

4 Economic Case – Modification & Renovation Options

The Economic Case identifies and evaluates a Baseline scenario plus a long list of options for the potential redevelopment of SHMPAC.

It is the means by which the Options are identified and ranked. The long-list of options has been determined following the internal consultation and feedback from the users, former users and potential users of SHMPAC, and with Council through its Arts and Culture Business Unit and Project Management Office.

The long-list of Options is summarised as:

- Option 1: **Baseline** – do nothing except required seismic upgrades
- Option 2: **Demolition and replacement**
- Option 3: **Concert Chamber upgrade** – significantly upgrade the Concert Chamber and make minor upgrades to the Civic Theatre
- Option 4: **Foyers and Banquet Room upgrade** – Option 3 plus an upgrade of the foyers and Banquet Room
- Option 5: **Modify Banquet Room** – Option 4 plus redevelopment of the Banquet Room
- Option 6: **Modify the Civic Theatre 1** – Option 5 plus a Civic Theatre upgrade to refurbish the theatre and increase seat numbers to +/- 1,000
- Option 6a: **Modify the Civic Theatre 2** – Option 4 plus a Civic Theatre upgrade to refurbish the theatre and increase seat numbers to +/- 1,000.

4.1 Long-List Options

We have assessed the long list options by reference to the Critical Success Factors (“CSF”) consistent with the Treasury Better Business Case. A fuller explanation of the CSFs is detailed in Section 4.4.

Tables 4.1 and 4.2 below summarise the key elements of each of the Options. The capital cost projections are exclusive of Council’s cost of capital.

The summarised list of CSFs is:

- CSF 1 – Strategic fit with the RLC Vision and “the Rotorua Way”
- CSF 2 – Value for money
- CSF 3 – Achievability of the ILM objectives
- CSF 4 – Capacity and capability of RLC, development partners and consultant team
- CSF 5 – Potential affordability.

Table 4.1: Summary Analysis of most of the SHMPAC Development Options

	Scope Options (What)					
Description of Option	Baseline = PAC (lite) + Concert Chamber seismic work	Option 3 = PAC (full) + Upgrade Concert Chamber	Option 4 = 3 + Upgrade Foyer & Banquet Room	Option 5 = 4 + Modify Banquet Room	Option 6 = 5 + Upgrade Civic Theatre (refurbish, expand seating)	Option 6a = 4 + Upgrade Civic Theatre (refurbish, expand seating)
Investment Objectives						
To optimise the value from a performing arts centre: <ul style="list-style-type: none"> • enable diversity of performance • affordable / accessible to community performers • positive experience (amenity, service, feel) 	No xxx	Partial ??	Partial ???	Yes ✓✓	Yes ✓✓✓	Yes ✓✓✓
To provide a contemporary performing arts environment: <ul style="list-style-type: none"> • that conveys Rotorua's identity • that can attract a diverse range of touring and local productions • that meet the needs of the people of the Rotorua Lakes and surrounding regions, including visitors 	No xxx	Partial ??	Partial ??	Yes ✓	Yes ✓✓✓	Yes ✓✓✓
Provide performing arts facilities, equipment and services that are market competitive and meet legislation and Council Policy with respect to building design and construction	No xxx	Partial ??	Partial ???	Yes ✓✓	Yes ✓✓✓	Yes ✓✓
To maximise vibrancy in and around the venue	No xxx	Partial ?	Partial ??	Yes ✓	Yes ✓✓✓	Yes ✓✓
Critical Success Factors						
CSF 1: Strategic fit with RLC 2030 Vision and 'The Rotorua Way'	No x	Partial ??	Partial ???	Yes ✓✓	Yes ✓✓✓	Yes ✓✓
CSF 2: Value For Money	No xx	Partial ?	Yes ✓	Yes ✓✓	Yes ✓✓✓	Yes ✓✓
CSF 3: Achievability of ILM objectives	No xx	Partial ???	Yes ✓	Yes ✓✓	Yes ✓✓✓	Yes ✓✓✓
CSF 4: Hirers / promoters capacity and capability to deliver	Yes ✓✓✓	Yes ✓✓✓	Yes ✓✓✓	Yes ✓✓✓	Yes ✓✓✓	Yes ✓✓✓
CSF 5: Potential affordability	Yes ✓✓✓	Yes ✓✓✓	Yes ✓✓	Yes ✓✓	Yes ✓✓	Yes ✓✓✓
Short list?	No	No	Yes	Yes	Yes	Yes

(Source: Horwath HTL)

Table 4.2 summarises the key projections including indicative utilisation, net operating cost and capital development cost under each of the long list options, excluding Option 2.

