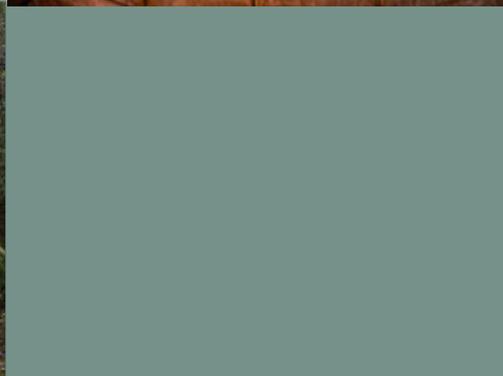




**VISITOR SOLUTIONS**  
**& PARTNER CONSULTANTS**



# INFORMATION

<b>Document Reference</b>	Te Aroha Spa Development Business Case
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<b>Sign off</b>	Craig Jones
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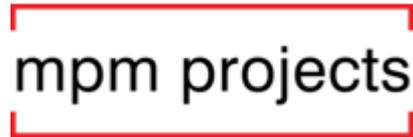
## Disclaimer:

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# CONSULTANT TEAM

Deloitte



FRESH INFO





# EXECUTIVE SUMMARY

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In order to stimulate business growth and economic development that improves social cohesion, economic and cultural outcomes for the Te Aroha community, a business case has been commissioned to conceptualise and explore a range of visitor experiences associated with the development of the Te Aroha visitor precinct (Te Aroha Domain and its surrounds).

The client perceived the existing natural, historical and cultural assets of the Te Aroha Domain, and its surrounds, could be enhanced and developed into a spa resort. Well situated in the Auckland-Hamilton-Tauranga triangle, Te Aroha may leverage and capture some of the emerging tourism business. A consortium led by Visitor Solutions was appointed to undertake a business case to assess these opportunities within Te Aroha.

The business case concluded:

## Strategic Case

1. Based on available data, the best catalyst tourism opportunity is the development of a new spa facility which operates using the available geothermal resource.
2. The Te Aroha spa concept has widespread support from sectors of the community, including Mana Whenua during community engagement.
3. The need for the development was clear given factors such as the existing spa being tired (and well below industry standards), having a lack of capacity (turning visitors away) and the growth of the spa and wellness sector (domestically and internationally).

## Economic Case

4. A series of spa options were developed that take into consideration risk mitigation. Option B was identified as the preferred option and explored further in the Business Case. The options considered were:
  - Option A: A new spa development utilising 63m<sup>2</sup> of geothermal pool surface water in total (Gross Floor Area, GFA of 1,161 m<sup>2</sup>) including parking = \$14.8 million in current dollars (without escalation costs).
  - Option B: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water via doubling the current geothermal water consent (GFA of 1,378 m<sup>2</sup>) including parking = \$17.4 million in current dollars (without escalation costs). This increases the development cost to \$19.2 million allowing for escalation to the forecast completion time of June 2023.
  - Option C: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water in total via using the existing consented geothermal consent and using heat pumps for additional heating (GFA of 1,378 m<sup>2</sup>) including parking = \$17.9 million in current dollars (without escalation costs).
5. The preferred option is Option B, which is forecast to
  - a. Provide an average of 27 full time equivalent jobs for 13 months in pre-construction and an average of 80 in construction for 18 months (107 FTE jobs in total).
  - b. Directly provide 33, growing to 65, full time equivalent jobs in the spa/ pool operation.
  - c. Deliver positive benefits, even if the anticipated growth does not materialise or if the project costs are exceeded.
  - d. Have a catalyst effect and trigger other developments in the local economy and generate additional benefits that are not accounted for in the economic analysis. There are several individuals and entities that have expressed a desire to develop a range of new businesses on the back of the proposed spa. This will add further jobs to the region. If all the opportunities we are aware of occur, circa 25-30 new FTE positions would be created. This figure excludes growth in existing businesses.

## Commercial Case

6. The spa facility will be Council owned and operated. It is assumed Council would operate the Spa as a division of Council. It is recommended the spa operate at arm's length from Council and have an independent skill based advisory board.

## Financial Case

7. Based on the estimated volumes, pricing, operational costs and capital costs the redevelopment of the spa and pools in Te Aroha is considered financially viable.

8. As a largely fixed cost operation, the financial viability is sensitive to changes in volume and price.
9. Assistance from the Provincial Growth Fund should be sought for a grant of 50% of the cost of development of the Spa circa \$10 million (including additional implementation costs). The remaining cost should be debt funded by Council.

**Management Case**

10. A professional Project Manager should be employed to manage the project. A Project Management Plan should be developed for the project which outlines the objectives, the way the project should be structured, who the key stakeholders are and their responsibilities, and the methodologies used to successfully implement the project management strategies. A representative project management group (PCG) should also be established to drive the project.



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# 1.0

## PURPOSE

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In order to stimulate business growth and economic development that improves social cohesion, economic and cultural outcomes for the Te Aroha community, a business case has been commissioned. This work conceptualises and explores options for the development of a spa complex within the Te Aroha visitor precinct (centred around the Te Aroha Domain).

The proposed spa development forms part of a wider regeneration of the Te Aroha visitor precinct. The initiative is supported by Ngati Rahiri Tumutumu, the community, the business sector, tourism organisations and importantly Matamata-Piako District Council and the Provincial Growth Fund who funded the initial feasibility and business case project phases.



# 2.0

## STRATEGIC CASE

### 2.1 STRATEGIC CONTEXT

#### LOCATION

Te Aroha is located very strategically and centrally within an area of the upper North Island sometimes termed 'The Golden Triangle' - named as such for its growing concentration of domestic population, visitor arrivals and transport/commerce connections (Figure 2.1).

Figure 2.1: The 'Golden Triangle' Area



This area incorporates New Zealand's predominant domestic population concentration<sup>1</sup>, and is defined by Auckland, Hamilton and Tauranga. It effectively incorporates the combined populations of the Auckland, Waikato and Bay of Plenty Regions, representing around 2.5 million residents all within under a 2-hour drive of Te Aroha.

Te Aroha is located approximately 130km (1.5 hours drive) from New Zealand's main tourism entry point of Auckland Airport. Over the year ending June 2019<sup>2</sup>, Auckland Airport received around 1.31 million people making holiday/vacation visits to New Zealand. In addition, Auckland received around 211,000 cruise ship passenger arrivals in the year ending June 2018, while Tauranga received around 152,000<sup>3</sup>.

Combined, these domestic residents and international visitors represent the largest potential visitor catchment available within 2 hours drive. Additionally, Te Aroha's location has numerous strategic characteristics:

- It is located on State Highway 26 which joins Hamilton to the Coromandel Peninsula (via Morrinsville and Paeroa).
- On State Highway 26, Te Aroha is located only 20km (17 minutes drive) south of the State Highway 2 turnoff at Paeroa; State Highway 2 links Auckland to Tauranga/Bay of Plenty.
- On State Highway 26 Te Aroha is located only 55km (50 minutes drive) east of the State Highway 1 turnoff at Hamilton; State Highway 1 links Auckland to Hamilton/Waikato and the rest of the North Island (this is also the closest current connection to rail services).
- Te Aroha is also located only 14km (12 minutes drive) east of Tatanui where State Highway 26 crosses State Highway 27; which provides a second Auckland to Tauranga/Bay of Plenty link option (via Matamata).
- Te Aroha is also located:
  - at the western gateway to Kaimai-Mamaku Forest Park (via tracks at Mt Te Aroha, Wairongomai etc.).
  - centrally along the Waihou River which has been variously navigable from the Firth of Thames to Te Aroha and beyond for various craft at different times (subject to channel conditions).
  - centrally along the Hauraki Rail Trail from Kaiua/Miranda south to Matamata

<sup>1</sup> Combined population of around 2.5 million in 2018 (Statistics NZ Population Estimates)

<sup>2</sup> Statistics New Zealand, International Travel and Migration: Visitor arrivals by country of residence, purpose and NZ port (Annual-Jun)

<sup>3</sup> Statistics New Zealand, Cruise Ship traveller and expenditure statistics: YE 2018. Note, many may have been counted as visitors at both Ports.

- 28km (20 minutes' drive) south of the Karangahake Gorge and its attractions/gateways to Kaimai-Mamaku Forest Park.
- 50km south of both the Kopu/Thames and Waihi gateways to the Coromandel Peninsula.
- 37km (30 minutes drive) north of the growing tourism hub in Matamata (with its core Hobbiton attraction).

## MANA WHENUA HISTORY

"Ngati Rahiri Tumutumu have occupied Te Aroha since ancient times and held the mana over the mountain, hot springs and surrounding whenua. The mountain and hot springs are sacred to the tribe, a taonga.

Ngati Rahiri Tumutumu consider Mount Te Aroha to be wahi tapu associated with their ancestors, particularly Te Ruinga. A maunga tapu is a spiritual halfway station between this world and the next. In traditional stories, patupaiarehe inhabit its misty peaks embodying and intensifying the tapu nature of the mountain. The hot springs at the base of the mountain flow out of its heart, right underneath Te Ruinga's later pa site at Whakapipi.

Maori tradition ascribes the hot springs to the taniwha, Ureia, who left the Okoroire hot springs to gouge out the channel of the Waihou River. He is said to have taken several gourds of hot water from O-koroire to leave at various points, including O-kauia springs and Te Aroha which lie along the Hauraki fault line.

Ngati Rahiri Tumutumu have always used the waters – the cold water for drinking and the hot water for bathing and healing. For centuries, battle wounded Maori often repaired themselves in Te Aroha by bathing in the springs. During the Waikato Wars, many wounded warriors were brought to the waters for healing and recuperation. Maori were also reported to have been brought from miles around by sleigh to receive the benefits of the healing waters. Ngati Tumutumu chief, Te Mokena Hou, hosted the Maori King, Te Whaio, on numerous occasions in the 1880s. Te Whaio bathed in the pools to relieve his rheumatism. Old warriors also used the waters to soak in to relive symptoms of rheumatism and old age. Diseases of the eye were treated by the colder springs.

Maori built clay walls to create bathing pools and dammed the water flow with rocks to regulate the temperature by controlling the flow of hot and cold water into the pools. Maori would also contain the water by using raupu.

Following three fiercely contested cases in the land court, the Crown acquired the Aroha block in 1878. Various reserves were granted back to the tribe in the block including the Omahu Reserve which was originally to include the hot springs. Just before the vesting, 20 acres around the hot springs were excluded from the reserve. Crown control of the hot springs was asserted through the Aroha block purchase and several pieces of subsequent legislation. Tribe members either hold the view that the hot springs were confiscated, or the hot springs were gifted by the chief Te Mokena Hou on the condition that Maori were to continue to have free unencumbered access to their waters (the latter being supported by documentary evidence). The perception of Te Mokena Hou of a joint partnership in the joint management of the hot springs was ignored by the Crown as it progressively sought to remove Maori from management and access to their taonga. The Waitangi Tribunal found that the Crown had failed to protect the traditional values and kaitiakitanga of Ngati Rahiri Tumutumu in Te Aroha mountain and hot springs and the management of those places.

Ngati Rahiri Tumutumu today still hold the mountain and hot springs sacred. The current structures and containment of the Mokena geyser have destroyed the wairua of the waters. Ngati Rahiri Tumutumu have been excluded from access and management of the waters, as promised by the Crown back in 1878 and yearn to have this remedied and the wairua of the waters restored".

Text kindly provided by Ngāti Rahiri Tumutumu (September 2019).

Ngati Rahiri Tumutumu considers that the redevelopment of the Spa and surrounding domain aligns strongly to its own strategic objectives. The development affords Ngati Rahiri Tumutumu strategic opportunities both culturally and economically (see Appendix 1 for a letter outlining Ngati Rahiri Tumutumu perspectives).

## SPA HISTORY

This section summarises the history of Te Aroha with respect to its development as a spa destination<sup>4</sup>.

Mana Whenua have been aware of the Te Aroha hot springs and making use of the waters for hundreds of years before European arrival.

