, in particular the strategic case and financial model, to ensure the proposal continues to align with Council's strategy and that social, economic and cultural benefits will be derived to offset the projected capital and operating costs into the future.

A funding and operational financial model was developed to inform the impact on rates from low, medium and high assumption operating scenarios. This model has been updated to reflect new information in funding allocations and the desire to take a more conservative approach to the cost and revenue assumptions. An additional financial model has also been developed based on the museum activity not locating at the centre. This alternative option assumes the space will be leased to a commercial activity complementary to the heritage precinct.

Background

Cromwell Memorial Hall (the hall) was constructed in 1960 by the Cromwell Community and is now owned and managed by Central Otago District Council (CODC). While not listed as a heritage building, the hall represents a part of Cromwell's history, having been constructed with significant community input under government direction to provide a "Living Memorial" to those who served in World War II.

The background investigation to upgrade or replace the Cromwell Memorial Hall stretches back to 2000 when a technical report was presented to the Cromwell Community Board (CCB), identifying multiple maintenance and renewal issues associated with the existing hall.

The original purpose of the hall, to serve the interests of the community with the primary focus being to meet recreational and cultural needs, remains unchanged. Unlike much of Old Cromwell, the hall was unaffected by the creation of Lake Dunstan in the late 1980s and remains in its original location.

The hall has served the needs of many local groups over the years, providing space and facilities for sporting, cultural, social and civic purposes. Despite this, investment to refresh the building and its surrounds has been limited, and use declined significantly until its closure in 2022.

A building condition assessment, undertaken in January 2017, described the building as being in poor condition and set out a comprehensive list of internal and external improvements required to address the identified issues. This included cosmetic, structural and compliance related matters.

Further to the general maintenance and renewal needs, a seismic assessment¹ applied a rating of 10% to 15% NBS (new building standard) to the hall. Under legislation the building has been classified as being earthquake prone and has been given a building classification Grade E. Under this grade the corresponding risk of failure under seismic load is deemed to be approximately more than 25 times the risk of failure for buildings that are 100% NBS.

The hall is 1100m² and is located adjacent to the picturesque backdrop of Lake Dunstan, however due to its orientation, minimal glazing and inward perspective, there is a lack of connection or relationship to the lake. This was a further contributing factor to the under-utilisation of the hall, particularly for private events and functions (such as weddings and parties).

¹ Detailed Seismic Assessment Report prepared by BMC, Reference: 1803-2306, Issued: 15/05/2018

The need to upgrade the hall to meet the needs of the community and bringing the building up to current building code has long been recognised. CODC has commissioned numerous reports over the last 16 years to investigate options for redevelopment. The evolution of these designs can be generally grouped into three categories:

- Upgrade without strengthening
- Compliance (seismic and code) and upgrade
- Demolish and rebuild.

Building works to upgrade the building would trigger a legislative requirement to undertake the necessary strengthening works to bring the hall up to standard. The hall was therefore subsequently closed in 2022.

Making the Case for Change

The strategic documents assessed in 2019 for this investment were the Cromwell Community Plan 2013, Central Otago District Arts Strategy 2013, and the Towards Better Tourism Outcomes for Central Otago 2014-2019.

The community-owned Cromwell Community Plan and the Central Otago District Arts Strategy are relevant in a broad context. In particular, consultation undertaken during the development of the Community Plan identified the potential for the hall to supplement or support school activities (performances). Further, as a community facility the hall forms part of the fabric that contributes to the values set out under the Community Plan, namely providing a neutral space that contributes to:

- A vibrant, positive and inclusive community
- Location as a hub to Central Otago and 'central to everywhere'
- Engagement with arts, culture and heritage.

Research in the development of the Arts Strategy identified that there is a perception amongst the community that Cromwell lacks suitable facilities and activities to accommodate concerts, performing arts and similar events resulting in competition for the venues within Cromwell. This leads to activities displacing each other, particularly the performing arts. The Arts Strategy concludes that the Cromwell arts community is in need of new suitable facilities to support the performing arts.

Towards Better Tourism Outcomes for Central Otago 2014-2019 is a community-owned strategy developed by the Tourism Strategy Working Group in consultation with the community. This strategy reaffirms the importance of the *Central Otago: A World of Difference* values, recognising that its regional identity is inherently linked to the protection and promotion of these values. The arts, heritage, wine, cuisine, events and activities are all identified as contributors to the Central Otago tourism industry. However, the strategy notes that there is currently a lack of integration between these attractions and that opportunities to promote these is a priority.