Table 4.2: Development Options Summary Table

	Brief Description		Y1	Y3	Y5	Y10
Option 1	Seismic Upgrade as required plus Implementation of the Arts and Culture Business Unit as currently Proposed and Funded	Event Days	257	295	316	336
		Annual Pax	44,205	52,804	60,091	76,688
		Revenue	\$696,944	\$847,844	\$993,546	\$1,312,741
		N.O.C before I&D	-\$863,654	-\$872,634	-\$889,976	-\$995,188
		N.O.C after I&D	-\$1,074,254	-\$1,083,234	-\$1,100,576	-\$1,205,788
		Capex	\$4,500,000			
Option 3	Baseline plus modification of the Concert Chamber to make it more flexible and fit for purpose, plus minor modifications to the Civic Theatre and the implementation of a full PAC model	Event Days	267	365	430	541
		Annual Pax	44,459	62,342	77,114	115,204
		Revenue	\$708,683	\$994,407	\$1,261,612	\$1,906,363
		N.O.C before I&D	-\$761,123	-\$810,138	-\$777,564	-\$749,833
		N.O.C after I&D	-\$1,140,203	-\$1,189,218	-\$1,156,644	-\$1,128,913
		Capex	\$8,100,000			
Option 4	Option 3 plus the complete overhaul of the ambience and facilities capability of the foyers and Banquet Room	Event Days	275	380	449	587
		Annual Pax	45,790	65,086	80,395	120,080
		Revenue	\$827,935	\$1,286,178	\$1,649,875	\$2,578,690
		N.O.C before I&D	-\$830,376	-\$730,104	-\$663,373	-\$551,405
		N.O.C after I&D	-\$1,387,296	-\$1,287,024	-\$1,220,293	-\$1,108,325
		Capex	\$11,900,000			
Option 5	Option 4 plus a reconfiguration of the Banquet Room to make it more fit for purpose for a wider range of uses, both in the Performing Arts and Business Events	Event Days	302	416	498	660
		Annual Pax	50,407	71,576	89,555	136,353
		Revenue	\$1,099,098	\$1,711,043	\$2,264,369	\$3,732,586
		N.O.C before I&D	-\$721,485	-\$556,803	-\$410,997	-\$97,707
		N.O.C after I&D	-\$1,460,925	-\$1,296,243	-\$1,150,437	-\$837,147
		Capex	\$15,800,000			
Option 6	Option 5 plus an upgrade of the Civic Theatre including general refurbishment and expansion of the seating numbers	Event Days	307	424	508	675
		Annual Pax	59,137	86,422	107,933	163,343
		Revenue	\$1,260,791	\$1,994,690	\$2,651,524	\$4,340,122
		N.O.C before I&D	-\$680,827	-\$482,129	-\$306,694	\$80,125
		N.O.C after I&D	-\$1,733,827	-\$1,535,129	-\$1,359,694	-\$972,875
		Capex	\$21,400,000			
Option 6 (a)	Option 4 plus an upgrade of the Civic Theatre including general refurbishment and expansion of the seating numbers	Event Days	283	391	464	608
		Annual Pax	52,374	76,346	93,960	138,988
		Revenue	\$954,135	\$1,524,025	\$1,985,518	\$3,120,787
		N.O.C before I&D	-\$783,751	-\$642,461	-\$537,512	-\$336,302
		N.O.C after I&D	-\$1,602,751	-\$1,461,461	-\$1,356,512	-\$1,155,302
		Capex	\$17,500,000			

(Source: Horwath HTL, RLC)

The projections in all Options include interest and depreciation charges in relation to new capital expenditure, but exclude interest and depreciation (or Cost of Capital) charges on the existing assets.