---

4 A more general and comprehensive summary of the town's history and development from pre-European times to the present can be found on the Matamata-Piako District Council website <https://www.mpdc.govt.nz/about-te-aroha/te-aroha-history>

European visitor use of the hot springs began to build after the opening of the Thames Goldfield in 1867, with many residents of the ensuing 'boomtown' of Thames travelling up the Waihou River for recreational activities, including regular excursions visiting the hot springs at Te Aroha. The possibility of a 'sanatorium' being developed at Te Aroha was raised as early as the 1870s.

A decade later, the discovery of gold at Te Aroha (1880) and nearby Wairongomai (1881) led to Te Aroha's own time as a 'boomtown'. While this was only a short-lived period it contributed to improved access to Te Aroha and improved infrastructure within it. In 1880 regular boat services commenced up the Waihou River between Thames and Te Aroha and a coach service was established from Hamilton. Following Te Aroha land purchases in 1878, the springs area was designated the 'Te Aroha Hot Springs Reserve' in 1882 under the Public Domains Act. The construction of the first permanent Bath Houses began in 1883. In 1885 the initial landscape development began including manicured lawns, provision for lawn tennis and racket courts, and tree planting. Further springs were being opened and the paths were beginning to be constructed linking the new features.

By this time Te Aroha was becoming increasingly well known as a tourist spa destination. The railway from Hamilton to Te Aroha was completed in 1886, opening a direct link from Auckland and greatly increasing Te Aroha's accessibility and popularity for visitors. This was enhanced by the opening of the Thames to Te Aroha railway link in 1889, increasing local accessibility, and creating an option to boat from Auckland to Thames and then taking the railway. With these enhanced accessibilities the town of Te Aroha developed rapidly with visits to the hot pools progressively taking over from mining as the main driver. There was accommodation for up to 500 visitors and in the year ended March 1887, 28,553 baths were taken at Te Aroha, compared with only 4,878 in Rotorua over the same period. By the 1890s Te Aroha had become the most popular Spa in the country (although Rotorua soon took over following its connection to the rail network in 1894).

In Te Aroha Domain itself the Cadman Bath House and a new band rotunda were opened in 1898. By the turn of the century 22 springs had been discovered. And by 1910 many new facilities were established including new and well-used bowling greens, croquet lawns, tennis courts (grass and asphalt), baths and bath houses, massage rooms, a tea kiosk, and staff facilities.

Visits had initially been driven by the attraction of the reputed 'curative' properties of the hot spring waters, which were a very strong driver of tourism in the late 19th and early 20th century.

Over time visits became increasingly driven by recreational experience opportunities as well as expectations of therapeutic outcomes. The Domain became a popular picnic spot and school parties regularly came on special excursion trains. Apart from the hot springs and the recreation opportunities associated with the Domain itself, these visitors also enjoyed visits to the mines, walks on Mount Te Aroha and along the river, and river trips. Te Aroha became an especially popular destination for day-trippers on public holidays. It was reported that on New Year's Day 1912, 7,000 visitors arrived in Te Aroha for the day. Many of such visitors arrived on special excursion trains from Auckland, which took five hours each way.

From their heyday in the early 20th Century there ensued a gradual decline. This resulted in part initially from the rise of Rotorua as the pre-eminent spa destination, a loss of rail and river access options, and then increasingly from a general decline in the attraction of the 'health-spa' destination concept overall. People still continued to use the baths, but with emphasis on more casual recreational enjoyment than the more formal health-driven 'taking of the waters'. Most facilities had closed or were re-purposed by the mid-20th century, although basic maintenance of the Domain and retention of its facilities continued.

In signs of turning the corner in more recent years there appear to have been some reconsolidation of experiences in the Domain. 'Te Aroha Mineral Spas' was opened in 1980, providing modern spa pools using the thermal soda water. 'Swim Zone Te Aroha' was opened in 1990, providing a new outdoor swimming and soaking pool. In 1997 the historic No.2 Bath House was restored as a heritage bathing pool, the No.7 Bath House refurbished, a new Foot Pool established, and historic lakelets re-established. Development of tracks for walking and mountain biking starting from the Domain has also added new activities and visitors. Overall the focus appears to have now shifted to as much a historic heritage theme as a hot springs theme. Compared to other thermal water attractions in New Zealand, the living historic heritage component now appears to represent a particularly unique feature of the Te Aroha Hot Springs attraction.

## 2.2 DEMOGRAPHICS

This section addresses the population numbers, demographics and trends among potential domestic visitor catchments and for the host community. It considers features such as age, ethnicity and other socioeconomic indicators.

The catchment populations for the proposed Te Aroha spa are viewed here at three ‘catchment’ levels - ‘Te Aroha’ (as the host community); ‘Matamata-Piako’ District and the ‘Golden Triangle’ Regions<sup>5</sup>. Information on changes in population numbers and the compositions of age-groups and ethnicities are presented overleaf. The main summary points are that:

- There has been a population growth trend in Te Aroha over recent years after a long period of steady but slight decline. Across the wider ‘Golden Triangle’ Regions numerical growth has been strong (particularly in Auckland).
- An aging local age-profile with projections indicating those aged 65+ projected to increase (and reducing numbers in all other age-groups). This pattern was weaker across the Golden Triangle Regions, and least apparent for Auckland.
- Very high proportions of Europeans in local Te Aroha/Matamata-Piako populations, but higher proportions and larger numbers across the Golden Triangle Regions (particularly in Auckland).
- Projections of strongly increasing Non-European ethnicities generally, although this only represents large new population numbers in the Golden Triangle Region (and particularly Auckland).
- Lower proportions of overseas born people living more locally than for the ‘Golden Triangle’ Regions overall (and Auckland in particular).
- Lower socioeconomic indicators for the Te Aroha population compared with the populations of Matamata-Piako District overall and wider catchment areas. Underscoring the need for economic development in Te Aroha.

Overall, the market opportunities for the new spa development will need to focus on the Golden Triangle Region (particularly Auckland) and/or overseas visitor populations (rather than just the local market).

## OVERALL POPULATION NUMBERS AND TRENDS

Table 2.1 presents the populations of the respective catchment areas at the most recent 2018 Census. It also includes data from the previous three censuses to illustrate recent population trends. This shows that over the last 15-20 years there has been general growth across all potential population catchment areas. This growth has been less for the Matamata-Piako District overall than the wider ‘Golden Triangle’ area (particularly Auckland). Within the District relative growth has actually been somewhat higher in Te Aroha. This represent a change from the years prior to 2001 when the District population had been declining.

**Table 2.1: Current population and recent trends (2001-2018)**

	2001	2006	2013	2018	Change 2001-18	% change
<b>Te Aroha</b>	3,684	3,771	3,906	4,554	870	24
<b>Matamata-Piako</b>	29,469	30,480	31,536	34,404	4,935	17
<b>‘Golden Triangle’ Regions</b>	1,756,032	1,943,163	2,086,932	2,338,419	582,387	33
<i>Auckland Region</i>	1,160,271	1,304,961	1,415,550	1,571,718	411,447	35
<i>Waikato Region</i>	356,346	380,823	403,638	458,202	101,856	29
<i>Bay of Plenty Region</i>	239,415	257,379	267,744	308,499	69,084	29

Source: Statistics NZ Censuses 2001-2018

Closer examination reveals that most of this overall growth has occurred in the last few years (with higher rates in Te Aroha). Table 2.2 compares the population growth in these areas for a 5-year period between the 2001-006 censuses, and more recently in the 5-year period between the 2013-2018 censuses.

**Table 2.2: Comparative population change 2001-06 and 2013-18**

	Change 2001-06	% change	Change 2013-18	% change
<b>Te Aroha</b>	87	2	648	17
<b>Matamata-Piako</b>	1,011	3	2,868	9

<sup>5</sup> The immediate local user catchment area within around 5km of Te Aroha is labelled here as ‘**Te Aroha**’, as represented by the ‘Te Aroha East’ and ‘Te Aroha West’ Statistical Areas (SA2s). Prior to Census 2018 Te Aroha was represented by the single Statistics New Zealand Census Area Unit (CAU) of ‘Te Aroha’. Beyond this local town catchment is the larger population of the Matamata-Piako District Council area, labelled here as ‘**Matamata-Piako**’. And from a Regional perspective the ‘**Golden Triangle Regions**’ (combining Waikato, Auckland and Bay of Plenty Regions) provide the larger population catchment for potential domestic visitors.

<b>'Golden Triangle' Regions</b>	<b>187,131</b>	<b>11</b>	<b>251,487</b>	<b>12</b>
<i>Auckland Region</i>	<i>144,690</i>	<i>12</i>	<i>156,168</i>	<i>11</i>
<i>Waikato Region</i>	<i>24,477</i>	<i>7</i>	<i>54,564</i>	<i>14</i>
<i>Bay of Plenty Region</i>	<i>17,964</i>	<i>8</i>	<i>40,755</i>	<i>15</i>

Source: Statistics NZ Censuses 2001-2018

This shows population growth has been occurring at higher rates over the last 5 years across the 'Golden Triangle' Regions generally, and for Te Aroha in particular. Looking forward this appears to signal a change from the relatively low-growth population projections made by Statistics New Zealand for Matamata-Piako (based on standard census 2013 projections<sup>6</sup>) and of subsequent customised projections made later in 2013 and in 2017<sup>7</sup>. Table 2.3 summarises the most recent Statistics NZ projection (Census 2013 base) which illustrates relatively low projected growth.

<sup>6</sup> Corresponding standard projections based on the most recent 2018 Census have not yet been released.

<sup>7</sup> Customised growth projections for Matamata-Piako District based on Census 2013 data were made later in 2013 by the University of Waikato's *National Institute of Demographic and Economic Analysis*, and then reviewed out to 2048 along with the base Statistics NZ data by Rationale Limited in 2017 as part of the Long-Term Plan 2018-2048. In both cases the actual Census 2018 population counts for Te Aroha exceeded those that had been projected for 2018.

**Table 2.3: Projected population and future trends (2018-2043)**

	2018	2043	Change 2018-43	% change
Te Aroha	4,240	4,360	120	3
Matamata-Piako	35,000	37,000	2,000	6
'Golden Triangle' Regions	2,470,600	3,241,400	770,800	31
<i>Auckland Region</i>	1,699,900	2,326,200	626,300	37
<i>Waikato Region</i>	467,200	562,100	94,900	20
<i>Bay of Plenty Region</i>	303,500	353,100	49,600	16

Source: Statistics NZ Census 2013base

In all these cases the actual population counts from Census 2018 exceeded the population levels projected for 2018, indicating that current population growth is tracking higher than that most recently projected. For Te Aroha in 2018, while Statistics New Zealand had projected a population of 4,240, and the most recent 2017 'Rationale' customised projection (as used for the LTP) had estimated a population of 4,258, the actual Census 2018 count was 4,554.

