

Napier City Council

Marine Parade Redevelopment Detailed Business Case

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1. Executive Summary

1.1. Introduction

This business case seeks formal approval to invest up to \$5.7 million in the 2014/15 and 2015/16 financial years to undertake the next phase of the Marine Parade redevelopment. The scope for this work is:

- Development of a community recreation facility based on the existing Marineland structure;
- Construction of a reef garden and amphitheatre.

This business case follows the Better Business Cases methodology and is organised around the five case models to demonstrate that the redevelopment:

- is supported by a robust case for change – the ‘strategic case’
- optimises value for money – the ‘economic case’
- is commercially viable – the ‘commercial case’
- is financially affordable – the ‘financial case’
- is achievable – the ‘management case’.

The preferred way forward was outlined in an Indicative Business Case (IBC) and subsequently agreed by Council’s Community Development Manager in December 2013. A workshop was then held with Councillors and officers in August 2014 to plan the way forward for the redevelopment, and it was agreed that a business case (this document) would be presented to support an investment decision by Council.

1.2. Strategic Case

The IBC provided the following strategic context for the proposal, based on the current Long Term Plan:

The City of Napier has positioned itself to offer the highest quality of lifestyle and facilities for its residents, and to continue to be a destination of choice for visitors. To this end, Napier’s Mission Statement expresses the intention to “provide facilities and services and the environment, leadership, encouragement and economic opportunity to make Napier the best city in New Zealand to live, work, raise a family and enjoy a safe and satisfying life”.¹

Napier City Council has identified family friendly upgrades to Marine Parade as a strategic priority in the Long Term Plan. To this end, Council has commenced setting aside funding for the next phase of the project, to which this business case applies.

There is an identified need to redevelop the Marineland site. The redevelopment has the following drivers:

- The traditional use of Marineland to house marine mammals is no longer viable, as legislative obligations and societal expectations have changed considerably since its construction;
- The building requires significant levels of reinvestment in order to bring it up to modern standards of amenity;
- Community priorities for recreational facilities have changed over the decades.

As a consequence of the proposed redevelopment, there may be a need to relocate around 92 car parks from Marine Parade to a central city location in order to free up space for the redevelopment of the

¹ Napier City Council Long Term Plan 2012/13 to 21/22, adopted 26 June 2012, page 7

Marineland site. This is the subject of a separate parking study which may also look to improve the utility of car parking in the CBD, .

Marineland's location and proximity to both the waterfront and the city centre, its multipurpose recreational possibilities and the need for redevelopment due to age, provide a key strategic opportunity for Napier. The next phase of the development of the site is intended to make it fit for purpose for the Napier community and visitors alike, and to contribute significantly to Napier's aim to be the "kid's capital" of New Zealand.

The investment objectives of this proposal are:

1. Provision of a multipurpose recreation facility for Napier residents;
2. Strategic and cost-effective reuse of the ageing Marineland infrastructure;
3. Contribution to the Marine Parade revitalisation strategy;
4. Contribution to Napier's future as a key tourism destination.

1.3. Economic Case

The following options were considered in order to achieve the desired investment outcomes. Each option is described in more detail in the following sections.

1. *The status quo, or "do nothing" option*

This option does not meet any of the investment objectives.

2. *Redevelopment of the facility to a different use*

This option may meet some of the investment objectives, but there are few functional uses of Marineland that offer strategic and cost-effective reuse of the existing structures.

3. *Development of a recreation facility at an alternate site*

This option has the potential to meet the investment objective of the provision of a recreation facility, along with a possible contribution to the tourism destination goal; however none of the other objectives would be met.

4. *Restore Marineland to previous use*

Given the design of Marineland, the only commercially viable use of the facility would involve captive dolphins, which is contrary to Government policy. Irrespective of its alignment with the investment objectives, this option is not feasible in a policy sense.

5. *Commercial lease of existing Marineland facility*

The designation of the land as a reserve limits the uses to which the Marineland facilities can be put, which can only be of a community or recreational nature. This restriction exists in legislation. The buildings themselves would also require significant upgrade for any kind of commercially viable use. The nature of the venue means there are limited use opportunities, which means that any return on the capital required to convert Marineland is likely to take many years to realise and be accompanied by a degree of commercial risk for the Council. Following preliminary examination, this option was not considered further.

6. *Redevelopment of Marineland, Skate Zone and carpark into a recreation facility, interactive reef garden and amphitheatre*

This proposal meets all of the investment objectives.

Assessment process

Options 4 and 5 were ruled out during the earlier phase of the business case process due to their inconsistency with the investment objectives and external government policy direction.

The remaining options were short-listed and the preferred way forward was identified through a series of discussions and workshops. The outcome of that process is as follows:

- Option one: Do nothing – “status quo” (retained as a baseline comparator)
 - For the purpose of this business case two options are presented:
 - Option 1 – Status quo with Marineland vacant
 - Option 1a – Status quo Marineland with remaining animals, as is currently the situation
- Option two and three: Redevelopment of facility to a different use and development of a youth recreation facility at an alternate site (for the purposes of comparison)
- Option six: Redevelopment of Marineland, Skate Zone and carpark into a community sports facility, interactive reef garden and amphitheatre (the preferred option)

Option 6 was identified as the preferred option for the following reasons:

- The existing Marineland facility requires significant maintenance and/or redevelopment in order to ensure it remains a viable community facility;
- The existing Skate Zone facility is widely used and is under pressure from increased usage;
- The demand exists for recreational facilities that expand on those currently offered on Marine Parade;
- A higher quality facility with a wider range of recreational options would contribute to the goal of increased tourism in Napier, particularly in comparison to the base case;
- Redevelopment of Marineland will make a very significant contribution to an improved and revitalised Marine Parade.

While the options analysis is somewhat sensitive to changes in the capital cost, the economic case demonstrates that the benefits exceed the likely programme costs. However the type of construction and individual components such as water play and skate facilities may have an impact on future operational and maintenance costs, and this needs to be borne in mind as the design is finalised.

The preferred option meets Council’s objectives and vision for the redevelopment of Marine Parade in the Long Term Plan, and in particular for family friendly upgrades and contributing to Napier’s strategic goal as the “Kids Capital” of New Zealand.

1.4. Commercial Case

Construction

Procurement for the project will be managed in line with Council’s Contracts Policy, and the Council’s Procurement Strategy for Transportation Projects will be used to ensure that the Council obtains the best value for money by ensuring fair competition within a competitive and efficient market.

It is anticipated that the procurement approach will be a combination of in-house expertise and external suppliers under contract.

The required services that will be subject to procurement are:

- Project management
- Detailed design and construction
- Internal fit-out
- Asset maintenance
- Third-party management
- Facility management
- Negotiation of commercial lease agreements

The service risks (design, build, funding and operational) are planned to be apportioned between Council and external suppliers as appropriate.

The proposed payment approach is to match payments to key project deliverables, which will be agreed as part of the contract negotiation process with external suppliers.

Operation

Three options are available to the Council to operate the redeveloped skate park:

- The Council can elect to operate the facility itself, employing staff for the purpose;
- The non-commercial operator of the existing Skate Zone facility (a not for profit incorporated society) can be contracted to manage the new facility;
- A new commercial operator can be contracted to manage the new facility.

The decision on whether to in-source or outsource management of the skate park will be made by the Council once the detailed design stage of the project has been completed and the precise operational requirements finalised. Should the Council decide to call for tenders for external management of the new facility, the process will be run in compliance with the Council's standard tendering process.