4.1.1 Baseline

Summary

This Option has been adopted as the baseline given Council has already taken a decision to undertake the seismic work necessary and establish the Arts and Culture Business Unit. This Option has minimal impact in terms of achieving the draft objectives outlined in the ILM because it results in very little change in the current operation.

It scores second lowest of all the options on the critical success factors because it fails on CSF 1, 2 and 3. It meets CSFs 4 and 5 and is the most affordable Option.

Estimated costs

This Option includes only the capital cost of seismic remediation, at approximately \$4.5 million (before external funding).

Implementation of the PAC-lite model is estimated at approximately \$500k per annum. The financial modelling shows that these cost increases will be offset by only minimal increases in revenue because SHMPAC remains physically not fit for purpose.

Table 4.3: Estimated Capex and Opex Costs – Option 1 (Baseline)

Option	Core Elements of Option	Estimated Capital Costs	Annual Net Operating Cost (“NOC”) after incremental Interest & Depreciation
Option 1	Implementation of PAC-lite	\$4.5m seismic upgrade	Implementation of PAC-lite increases NOC from current approx \$185k ⁸ to \$1.16m at Yr 5 and \$1.27m Year 10 because increased staff, staff related, marketing and community subsidy costs are not offset by additional revenues

(Source: Horwath HTL)

⁸ Current actual Net Operating Cost is before existing Interest and Depreciation (or Cost of Capital) charges on current assets. Future Net Operating Cost projections exclude Interest and Depreciation (or Cost of Capital) charges on existing assets, but include interest and depreciation charges on new capital expenditure

Risks

The significant expenditure on seismic upgrading and additional annual operating cost is not seen as justified by the community because it results in minimal additional utilisation and attendance at events at SHMPAC.

4.1.2 Demolition and Replacement (Option 2)

Summary

Demolition and replacement of the existing facilities will meet the identified business needs to a high standard and will be very effective in delivering the ILM Objectives.

Option 2 fails on CSF 2 (Value for Money) and CSF 5 (Potential Affordability)⁹.

The estimated cost of this option is based on the current cost projection for the new Hamilton theatre, which is approximately \$65,000 per seat.

Table 4.4: Estimated Capex and Opex Costs – Option 2

Option	Core Elements of Option	Estimated Capital Cost	Annual Net Operating Cost (“NOC”) after Incremental Interest & Depreciation
Option 2	Demolition and replacement	\$80+ million	Not modelled, but may be similar to Option 6, with additional interest and depreciation cost

(Source: Horwath HTL)

Assuming the replacement RLC venues will total 1,000 seats (the current Civic Theatre at approximately 700 capacity and the Concert Chamber at approximately 300 capacity), and an allowance for the replacement of the Banquet Room and associated meeting spaces at \$4,500 per square metre for 3,000 square metres, the total replacement costs would be in the order of \$80 million plus demolition, resource consent, and finance costs.

Operating cost implications

Operating revenues and costs are estimated to be similar to Option 6, plus significantly increased depreciation charges.

⁹ For the detail of the Critical Success Factors see Section 4.4

Risks

The primary risk is the lack of community support for an expenditure of this level, and that at any point through the project value management decisions would result in a failure to allow full delivery of fit for purpose venues.

An additional risk is that pursuing demolition would probably be opposed on heritage grounds.

4.1.3 Concert Chamber Modification (Option 3)

Summary

Option 3 is the Baseline plus modification of the Concert Chamber to make it more flexible and fit for purpose, and the implementation of a full PAC model.

It partially meets the Investment Objectives 1 and 2, and meets 3 and 4. It partially meets the critical success factors CSF 1, 2 and 3. It is relatively affordable.