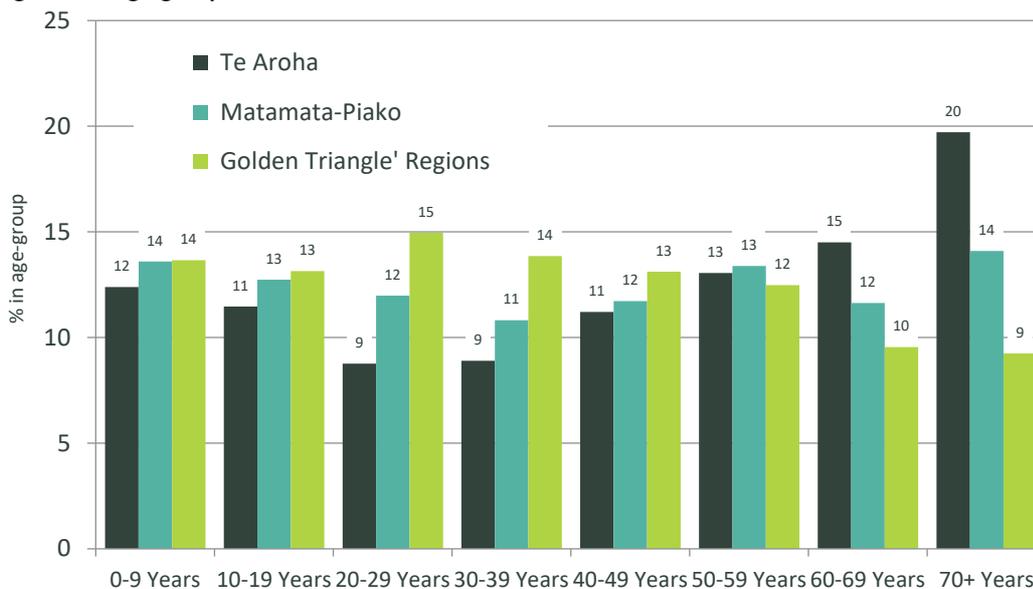
This indicates growth is exceeding that projected and that the projected population of Te Aroha in future years may be notably higher than indicated from currently available projections. The latest new projections based on Census 2018 figures are due for release in late 2020. Overall, notable population growth can be anticipated for Te Aroha, for the surrounding Matamata-Piako District and particularly for the wider Golden Triangle Regions.

Added to overall population growth will be changes in population composition, most significantly around age-group and ethnic-group proportions. Socioeconomic indicators were also considered. Some key population characteristics and are summarised below.

### AGE CHARACTERISTICS AND PROJECTIONS

Figure 2.1 and Table 2.4 show that compared with the wider 'Golden Triangle' Regions the Te Aroha population's age-group distribution was notably 'older'. Te Aroha had notably higher proportions of older adults (60+years), and notably lower proportions of younger adults (20-39years). The effect was also apparent for Matamata-Piako population, although to a lesser extent. This was reflected in the respective median ages of 48 for Te Aroha, 41 for Matamata-Piako and 37 for the 'Golden Triangle' Regions overall.

**Figure 2.1: Age-group distribution**



**Table 2.4: Age group distribution**

	0-9 Years	10-19 Years	20-29 Years	30-39 Years	40-49 Years	50-59 Years	60-69 Years	70+ Years	Total	Med Age
<b>Te Aroha</b>	12	11	9	9	11	13	15	20	4,551	48
<b>Matamata-Piako</b>	14	13	12	11	12	13	12	14	34,407	41
<b>'Golden Triangle' Regions</b>	14	13	15	14	13	12	10	9	2,338,419	37
<i>Auckland Region</i>	14	13	16	15	13	12	9	8	1,571,718	35
<i>Waikato Region</i>	14	13	13	12	13	13	11	11	458,199	37
<i>Bay of Plenty Region</i>	14	13	11	11	13	13	12	13	308,502	40

Source: Statistics NZ Census 2018

Looking forward over the next 25 years, Table 2.5 and Figures 2.2 and 2.3 show that a general pattern of domestic population aging is projected for all catchments. In all catchment the oldest age groups (60+yrs) were projected to increase markedly, with actual numeric population decline in the younger age groups.

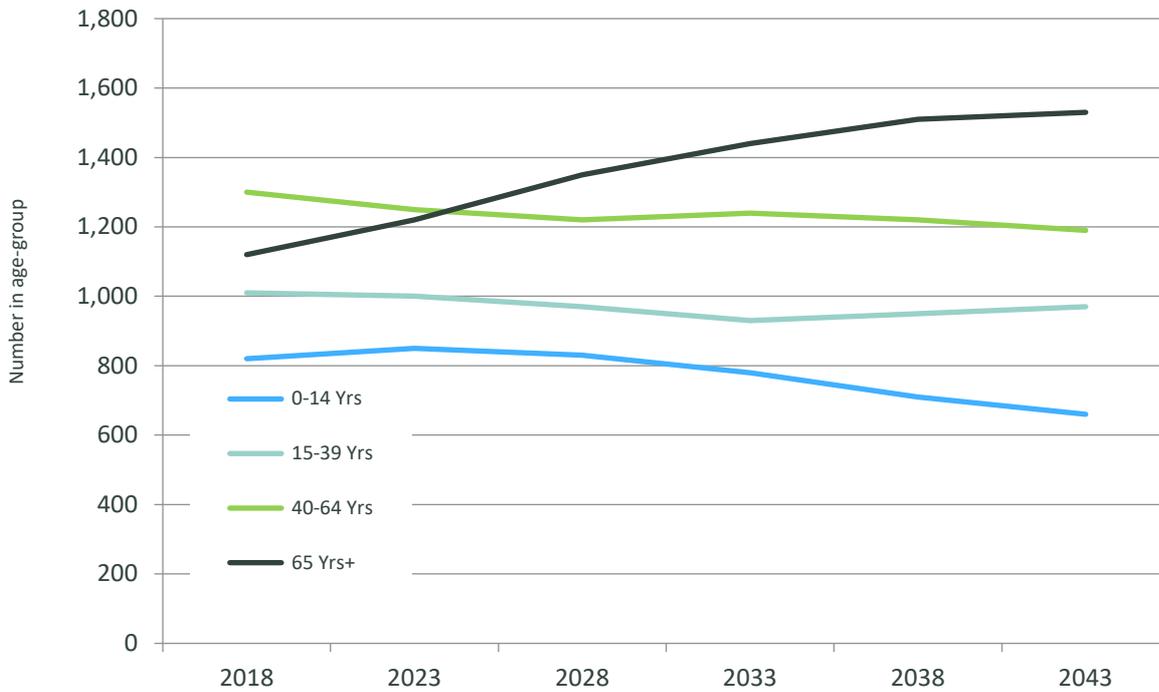
The exception was in the Golden Triangle Regions where no age-group numbers decreased (reflecting a strong Auckland profile of growing younger age-groups). In Te Aroha the already older age profile was projected to age most strongly, with the proportion of those aged 65+ increasing from 26% of the population in 2018 to 35% by 2043. Corresponding figures for Matamata-Piako were a projected increase from 19% to 30%, and in the Golden Triangle Region's from 14% to 21% (although less so in Auckland).

**Table 2.5: Age-group projections 2018-2043**

<b>Te Aroha</b>	<b>2018</b>	<b>2043</b>	<i>Change 2018-2043</i>	<i>% change</i>
0-14 Yrs	820	660	-160	-20
15-39 Yrs	1,010	970	-40	-4
40-64 Yrs	1,300	1,190	-110	-8
65 Yrs+	1,120	1,530	410	37
<b>Total</b>	<b>4,250</b>	<b>4,350</b>	<b>100</b>	<b>3</b>
<b>Matamata-Piako</b>	<b>2018</b>	<b>2043</b>	<i>Change 2018-2043</i>	<i>% change</i>
0-14 Yrs	7,300	6,300	-1,000	-14
15-39 Yrs	10,200	9,200	-1,000	-10
40-64 Yrs	10,700	10,500	-200	-2
65 Yrs+	6,700	11,000	4,300	64
<b>Total</b>	<b>34,900</b>	<b>37,000</b>	<b>2,100</b>	<b>6</b>
<b>Golden Triangle Regions</b>	<b>2018</b>	<b>2043</b>	<i>Change 2018-2043</i>	<i>% change</i>
0-14 Yrs	483,500	532,600	49,100	10
15-39 Yrs	908,600	1,008,300	99,700	11
40-64 Yrs	739,800	1,034,100	294,300	40
65 Yrs+	338,600	666,400	327,800	97
<b>Total</b>	<b>2,470,500</b>	<b>3,241,400</b>	<b>770,900</b>	<b>31</b>

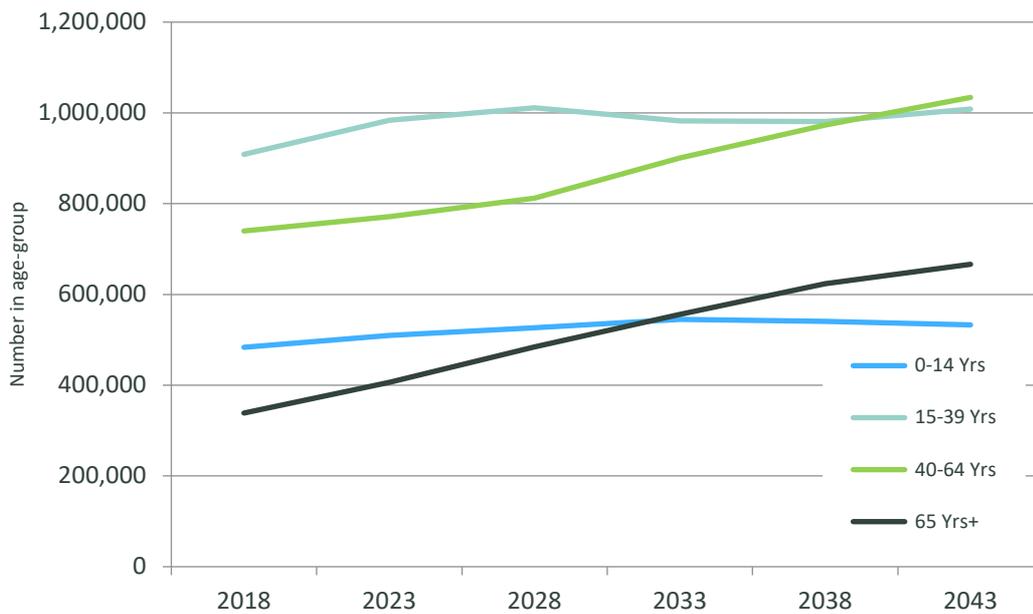
Source: Statistics NZ Population Projections (2018 base)

**Figure 2.2: Projected age-groups (2018-2043) – Te Aroha**



Source: Statistics NZ Population Projections (2018 base)

**Figure 2.3: Projected age-groups (2018-2043) – Golden Triangle Regions**



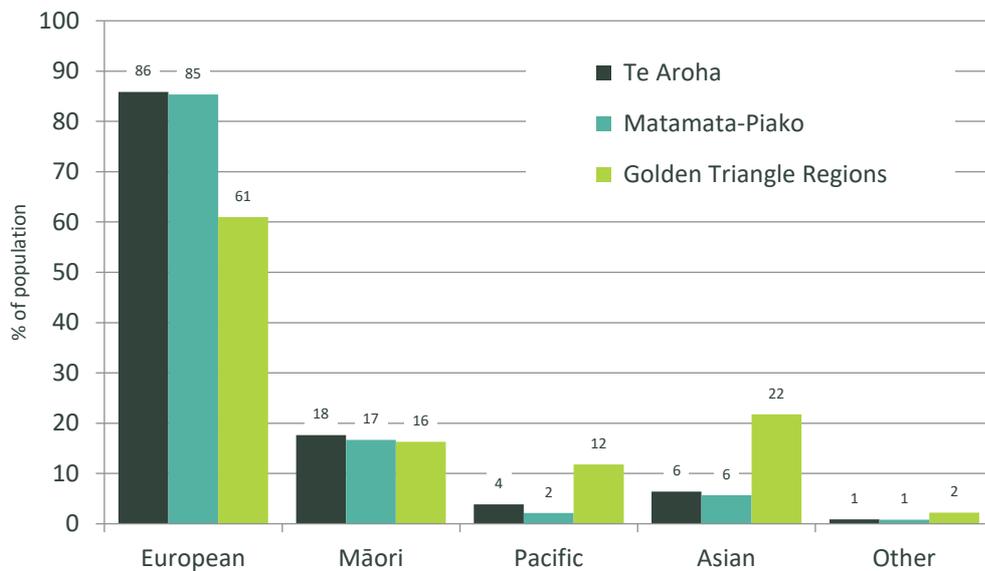
Source: Statistics NZ Population Projections (2018 base)

These data show that in the future (based on existing Statistics NZ projections) an environment of only slight local population growth, but strong wider Regional population growth (particularly in Auckland) is likely to occur. Accompanying this will be increasing proportions of older people represented in those populations.