The strategy also recognises that while the district is well placed to be known as a destination for smaller scale conferences, meetings and special occasions, it is not well set up for larger scale conferences (200+ delegates). Further, it struggles to provide enough accommodation of a similar type, or a range of ancillary services required by larger conference groups.

The strategy promotes a "value over volume" approach, prioritising the value of tourism to the Central Otago economy over doubling the volume of visitor numbers. The need to have a facility that can accommodate different users and activities in a way that is complementary to, and enhances, the visitor experience would support this approach. Further a facility that connects with the distinctive Central Otago landscape and provides capacity and flexibility would encourage conferences and similar activities.

Ultimately this would contribute to an increase in visitor nights within the town and promote economic activity, both of which are consistent with the objectives of the strategy. The ability to host larger

conferences and events would create significant spending outside the current peak tourism season, helping to address the tourism industry's seasonality issues².

In addition to the documents considered in the 2019 business case, the following strategic documents are also considered relevant:

- Destination Management Plan for Central Otago 2022
- Economic Development Strategy 2019-2024.

An assessment of how the proposal aligns to more recent strategy follows along with setting out the statutory context.

Statutory context

LOCAL GOVERNMENT ACT 2002

Section 10(b) of the Local Government Act 2002 states the purpose of local government, being:

To promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

Provision of a fit for purpose community hall that meets the needs of Cromwell residents is therefore consistent with the requirements of the Local Government Act.

LONG TERM PLAN 2021-31

The 2021–31 Long Term Plan (LTP) sets Council's strategic direction and work programme for the next ten years. The LTP includes a set of Community Outcomes being a high-level set of goals that seek to improve the current and future social, economic, environmental and cultural wellbeing of the district. The Community Outcomes are used to guide and inform the planning process and set out priorities. The Property and Community Facilities section of the LTP³ identifies that the activity contributes to the following community outcomes:

- He Ōhaka e Ora Rāia ana | Thriving economy
- Toitū te Whenua | Sustainable environment
- Te Hapori, He Haumi | Connected community.

One of the key proposals and areas of focus from this LTP is the Cromwell Masterplan, helping address the functioning of the town centre and community facilities in a manner that meets the demand and expectations of the community. This masterplan focused on three workstreams: the Spatial Framework providing for growth and integrated planning for the next 30 years, the Town Centre, and the Arts, Culture and Heritage Precinct.

Strategic context

CROMWELL EYE TO THE FUTURE MASTERPLAN SPATIAL FRAMEWORK 2019

In early 2018, CODC started work on the master planning programme ('Eye to the Future' Masterplan) for Cromwell to address how and where to accommodate growth over the next three decades. This Masterplan focused on the revitalisation and enhancement of the mall and civic facilities within the Town Centre Precinct; and the future of the Cromwell Memorial Hall within the Arts, Culture and Heritage Precinct to help address this growth.

The vision for Cromwell is referenced by the set of key principles laid out in the spatial framework. These contribute to all decisions regarding the future planning of the town and are consistent with the

² Data contained in Central Otago Tourism Strategy Stocktake (March 2018) shows Central Otago's visitor nights to be more highly seasonal than those of neighbouring regions, with guest nights spent in winter being just 10% of the annual total (compared with 25% for Queenstown and 17% for Southland).

³ <https://www.codc.govt.nz/repository/libraries/id:2apsakk8g1cxbyoqahn0/hierarchy/sitecollectiondocuments/plans/long-term-plan/LTP%202021-2031.pdf>

community's aspirations. Principle One, "protecting and celebrating Cromwell's valued landscape, conservation and heritage setting", refers to enabling urban development, accommodating the future growth within Cromwell (including the town centre and nearby locations) at a higher density of development than is currently occurring.

The Cromwell Memorial Hall and Events Centre is seen as a frontrunner project for enabling future urban development and growth in Cromwell and a catalyst for future spatial planning projects within the town centre. These include the planned works for the green space (area surrounding the Big Fruit), civic facilities, the redevelopment of the northwest precinct into a commercial area, and other transport and parking developments to activate the town centre.

Extensive community consultation was undertaken throughout the masterplan process starting with surveys; and including investment logic mapping (ILM) sessions with stakeholders; drop-in sessions for the community, sector meetings, direct engagement with stakeholders; the development of options for consultation and survey and analysis of feedback.