There is a near unanimity of view emerging from all of those users or potential users of the Concert Chamber we consulted, both local and national, around its ideal future use and configuration. The specific components of that future use are:

- a highly flexible space capable of comfortably accommodations from 100 to 300 attendees / audience with no fixed stage or seating that allows the very widest of performance styles, production design, and non-performance uses
- stage positions at multiple points within the room, with a choice of a raised rostra based stage, or a stage on the Concert Chamber floor, dependent on the needs of the production
- ancillary spaces that provide dressing rooms and other basic necessary spaces for performers and hirer companies including off stage storage
- installation of a technical grid system throughout the whole roof space that supports diverse locations for lighting, sound and other equipment to fully enable the diverse performance and non-performance options that will use the space
- high quality moveable/removable seating block system that can be installed in various configurations depending on the nature of the hirer requirements
- storage for these seating blocks adjacent to the Concert Chamber
- additional access points to the Concert Chamber for both audiences and performers / hirers.

The Business Case does not identify the details of the proposed design. It is expected the design process will identify suitable locations that meet the expressed requirements.

The consultees supportive of this development include all the professional performing arts organisations, as well as the key local community and arts related interests.

In particular, the Rotorua Musical Theatre Society and the Rotorua Little Theatre Society were confident they would use the Concert Chamber in this configuration for shows that would be better presented in a different configuration than that which is possible in their existing performance homes, where audience numbers of over 100 (that is, greater than their current home venues) but fewer than 300 was the target market. Both indicated they would actively consider designing productions for this space.

The feedback received from all those consulted with is that such an outcome would be welcomed and would allow for a much greater range of product to be accommodated in the space.

The venue would be attractive to smaller touring performing arts product such as that created and toured by Tour Makers, the Okareka Dance Company, to the local community performing arts societies, to larger companies such as the Royal New Zealand Ballet for their outreach and arts education programme, to business events hirers for breakout space, small function space and small banquet space, and to a wide range of local and other hirers as meeting space.

As a second performance space associated with the Civic Theatre it would also offer many opportunities to festival organisers, including local organisations such as the NZ Aria Trust.

Previous RLC assessments resulted in the Shand Shelton design work dated December 2016. This included a retractable seating system. This solution was proposed as a response to the desire to minimise setup costs, for local performing arts companies in particular. There are better ways of addressing these concerns.

This consultation undertaken notes that some minor improvements to the Civic Theatre would assist materially in improving the space for hirers and audiences (see Table 3.6). These minor improvements are:

- the current supply of stage cloths and masking is regarded as inadequate, poorly fitting the current stage spaces
- the stage apron / stage extension needs completely redesigning to support the weight of a concert grand piano. In addition, the existing stage stair arrangement interferes with any possible orchestra pit and needs to be redesigned to allow for a pit for up to 40 players.
- the provision of a specially designed orchestral sound shell is sought by the NZSO to bring the quality of their performance at SHMPAC to the same standard as audiences elsewhere experience.

It is suggested that this enhancement should be included with this Option as a pragmatic solution that will assist current hirers and improve the experience of event attendees at a reasonable cost.

Costs Estimate

Table 4.5: Estimated Capex and Opex Costs – Option 3

Option	Core Elements of Option	Estimated Capital Cost	Annual Net Operating Cost (“NOC”) after Incremental Interest & Depreciation
Option 3	Concert Chamber modification + PAC-full + stage extension / orchestra pit + orchestra shell + stage drapes etc	\$8.1 million	The NOC at Yr 5 is \$1.28m and \$1.30m at Yr 10

(Source: Horwath HTL)

Risks

While the costs of upgrading the Concert Chamber will result in higher venue utilisation and audience attendance than the Baseline option, this option will do little to resolve the poor audience experience of patrons.

Higher annual operating costs will be attributable to the full PAC model implementation, and the revenues from hirers and users of the upgraded Concert Chamber will be unlikely to cover the costs of hosting Concert Chamber events to SHMPAC, because these events will be predominantly non-commercial in nature.

There is a significant risk that the seismic engineering design solutions are not at this coordinated with the theatre design team to ensure the possible solutions support both seismic and performance outcomes.

Coordination between both engineering / architectural projects is essential to ensure that any seismic solutions do not inadvertently preclude the right theatre design outcomes, and any cost efficiencies are made as early as possible in the projects.