Ongoing maintenance and operation of the other facilities – the reef gardens and amphitheatre – will be performed under existing Council maintenance arrangements for community facilities. Operational budget allocation is available for this purpose, as detailed in the Financial Case.

1.5. Financial Case

The initial capital investment of \$5.7 million can be funded from existing Council reserves and from the expected transfers into the Parkland Reserves in 2014/15 and 2015/16. The on-going operational costs of the facilities proposed are not significantly higher than those the Council currently funds, and future facility asset renewals will not have a major impact on Council's finances.

The financial analysis model shows the capital and operational costs for the new facilities. This provides for both operational and asset renewals over a 30 year timeframe. Revenues are modest from car park fees², leased premises and skate park entry fees.

The financial analysis of the preferred option shows that:

- The capital investment required for this phase of the Marine Parade redevelopment can be accommodated within the budget envelope specified in the Council's Long Term Plan;
- The operating costs of the redevelopment are not significantly different to the maintenance costs for the do-nothing option, and are able to be accommodated within the current budget.

Appropriate contingencies have been made for risks and uncertainties during the construction phase and these will be further reviewed at the conclusion of the detailed design stage of the project.

1.6. Management Case

The delivery of the next stage of the Marine Parade redevelopment will be operated as a project and managed in line with Council's Project Management Manual. The project will involve four stages:

1. Project initiation (of which this business case process is part)
2. Project planning
3. Project execution
4. Project completion and evaluation

A Project Sponsor, Project Manager and Project Advisory Group will oversee the project in accordance with standard Council methodology.

² It should be noted that car parking arrangements were being considered at the time the business case was being prepared.

Change management will be a key part of this project. Change will be managed through a careful process of identifying the key changes that will arise during the life of the project and after completion, and the strategies that will be employed to minimise any adverse impacts arising from these changes. Planning for and monitoring change management will be a key role for the Project Manager and Project Advisory Group.

In addition, the management of benefits to ensure they are realised will form an important part of the project. Benefits management is about articulating and registering the benefits that will be achieved as a result of the project, how these will be managed, and putting in place strategies to ensure that these are fully realised.

1.7. Next Steps

This business case seeks formal approval of the capital investment and projected ongoing operational costs from the Napier City Council.

2. Introduction

This single stage business case seeks formal approval to invest up to \$5.7 million in 2014/15 and 2015/16 to undertake the next phase of the Marine Parade redevelopment.

The scope of the proposed investment is:

- Development of a community recreation facility based on the existing Marineland structure;
- Construction of a reef garden and amphitheatre.

This business case follows the Better Business Cases methodology and is organised around the five case models to demonstrate that the redevelopment:

- is supported by a robust case for change – the ‘strategic case’
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- is achievable – the ‘management case’.

The preferred way forward was outlined in an Indicative Business Case (IBC) and subsequently agreed by Council’s Community Development Manager in December 2013. A workshop was then held with Councillors and officers in August 2014 to plan the way forward for the redevelopment, and it was agreed that a Business Case (this document) would be presented to support an investment decision by Council.

The purpose of this Business Case is to:

- Identify the investment option that optimises value for money;
- Prepare the investment proposal for procurement;
- Plan the necessary funding and management arrangements for the successful delivery of the project.

2.1. Revisiting the Indicative Business Case and Confirming the Short List

The purpose of this section is to revisit the analysis and assumptions in the earlier Indicative Business Case. The intent is to briefly outline any significant changes that may have occurred since the previous business case.

Revisiting the strategic case

The IBC provided the following strategic context for the proposal, based on the current Long Term Plan:

The City of Napier has positioned itself to offer the highest quality of lifestyle and facilities for its residents, and to continue to be a destination of choice for visitors. To this end, Napier’s Mission Statement expresses the intention to “provide facilities and services and the environment, leadership, encouragement and economic opportunity to make Napier the best city in New Zealand to live, work, raise a family and enjoy a safe and satisfying life”.³

The key aims of Napier City Council are to enhance quality of life for Napier residents through the

³ Napier City Council Long Term Plan 2012/13 to 21/22, adopted 26 June 2012, page 7

provision of a range of functions, facilities and services aimed at strengthening the local economy and community, protecting the natural environment and providing the built spaces and infrastructure that enable community life to function and be enjoyed.

Marine Parade is identified in the Long Term Plan as one of the city's most important assets, both culturally and in terms of the built environment.⁴

Family friendly upgrades to Marine Parade are one of the strategic priorities for the City of Napier in the Long Term Plan. The "Big Picture" for Marine Parade commenced in 2012 with the extension of the playground to accommodate older children, provision of shade and BBQ areas, and a junior bike track. A recreation and water area next to the Aquarium and a stormwater viewing platform are nearing completion.

This proposal is for the next phase of the revitalisation and is a key enhancement of the facility with a focus on young people, recreation, and arts and entertainment to make Napier the "kids' capital", in line with the Council's Long Term Plan.

Reviewing the parking implications

The necessity to address changes to the CBD parking supply and demand as a result of the proposed redevelopment was highlighted as part of the NCC Parking Review, which noted:

Separate parking surveys completed by TDG have confirmed that the Marine Parade's off-street public carpark has less than 40 vehicles on a typical week day. These same surveys have also confirmed that the Marine Parade (between Skate Zone and the National Aquarium) has an on-street parking demand that often exceeds Council's preferred threshold of 80%. This peak parking demand regularly occurs on a weekday, between the hours of 11:00am and 1:30pm.

The establishment of the Marine Parade recreational facilities, in combination with the changes proposed to the existing off-street public parking spaces, will therefore have a further impact on Council's existing CBD public parking resource. As such, occupancy levels of the remaining public parking facilities will increase as a consequence. While it is assessed that these additional on-street demands can be accommodated within Council's existing resource, it is recommended that Council monitors the level of parking demand that occurs on the Marine Parade once the proposed works have been fully completed.

Since the IBC in December 2013, there has been some initial assessment of options for 92 replacement car parks to be created elsewhere in the city, to account for the changes in parking allocation once the redevelopment of the Marineland site is complete. The assessment has an indicative cost of \$1.15 million, with an expectation that the proposed investment could be funded from parking reserves. The cost of the proposed parking redevelopment is not included in this Business Case, and will be considered by Council as a separate project depending on the recommendations of the concurrent NCC Parking Review.

Reviewing the economic case

The project objectives are:

1. Provision of a multipurpose recreation facility for Napier residents;
2. Strategic and cost-effective reuse of the ageing Marineland infrastructure;
3. Contribution to the Marine Parade revitalisation strategy;
4. Contribution to Napier's future as a key tourism destination.