### ETHNIC CHARACTERISTICS AND PROJECTIONS

Figure 2. 4 and Table 2.6 illustrate that the Te Aroha and Matamata-Piako populations have higher proportions of Europeans (around 85%) compared with the ‘Golden Triangle’ Regions (61%). They also have lower proportions of Asian (~6%) and Pacific (~4%) residents compared with the ‘Golden Triangle’ Regions (22% Asian and 11% Pacific).

**Figure 2.4: Ethnic Composition of Catchment Populations (including %'s)**



**Table 2.6: Ethnic Composition of the Catchment Populations**

	European	Māori	Pacific	Asian	Other	Total
<b>Te Aroha</b>	3,909	804	177	291	39	4,554
<b>Matamata-Piako</b>	29,370	5,733	729	1,968	279	34,404
<b>Golden Triangle Regions</b>	1,426,638	380,460	275,634	508,551	51,465	2,338,419
<i>Auckland Region</i>	851,583	181,194	243,966	442,674	42,399	1,571,718
<i>Waikato Region</i>	345,198	109,488	20,742	43,755	6,357	458,202
<i>Bay of Plenty Region</i>	229,857	89,778	10,926	22,122	2,709	308,499

Source: Statistics NZ Census 2018

Looking forward in Tables 2.7 and 2.8, ethnic population composition is projected to diversify. The effect of this growth in Matamata-Piako will only be slight given low base numbers currently identifying with the non-European ethnicities. The relative proportions of groups are projected to barely change. By contrast the larger scale growth of ethnic diversity across the Golden Triangle Regions is much more significant, particularly in Auckland. Across these regions while base numbers increase the proportion identifying as Europeans decreases from 59% (2023) to 54% (2038), while the proportion identifying as Asian increases from 25% (2023) to 29% (2038).

**Table 2.7: Projected ethnic group proportions (2023-38) – Matamata-Piako**

	2023	2028	2033	2038	Change 2018-38	% change
<b>European</b>	30,000	30,300	30,400	30,300	300	1
<b>Maori</b>	6,390	7,030	7,730	8,510	2,120	25
<b>Pacific</b>	870	1,020	1,180	1,360	490	36
<b>Asian</b>	2,630	3,000	3,370	3,720	1,090	29
<b>Total</b>	35,900	36,500	36,900	37,100	1,200	3

Source: Statistics NZ Subnational ethnicity projections 2013base

**Table 2.8: Projected ethnic group proportions (2023-38) – Golden Triangle Regions**

	2023	2028	2033	2038	Change 2018-38	% change
<b>European</b>	1,585,700	1,629,500	1,666,200	1,693,500	706,700	72
<b>Maori</b>	413,400	446,700	482,000	519,700	314,800	154
<b>Pacific</b>	318,050	352,250	388,250	425,050	145,550	52
<b>Asian</b>	656,700	747,800	834,400	916,800	349,300	62
<b>Total</b>	2,671,200	2,834,500	2,984,400	3,118,100	1,258,800	68

Source: Statistics NZ Subnational ethnicity projections 2013base

The low diversity of ethnicities in the local Te Aroha and Matamata-Piako areas is reflected further by the proportion of residents born overseas. These proportions were only 17% and 15% respectively. Both were notably lower than the corresponding figure for the 'Golden Triangle' Regions (32%), with most of this reflecting the Auckland Region (42%).

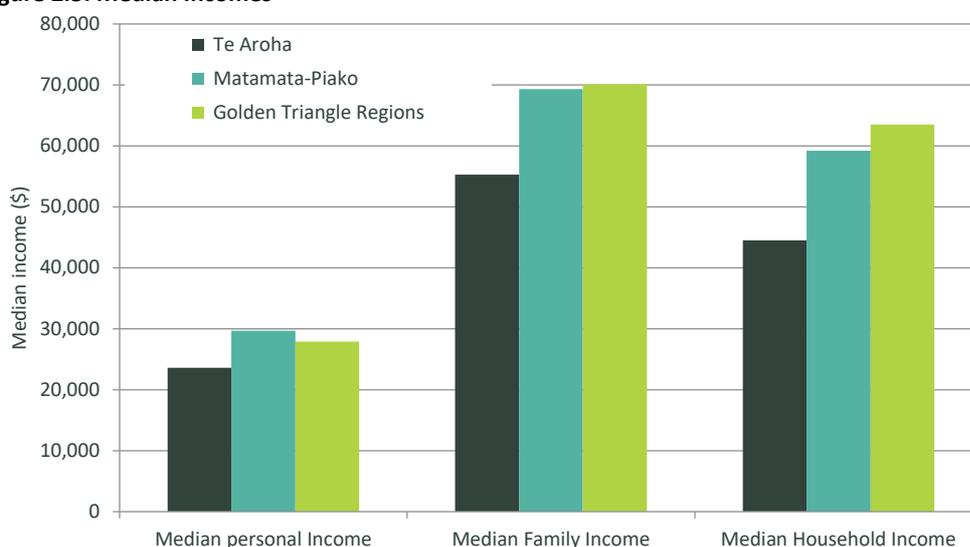
## SOCIOECONOMIC STATUS INDICATORS

A selection of other variables was investigated to provide a summary socioeconomic context for the Te Aroha (host community) and wider potential facility catchments. These provides some indication of the populations relative capacities to engage in spa activities and to assist Te Aroha with its economic development. Selected results are briefly summarised below.

### Median Incomes

Figure 2.5 shows that Te Aroha residents have relatively lower median incomes overall (i.e. personal, family and household incomes) than do residents of the wider Matamata-Piako District and beyond.

**Figure 2.5: Median Incomes**

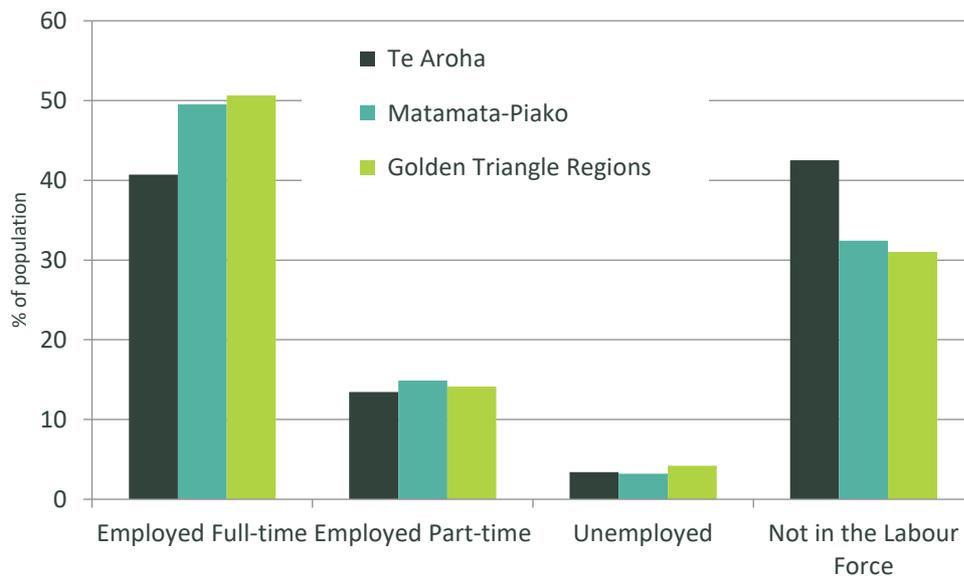


Source: Statistics NZ Census 2018

### Employment status

Figure 2.6 shows that Te Aroha residents have relatively lower levels of employment than the populations of the wider catchment areas. However, those not working are more commonly out of the workforce rather than being unemployed. This reflects the relatively older population in Te Aroha, which includes a higher proportion of retired residents. Data on sources of income reinforced this with 34% of Te Aroha residents getting some income from super/pensions compared with 25% for Matamata-Piako and 17% for the Golden Triangle Regions. Income sources from other benefits were largely consistent across all areas, while income sources from wages/salaries/business were lower in Te Aroha.

**Figure 2.6: Employment status**

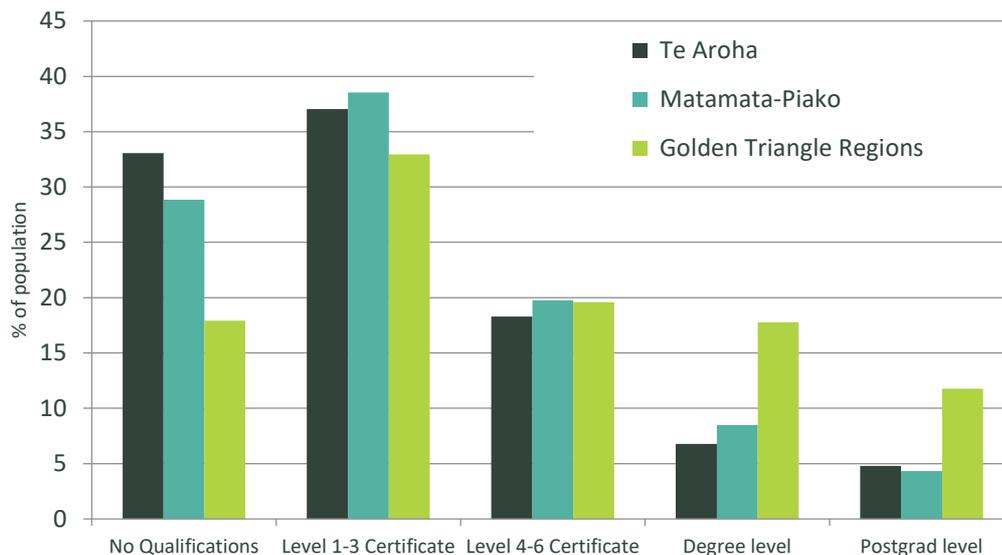


Source: Statistics NZ Census 2018

### Highest Education level

Figure 2.7 shows that Te Aroha residents have relatively lower education levels overall than do residents of the wider Matamata-Piako District and beyond.

Figure 2.7: Highest Education levels



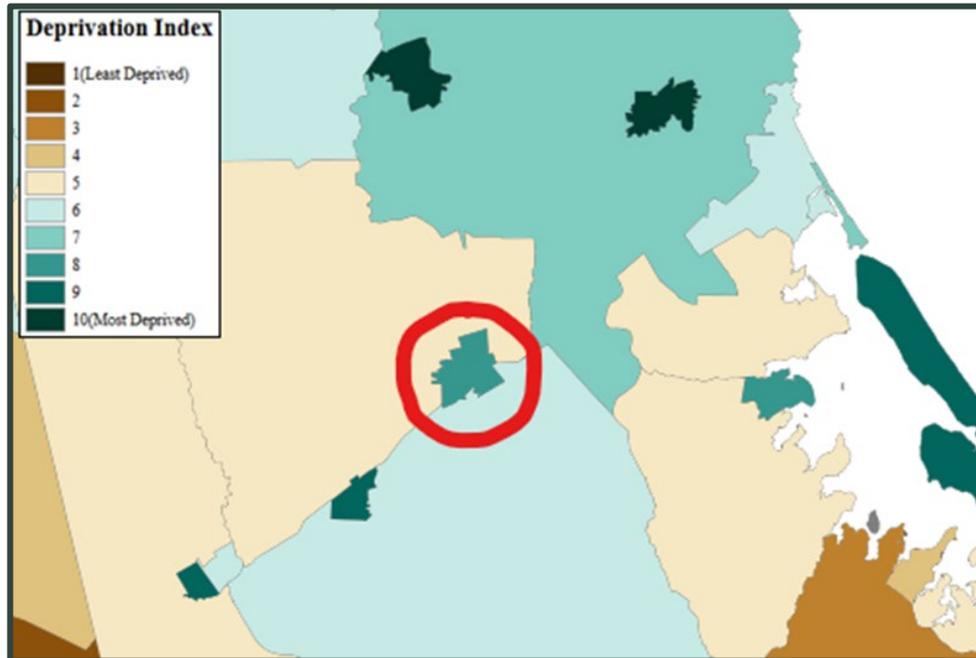
Source: Statistics NZ Census 2018

### Overall Deprivation index

A key summary indicator of overall socio-economic conditions in an area is provided by the Deprivation Index, created by the University of Otago using data from Statistics New Zealand Census (latest 2018). The index combines census data relating to income, home ownership, employment, qualifications, family structure, housing, access to transport and communications. Figure 2.8 below summarises the deprivation index scores for Statistic NZ SA2 units<sup>8</sup> around the Te Aroha area. The key features are the relatively higher levels of moderate / high deprivation in the Te Aroha area (and in nearby settlements).