The provision of the technical rigging solution in the Concert Chamber may require some changes in the roof design, and possibly require the ceiling to be lifted, which may have heritage implications.

4.1.4 Foyer Spaces and Banquet Room Ambience (Option 4)

Summary

Option 4 is Option 3 plus the complete overhaul of the ambience and facilities capability of the foyers and Banquet Room.

Previous consultation undertaken by Council staff has already identified widespread dissatisfaction with almost all facets of the existing foyers and Banquet Room ambience and facilities. The recent consultation confirms this should remain a high priority for future expenditure on the SHMPAC.

This option partially addresses ILM Objectives 1 and 2, and addresses ILM Objective 3.

It partially meets the critical success factors CSF 1 and 3, and fully meets CSF 2, 4 and 5. It is affordable.

The key consultation suggestions are:

- remove the existing reception / box office / registration desk structure to open up the front foyer spaces and provide more flexible use options in that area for hirers, increase the amount of light into the area and open up the view from the exterior of the current entrance
- the performing arts hirers and commercial promoters agree that the existing ticketing facility and arrangements are unsatisfactory because the current hours of opening do not suit purchasers who wish to purchase from the box office rather than by telephone or on line:
 - ideally, a full-service box office within the venue that meets customer needs could be provided, and this is the arrangement in most regional venues
 - at the very minimum a box office space in the venue for ticket pickups and late purchases will need to be provided, opening one hour before the commencement of the performance; in this case a full box office will be required at some other location outside the venue that can meet ticket purchaser requirements
 - the optimal location of the box office would most likely be adjacent to and part of any new foyer bar facility
- design a permanent bar / café space of high quality that will be available (at a minimum) preshow, interval and post show; if a detailed business case supports doing so, then consider opening at other hours also
- the most successful of these spaces tend to be located immediately adjacent to a street entrance where they have maximum street and public exposure
 - a detailed business case should also establish whether this facility is subcontracted or managed in-house, and whether it is intended to provide commercial returns or is established primarily to offer a much higher level of service to clients and attendees
- remove the current walls between the entrance / main foyer and the Banquet Room to enable a much better flow of patrons, guests, and attendees to events in the Banquet Room; replace the fixed walls with high quality operable wall / doors that can be used to close off the Banquet Room for acoustic, client or room configuration needs or open up the space where that is required for the event

- the existing toilet facilities adjacent to the Banquet Room / entrance foyer occupy premium foyer space and the current configuration interferes with access to SHMPAC and the Banquet Room; consider moving the existing bathroom facilities from the premium space it currently occupies to the area adjacent to the kitchen where the pillars and lower height of that area make it less desirable
- completely overhaul the ambience of these spaces; consider interior design solutions that reflect contemporary Rotorua ambitions and draw on the uniqueness of Rotorua culture
- enhance the utility of the Banquet Room for both performance and non-performance uses; engineer rigging points in the Banquet Room roof to allow hanging of drapes, cloths and blackout curtains, sound and lighting; supply a designed rostra stage for the Banquet Room that is stored immediately adjacent to the space, perhaps beside the relocated bathrooms in the single height space
- design and install a thermal shade system that can be deployed as required on the exterior of the Banquet Room (in summer, the space can become overheated and uncomfortable on sunny days).

Both the business events, community performing arts and professional performing arts companies consulted were strongly of the view that these spaces were wholly inadequate and required a significant makeover to support the sense of occasion and social audience experience that is fundamental to a higher level of audience / patron / delegate / guest engagement with the event and the venue.

Costs Estimate

Table 4.6: Estimated Capex and Opex Costs – Option 4

Option	Core Elements of Option	Estimated Capital Costs	Annual Net Operating Cost (“NOC”) after Incremental Interest & Depreciation
Option 4	Foyers and Banquet Room ambience	\$11.9 m	The NOC is \$1.42m at Yr 5 and \$1.34m at Yr 10

(Source: Horwath HTL)

Risks

While proceeding with Option 4 will deliver quantifiable financial operational revenue benefits, any subsequent decision to redevelop the Banquet Room (Option 5) will incur a doubling up of costs as the physical improvements in Option 4 are removed and rebuilt.