⁴ Napier City Council Long Term Plan, page 8 and 9

The Indicative Business Case considered six “long list” options, based on the following criteria. However it is also apparent that the identified options would need to meet the policy and regulatory directions of the government in relation to marine mammals, so this requirement has been added to the critical success factors as shown below:

	Option 1 - Do Nothing	Option 2 - Different Reuse	Option 3 - Alternate Venue	Option 4 - Restore to Previous Use	Option 5 - Commercial Lease	Option 6 - Redevelop as Proposed
Does it meet the business needs in:						
Investment Objective 1 – multipurpose recreation facility	No	No	Yes	No	No	Yes
Investment Objective 2 – strategic reuse of Marineland infrastructure	No	Yes	No	No	Yes	Yes
Investment Objective 3 – completion of revitalisation	No	No	No	No	No	Yes
Investment Objective 4 - tourism	No	Yes	No	Yes	Yes	Yes
Will it meet the main benefits identified?						
	No	No	No	No	No	Yes
Does it meet the critical success factors?						
Strategic fit and business needs	No	No	No	No	No	Yes
Compliance with policy direction on marine mammals	N/A	N/A	N/A	No	N/A	N/A
Potential value for money	No	Yes	Yes	No	Yes	Yes
Supplier capacity and capability	N/A	Yes	Yes	Yes	Yes	Yes
Potential affordability	N/A	Yes	Yes	No	No	Yes
Potential achievability	Yes	Yes	Yes	No	Unknown	Yes
Do Advantages Outweigh the Disadvantages?						
	No	Yes	Yes	No	No	Yes
Shortlist?						
	Yes for purposes of comparison	Yes for purposes of comparison	Yes for purposes of comparison	No	No	Preferred option – greatest fit with investment objectives

The Indicative Business Case identified four short-list options for further analysis:

- Option 1: Do nothing “status quo” (retained as a baseline comparator);
- Options 2 and 3: Redevelopment of facility to different use and development of a youth recreation facility at alternate site;

- Option 6: Redevelopment of the Marineland site, Skate Zone and carpark into a community sports facility, interactive reef garden and amphitheatre.

Option 6 was identified as the preferred option for the following reasons:

- The existing Marineland facility requires significant maintenance and/or redevelopment in order to ensure it remains a viable community facility;
- The existing Skate Zone facility is widely used, is under some pressure from increased usage and is unable to provide the full range of skating facilities requested by the community;
- The demand exists for recreational facilities that expand on those currently offered on Marine Parade;
- A higher quality facility with a wider range of recreational options would contribute to the goal of increased tourism in Napier, particularly in comparison to the base case;
- Redevelopment of Marineland will make a very significant contribution to an improved and revitalised Marine Parade, in accordance with the Council's Long Term Plan.

Since the preparation of the indicative case, there have not been any significant changes to the investment objectives or the critical success factors that would require a change to the options on the short-list.

However some factors have changed since the IBC in December 2013, notably:

- Allowance can be made for 92 replacement carparks elsewhere in the city at a cost of \$1.15 million, to account for the changes in parking allocation once the redevelopment of the Marineland site is complete. This cost is expected to be funded from parking reserves and does not form part of this Business Case;
- Annual cost savings of \$363,000 were identified in the status quo option for the ongoing operating costs of housing animals at Marineland.

Based on the review of the options assessment, the preferred way forward remains Option 6, as it continuing to have the strongest alignment with the project investment objectives.

The other short-listed options are retained for further economic assessment as part of this Business Case. The "do nothing" or status quo option is retained in the short-list to provide the baseline for determining the comparative marginal value for money added by other short-listed options.

3. Economic Case - Determining Potential Value for Money

The purpose of this part of the economic case is to undertake a more detailed analysis of the costs, benefits and risks of the short-listed options.

The intention is to demonstrate the relative community benefit and value likely to be provided by the preferred option in delivering the required services. This analysis includes:

- cost benefit analysis of the short-listed options
- assessment of any intangible benefits and costs
- assessment of risk and uncertainty.

3.1. Cost Benefit Analysis

Assumptions

For the purposes of the cost benefit analysis the following assumptions have been made.

- All options have been assessed over a 30 year timeframe (life);
- Costs and revenues have been inflated at 2% p.a;
- A discount rate of 6% has been used to determine the net present value of options;
- The present value of benefits relates to direct revenue streams and does not include any estimate of broader economic benefits, as these are not considered to be a significant factor;
- Capital costs include the initial capital investment for new developments plus any asset renewal requirements for all options. Due to the early stage of project design only a rough order of cost (ROC) has been used for options at this stage;
- Allowance has been made for 92 replacement carpark spaces elsewhere in the city at a cost of \$1.15million. This is able to be funded from parking reserves and the costs are therefore excluded from this Business Case;
- Costs for Options 2 & 3 are based on indicative costs in a March 2012 feasibility study looking into options for a new youth facility in Napier. Allowance of \$2 million is included to redevelop the Marineland site and \$2.43m has been allowed for a youth facility (retrofitting the existing building);
- Two status quo options have been modelled for comparison:
 - a. Option1 – the status quo option does not provide for any remediation of the current Marineland Site. It just allows for the site to remain vacant with minimal maintenance of \$30,000 per annum;
 - b. Option 1a – the status quo assumes that the remaining animals are kept at Marineland to reflect a comparison with the current (2012/13) cost to Council of approximately \$363,000 per annum to house and care for animals at the facility. This does not allow for any expenditure to upgrade assets at the facility.
- Operational costs have been included for existing facilities and an allowance has been made for the cost of new facilities based on data obtained from Council officers and the Napier Skating Trust. Costs for the operation of similar facilities have been used wherever possible;
- At this stage it is assumed that any new facilities will be operated by the Council rather than external entities. Therefore all costs and revenues are included for options (except Option 1 - status quo which retains an existing contract with an external party);

- An allowance has been made for enhanced revenue for the lease of the upgraded facilities. This may be a combination of revenue from commercial tenants or from a community group, in which case the revenue represents the opportunity cost or potential subsidy provided through discounted rent;
- It has been assumed that all events will be run on a break-even basis with external funding (grants and entry fees) sufficient to fund the cost of hosting the events but with no surplus available to help fund other operational costs;
- Opening hours will be the same as for the existing Marine Parade skate facility;
- All dollar figures are expressed in GST exclusive terms.

Table 1: Short-listed options

\$millions	Short-listed Options			
	Option 1 -Status Quo Marineland vacant	Option 1a -Status Quo Marineland with Animals	Options 2 & 3	Option 6 - Preferred Way Forward
Analysis period (Years)	30	30	30	30
Capital costs	\$0.50	\$0.50	\$5.17	\$7.24
Whole of life costs	\$3.32	\$17.18	\$11.07	\$14.58
Cost Benefit Analysis				
Net Present Value benefits	\$2.12	\$2.18	\$2.12	\$4.39
Net Present Value costs	\$1.38	\$7.09	\$6.59	\$8.83
Overall NPV for project	\$0.74	-\$4.92	-\$4.47	-\$4.43
Value of construction activity to economy	\$1.50	\$1.50	\$15.52	\$21.73

The overall Net Present Value (NPV) for the project, given the limited revenue generation within the investment objectives, is -\$4.43 million. This does not consider or account for the anticipated wider economic and social benefits that the community of Napier will derive from the investment.

Industry research suggests that every \$1 invested in construction generates a total of \$3 in economic activity.⁵ The value of the construction activity to the economy has been calculated using that basic equation for indicative purposes only.

It is important to note that whilst not quantifiable for the purposes of a financial cost benefit analysis, there is a significant opportunity cost inherent in the status quo option given that the Marineland facility is closed, and therefore offers no current opportunity to return a financial, community or economic benefit to Napier.

The eventual reallocation of parking spaces outlined in the NCC Parking Review, funded from the Parking Reserve, is also likely to deliver a further financial benefit to Council, as moving the current parking to a more strategic location will result in a potentially greater commercial return. However as noted above, both the costs and benefits of this project have been excluded from this Business Case.

⁵ Source: Valuing the Role of Construction in the New Zealand economy. A report to the Construction Strategy Group. PWC October 2011.

3.2. Tangible Benefits Analysis

There are a number of benefits that are anticipated to derive a monetary saving or benefit.

1. *Capacity to Host Large-Scale Competitive and Spectator Events*

The project will increase both the capacity for large events, and associated spectator viewing and also the diversity in the types of events that can be staged at Marine Parade.