DESTINATION MANAGEMENT PLAN FOR CENTRAL OTAGO 2022

Destination management (originating from the Central Otago Tourism Strategy 2018 -2028) is the understanding that a more balanced approach is necessary for tourism to make a positive and sustainable contribution to the district's economy, the wellbeing of its communities, and the local environment. The plan brings together stakeholders to achieve a common goal for developing well-managed and sustainable visitor destinations.

This plan is made up of ten long term strategies to meet future challenges and leverage new opportunities within the region. Strategy three in particular - *making a difference with placemaking* - focuses on strengthening the connection between people and the places they share.

The development of new amenities, services or significant new public or private sector developments such as the proposed Cromwell Arts, Culture and Heritage Precinct supports local pride, a sense of belonging and the value that visitors place on their experiences in a destination.

ECONOMIC DEVELOPMENT STRATEGY 2019-2024

Developed in 2018, the Economic Development Strategy sets out the impact on the region's economic and social wellbeing, suggesting some actions the community and CODC could take over a five-year period. Economic development, in its broadest terms, can be defined as actions that positively influence economic growth and improve the economic, social, environmental and cultural wellbeing of a community by providing jobs, sufficient income levels, and the resources required to achieve a healthy standard of living and quality of life.

The ability to host larger conferences and events would create significant spending outside the current peak tourism season, helping to address the tourism industry's seasonality issues. Alongside that, this development would address some of the challenges identified in the strategy, including attracting international visitors, the provision of infrastructure and land to keep up with growth, and attracting and retaining talent within the region.

The Case for Change

In the development of the Cromwell Memorial Hall IBC, key stakeholders identified through community workshops the following investment objectives:

1. Increased choices for events, shows and conferences
2. Improved utilisation, functionality, and community integration
3. Improved activation to attract more people and business to generate vibrancy
4. Celebrates our heritage, history and landscapes, generating a sense of belonging.

The existing arrangements, business needs, and potential benefits, risks, constraints and dependencies for making the case for change, are summarised below for each of these investment objectives.

Investment Objective One	Increased choices for events, shows and conferences
Existing arrangements	<p>While the hall has capacity for up to 330 people, the lack of maintenance and seismic issues mean it is no longer fit for purpose and consequently bookings declined significantly until its closure.</p> <p>Although the community's needs have changed in the years since the hall was constructed, the building itself has not. There is no other facility within Cromwell that can meet the diverse requirements of the community by providing a flexible space that can cater for performances, functions, small groups, larger events, concerts or conferences.</p>
Business needs	<p>The provision of community buildings is recognised under the Local Government Act 2002 and the LTP as a way in which to provide for the social and cultural needs of the community. The hall has had a range of users over the years. While many of these have relocated, there remains a need for a centrally located facility that can cater for large events and the performing arts as well as smaller groups and private functions. Cromwell's growing population means demand for facilities will increase. Previous user group consultation, as part of former redevelopment proposals, has confirmed that the community strongly supports provision of a community hall. The specific needs of each of these groups varies, therefore a space that provides flexibility and capacity will be required.</p> <p>When investing in a community facility the following factors are considered core requirements:</p> <ul style="list-style-type: none"> • It is accessible from a geographic, physical and affordability perspective, enabling people to meet their cultural and social needs locally. • It provides a neutral place that caters for a range of different uses. • It can respond and adapt to changing trends and user requirements.
Potential benefits	<p>The benefit of having increased options for events and functions has been identified in the tourism strategy. Having a facility that can cater for a wider range of events would have greater economic benefits for Cromwell as it has the potential to attract visitors to the town.</p> <p>Large events like concerts or touring shows increase the demand for accommodation and other hospitality services. The quiet winter period could be a prime opportunity to secure these types of events.</p> <p>Further benefit to the Cromwell community is the provision of a community facility for a range of activities that contribute to social and cultural wellbeing. A memorial hall that the community is proud of would support a</p>