Option 4 only partially delivers on the “optimising value” and “provide a contemporary performing arts environment” Investment Objectives 1 and 2. The most obvious risk is that the level of additional revenue achieved will not be accepted as sufficient reason to justify the additional capital expenditure.

4.1.5 Reconfiguration of the Banquet Room (Option 5)

Summary

Option 5 is Option 4 plus a reconfiguration of the Banquet Room to make it more fit for purpose for a wider range of uses, both in the Performing Arts and Business Events.

This option partially addresses the Draft ILM Objectives 1 and 2, and addresses the Draft ILM Objective 3 and 4.

It meets the critical success factors CSF 2, 3 and 4, and partly meets CSF 1 and 5. While it is less affordable, it meets the value for money criteria.

There is a strong view expressed by business event organisers that the current configuration of the Banquet Room is not conducive to a high level of utilisation. A reconfiguration of the Banquet Room as a third performance space is also supported by several of the performing arts respondents.

Two key points were made to us during the consultation:

- the Banquet Room space would be significantly improved by removing the existing curved exterior curved wall and its replacement with a rectangular exterior structure that runs the full length of the original Municipal Building structure; the curved wall design presents many challenges that render the room difficult to use; the curve constrains the setup for non-performance events including banquets and exhibition space – two key uses of the space for non-performance hirers.
- performing arts presenters see that the high stud, high volume of the space presents real opportunities for acoustic performance if the space was more regular; while acoustic performance, and voice in particular, is a very difficult proposition in the Concert Chamber, the volume of space in the Banquet Room is desirable for unamplified voice and instruments, such as operatic recitals, chamber music and similar events.

In addition, the option of utilising three spaces for festival style events – including performing arts focussed festivals, and community performance festivals represents a significant opportunity for both Rotorua and the venue. If the Banquet Room was reconfigured and upgraded to enable these multiple contemporaneous events to be held in the venue it would contribute to a further increase in both utilisation and community engagement.

Conference and business events have the potential to provide significant increases in both venue utilisation and revenues to SHMPAC. The potential outcome is a much-enhanced ability to offset the operational costs that would otherwise be incurred by the PAC organisation model, and business events

have the capacity to underwrite a significantly greater involvement by SHMPAC in promoting performing arts within Rotorua and the wider region.

Business event revenues are amongst the most reliable in comparison with performing arts and entertainment event types and business event revenues can be forecast with a high degree of confidence once the sales and marketing focus is achieved.

Performance events using the space are likely to be smaller events, and most likely non-commercial, and so the impact on net revenues is most likely marginal.

Estimated costs

Table 4.7: Estimated Capex and Opex Costs – Option 5

Option	Core Elements of Option	Estimated Capital Cost	Annual Net Operating Cost (“NOC”) after Incremental Interest & Depreciation
Option 5	Reconfigure the Banquet Room	\$15.8m	The NOC in Yr 5 is \$1.37m and \$1.08m at Yr 10

(Source: Horwath HTL)

Risks

Option 5 delivers significant improvements in revenue that results in a lower level of operating expenditure into the future than would otherwise be possible, however, much of that revenue will be attributable to non-performance and business events rather than the performing arts.

The risk is that SHMPAC and / or Rotorua fails, for any reason to properly promote the venue / region as a destination for business events and thus does not reap the potential financial benefits.

4.1.6 Civic Theatre Upgrade (Option 6)

Summary

Option 6 is Option 5 plus an upgrade of the Civic Theatre:

- a general refurbishment of the theatre
- expansion of the seating numbers to deliver the maximum possible audience capacity.

This option fully addresses the Draft ILM Objectives 1, 2, 3 and 4. It meets the critical success factors CSF 1, 2, 3 and 4, and partly meets CSF 5. While it is less affordable, it meets the Value for Money criteria.