Large events have the potential to draw competitors and spectators from around the country. The numbers of people using the facility for these events will increase visitor numbers, which will benefit tourism and hospitality providers and retailers. There will also be flow-on effects in terms of Napier's image.

The hosting of large events will generally derive some benefit for Council in terms of income from fees for use of the facility. These have the potential to contribute to the on-going operating costs of the venue.

Recreation and sports groups and companies who run these events will derive direct financial benefit.

2. *Strategic Reuse of the Existing Marineland Facility*

The strategic reuse of the Marineland facility, utilising the existing structures as part of a new facility, means that the facility is back in community use at a smaller cost than would be involved in full "from scratch" redevelopment.

There are current on-going operational and maintenance costs for the facility, which do not return community or economic benefit. This would not be the case under the preferred option.

In addition to the financial benefits, the retention and reuse of the structures within this iconic asset have a cultural benefit and value to the Napier community.

3. *Increased Tourism and Visitation*

The Council's website reports that visitor arrival numbers into the city staying in commercial accommodation totalled 258,607 for the year ended March 2013. In their quarterly report to HBRC in December 2013, Tourism Hawke's Bay identified that visitors are identifying the major reasons for coming to Hawke's Bay as visiting friends and family (76.3% of total nights stayed) and general holiday or leisure (16.5%) of total nights stayed.

The *Hawke's Bay Tourism Visitor Monitor Trends to March Quarter 2013* reports that total direct overnight visitor spend in the region for that year was estimated at \$487 million, with an associated GDP impact of \$349 million. Over 2013-2018, total visitor arrivals and night-stays for the region are currently forecast to grow at an annual average rate of 1%, resulting in Year 2018 totals for these indicators of 1.11 million (arrivals) and 3.61 million (night-stays).

It is difficult to sensibly quantify or estimate any increase in tourist or visitor numbers as a result of this aspect of the Marine Parade redevelopment. It is more likely that this will form one component of a broader visitor offering that is Marine Parade in its entirety, making Napier more attractive as a destination of choice, especially within the local and regional areas.

This revitalisation should make an important contribution to the sustainability of the Napier tourist/visitor market into the future. The satisfaction of visitors with the amenity and experience offered in Napier is likely to be a key driver of return visits, particularly visitors within the Napier and Hawkes Bay areas.

Tourism generation also has wider regional and national economic benefits in terms of travel and other attractions and experiences in the wider Hawkes Bay area.

3.3. Intangible Benefits

Some benefits of this project are not tangible in a monetary sense; however deliver significant social returns to the City of Napier.

4. *Increased Community Amenity and Experience*

The revitalisation of Marine Parade will improve the amenity – the look and feel – of the area for Napier residents and visitors, as well as deliver a range of new experiences that can be enjoyed there.

This will be an important benefit for residents and visitors alike, and can be reliably measured through satisfaction surveys.

5. *Increased Community Pride and Lifestyle Factors*

A place that enjoys a high level of amenity and quality community facilities creates pride within local communities. Community pride and quality of lifestyle are key parts of engaged, vibrant, healthy and safe communities. They also have indirect flow-on effects to economic aspects such as house values and city image.

Community pride and satisfaction with lifestyle enjoyed in Napier can be measured through community satisfaction surveys.

6. *Community Engagement for Young People*

As identified in the 2012 Youth Centre Feasibility Study, young people in Napier have some concerning outcomes in terms of high rates of suicide and pregnancy and lower educational achievement. Youth facilities and services are an important part of ensuring young people are supported, connected and provided with opportunities to reach their full potential.

The revitalisation of Marine Parade and the development of a new recreation facility may provide some benefit in increasing engagement for young people particularly if it caters for a wider range of roller sports and other active recreation opportunities than Skate Zone does currently.

Given the difficulty in linking specific youth outcomes with this investment, no KPIs are proposed for this indirect benefit.

7. *Community Health*

The revitalisation of Marine Parade will offer a diverse range of passive and active recreational opportunities for residents and visitors to Napier, and increased participation in recreation activities is likely to have positive impacts on overall community health.

Greater participation in the active recreational activities provided by this investment should be identifiable through community surveys.

3.4. Benefits Assessment of the Short-listed Options

The tangible and intangible benefits for each short-listed option were assessed and ranked as to greatest perceived capacity to deliver the benefits. It is important to note that a key assumption in undertaking this analysis was that the redevelopment of Marine Parade is central to this business case, so benefits are considered relative to that geographical location.

Table 2 Benefits assessment short-listed options

	Option 1 – Do Nothing	Option 2 - Different Reuse	Option 3 - Alternate Venue	Option 6 - Redevelop as Proposed
Capacity to host large-scale events	4	3	2	1
Strategic re-use of existing facility	4	2	4	1
Tourism and visitation	4	2	3	1
Increased amenity and experience	3	2	4	1
Increased community pride and lifestyle factors	4	2	3	1
Increased engagement for young people	4	2	1	1
Increased community health	4	3	1	1
Average Rank	4	2	3	1

3.5. Risk and Uncertainty

Risk identification and measurement

The Indicative Business Case process identified the key risks for the planning and proposal stage that might create, enhance, prevent, degrade, accelerate or delay the achievement of the investment objectives. These have been reviewed and revised as follows:

Risk	Impact (H/M/L)	Probability (H/M/L)	Comments and Risk Management Strategies
Lack of community support	M	M	Description: There is diverse opinion in the community as to the future of Marineland, Skate Zone, Marine Parade generally, and this proposal. Treatment: A communication plan should be developed for the lifespan of the project covering the case for change as identified through the business planning process and key project milestones as they are achieved.
Securing capital funding over the life of the project	H	M	Description: The redevelopment proposal requires significant capital costs of approximately \$5.7 million. Treatment: Council has allocated \$1.2 million in the 2013/14 Annual Plan. \$735,000 has been allocated from the Regional Facilities Fund. The remaining \$3.5 million has been given “in principle” support by Council but will need to be formally committed through a Long Term Plan amendment. Council has also committed to raising \$300,000 from external sources.
Long term utilisation and occupancy	H	L	Description: There is a risk that the upgrades will not achieve the expected utilisation and occupancy rates. Treatment: The risk is low given Skate Zone’s current usage rates, the increased activities that will be catered for, and the broader revitalisation of the foreshore.
Industry does not respond to procurement strategy	H	L	Description: The construction industry may not provide suitable responses to the Council RFP. Treatment: The risk is low given current economic conditions for the construction sector. Good communication with the industry of likely timelines and procurement approach will be key to achieving a good outcome.

Risk	Impact (H/M/L)	Probability (H/M/L)	Comments and Risk Management Strategies
Relocation of remaining marine animals is delayed or unsuccessful	H	L	Description: The timetable for relocation of the remaining marine animals may not meet the desired timelines for the completion of the Marineland project. Treatment: Partial acceptance of this risk is inevitable given that a number of factors are outside the Council's control. Adjustment of the timelines may be required if the risk manifests itself.
Design is deficient	H	L	Description: The design of the Marineland precinct does not allow for the investment objectives to be fully met. Treatment: Effective consultation with stakeholders will ensure a good design; implementing a staged review process will ensure the design is constructed correctly.
Tender exceeds the cost limit for the project	H	M	Description: The costs of the project may exceed the allowable budget. Treatment: Progressive review of budget and expenditure using a staged delivery approach with defined investment off-ramps.
Total project costs not identified	H	M	Description: All the relevant costs for the project may not have been identified at the point of budget approval. Treatment: Progressive review of budget and expenditure using a staged delivery approach with defined investment off-ramps.
Project construction has adverse impacts on local community, such as access, traffic and parking, noise and dust,	M	L	Description: The disruption that comes from a significant construction project may reduce amenity for local residents. Treatment: Construction activity will comply with all relevant legislation, consents and bylaws to ensure the disruption is minimised; communication and liaison with the local community will keep the local community informed.
Ongoing financial viability of contractors	H	L	Description: One or more of the contractors responsible for delivering the project may fail and cause financial loss for the Council. Treatment: Due diligence will be conducted as part of the procurement process and controls implemented as part of contract negotiation.
Impacts on parking – during and after development	M	M	Description: There may be a loss of parking capacity during construction and after the completion of the work. Treatment: Adjustments to CBD parking capacity as per the recommendations in the NCC Parking Review.