**Figure 2.8: Deprivation Index levels around Te Aroha** (by 'Statistical Area 2' units – SA2s)

<sup>8</sup> Statistical Area 2 units which replaced the old 'Census Area Unit' areas in Census 2018.



Source: NZ Deprivation Index – University of Otago and Statistics NZ (Interactive map - NZ Herald Insights)

### Summary Conclusion

The Te Aroha area has moderate / high deprivation levels, lower median incomes and higher proportion of people not in the labour force and higher proportions of residents with no or lower education qualifications. The area would clearly benefit from economic development initiatives such as the proposed spa redevelopment.

The position of Te Aroha is also clearly very strategic with large catchment populations in the Waikato, Bay of Plenty and Auckland (The Golden Triangle) all within under two hours drive. These populations offer the proposed spa an excellent base domestic market. Auckland also serves as the gateway for many international visitors to New Zealand.

## 2.3 GOVERNMENT / LOCAL GOVERNMENT CONTEXT

Central and local government policies, plans and strategies provide strategic context to the proposed spa development and the business case. The following section focuses on the Matamata-Piako District Council and central government's Provincial Growth Fund.

### MATAMATA PIAKO DISTRICT COUNCIL

The MPDC 2018-2028 Long Term Plan lists the Council's vision as making the Matamata-Piako District the "place of choice" for lifestyle, opportunities and home, making our district an even better place to live, visit and an attractive place to invest".

The Strategic Priorities include:

- Affordability:
  - To keep our rates at an affordable level.
- Resilience:
  - To ensure our debt is manageable and we allow ourselves some headroom to respond to emergencies or opportunities arising
- Growth and Demand
  - Developing and implementing an economic strategy that encourages and supports economic growth in our District.
- Compliance.

These factors all have implications on the proposed development of the Te Aroha visitor precinct to help stimulate business growth and economic development that improves social cohesion, economic and cultural outcomes for the Te Aroha community. The proposed spa development forms part of a wider regeneration of the Te Aroha visitor precinct.

The 2018-2028 Long Term Plan includes targets:

- That annual rates do not increase by more than 4%.
- Debt as a percentage of revenue will not exceed 150%. Current debt at 39.1 million and is forecast at \$51.1 million by 30 June 2020 and to increase to \$76 million by 2028, or 115% of forecast 2028 revenue. The spa proposal, if funded alone, would increase this by approximately \$19 million, even before consideration of the other components of the wider precinct that may also require additional MPDC funding support.

Therefore, other sources of funding are required to achieve the Te Aroha precinct development.

### PROVINCIAL GROWTH FUND (PGF)

The aim of the Provincial Growth Fund is to lift productivity potential in the provinces. Its priorities are to enhance economic development opportunities, create sustainable jobs, enable Māori to reach their full potential, boost social inclusion and participation, build resilient communities, and help meet New Zealand's climate change targets.

#### Investment tiers

The Fund has three investment tiers which will deliver these priorities:

Regional projects and capability	Sector investment	Enabling infrastructure projects
Supporting initiatives for economic development, feasibility studies and capability building.	Investing in initiatives targeted at priority and/or high value economic opportunities.	Investing in regional infrastructure projects that will enable connectivity, lift productivity and grow jobs.

#### Oversight

The Fund is overseen by a core group of Regional Economic Development Ministers who monitor the Fund's performance and discuss regional opportunities. Supporting the Fund are two key groups – a Regional Economic Development Unit within the Ministry of Business, Innovation and Employment (MBIE) and an Independent Advisory Panel.

The Unit is responsible for the Fund's administration and monitoring its operation in consultation with other government agencies. The Panel provides independent advice on sector projects and the balance of the portfolio of investments. The type of project and scale of investment determines how funding is approved – whether senior government officials or Ministers.

### Criteria for all tiers

Projects will be assessed against criteria organised around four themes:

1. **Link to Fund and government outcomes:** The project should lift the productivity potential of a region or regions and contribute to other Fund objectives. This includes jobs, community benefits, and improved use of Māori assets, sustainability of natural assets, and mitigating and adapting to climate change.
2. **Additionality:** The project needs to add value by building on what is there already and not duplicating existing efforts. The project also needs to generate clear public benefit.
3. **Connected to regional stakeholders and frameworks:** Projects should fit in with (or link to) agreed regional priorities and need to be supported by relevant local stakeholders.
4. **Governance, risk management and project execution:** Projects will need to be supported by good project processes and those involved should have the capacity and capability to deliver the project. Projects need to have appropriate trade-offs between risk and reward, and also need to be sustainable in the longer term beyond the Fund's life.

### PGF funding options

#### Investment types:

There are differing investment types made under the PGF.

- **Non-commercial:** An investment delivers a public benefit but has no revenue stream,
- **Quasi-commercial:** An investment generates a revenue stream, but this is insufficient to be funded by the private sector,
- **Commercial:** An investment may be viable for the private sector, but the PGF invests to create a public benefit that would not otherwise occur.

#### Funding types:

The right form of project funding will depend on whether it's commercial, non-commercial, and the likely outcomes of the project.

- **Grants:** Non-commercial projects will in general be funded through grants (including feasibility studies – projects that will help define and scope future, larger projects),
- **Debt:** Debt is the preferred method of funding quasi-commercial and commercial projects. Loans will be made available to projects on suitable and agreed terms,
- **Underwrite:** Underwriting the risk of a project - likely to take the form of guaranteeing a certain outcome for a project, lowering the risk for other potential investors. For example, if a project estimates a certain volume of visitors to generate a certain level of revenue for a project, the PGF may decide to underwrite that revenue risk to guarantee a certain revenue stream,
- **Equity:** In some circumstances, the PGF may take an equity position (part-ownership) in a project. Usually, this will be where the project cannot support further debt, or where there is sufficient extra return from the project which the Government should benefit from,
- **Attracting third party investors:** The PGF may be able to help match the project with potential investors.

## RELEVANCE TO TE AROHA

On the 4th October 2018, Prime Minister Ardern announced that Matamata-Piako District Council had been awarded a PGF grant to study the potential for investment in tourism related redevelopment of the Te Aroha Domain and Spa Precinct. Up to \$810,000 was granted by the PGF, with \$90,000 contributed by Council.

Visitor Solutions and partners were selected to develop the feasibility study and business investment case for a Te Aroha Health and Wellness Tourism hub. The aim of the feasibility study is to have industry experts assess options for a tourism hub concept that will support local and regional economic development by creating sustainable jobs and increasing the number of businesses in the hospitality and tourism sectors.

The Feasibility Study has been completed, with the Business Case now outlining options for spa development and modelling the financial and commercial viability of the project.

This project should help achieve the PGF's objectives by:

- Creating jobs, leading to sustainable economic growth,
- Increasing social inclusion and participation,
- Enabling Māori to realise aspirations in all aspects of the economy,
- Encouraging environmental sustainability and helping New Zealand meet climate change commitments alongside productive use of land, water and other resources,
- Improving resilience, particularly of critical infrastructure, and by diversifying our economy.

## 2.4 THE NEED FOR INVESTMENT

There is a strong need for investment into the Te Aroha spa facilities. The existing spa facilities are very constrained and have limited expansion potential. The existing spa is also very tired after approximately thirty years of use. It is turning away hundreds of thousands of dollars in revenue currently due to a lack of capacity (even with a sub-optimal product). This is occurring against a backdrop where the importance of having quality spa facilities is becoming more understood in the New Zealand market. Having higher quality standards and greater capacity is essential in order to tap into the burgeoning domestic and international growth in spa tourism.

### EXISTING SPATIAL CONSTRAINTS AND LIMITED EXPANSION POTENTIAL

The existing Te Aroha Spa buildings were constructed around 1990. The existing size and layout of the building is now considered inadequate to satisfy the current and anticipated increase in demand for a high-quality international level of spa experience (see below).

Te Aroha Spa management identified significant constraints with the current facility including a lack of space for pre and post treatment, a lack of treatment rooms, insufficient pools, a lack of functionality (poor linkages between, pre-treatment, pools, treatment rooms and post treatment spaces). These assertions were supported by Visitor Solutions functional review of the facility (Plates 2.1 and 2.2).

Addressing the existing spa's identified limitations requires additional floor space. Market and financial analysis, geothermal considerations (primarily around water volumes) and functionality improvements (guided by a specialist spa consultant) dictated a required building of approximately double the size of the existing spa.

Ngati Rahiri Tumutumu have made it clear that the existing Spa is not in an appropriate location for a range of cultural and landscape reasons and they would not support the expansion of the facility on its existing site. The consultant team agree with this assertion on cultural grounds and for heritage and landscape reasons. Any extension to the footprint on the existing site would result in a very dominant structure requiring expansive and invasive modification of the area in front of the main geothermal spring (spa water source).

The consultant teams view is that any further expansion of the existing spa building would only further block sightlines and demean the significance of what is essentially a main entry up into the mountains behind. Developing a new spa on an alternative site presents both the opportunity to establish an optimal facility (in terms of size and layout) and also to create an appropriate and respectful new "gateway" design (which would not involve a building on the existing spa site).



▲ Plate 2.1: Single post treatment space



▲ Plate 2.2: Single Treatment Space

## EXISTING FACILITY CONDITION

The existing Spa facility appears to have had little in the way of significant refurbishment undertaken. It is in the condition you would expect of a 25-year-old building. Although a detailed condition assessment has not been undertaken (given the significance of the functionality limitations identified above) a site walk determined the internal material finishes appear to be of a residential level of specification (well below the quality of a modern spa) and were tired in appearance (Plates 2.3 and 2.4). It would not be unusual to replace / fully refurbish these after 20 to 25 years of use particularly with the relatively high occupancy the building has experienced.

To reach the standard necessary to meet desired market expectations (in relation to finishes alone) the facility would require substantial refurbishment.



▲ Plate 2.3: Deteriorating spa finishes.



▲ Plate 2.4: Changing / shower room.

## THE IMPORTANCE OF QUALITY SPA AND WELLNESS FACILITIES IN NEW ZEALAND

The rising interest internationally and domestically in spa and wellness continues to increase. People are becoming more knowledgeable about their health and realising prevention is as important as the cure. There is also a growing disillusionment with the ability of traditional health care systems to singularly support disease prevention. As such, the spa and wellness travel sector is placing greater focus on innovation and quality when meeting the increasingly discerning needs of customers. Coupled with the vast growth in international and domestic visitor growth, the spa and hot pools industry in New Zealand is already amid a period of the greatest growth the country has seen. Significant investments are now being made in this budding industry across the country, for example:

1. A \$30-million development by Pukeroa Oruawhata Group (Wai Ariki Hot Springs & Spa – Rotorua)
2. A \$15-million development by Methven Adventures (Opuke Thermal Pools & Spa - Methven)
3. A \$25-million development by Ngai Tahu Tourism (Lakeview Hot Pools & Spa)
4. A 29,000sqm, 195-room development with F&B, event spaces, spa, fitness centre & 25m pool (Park Hyatt, Auckland)
5. A 5,499m2 lakefront Queenstown site - hosting a 131-room spa/wellness hotel with extensive pool/heat & water facilities (Fred Van Brandenburg)

In alignment to this period of development, international wellness tourism currently worth \$639 billion and is predicted to grow at 7.5% per year until 2022. It is vital the quality of spa and wellness facilities keep up with this demand. New Zealand spas are also featuring more heavily as global spa and wellness awards recipients (indicating a greater spa / wellness strength in New Zealand and a strong understanding of the need to remain competitive). In 2019 awards include:

- **East Day Spa, Auckland** – Best Hotel Spa, New Zealand, World Spa Awards
- **Blanket Bay Spa at Blanket Bay** – Best Resort Spa, New Zealand, World Spa Awards
- **Aro Ha, Queenstown** - Best Wellness Retreat, New Zealand – World Spa Awards
- **Brackenridge Spa, Martinborough** – Luxury Countryside Spa, Australasia & Oceania – Luxury Spa Awards
- **Forme Spa & Wellbeing Group, New Zealand** – Luxury Spa Group, Australasia – Luxury Spa Awards
- **Maruia Hot Springs** – Best Luxury Mineral Spring Spa & Luxury Eco Spa, Australasia & Oceania, Luxury Spa & Wellness Awards
- **Body Sanctum Day Spa** – Best Luxury Urban Escape, Australasia – Luxury Spa Awards

- **Onsen Hot Pools, Queenstown** – Best Unique Experience Spa & Luxury Mountain Resort Spa, Australia & Oceania, Luxury Spa Awards
- **Spa at The Pullman, Auckland** – Best Business Spa, Australia & Oceania, Luxury Spa Awards
- **So Spa, Sofitel, Queenstown** - Best Luxury Destination Spa, Australia & Oceania, World Luxury Spa Awards
- **Waiora Day Spa** - Best Luxury Resort Spa, Australasia, World Luxury Spa Awards

Furthermore, recent research by The Global Wellness Institute highlighted some key commercial benefits to investing in quality spa and wellness tourism.