	strong town identity, deliver vibrancy and give people another reason to visit the heritage precinct.
Potential risks	<p>Due to the significant structural work required, the primary risk is the extent of investment required and affordability of a new facility to the community. Ensuring that this investment is consistent with the benefits that the facility provides and that it meets the investment objective is essential.</p> <p>As the needs of an increasingly diverse Cromwell community change, ensuring any new facility is fit for purpose and flexible enough to meet the needs is also important. There is a risk that if the facility does not meet these needs, it will remain underutilised and the demand on existing facilities will continue.</p>
Constraints and dependencies	<p>Constraints</p> <p>Cost: There is \$31.5m allocated within CODC Long Term Plan 2021-31 made up of reserve funding, land sales, loan funds and third-party funding. The cost has increased to \$45.8m and alternative funding sources have been identified but any increase to this, will require value engineering to ensure expenditure is kept within the budget envelope.</p> <p>Dependencies</p> <p>The Ministry for Culture and Heritage (regional culture and heritage fund) will fund projects that have funding shortfalls up to \$5 million. The museum activity will need to be included in the Cromwell Memorial Hall and Events Centre development to attract this funding.</p> <p>A key move of the Cromwell Masterplan is the redevelopment of the Town Centre and Civic Facilities which includes the relocation of the Museum activity from the Town Centre.</p>

Investment Objective Two	Improved utilisation, functionality and community integration
Existing arrangements	When operating, the hall was underutilised due to the lack of renewal and new investment. Functionality as a venue for performance arts was deemed as poor by users, with inadequate lighting, audio, seating and backstage facilities. Further the need for a range of meeting rooms and storage spaces was also identified.
Business needs	<p>It has been established that to meet the objectives, investment in a new community hall or similar is required. Due to the lack of renewal and the poor seismic rating, upgrading works were required to bring the hall up to building code and to increase offerings to provide for the needs of current users. Beyond this, there is a scale of increased investment and intervention that would meet current and future needs of the community.</p> <p>Historically the hall has accommodated a diverse range of activities and users. As facilities have degraded many of these have relocated to other venues. Improved functionality would involve ensuring there is adequate flexibility in the design and ability to adapt to changing needs.</p>
Potential benefits	Until the hall's closure, the diversity of activities was limited to community meetings, concerts, Anzac Day commemoration services, school balls and small-scale functions. The new facility will provide a diversity of uses, and utilisation could be expected to increase significantly within the first year of operation.

	The people who will benefit will be the regular and displaced users of the hall, and depending on the pricing structure a host of other users could benefit from the increased functionality. The ability to host multiple activities at the same time will also increase usage and diversity of activities.
Potential risks	The primary risk under this investment objective is not matching the scope to the budget required. This risk could be manifested as an issue if there is value engineering applied to keep the project within budget which might involve reduced functionality. If this reduces the scope too much, then the type of usage and activities attracted to the facility could be affected.
Constraints and dependencies	Constraints The primary constraint, aside from the financials, is the design constraints that a multi-use facility may have to contend with. Specifications relating to performance acoustics, HVAC, floor type, catering requirements, aesthetic and flexibility requirements are often trade-offs, between cost and quality. Defining the building design requirements and getting all stakeholders to review and accept the design brief can assist with managing this constraint.
Investment Objective Three	Improved activation to attract more people and business to generate vibrancy
Existing arrangements	The heritage precinct has a small employment and business base as result of the amount of retail, visitor accommodation and hospitality attractions proximal to the precinct. In addition, the disjointed location of the hall and the Town and Country Club some 200 metres away from the end of the precinct, does not encourage people to visit both areas.
Business needs	In the facilitated ILM workshop, tourism stakeholders identified the importance of community facilities within the district, not only for community wellbeing but as a mechanism to attract regional economic development opportunities, and to support other tourism businesses.
Potential benefits	A reimagined memorial hall in a revitalised heritage precinct has the potential to be the catalyst needed to attract conferences, small functions, art shows, cycle trail visitors and touring performances to Cromwell. The flow-on effects of these activities could include more business activity, people staying longer (including more overnight stays), a vibrant atmosphere with more points of interest and increased community events. It is difficult for a new community facility to be attributed to overnight stays. However, if the facility was designed to enable small to medium conferences and there was nearby visitor accommodation then it will likely increase the length of stay.
Potential risks	Previously there has been contention about operating Council facilities with commercial activities like cafes or retail within them. In this situation however, having a facility that is open daily and well-utilised needs to be the goal to achieve all the investment objectives. The Council reputation risk needs to be weighed up against the costs to manage, maintain and encourage more people to enjoy the facility and wider area. This risk will be minimised if spaces are leased for commercial activities.
Constraints and dependencies	Dependency The primary dependency for this investment objective is the community and stakeholder support required from the immediate surrounding businesses and community. This facility provides an opportunity to support further development of the heritage precinct including land development of other

nearby properties. This will need the support and cooperation of the key stakeholders and influencers to realise this vision. The most recent consultation event held in March 2023, attracted approximately 450 visitors to a public drop-in session. Of the 40% of visitors that provided feedback on the preliminary design, the majority supported the concept with 87% positive comments and 12% providing further suggestions.