The project procurement and management stages will involve the consideration of a range of other risk areas, including:

- Contractual
- Construction and maintenance
- Human factors
- Natural events
- Organisational
- Systems
- Maintenance and disposal of assets

These risks will be addressed and mitigated as part of the Management Plan and later project delivery lifecycle.

Risk assessment

The key risks in the Indicative Business Case have been revisited and assessed for each of the short-listed options. The results of this assessment are detailed below. As with the above assessment of intangible benefits, the risk assessment assumes the redevelopment of Marine Parade as central to the business case and considers risks relative to that geographical location.

In addition to the risks that were identified in the Indicative Business Case, a number of more detailed risks have been considered related to the procurement, construction and operation of the facility, should the project proceed.

Table 3 Risk comparison across options

Risk		Option 1 - Do Nothing	Option 2 - Different Reuse	Option 3 - Alternate Venue	Option 6 - Redevelop as Proposed
Lack of community support	Consequence	L	M	M	M
	Likelihood	L	M	M	M
	Risk Treatment	<ul style="list-style-type: none"> Communication strategy prepared which includes communication throughout the life of the project 			
Securing capital across the life of the project, including Parklands Reserve Funding Risk	Consequence	N/A	H	H	H
	Likelihood	N/A	M	M	M
	Risk Treatment	<ul style="list-style-type: none"> Funding committed within 2014/15 and 2015/16 Operational Plans External funding sought may need to be greater than originally proposed given Parklands Reserve funding risk 			
Long term utilisation and occupancy	Consequence	L	M	H	H
	Likelihood	H	M	L	L
	Risk Treatment	<ul style="list-style-type: none"> Communication strategy prepared Business Plans prepared and implemented to proactively manage and attract visitors and events through marketing, programming and partnerships 			
Industry does not respond to procurement strategy	Consequence	N/A	H	H	H
	Likelihood	N/A	L	L	L
	Risk Treatment	<ul style="list-style-type: none"> Scope required services and match to local/regional industry Identify providers outside local/regional industry to meet any gaps 			
Relocation of remaining marine animals is delayed or unsuccessful	Consequence	N/A	H	L	H
	Likelihood	N/A	H	L	H
	Risk Treatment	<ul style="list-style-type: none"> Negotiations need to be ongoing Quarantine periods for animals need to commence as soon as practicable 			
Design is deficient	Consequence	N/A	H	H	H
	Likelihood	N/A	L	L	L
	Risk Treatment	<ul style="list-style-type: none"> Develop a review/acceptance process Ensure code and performance criteria compliance Factor costs for changes to design as required 			
Tender exceeds the cost limit for the project	Consequence	N/A	M	M	M
	Likelihood	N/A	M	M	M
	Risk Treatment	<ul style="list-style-type: none"> Review project concept including funding, concept, design, scope Provide Council with alternatives and seek full approval prior to proceeding and funding Revise project scope if needed 			

Risk		Option 1 - Do Nothing	Option 2 - Different Reuse	Option 3 - Alternate Venue	Option 6 - Redevelop as Proposed
Total project costs not identified	Consequence	N/A	M	M	H
	Likelihood	N/A	M	M	M
	Risk Treatment	<ul style="list-style-type: none"> Conduct discounted cash flow analysis of total project costs Ensure appropriate risk apportionment Include statement of assumptions in tenders Include schedules for tenderers to break up their costs 			
Project construction has adverse impacts on local community, such as access, traffic and parking, noise and dust,	Consequence	N/A	M	M	M
	Likelihood	N/A	H	H	H
	Risk Treatment	<ul style="list-style-type: none"> Contractors to comply with RMA Traffic and parking management plans implemented Maintain community information and liaison 			
Ongoing financial viability of contractors	Consequence	N/A	H	H	H
	Likelihood	N/A	M	M	M
	Risk Treatment	<ul style="list-style-type: none"> Due diligence in procurement process Include step-in and termination rights and criteria in contract 			
Impacts on parking – during and after development	Consequence	N/A	H	L	H
	Likelihood	N/A	H	L	H
	Risk Treatment	<ul style="list-style-type: none"> Completion of parking needs study by the Traffic Design Group Traffic and parking management plans implemented Negotiation with effected businesses and leases Early replacement of lost parking spaces in alternate locations Maintain community information and liaison 			

3.6. Testing the Preferred Option

The purpose of this section is to identify the preferred option, test the robustness of this option using sensitivity analysis and present the overall results of the options analysis.

Identifying the preferred option

Table 4 below presents the results of the cost benefit analysis using the core assumptions outlined on pages 11 and 12.

Table 4 Options analysis

\$millions	Short-listed Options			
	Option 1 -Status Quo Marineland vacant	Option 1a -Status Quo Marineland with Animals	Options 2 & 3	Option 6 - Preferred Way Forward
Analysis period (years)	30	30	30	30
Capital costs	\$0.50	\$0.50	\$5.17	\$7.24
Whole of life costs	\$3.32	\$17.18	\$11.07	\$14.58
Cost Benefit Analysis				
Net Present Value benefits	\$2.12	\$2.18	\$2.12	\$4.39
Net Present Value costs	\$1.38	\$7.09	\$6.59	\$8.83
Overall NPV for project	\$0.74	-\$4.92	-\$4.47	-\$4.43
Value of construction activity to economy	\$1.50	\$1.50	\$15.52	\$21.73

The analysis indicates that the NPV for the combination of Options 2 & 3 (where \$2m is spent redeveloping the Marineland site and \$2.4m is spent to develop a new youth facility elsewhere in the city) and Option 6 (the preferred option for the redevelopment of Marine Parade) are similar, while Option 1, status quo but with Marineland vacant, appears to be the cheapest option by far.

These calculations make no financial allowance for the level of public amenity delivered, or for the alignment to the strategic goals of the Council.

The status quo (Option 1) will clearly not contribute to the vision for the revitalisation of Marine Parade stated in the Long Term Plan, and will make no contribution to either the desired direct or indirect benefits for the local community and economy. Further, the existing facility will continue to deteriorate over time, which is likely to leave future Councils and ratepayers with the problem of disposing of a degraded asset.

Option 1(a) provides a comparison with current costs to keep the remaining animals at Marineland until they are relocated. This provides a better “status quo” comparison. As it does not meet Council’s objectives, the do nothing option has been eliminated from viable options.

Options 2 and 3 retain the existing Skate Zone and car park area and show a similar level of improvement in the amenity value of Marine Parade, with a comparable level of investment and NPV.

Option 6 shows a slightly lower NPV than Options 2 and 3 but makes the largest contribution to the strategic goals of the Council as stated in the Long Term Plan, and which delivers the greatest direct and indirect benefits.

While a cost\benefit analysis is relevant for comparative purposes, the preferred option is the one that delivers best on the strategic objectives.