1. Research shows the average international spa/wellness tourist spends around 61% more than the average international tourist.
2. It is shown spa/wellness tourists also travel for a distinct purpose, so they are a much more stable market segment (with less preference to the time of year they travel – assisting with minimising low-season lulls).
3. Spa/wellness resorts of an international standard are also shown to attract a high average percentage of repeat guests (approximately 30-55%) – which brings about operational / profitability benefits.

In summary:

1. The New Zealand spa and wellness industry is going through its' greatest period of international-level growth in history. Being an early (and quality) leader at the forefront of this nationwide spa / wellness expansion, will help operators to gain a stronger foothold in the industry and carve out a market niche.
2. With the vast growth in spa and wellness properties within New Zealand (and their more recent presence on the global awards stage), ongoing success will be increasingly dependent on quality, innovation, a market point of difference and maintaining (or exceeding) international standards in spa and wellness delivery.
3. Significant benefits exist in continuing to grow quality spa and wellness tourism in New Zealand (to take advantage of the global market growth).

#### Summary Conclusion

Analysis of the existing spa facility, developed in the 1990s, indicates it is not viable to redevelop the existing spa on its current location and it would be better to construct a new facility. This is due to factors such as site limitations, existing asset quality and cost effectiveness. A new site within the Domain would enable the existing spa to continue operation while the new spa is developed and most importantly afford a greater gross floor area (delivering greater visitor capacity).

The objective of the new spa is to increase overall capacity to better cater to market demands (while making maximum use of the quality geothermal spring water). The domestic and international spa market has advanced significantly in the last thirty years. The new spa concept will reflect these advances and attract a more discerning health and wellness clientele with higher levels of discretionary spending. These visitors will likely be day visitors in the short term, but as suitable accommodation becomes available greater numbers will spend an overnight stay in Te Aroha and partake in other local activities.

#### EXISTING SPA VISITATION

Visitation data over the past ten years (2009/10 – 2018/19) for the existing spa was analysed (Table 2.9 / Figure 2.9). This data was analysed in terms of beauty treatments (including massage) and private spa pool visits. Data indicates the private spa pool visitation is the predominant service utilised. However, both spa pool and beauty treatments have increased over time and are in demand.

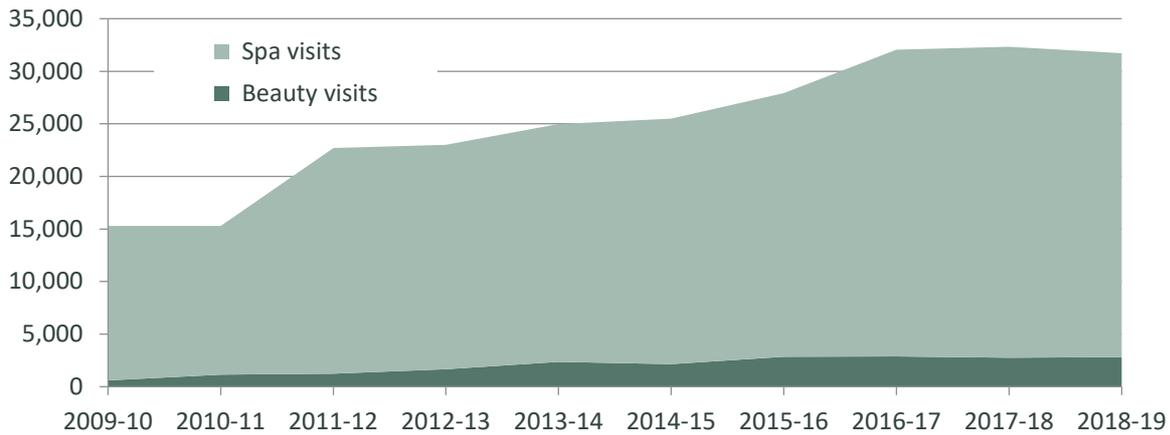
In 2018/19 circa 29,000 mineral spa pool visits were recorded (30-minute duration per booking) representing an increase of 97% from 2009/10. Beauty treatments increased 145% over the same period from 606 to 2,800 (Table 2.9).

**Table 2.9: Te Aroha Mineral Spa visits (2009-2019)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	change 2009-19	% change
Beauty/ Massage Visits	606	1,144	1,246	1,661	2,357	2,148	2,856	2,877	2,758	2,800	1,656 <sup>9</sup>	145
Spa Visits	14,684	14,146	21,443	21,353	22,626	23,338	25,071	29,163	29,574	28,906	14,222	97
Total Visits	15,290	15,300	22,689	23,014	24,983	25,486	27,927	32,040	32,332	31,706	16,416	107

<sup>9</sup> Note the 'change' total for beauty treatments was calculated using a 2010-11 base as the 2009-10 data appears exceptionally low and may be incomplete. This did not significantly alter other numeric total or percentages calculated in Table 1.

**Figure 2.9: Te Aroha Mineral Spa visits (2009-2019)**



Source: Bookings data, Te Aroha Mineral Spas

The Te Aroha Mineral Spa has significant capacity constraints due to facility size (1 beauty treatment room and 4 small private spa pools only) which significantly limits visitation.

### LATENT DEMAND

It is apparent there is considerable latent demand for the Te Aroha Mineral Spas. During August 2019 staff were requested to manually collect data on the number of facility bookings that were turned away due to space constraints. Once the data was cleaned and extrapolated to account for four missing days in the month, it was determined approximately 431 spa pool bookings and 150 beauty/massage bookings were turned away during August. This is despite the facility having a comparatively minimal marketing profile and not being in a peak visitation month.

Based on conservatively extrapolating the August 2019 figures back for the whole year ending August 2019 and allowing for a conservative average of two users per spa booking (the minimum required), the following minimum potential revenue loss estimates were made.

#### Spa Pool Bookings:

- 5,172 bookings were turned away, representing around 10,344 individual users, who at an estimated average spend of \$22 (for 30 minute) represented a potential revenue loss of around \$227,500.

#### Beauty/Massage Bookings:

- 2,088 individual bookings were turned away at an estimated average spend of \$50. This represented a potential revenue loss of circa \$104,400.
- If an average New Zealand spa treatment rate of \$161 was applied this loss would increase to circa \$336,000.

The figures are indicative estimates but are likely to represent around the minimum scale of lost potential visitors and revenue.

#### Summary Conclusion

The existing Te Aroha Spa has an established market share (based heavily on the quality of its mineral spring water). However, due to the physical constraints of the existing spa facility significant revenue is being turned away.

Note: Spa management will shortly increase capacity with a limited number of additional treatment rooms being created in a heritage building on the Domain. This initiative is positive but remains a very limited stop gap measure until sufficient quality space can be created in a new spa facility.

## HOT POOLS AND SPA / WELLNESS MARKET

Results of work undertaken for the project by the consultants 'FreshInfo' focused specifically on the numbers of visitors recorded as coming to the three broad demand catchment areas:

- Overnight visitors recorded as coming to **Matamata-Piako District**.
- Overnight visitors recorded as coming to **sites/destinations/areas within 1 hours' drive time** from Te Aroha.
- Overnight visitors recorded as coming to **sites/destinations/areas within 2 hours' drive time** from Te Aroha (excluding visits made to Auckland).

These visitors were asked to indicate the types of sites and attractions they visited and what types of activities they preferred. Those visitors who had expressed interest in Hot pool activities and/or some Health Spa/Day Spa/Wellness activities (across the three catchment areas) were defined as '**potential customers**' for any such attractions at Te Aroha. Results for the 2018 year are summarised below:

### POTENTIAL CUSTOMERS - HOT POOL DESTINATIONS

#### Domestic

- Around 32,000 (16%) of the annual domestic overnight visitors to the Matamata-Piako District were 'potential customers' of hot pools<sup>10</sup>.
- This increased to 239,000 for visitors within a 1-hour drive time (13%), and 2.1 million when it is expanded to a two-hour drive time (30% - reflecting inclusion of the pre-eminent geothermal destination of Rotorua).
- The number of domestic potential customers for hot pools is expected to increase by 8-10% within all three catchments by 2025.
- Demographic features of these domestic potential customers included the following:
  - Auckland was the major source market.
  - Around half of the domestic potential customers were aged 15-34 years, with 35-54 years olds a prominent secondary age-group. Those aged 55+ were notable among Matamata-Piako District visitors.
  - The gender balance was relatively even.

#### International

- Around 21,000 (52%) of the annual international overnight visitors to the Matamata-Piako District were 'potential customers' of hot pools.
- This increased to 168,000 for visitors within a 1-hour drive time (41%), and 672,000 when it is expanded to a two-hour drive time (48% - again reflecting the impact of Rotorua).
- The number of international potential customers for hot pools is expected to increase by around 30% within all three catchments by 2025.
- Demographic features of these international potential customers included the following:
  - Australians were the largest potential market for hot pools followed by China, USA, UK and Germany
  - Around half potential visitors were aged 15-34 years, although they were a notable majority (almost 60%) for Matamata-Piako District visitors.
  - The gender balance slightly favoured females.

### POTENTIAL CUSTOMERS - HEALTH SPA/DAY SPA

#### Domestic

- Around 21,000 (11%) of the annual domestic overnight visitors to the Matamata-Piako District were 'potential customers' of Health spas/Day spas<sup>11</sup>.
- This increased to 165,000 for visitors within a 1-hour drive time (9%), and 1.5 million when it is expanded to a two-hour drive time (21% - reflecting inclusion of the pre-eminent geothermal destination of Rotorua).
- The number of domestic potential customers for Health spas/day spas is expected to increase by 8-10% within all three catchments by 2025.
- Demographic features of these domestic potential customers included the following:
  - Auckland was the major source market.
  - Around half of the domestic potential customers were aged 15-34 years, with 35-54 years olds a prominent secondary age-group.
  - The gender balance was more female over all three catchments, although this feature was stronger as the catchment widened (over 60% female for visitors in the 2-hour drive time catchment).

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<sup>10</sup> Comprising those visitors within the catchment who indicated an interest in hot pool activities.

<sup>11</sup> Comprising those visitors within the catchment who indicated an interest in hot pool activities.