Investment Objective Four	Celebrates our heritage, history and landscapes, generating a sense of belonging
Existing arrangements	<p>Much of the Cromwell heritage story occurred on the Kawarau River (gold mining) and when the main street at Melmore Terrace was flooded to create Lake Dunstan and the Clyde Dam.</p> <p>Old Cromwell Inc. has a management agreement with CODC and Land Information New Zealand (LINZ) to manage and enhance lakefront reserves. These reserves have had some improvements such as installation of a public toilet and track and amenity upgrade to the heritage precinct. However, there is a significant opportunity to improve the landscape interface with the lakefront including incorporating upgraded cycle facilities.</p>
Business needs	<p>The initial engagement feedback indicated that there is opportunity to improve the landscape connection and amenity between the lakefront and the memorial hall site and the heritage precinct. The landscape and pedestrian and cycling connection between the hall and the precinct could also be improved upon and points of interest introduced.</p> <p>To achieve this investment objective, it is desirable to ensure that a new facility can open out to the lakefront. This would allow better integration with the surrounding landscape and interaction with people in the precinct and lakefront. The design of the new memorial hall includes and integrates the museum and the activities each facility could offer.</p>
Potential benefits	<p>This investment objective seeks to create a sense of belonging and to maintain the <i>World of Difference</i>⁴ regional values. While these indicators are difficult to measure without a comprehensive community / values study, what we do know from the latest resident survey⁵, is the people who live in Cromwell identified community halls and stadiums as the one of the top priority services for the ward, second only to water supply.</p>
Potential risks	<p>Ensuring buy-in from heritage groups and Old Cromwell Inc. could be a key risk that may require careful management. Having positive and ongoing stakeholder and partner involvement is critical to gaining community buy-in and to ensuring the heritage precinct has a unique Cromwell feel to it.</p> <p>A key risk of not including the museum activity in the heritage precinct, is not only a reduced ability to attract culture and heritage funding, but also the lost opportunity to provide an attraction meeting modern day museum requirements suitably located within the heritage precinct. The museum activity will complement the community and events activities while providing an additional attraction for visitors to the area.</p>
Constraints and dependencies	Dependencies

⁴ <https://www.oworldofdifference.co.nz/>

⁵ CODC Residents' Survey Report 2022

The Central Lakes Trust (CLT) and the Otago Community Trust (OCT) are the two main charitable organisations that deliver significant financial contributions towards community infrastructure and programmes in the Central Otago / West Otago region. Both trusts and any other third-party funders have eligibility criteria and funding limits. If a more ambitious option is pursued, then a more innovative approach on how grants are applied, with a potential staged funding approach, may be required to cover a possible longer period of funding allocation. Discussions with third party funders should be prioritised at the earliest opportunity to discuss strategies to tackle the increase in funding required.

The option of keeping the Museum in the centre may be dependent on the ability to attract funding from the Regional Cultural and Heritage Fund for capital projects.

A generic overview of the public good (benefits) that community and events centres, and museums and the preservation of history can provide, are listed in Appendix 1.

Appendix 1

General benefits of community and events centres

Community and events centres play a crucial role in fostering social cohesion and providing a variety of benefits to individuals and communities. The key advantages can be summarised as follows:

Community building

- Social interaction – community centres provide a space for people to come together, interact, and build social connections, thereby strengthening the sense of community.
- Inclusivity - they promote inclusivity by offering a neutral ground where people from diverse backgrounds can gather, share experiences, and celebrate their differences.

Cultural exchange and celebration

- Cultural events - community and events centres often host cultural events, festivals, and celebrations that promote understanding and appreciation of different cultures.
- Arts and performances - they provide a platform for local artists and performers, contributing to the cultural vibrancy of the community.

Educational opportunities

- Workshops and seminars – community centres can host educational workshops, seminars, and training programmes, contributing to ongoing learning within the community.
- Skill development - programmes held at these centres can enhance the skills and knowledge of individuals, fostering personal and professional growth.

Health and wellness

- Fitness programs - community centres may offer fitness classes, and sport and recreational activities that contribute to the physical wellbeing of residents.
- Health services – community centres may host health clinics, screenings, or awareness campaigns to promote a healthier community.