Testing the robustness of the options analysis

Most variables around the options centre on project design and final costs for the delivery of the proposed facilities. Out of the options presented the greatest level of sensitivity is in Options 2 and 3, as no specific design concepts have been costed. No specific site is proposed for a youth facility and no clear alternate redevelopment concept is proposed for Marineland.

The preferred option has not yet proceeded to the detailed design stage, which means that the exact nature of some of the components in the facilities (such as water play equipment and the combination of permanent and moveable equipment) has yet to be determined. Therefore there is still risk that the final costs for construction may differ from current estimates. The figures provided include construction contingencies amounting to 10% of the project cost; however any variance beyond that will impact on the financial analysis.

The variables around operating costs also relate to the exact nature of the design and components. The type of construction and finish will have an impact on maintenance, and the total area of water play equipment and water volumes will have an impact on operational costs. Similarly the area of gardens (soft landscaping) and nature of plantings will have an impact on costs. Conservative estimates have been used based on other similar Council facilities. These costs will be quantified following the completion of the detailed design.

Revenues relate mainly to 140 leased car park spaces and entry fees for the skate park.

Car park revenues are based on the existing revenue for leased car park. No allowance has been made for an uplift in revenues from any replacement car park within the CBD, which has the potential to generate higher revenue than the existing facility due to a more strategic location. Accordingly, car parking revenue is regarded as being conservative for the purposes of the modelling.

Skate park revenues are based on the current pricing structure at Skate Zone, with an allowance for a 10% increase in the total number of entries. The primary risk with facilities of this type relates to changes in user preferences and general trends in youth outdoor activities. With a new facility it is reasonable to expect an increase in patronage, and modelling provides for an increase in the proportion of revenue from visitors (from 25% to 30%). As total skate revenues are \$120,000, the total risk to Council from a variance in the calculated figures is not significant.

The preferred option

Option 6 remains the preferred option following the sensitivity analysis, as the alignment with the Council's strategic direction is the greatest, and the sensitivity to either adverse revenue effects or changes in construction or operational costs can be effectively managed.

4. Commercial Case - Preparing for the Potential Deal

The commercial case considers:

- the procurement strategy and any government requirements;
- procurement plan and timetables;
- service requirements;
- risk sharing arrangements;
- payment mechanisms;
- any other contractual or accounting issues.

This section of the detailed business case outlines the proposed deal in relation to the preferred option outlined in the economic case.

4.1. Procurement Approach

Procurement for this project will be managed in line with Council's Contracts Policy and Project Management Manual. Council's Procurement Strategy for Transportation Projects will form the basis of the strategy for this project, with the central drivers being:

- Obtaining best value for money – delivering the project to the best quality for the lowest lifecycle cost. Value includes financial and non-financial attributes, including quality, design innovations, impact on communities
- Fair competition and competitive and efficient markets – full competition is achieved by ensuring that all suppliers have a full and fair opportunity to give the Council the best case for carrying out the work.

The goals of the procurement strategy are:

- Ensuring best value for money, competitive and efficient markets and fair competition
- Adopting a procurement process that ensures the efficient use of Council time and resources by ensuring policies and procurement strategy are followed
- Identifying any impediments to achieving value before the procurement process is completed
- Ensuring efficient feedback between the market and the Council on Council's policies and strategies
- Ensuring that Council decisions are justifiable, publicly accountable, transparent and fair.

Whilst at this stage the project has not been subject to detailed project planning, it is expected that the procurement strategy is to use a combination of in-house project management services and external tendering for the detailed design and construction of the capital items, which will be in line with Council's Contracts Policy and Project Management Manual.

In line with Council's Procurement Strategy for Roads, the detailed project planning phase will identify for each stage of the design and construction project:

- Likely services required (see below)
- Value
- Possible delivery models
- Possible supplier selection methods
- Identification of likely supplier interest, and if low, ensure proactive steps to attract suitable suppliers
- Any capacity for in-house supply of required services

Required Services

The required services are:

Table 5 Required services

Required Services	Anticipated Service Delivery Mechanism	Quality Attributes
Project management	In-house	<ul style="list-style-type: none"> As per Council's Project Management Manual Regular reporting Project delivered to time, quality and cost specifications
Design and construction	External supplier/s	<ul style="list-style-type: none"> Meets cost estimates Consistent with concept designs Effectively reuses existing structures where possible
Internal fit-out	External supplier/s	<ul style="list-style-type: none"> As per concept design and purpose Meets cost estimates
Asset maintenance	In-house	<ul style="list-style-type: none"> Whole of lifecycle costs planned and understood
Third-party management	In-house	<ul style="list-style-type: none"> Effective communication and negotiation
Facility management	In-house	<ul style="list-style-type: none"> Systems and processes to effectively manage the facility
Negotiation of commercial lease arrangements	In-house/external	<ul style="list-style-type: none"> Leased use that supports the vision for the redevelopment Appropriate lease arrangements entered into

Potential Payment Mechanisms

The proposed payment approach is for all contract payments to be in accordance with a certified payment schedule based on progress towards project deliverables. Contract retentions will be withheld for the normal period specified in Council's contracts manual.

4.2. Management Approach

Three options are available to the Council to operate the redeveloped skate park:

- The Council can elect to operate the facility itself, employing staff for the purpose;
- The commercial operator of the existing Skate Zone facility can be contracted to manage the new facility;
- A new commercial operator can be contracted to manage the new facility.

The decision on whether to in-source or outsource management of the skate park will be made by the Council once the detailed design stage of the project has been completed and the precise operational requirements finalised. Should the Council decide to call for tenders for external management of the new facility, the process will be run in compliance with the Council's standard tendering process.

Ongoing maintenance and operation of the other facilities – the reef gardens and amphitheatre – will be performed under existing Council maintenance arrangements for community facilities. Operational budget allocation is available for this purpose, as detailed in the Financial Case.

5. Financial Case - Affordability and Funding Requirements

The purpose of the financial case is to determine the funding requirements of the preferred option.

5.1. The Financial Costing Model

Financial costing approach

Council’s decisions and approach in relation to the final design and operation of the facility will influence costs. The financial analysis model and the associated methodology are based on the following assumptions:

- Costs and revenues have been inflated at 2% p.a.
- Capital costs include the initial capital investment for new developments plus any asset renewal requirements for all options. An annual allowance of \$20,000 has been allowed for new skate ramps and facilities;
- Depreciation has been estimated based on an assessment of the economic lives of assets as outlined in the project cost estimates. Asset lives range from 10 years for equipment and pumps, to 50 years for hard landscaping, buildings and permanent structures;
- Operational costs have been included for existing facilities and an allowance has been made for the cost of new facilities based on data obtained from Council officers and the Napier Skating Trust. While some estimates may take the lower end of a possible range, costs for the operation of similar facilities such as the water play area at the Napier Aquatic Centre have been used wherever possible;
- An allowance has been made for enhanced revenue for the lease of the upgraded facilities. This may be a combination of revenue from commercial tenants or from a community group, in which case the revenue represents the opportunity cost or potential subsidy provided through discounted rent;
- At this stage it is assumed that any new facilities will be operated by the Council rather than external entities. Therefore indicative ROC and revenues are included for options (except Option 1 - status quo which has a contract with an external party). This may be reviewed once the detailed design is complete; however modelling of an internally operated facility allows for the greatest transparency in cost allocation;
- Allowance may be made for replacing 92 car parking spaces within the CBD at a cost of \$1.15m, depending on the outcome of the NCC Parking Review. No allowance has been included for revenue from the potential changes to carpark locations or maintenance costs, which is a conservative view given the more attractive location of the proposed CBD car parks. Based on data from the Council’s existing facilities, the projected revenues should exceed the annual maintenance costs;
- Opening hours for the skate facility will be the same as for the existing Skate Zone facility on Marine Parade and any events will be operated on a break-even basis.