### International

- Around 6,000 (16%) of the annual international overnight visitors to the Matamata-Piako District were 'potential customers' of Health spas/Day spas.
- This increased to 50,000 for visitors within a 1-hour drive time (12%), and 213,000 when it is expanded to a two-hour drive time (13%).
- The number of international potential customers for Health spas/Day spas is expected to increase by around 30-40% within all three catchments by 2025.
- Demographic features of these international potential customers included the following:
  - Australians were the largest potential market for hot pools followed by China, USA, UK and Germany
  - Around 40-45% potential International customers were aged 15-34 years, although they were more prominent (48%) among Matamata-Piako District visitors.
  - The gender balance was more female over all three catchments, although this feature was stronger as the catchment widened (over 60% female for visitors in the 2-hour drive time catchment).

### **Summary Conclusion**

The proposed Te Aroha spa is strategically located to capture both domestic and international clients with a predisposition to undertaking hot pool and health spa / day spa activities.

- Numerically there were more domestic than international potential customers in 2018, with Auckland the main domestic market source.
- But there is higher expected growth rates among international potential customers, led by Australians.
- Rotorua visitors were also a prominent source of potential customers at the wider catchment scales.
- Young adults (15-34) were the predominant age-group among potential customers.
- Females were particularly prominent (around 60%) among the potential customers for Health spas/Day spas.

## 2.5 THE CASE FOR CHANGE

### INVESTMENT OBJECTIVES

The investment objectives of the Te Aroha Spa development, by July 2025, are to have:

1. Established the Spa and be employing 35 FTE staff (in quality jobs<sup>12</sup>).
2. Ngati Rahiri Tumutumu report they have leveraged off the spa and domain developments to establish new economic opportunities and they feel a stronger reconnection to the whenua in and around the Domain.
3. Attracted greater number of visitors with higher daily spend rates into Te Aroha.
4. Acted as a catalyst for stimulating increased economic activity within and surrounding Te Aroha.
5. Local tourism and hospitality businesses report they are more profitable as a result of the spa development.
6. The majority of Te Aroha residents report they see their town as more vibrant and feel a greater level of pride in where they live.
7. Revitalised the Te Aroha Domain with new activity while conserving and promoting its heritage values.

### POTENTIAL SCOPE

The spa concept is fundamental to the proposed development approach given it is the central catalyst. In the first instance three potential development options have been shaped by the constraints (or potential constraints) of the available geothermal resource. Working within these parameters a schedule of spaces has been developed that reflects spa best practice and a potential niche opportunity in the domestic market. It is focused more on health and wellness. This opportunity reflects the origins of human use of the Te Aroha springs as a place of healing, first by Maori and then, in much later times, by Europeans as a health spa.

Current day-spa capacity is insufficient to meet demand and limited options constrain the realisation of other hot pool/spa opportunities.

Viability of any day-spa development is likely given current excess demand.

Potential capture of new market is likely to be achieved by an expanded scale and variety of hot pools and spa offers, especially if any complementary passive and active activity offers in and around the Domain are created (e.g. sightseeing, walking and biking tracks, links to Rail Trail and River use options etc).

Desk top analysis of the geothermal resource and engineering opportunities have identified a three-option approach to the spa development. This multi option approach enables geothermal consenting risks to be controlled. The options are.

1. Option A: A new spa development utilising 63m<sup>2</sup> of geothermal pool surface water in total. This is aligned to the current geothermal water consent.
2. Option B: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water in total. This would require doubling the current geothermal water consent. The ability of the resource to supply this level of supply to the pools would need to be confirmed prior to seeking resource consent.
3. Option C: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water in total. This option allows for using the existing consented geothermal take (circa 63m<sup>2</sup> of pool surface area) and using heat pumps for additional heating (to reach 125m<sup>2</sup> surface water capacity).

Option A gives a smaller spa with reduced revenue opportunities and levels of visitor capacity. Option B has a significantly increased capacity and revenue potential but requires an increase of the consented geothermal take. Should this additional geothermal take be granted, and the larger spa developed, the consent conditions may require the consent geothermal take be reduced should undue impacts be detected to the geothermal field. Although considered unlikely Option C would then become the development fallback position. The spa would be operated with the aid of heat pumps based on the original consented geothermal take that is currently in place.

If in later analysis and consent discussions additional geothermal take above these levels were possible additional outdoor pools could be considered in a potential development.

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<sup>12</sup> Quality jobs are defined as FTE positions paying above \$20 per hour.

## BENEFITS AND RISKS

The following key direct and indirect benefits are expected as a result of the new Te Aroha Spa development.

**Table 2.9: Benefits – Direct and Indirect**

Main Benefits	Who Benefits	Direct or Indirect	Description
In monetary terms			
Employment creation and connection (both at the Spa and in hospitality and accommodation).	Te Aroha residents.	Direct and indirect.	Creation of new permanent spa roles offering expected average salary across all FTE's of \$53,000.
Mana Whenua business opportunities.	Mana Whenua	Indirect and direct.	Mana Whenua can leverage off the spa development (supplying products and experiences).
Reduced social service costs.	Crown.	Direct.	Te Aroha has continued to lose employment opportunities and has complex social service's needs.
Increased profitability of existing tourism and hospitality businesses.	Te Aroha business owners.	Indirect.	Existing tourism and hospitality businesses will receive more visitors.
Increased tourism sector growth.	Te Aroha Residents.	Indirect.	Existing and new business growth is anticipated.
Rising house / land values.	Te Aroha resident owners.	Indirect.	House prices can be expected to rise as economic opportunity and services develop.
Non-monetary terms			
Increased community pride in Te Aroha.	Te Aroha Residents.	Direct.	The community takes pride in the Spa and the associated revitalisation of the Domain.
Mana Whenua identity restored.	Mana Whenua	Direct.	Mana Whenua can interpret their stories in the spa and Domain and explain their connection to the whenua.

The main risks associated with the success of the spa project would be the failure to attract the projected visitation to the spa resulting in lower employment (direct and indirect) and a failure to form an employment connection with Te Aroha residents. Both risks could be considered to have high level consequences although with appropriate mitigation strategies (such as those that have been outlined further in the business case) their likelihood is considered low.

**Table 2.10: Initial Main Risks Analysis**

Main Risk	Consequence	Likelihood	Description
Failure to attract projected visitation.	High	Low	<ul style="list-style-type: none"> <li>• Implement recommended planning and marketing initiatives in advance of opening the spa,</li> <li>• Seek professional spa and spa marketing advice from an independent spa consultant.</li> <li>• Focus on marketing the Te Aroha point of difference (the quality of the spring water).</li> <li>• Establish a diversified client base.</li> </ul>
Failure to achieve a local employment connection.	High	Low	<ul style="list-style-type: none"> <li>• Work with Mana Whenua and the community on the spa development.</li> <li>• Put in place training initiatives in advance of the new spa opening (facilitated by the existing spa).</li> </ul>

The project has an existing risk register established by Council. This register will be updated (together with mitigation options) as the project advances and new information becomes available.

## CONSTRAINTS AND DEPENDENCIES

The four main development constraints or considerations are:

1. The Te Aroha Domain's reserve status may constrain the level of external capital that can be attracted and how any commercial activity is structured (the maximum lease period of 33 years on a Reserve hampers third party investment).
2. Development of the new spa on the reserve may be opposed by some in the community on heritage grounds.
3. The lack of upper mid-level plus accommodation (four and five-star) in Te Aroha will initially limit some visitors from staying overnight. There will likely be a lag as the accommodation market takes time to adjust and catch up should a higher-level catalyst attraction be established. This is already occurring with the existing spa.
4. Existing tourist flows will take time to adjust. Most potential catalyst attractions will have niche markets and be dependent on the domestic market.

The constraints and dependencies can be navigated by:

- Council taking an active investment role (owning and managing the spa facility),
- Working with Mana Whenua (via Ngati Rahiri Tumutumu) and Heritage NZ,
- Working with local developers to explore accommodation development options alongside the planning of the spa development.
- Market the spa well in advance of its opening.

## 2.6 THE PROPOSED SPA DEVELOPMENT

It is widely acknowledged within the community that investment is required to Te Aroha's infrastructure to make the town more attractive to visitors and to facilitate growth in the region. In order to action this demand, MPDC has been working through this study process with various community groups. Part of this involved the development of a Preliminary Precinct Master Plan for the Domain precinct. The proposed spa development fits within the preliminary master plan.

## PRECINCT MASTER PLAN FRAMEWORK

Much of the Inspiration for the preliminary concept outlined in this section has come from listening to Mana Whenua (in particular Ngati Rahiri Tumutumu) and the local community. From these discussions, our experience and the background research undertaken, a precinct design philosophy has been developed. This has given rise to a precinct master plan framework with a series of storytelling and interpretation opportunities and spa schedule (and spa spatial layout diagram).

The precinct master plan framework is not considered to be a detailed master plan, but rather a framework that reflects Mana Whenua and community aspirations while also accommodating the required catalyst developments identified through the research process. It is acknowledged the plan reflects feedback from engagement to date and further public input and guidance will be required.

From an operational perspective the master plan framework allows for:

- The development of a new spa with greater visitor capacity.
- A Pāpa takaaro /Māra Hūpara (Destination Playground) which is themed to reflect the rich stories of Te Aroha in a fun environment for youth and adults of all ages. This zone anchors the corner of the Domain and makes use of the embankment below Domain House (which itself becomes a café and small functions venue). The playground is envisaged as a destination attraction.
- The reinstatement of the māori ngāwha (spa) as a key node point within the site which enables Mana Whenua to utilise an area of heritage significance.
- Introduce interpretation that tells all the stories of Te Aroha from initial Maori use and settlement to the arrival of Pakeha. This is not only important from a Mana Whenua and local resident perspective but also commercially to support the spa brand with visitors.
- Domain House becomes a café and small functions venue supported by a new 'soft' car parking area which is adjacent. The café becomes more prominent and better placed to leverage off synergies with the destination playground and pool.
- The south eastern side of the Domain becomes a family fun focused zone (containing the existing leisure pool, proposed destination playground and café. The opportunity also exists for a mini golf and Low impact zipline, coaster or high ropes experience).
- Croquet to be retained on the site with four lawns being provided. This facilitates both club and regional play and tournaments. It also retains the sport's historical connection with the Domain.
- An event area adjacent to the croquet lawns which assists other users to hold events (or components of an event) within the Domain. Outside the event times the area becomes a casual play and picnicking space (supported with BBQ and associated landscaping).
- A potential connection can be formed with the Te Aroha Centre.
- The retention of all heritage buildings.

The development of a new spa is the primary catalyst within the redevelopment plans. Te Aroha has long been associated with spa tourism / visitation well before Pakeha 'discovered' the healing nature of the waters in the 1800s. In many respects the aim is to learn from Te Aroha's past and focus on the health and wellness end of the market.

### **Do we have other site options if required?**

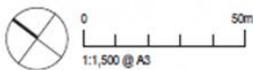
The proposed Te Aroha spa has several potential site locations. For the purposes of this Business Case (and the earlier Feasibility Study) we have selected a preferred site behind the Cadmen Bath House. This site has been informed by preliminary analysis. However, being a heritage reserve further work will be required before confirming the final spa location. Therefore, should it prove necessary other potentially viable sites exist.



- KEY**
- 1 Pāpa takaaro  
Māra Hūpara  
(Destination Playground)
  - 2 Croquet lawns (4)
  - 3 Event area / Casual Play /  
BBQ Areas
  - 4 I-site
  - 5 Existing public parking
  - 6 On-street parking
  - 7 Existing playground
  - 8 Rotunda
  - 9 Cadmen Bathhouse
  - 10 New Spa Complex
  - 11 Service zone
  - 12 Remove existing spa,  
revegetate area &  
upgrade track network
  - 13 Retain existing pool
  - 14 #2 Bathhouse
  - 15 Additional 'soft' on-site  
parking
  - 16 Low impact zipline,  
coaster or high ropes  
experience
  - 17 Shared space road  
zone allowing Domain to  
engage with the opposite  
street edge
  - 18 Key connection between  
domain & river. Access  
to kyaking, waka, water  
experiences and link to  
cycle trails
  - 19 Gateway threshold  
Points. Opportunity for  
key wayfinding and  
sculptural elements
  - 20 Reinstate māori ngāwha  
(spa) as a key node point  
within the site
  - 21 Possible location for  
minigolf course
  - 22 Cafe & Function Venue
  - 23 Relocated service shed

**Notes:**

- 1. Interpretive signage and sculpture elements would be developed at key points throughout the Domain.
- 2. The proposed domain and spa redevelopment would support opportunities for new accommodation offerings being established in close proximity to the Domain.