Economic impact

- Local businesses - events can attract visitors, supporting local businesses such as restaurants, shops, and services as well as other cultural attractions such as the museum.
- Job opportunities - the management and organisation of events may create employment opportunities within the community.

Emergency Response and Preparedness

- Emergency shelter - during times of crisis, these centres can serve as emergency shelters, providing a safe place for residents in need.
- Community planning - they can be used for community meetings to discuss and plan for emergency preparedness and response.

Youth engagement

- Recreational activities - community centres often offer youth-focused programmes, sports leagues, and recreational activities, providing a positive outlet for young people.
- Learning spaces - these centres may host tutoring sessions, mentoring programmes, and educational activities for youth development.

Civic engagement

- Community meetings - the centres provide a central location for community meetings, allowing residents to engage in discussions about local issues and participate in decision-making processes.
- Political events - they can host political forums, board meetings, and election events, encouraging civic participation.

Resource hub

- Information services - community centres can serve as a hub for disseminating information about local services, resources, and government initiatives.
- Community support - they may provide assistance and support services to residents in need, acting as a resource centre for social services.

Overall, community and events centres contribute significantly to the overall wellbeing, cohesion, and development of a community by serving as multifunctional spaces that cater to various needs and interests.

General benefits of museums and preserving heritage

Museums play a crucial role in society, offering a wide range of benefits to individuals and communities. The key advantages can be summarised as follows:

Educational opportunities

- Museums are educational institutions that provide a wealth of information on various subjects, including history, art, science, and culture.
- They offer a unique learning environment where visitors can engage with exhibits, artifacts, and interactive displays to gain knowledge and understanding.

Preservation of cultural heritage

- Museums serve as repositories for cultural, historical, and artistic artifacts, preserving them for future generations.
- They play a crucial role in safeguarding and protecting cultural heritage, ensuring that important pieces of history are not lost or forgotten.

Cultural enrichment

- Museums contribute to the cultural enrichment of communities by showcasing diverse forms of art, traditions, and historical narratives.
- Visitors have the opportunity to experience and appreciate different cultures, fostering a sense of understanding and respect for diversity.

Community engagement

- Museums often host events, workshops, and educational programs that engage the local community.
- They provide a space for people to come together, share experiences, and participate in cultural and educational activities.

Inspiration and creativity

- Museums can inspire creativity and innovation by exposing visitors to a wide range of artistic expressions, scientific discoveries, and historical achievements.
- Artists, scientists, and thinkers often draw inspiration from museum collections, leading to the creation of new ideas and works.

Tourism and economic impact

- Museums attract tourists, contributing to the local economy by bringing in revenue from ticket sales, gift shops, and related services.
- They play a role in cultural tourism, drawing visitors from around the world who are interested in exploring a region's history and heritage.

Interactive learning experiences

- Many museums incorporate interactive exhibits and hands-on activities, providing a dynamic and engaging learning experience for visitors of all ages.
- Interactive elements can enhance understanding and retention of information by allowing people to actively participate in the learning process.

Research and scholarship

- Museums often support research and scholarly activities, contributing to the advancement of knowledge in various fields.

- Researchers may have access to museum collections for studies in archaeology, anthropology, art history, and other disciplines.

Social and recreational benefits

- Museums offer a space for socialisation and recreation, allowing individuals and families to spend quality time together.
- They can be places of relaxation and enjoyment, providing a break from daily routines.