The proposed funding arrangements for the \$5.7 million cost of the project are:

External Grants and Donations	\$ 300,000
Council Reserves	\$5,400,000
Total Project funding	\$5,700,000

The following outlines the breakdown of Council reserve funding:

Regional Facilities Fund	\$ 735,000
Parkland Reserve Allocation for Marine Parade facilities in 2013/14	\$1,200,000
Parklands Reserve Allocations in 2014/15 and 2015/16	\$3,465,000
Parking Reserves	\$1,150,000
Total funding from Council reserves	\$5,400,000

Parklands reserve funds come from surpluses from Council's Parkland residential subdivision. A review of the reserve by Council officers indicates that sufficient funds will be available to meet the project allocations.

Impacts on the financial statements

The financial impacts of the project over the intended analysis period are shown in the following table:

Table 6 Financial costing table

Preferred Option - Marine Parade Redevelopment	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17	Year 4 2017/18	Year 30 2043/44	Total
Capital Expenditure (\$000s)						
Skatepark	3,200	-	-	-	-	3,200
Reef garden and carpark	430	-	-	-	-	430
Amphitheatre	355	1,749	-	-	-	2,104
New 92 space carpark	1,150	-	-	-	-	1,150
Asset renewals	-	-	21	21	36	1,508
Total Capital	3,985	1,749	21	21	36	7,242
Capital will be funded by						
Council reserves	3,685	1,749	-	-	-	6,584
External grants and donations	300	-	-	-	-	300
Operating surplus\rates	-	-	21	21	36	1,508
Total Capital Funding	3,985	1,749	21	21	36	7,242
Operating Expenditure (\$000s)						
Skatepark	-	112	114	117	195	4,350
Reef garden and amphitheatre	6	21	79	81	135	2,974
Depreciation on facilities	-	-	200	204	341	7,402
Total Operating Expenditure	6	133	393	402	671	14,726
Operating Revenue (000s)						
Skatepark	-	0	146	150	285	5,873
Lease\rental income	12	15	50	50	50	1,427
Car parking fees	112	57	91	93	155	3,537
Total Operating Revenues	124	73	287	293	490	10,837
Net Cost (Surplus) on Operations	(118)	60	106	109	181	3,890

Preferred Option - Marine Parade Redevelopment	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17	Year 4 2017/18	Year 30 2043/44	Total
Net Cost (Surplus) on Operations (excluding depreciation)	(118)	60	(94)	(95)	(160)	(3,512)

The impacts of the proposed approach on user charges in respect of services provided have been assessed and the revenue projections are robust. Modelling has been based on the current prices paid by users of the skate park and of existing Marine Parade lease car parking spaces.

The impacts of the proposal on the operating statements and balance sheet are not significant. The project can be funded without any impact on rates and without the need to borrow funds.

Appropriate contingencies have been made for risks and uncertainties as outlined in the discussion on sensitivities above.

The financial analysis of the preferred option shows that:

- The capital investment required for this phase of the Marine Parade redevelopment can be accommodated within the budget envelope specified in the Council's Long Term Plan;
- The operating costs of the redevelopment are not significantly different to the maintenance costs for the do-nothing option, and are able to be accommodated within the current budget.

6. Management Case: Planning for Successful Delivery

6.1. Project Management Planning

Project management arrangements

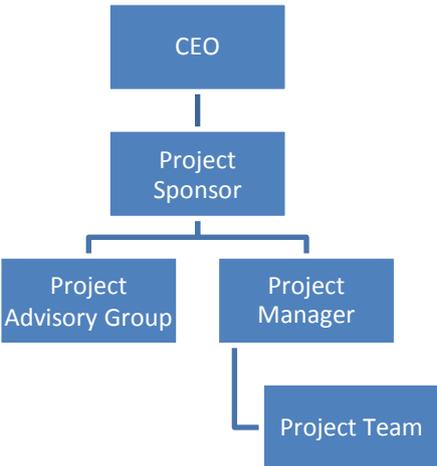
The project will be managed using the project management methodology contained within Council’s Project Management Manual. The project will involve four stages:

- 1. Project initiation (of which this Business Case process is part)
- 2. Project planning
- 3. Project execution
- 4. Project completion and evaluation

A Project Sponsor, Project Manager and Project Advisory Group will oversee the project, in accordance with the Council’s delivery methodology.

Proposed governance arrangements

The proposed governance structure for the project is:



Project Sponsor – Antoinette Campbell, Manager Community Development

Project Manager – John Wright, Manager Design Services

Project Advisory Group – a Project Advisory Group will be established utilising key senior staff from a range of Council divisions that are stakeholders in the project, including tourism, corporate services, community development, economic development, works assets group and design.

Project Team – a project team will be established with relevant staff from across the organisation responsible for project delivery.

Regular reporting will be undertaken to Council’s Chief Executive and Council where appropriate.

Project roles and responsibilities

The *project sponsor* is responsible to the Chief Executive for the successful delivery of the project. The sponsor appoints a project manager, approves the business case and feasibility study, approves the project plan, provides strategic direction and review and monitors all aspects of the project. The full description of the project sponsor’s role is contained within Council’s Project Management Manual.

The *project manager* is responsible for the delivery of the project to the sponsor on time, at agreed quality and within budget. The manager is responsible for the procedures and tasks as described in the Project Management Manual.

Given the impact of the project across Council’s various divisions, a *project advisory group* will be established as a forum for making key decisions that affect the outcome of the project. Whilst the project sponsor is ultimately responsible for the project outcome, the Project Advisory Group will ensure all internal stakeholders are involved in the decision-making process throughout the project.

The *project team* are the individuals who are assigned the specific tasks in order to carry out the project, under the direction of the project manager. Given the large nature of the project, it may be appropriate to include the key suppliers and contractors who will be undertaking the design and construction of the facility on the project team.

Project plan and milestones

Based on Council’s Project Management Manual, the project will have four stages and is estimated to take approximately two years.

Table 7 Project plan timetable

Key Project Milestones	Approximate Date
Stage 1 – Project Initiation	Project initiation commenced in October 2013 and is due to be completed by December 2014.
Stage 2 – Project Planning	Project planning will commence in January 2015 and is estimated to be completed by July 2015.
Stage 3 – Project Execution	Project execution will commence in August 2015, with completion date to be determined in the project planning phase.
Stage 4 – Project Completion	Project completion and review date will be determined in the project planning stage, and controlled through the project execution stage. At this point, Council intends to have the project completed no later than October 2016.