The Civic Theatre has in the past been reconfigured as a convention and business events oriented venue. Seating style, seat width and row spacing, reinstatement of some 300+ seats previously removed from the auditorium balcony and considerably enhanced interior design would much better support a wider range of concert and theatrical use while retaining utility for non-performance and business events.

Seating numbers and the balcony level layout would be reviewed to re-establish a total seating capacity in the auditorium as close as possible to 1,000 seats.

With approximately 500 seats in the Stalls level and between 400 and 500 seats in the Balcony level, a broader range of Civic Theatre performing arts and entertainment events are likely to become viable. Smaller productions with an audience of 500 or below will continue to be comfortably accommodated in the Stalls, while larger productions including performances by the RNZB and the NZSO, and some commercial theatre and music productions could usefully sell the Balcony level as well.

In financial terms, the 80:20 rule will broadly apply – that is, 20% of the Civic Theatre bookings are likely to provide 80% of the venue revenues. Should the Civic Theatre capacity be increased to make it more attractive to commercial hirers of larger capacity and more widely popular shows, it is very likely to generate proportionately higher revenues.

Estimated costs

Table 4.8: Estimated Capex and Opex Costs – Option 6

Option	Core Elements of Option	Estimated Capital Cost	Annual Net Operating Cost (“NOC”) after Incremental Interest & Depreciation
Option 6	Reconfigure the Civic Theatre - refurbishment, reseating / increase seating capacity (+ Option 5)	\$21.4m	NOC is \$1.68m in Yr 5 and \$1.32m in Yr 10

(Source: Horwath HTL)

Operating cost implications

This option leads to the highest gross revenue and lowest net operating cost (before interest and depreciation charges) in all years because SHMPAC-fully meets and exceeds the requirements of the ILM by providing a fully fit for purpose venue to meet the identified arts and culture objectives, significantly improves the competitiveness of the venue in the business events market, and has implemented the full PAC model.

Risks

The proposed capital expenditure required for this option is not considered to be affordable or a sufficiently high priority. The Arts and Culture Business Unit is

unable to capture and / or market the benefits of the improvements in the Civic Theatre auditorium to potential hirers, or is insufficiently supported by RLC.

4.1.7 Civic Theatre Upgrade (Option 6a)

Option 6a is the same as Option 6 except in one respect. Option 6 incorporates reconfiguration of the Banquet Room, but Option 6a does not. The Banquet Room is brought up to an appropriate ambience and has other enhancements as per Option 4, rather than full reconfiguration. The capital cost of this Option is \$3.9 million less than Option 6.

The most significant implication of this Option is that the outcome is less suitable for business events, in particular multi-day conferences, and larger banquets. There is a diminution of net revenues by comparison with Option 6.

Table 4.9: Estimated Capex and Opex Costs – Option 6a

Option	Core Elements of Option	Estimated Capital Cost	Annual Net Operating Cost (“NOC”) after Incremental Interest & Depreciation
Option 6a	Reconfigure the Civic Theatre Reconfigure the Civic Theatre - refurbishment, reseating / increase seating capacity (+ Option 4)	\$17.5m	NOC is \$1.56m in Yr 5 and \$1.34m in Yr 10

4.2 Summary of the Estimated Capital Costs¹⁰

Table 4.9: Summary of the Estimated Capital Cost of Each Option

Option	Core Elements of Option	Estimated Capital Costs *(incl. seismic works)
Option 1	Seismic upgrade as required Implementation of PAC-lite	4.5 million
Option 2	Demolition and replacement	\$80+ million
Option 3	Concert Chamber modification + minor Civic Theatre upgrades	\$8.1 million
Option 4	Foyers and Banquet Room ambience	\$11.9 million
Option 5	Reconfigure the Banquet Room	\$15.8 million
Option 6	Reconfigure the Civic Theatre – refurbishment, reseating / increase seating capacity (+ Option 5)	\$21.4 million
Option 6a	Reconfigure the Civic Theatre – refurbishment, reseating / increase seating capacity (+ Option 4)	\$17.5 million

(Source: Horwath HTL)

¹⁰ Capital costs estimates exclude the costs of seismic remediation