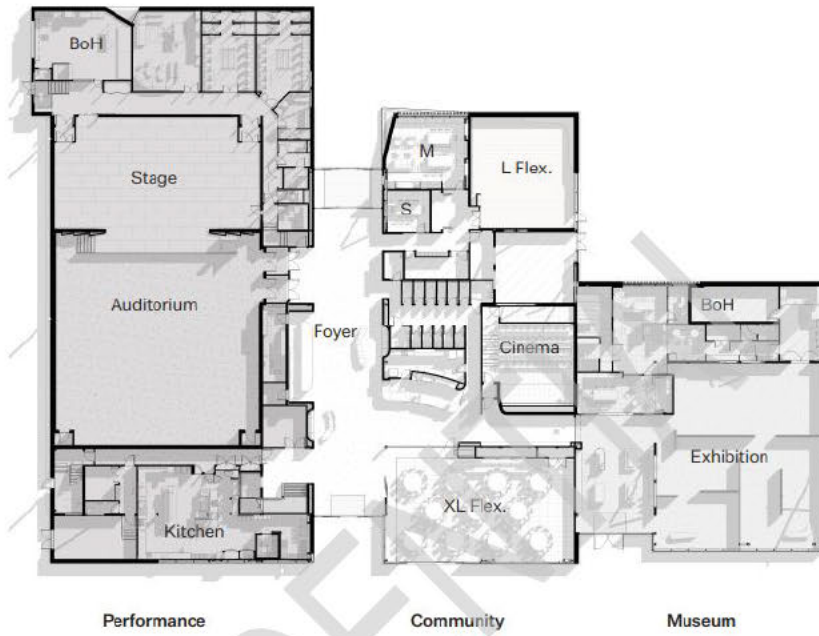
Environmental and scientific awareness

- Museums focusing on natural history and science contribute to environmental awareness by educating visitors about ecosystems, endangered species, and the importance of conservation.

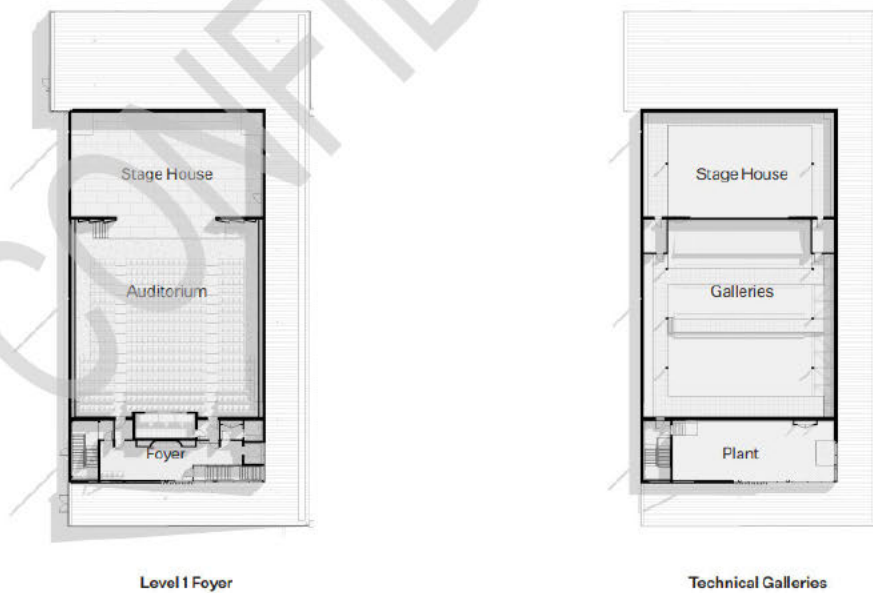
In summary, museums are multifaceted institutions that contribute significantly to education, culture, community development, and the overall wellbeing of society.

Floor Plans as per Adopted Developed Design 8th May 2023

5.4 Ground Floor Plan

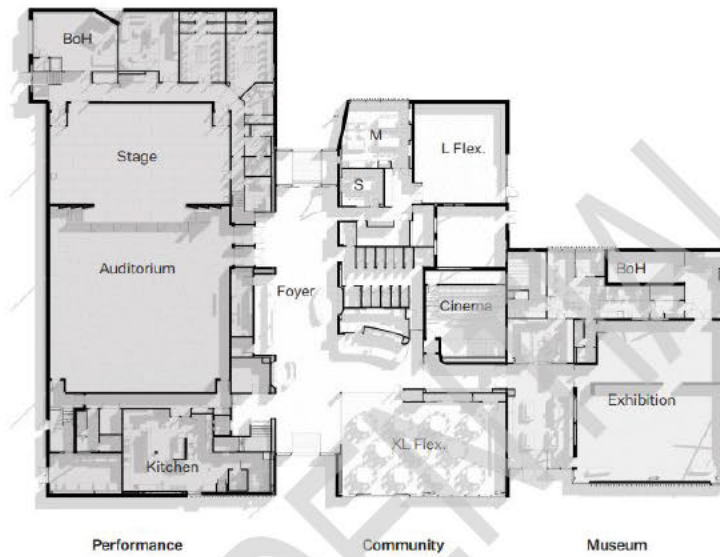


5.5 Level 1 and Level 2 Floor Plans



Floor Plans as per Detailed Design 22nd February 2024

Ground Floor Plan



Level 1 & 2 Floor Plans