6.2. Change Management Planning

The following changes are anticipated as a result of the project process and/or completion:

Table 8 Identified changes and management strategies

Anticipated Change	Management Strategies
Complete closure of Marineland	<ul style="list-style-type: none"> Relocation of remaining animals has been negotiated and is planned to be undertaken over the coming months Arrangements for redeployment or redundancy of remaining Marineland staff Disposal of non-fixed assets
Loss of facility for “Lick This” ice cream vendor	<ul style="list-style-type: none"> Identification and negotiation of alternate venue Communication with vendor regarding future opportunities within the new facility
Temporary loss of car parking during redevelopment	<ul style="list-style-type: none"> Alternate parking options need to be identified and communicated Relocation of existing spaces needs to occur early to enable effected users to access alternate parking Impact on neighbours needs to be monitored
Relocation of Skate Zone to new facility following construction	<ul style="list-style-type: none"> Ensure regular communication and consultation regarding detailed design, requirements, fit-out and project timings
Identification of potential commercial tenants for part of the facility	<ul style="list-style-type: none"> Decide on most appropriate use/s for the commercial space consistent with the broader facility’s primary purpose and benefits from co-location Approach the market seeking Expressions of Interest Negotiate agreement with organisations/companies
Communication and marketing during and upon completion of construction	<ul style="list-style-type: none"> Keeping the community, local businesses and young people adequately informed about the redevelopment, including timeframes, will be important to ensure community support Marketing of the new facility will form a critical aspect of realising the benefits from the redevelopment

As the existing Skate Zone facility will remain open during construction of the new facility on the Marineland site, there are not anticipated to be any significant impacts on existing users and young people.

6.3. Benefits Management Planning

The purpose of a benefits management strategy is to describe in detail how the project intends to manage the delivery of the benefits on which the investment decision was made.

The four investment objectives will be used as the framework for identifying, quantifying and measuring the benefits from the proposed redevelopment of Marine Parade. These benefits will be monitored throughout the project, and will form a key part of the post-project evaluation in the project completion stage of the project.

Most of the benefits are expected to be realised through the completion of the project (construction), however a number of other actions will need to be put in place to ensure full realisation of the objectives. These are also detailed below:

Table 9 Benefit register

Investment Objectives	Benefits	Other Actions
Securing Napier’s future as a key tourism destination	<ul style="list-style-type: none"> • Tourism and visitor numbers increase • Total spend in Napier from tourism increases • Gross Regional Product increases 	<ul style="list-style-type: none"> • Tourism marketing
Provision of a world-class multipurpose youth recreation facility	<ul style="list-style-type: none"> • Visitation numbers increase through quality of the venue and the different opportunities available • User satisfaction increases • Major events are conducted at the facility • Young people are satisfied with their access to recreation facilities 	<ul style="list-style-type: none"> • Marketing • Proactive attraction of events
Completion of Marine Parade revitalisation – “Kids Capital”	<ul style="list-style-type: none"> • Community and visitor satisfaction with the amenity and experience of Marine Parade increases • Community satisfaction with quality of life increases • More people participate in recreation activities 	<ul style="list-style-type: none"> • Marketing • Proactive attraction of events such as ‘cinema under the stars’
Strategic and cost-effective reuse of ageing infrastructure	<ul style="list-style-type: none"> • Lower construction costs • Retention of iconic heritage infrastructure 	<ul style="list-style-type: none"> • Design continues to maximise existing structural reuse opportunities.

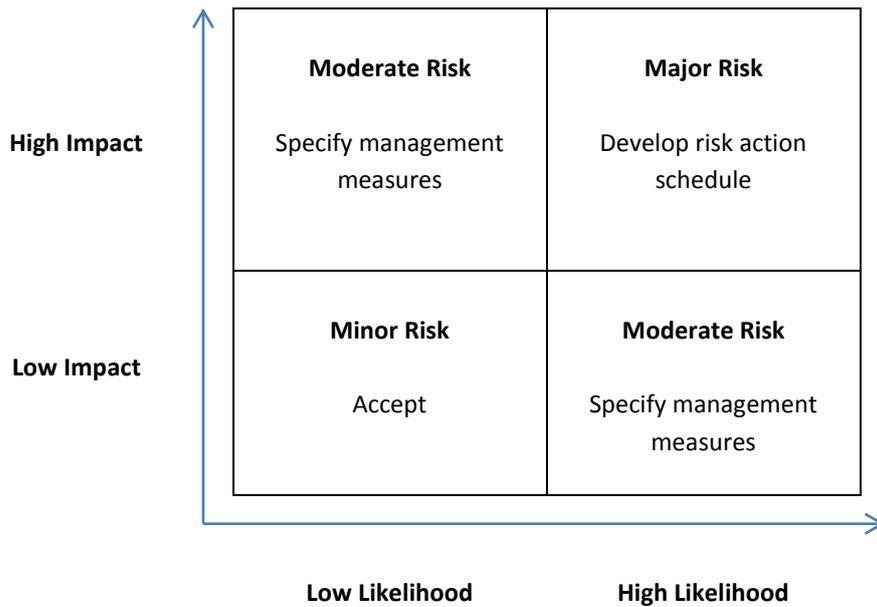
6.4. Risk Management Planning

Risks arise because of limited knowledge, experience or information and uncertainty about the future or through changes in the relationships between parties involved in an undertaking. Risk Management provides a structured way of identifying and analysing potential risks, and devising and implementing responses appropriate to their impact. These responses generally draw on strategies of risk prevention, risk transfer, impact mitigation or risk acceptance. Within a single project or proposal each of these strategies may have application for different individual risks.

For this project, several phases of risk analyses will be conducted:

- At concept development and appraisal stages of the Business Case, which will include assessment of the commercial, technological, contractual, economic, environmental, financial and political risks;
- At the procurement and construction stages of the approved project, which will include assessment of the construction and maintenance, health and safety, human factors, natural events, organisational and systems risks;
- At the conclusion of the construction stage, which will include assessment of the maintenance and disposal risks.

Risks are managed according to a framework that aims to identify and rank risk, understand the potential consequences of the risk, and putting in place measures to mitigate the risk.



Risk identification has commenced for this project in the section on Risks and Uncertainty above. This will form the basis for an ongoing risk register which will need to be managed by Council’s Project Advisory Group throughout the life of the project.

6.5. Post-Project Evaluation Planning

Project evaluation reviews will form a key part of the role of the Project Advisory Group, and will take place on a regular basis to monitor costs, risks, contract management, and that expected benefits are on track to realisation.

Formal post-project evaluation will take place 3-6 months after project completion when the new facilities are fully operational. The evaluation reviews the project from the business case phase through to delivery, with the focus on:

- The benefits and outcomes are achieved as planned;
- Operational expectations and arrangements are functioning as planned;
- Costs and risks were appropriately controlled.

Post-project evaluation forms part of the project file as part of Council’s developing knowledge base for continuously improving the way it manages projects.

6.6. Next Steps

This business case seeks formal approval of the capital investment and ongoing operational costs of the project from the Napier City Council.

7. Appendix A

Extract from Indicative Business Case - Possible long-list options classified by the five dimensions of choice

Dimension	Description	Options within each dimension
Scale, scope and location	In relation to the proposal, what levels of coverage are possible?	<ol style="list-style-type: none"> 1. Do nothing 2. Redevelop the facility to a different use 3. Develop a facility at a different site 4. Restore Marineland to previous use 5. Commercial lease of Marineland facility 6. Redevelop Marineland and surrounds into world class skating and action sports facility, reef garden and amphitheatre
Service solution	How can services be provided?	<ul style="list-style-type: none"> • Skating and scootering opportunities continue to be provided at Skate Zone. Limited opportunities for spectators • Restoring Marineland as a conservation facility • Private/commercial services through lease of all or part of the facility
Service delivery	Who can deliver the services?	<ul style="list-style-type: none"> • Council • External youth service and recreation providers • Tourism providers • Napier Skating Trust • Combination
Implementation	When can services be delivered?	<ul style="list-style-type: none"> • The redevelopment project could be completed by August 2015
Funding	How can it be funded?	<ul style="list-style-type: none"> • Council funding • Grant funding • Partnership with private providers • Commercial leasing