## SPA SCHEDULE OF SPACES

A schedule of spaces has been developed which reflects the likely geothermal operating parameters and identified market niche (a health and wellness focused spa). The schedule of spaces was developed in association with a specialist spa consultant. The objective was to maximise the spa's revenue potential while maintaining the lowest possible development costs (gross floor area). Three options were developed. The favoured Option B is outlined in Table 2.11.

**Table 2.11: Preliminary Spa Schedule of Spaces**

SPACE	Option B		
	No	Option B Area m <sup>2</sup>	Option B Water Area
RECEPTION/RETAIL/WAITING/BOH/KITCHENETTE	1	75	
MULTI-USE TREATMENT ROOM-WITH SHOWER	6	13 (each)	
COUPLES TREATMENT ROOM-DUAL SHOWER	2	26	
BOH SPA AREAS	1	150	
LAUNDRY	1	15	
DRYING ROOM	1	20	
RELAXATION AREAS	1	40	
FEMALE CHANGE/WC/SHOWERS	1	48	
MALE CHANGE/WC/SHOWERS	1	48	
FEMALE HAMAM	1	25	
MALE HAMAM	1	25	
FEMALE EXPERIENCE SHOWER	2	16	
MALE EXPERIENCE SHOWER	2	16	
FEMALE SAUNA	1	16	
MALE STEAM ROOM	1	16	
OUTDOOR POOL	2		24 (each)
STANDARD PRIVATE POOL	8	17 (each)	7 (each)
DELUXE PRIVATE POOL	2	20 (each)	10 (each)
OUTDOOR EXPERIENCE SHOWER		Covered above	
WATER PLANT		40	
BUILDING PLANT		115	
GENERAL SERVICES		25	
GENERAL STORE		50	
RUBBISH		20	
CIRCULATION		280	
TOTAL AREA (m <sup>2</sup> )		1,378 m <sup>2</sup>	124 m <sup>2</sup>

The preliminary concept plans for the Spa are set out on the following pages. They demonstrate that the Spa of the required scale can be developed on the Domain without being visually intrusive and distracting from the existing heritage architecture. A heritage architects review of the plans is contained in Appendix 2. A quantity surveyors preliminary costing of the concept is set out in Appendix 3.

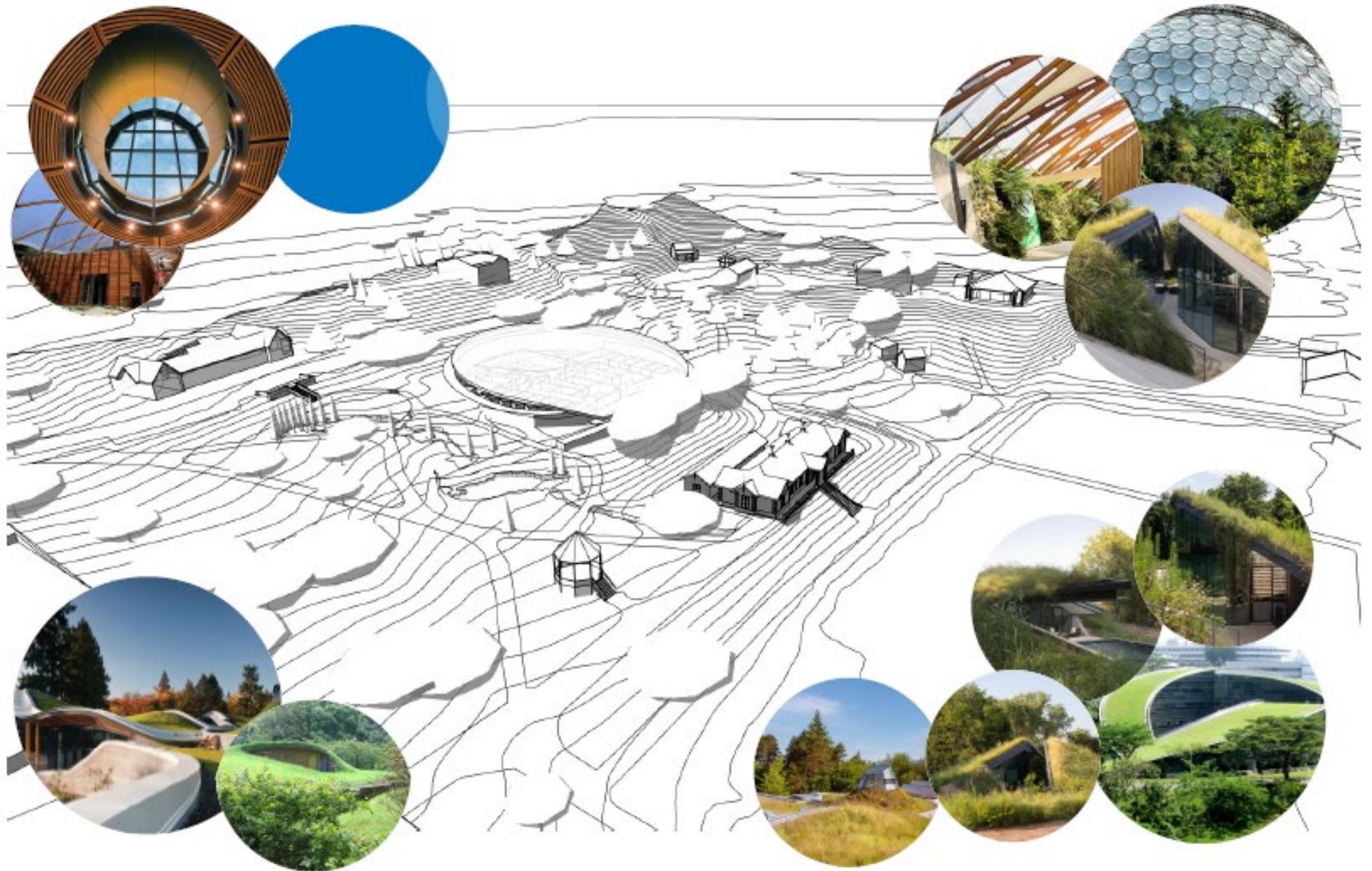


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Title: Interior Spatial Layout Plan  
 Sheet number: A102  
 Scale: 1:250 @ A3



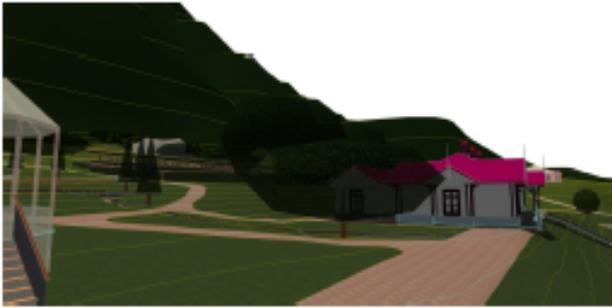
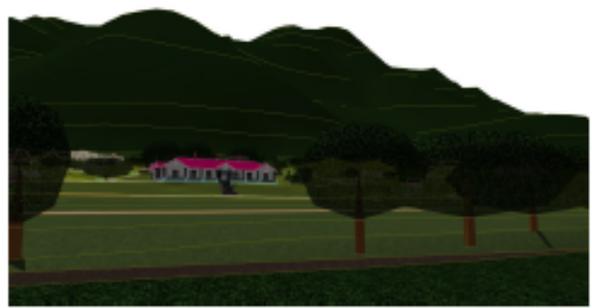


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Title: Concept Plan  
 Sheet number: A01  
 Scale: 1:10000@A3





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Title: Section and Perspectives  
 Sheet number: A104  
 Scale: 1:500@A3





# ECONOMIC CASE

## 3.1 CRITICAL SUCCESS FACTORS

After analysis and consultation, the critical success factors applied to this proposal were:

- Encourages growth: It encourages and supports economic growth in the district.
- Affordable: It has a minor or positive impact on rates and leaves the District with debt headroom.
- Culturally and Site Appropriate: It respects the cultural significance of the area and works in conjunction with other development plans and retains the heritage values of the site.
- Financially self-sustaining: It is financially self-sustaining, profitable, cash flow positive and has the ability to repay debt without reliance on Council rates.

## 3.2 SHORT-LISTED OPTIONS

### SCALE AND SCOPE

A series of short-listed options were Identified, which included:

1. Status Quo: Continue operation of existing spa with no new development.
2. Option A: A new spa development utilising 63m<sup>2</sup> of geothermal pool surface water in total. This is aligned to the current geothermal water consent.
3. Option B: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water in total. This would require doubling the current geothermal water consent.
4. Option C: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water in total. This option allows for using the existing consented geothermal take (circa 63m<sup>2</sup> of pool surface area) and using heat pumps for additional heating (to reach 125m<sup>2</sup> surface water capacity). This option would be available at a slightly higher capital and operating cost, if resource consent cannot be obtained to increase the geothermal water consent take required in Option B.

### ANALYSIS

An analysis of the options is summarised in Table 3.1.

**Table 3.1: Summary Analysis of Options**

Option	Indicative Capital Cost/ Visitor Numbers	Encourages Growth	Affordable	Site and Culturally Appropriate	Financially Self Sustaining
Status Quo	\$0 (but limited life remains) 32k visitors FY19	No	Yes – no change	No – Ngati Rahiri Tumutumu favour no building on the site. Facility now very tired.	No change
Option A	\$14.8 million in FY21 dollars 50k visitors Yr1	Yes, but to lesser extent	Yes – slightly lower debt impact	Yes	Loss making after interest for 7 years. Cash flow negative for 4 years after debt repayments <sup>1</sup> Project IRR 5%
Option B	\$117.4 million in FY21 dollars (\$19.2 escalated to opening in June 2023) 76k visitor Yr1	Yes	Yes – slightly higher debt impact	Yes	Profitable making after interest after 1 years. Cash flow positive from start <sup>1</sup> Project IRR 10%
Option C	\$17.9 million in FY21 76k visitors Yr1	Yes	Yes – higher debt impact	Yes	Profitable making after interest after 1 years. Cash flow positive from start <sup>1</sup> Project IRR 9%

1. The financial analysis assumes 50% of the capital cost is funded by debt, at 3% interest rate, repayable over 30 years.

Option B was chosen as the preferred option because:

- It encourages and supports economic growth in the District,
- It has no negative impact on rates (in fact it should provide a small return to Council, increasing over time and as debt is repaid) and has an acceptable impact on debt,
- It is in keeping with the heritage nature of the reserve and has been supported in hui with Ngati Rahiri Tumutumu.
- It provides the best financial return.

## SERVICE DELIVERY

A range of management and operational structures were considered including:

- Council owned and operated:
  - This assumed that Council would operate the Spa as a division of Council.
  - Whilst this can sometimes give rise to concerns about the commerciality of the operation, these can be addressed by employing the right manager and have the correct objectives and governance in place. A good example of this is Hanmer Springs Thermal Pools and Spa, which is operated as a Council division, but has a clear commercial objective, an independent advisory board and operates largely at arm's length from Council. Hanmer Springs Thermal Pools and Spa contributes \$1.5 to 2.0 million in operating surpluses to Hurunui District Council each year.
  - Another advantage of this structure is that as a Council division it would not be tax paying.
- Privately owned and operated:
  - The other end of the spectrum is a privately owned and operated Spa. This is unlikely to be attractive because the Spa is on reserve land (so the commercial entity cannot take ownership of the land). Additionally, the forecast rate of return after tax is unlikely to be attractive to a commercial operator.
  - An option was considered where the Spa was built on Council owned land beside the reserve, so that the Commercial Operator could take ownership. However, the capital cost was forecast to be \$2 million higher (the cost of moving and replacement of the current pensioner housing on site). The capital cost would also increase by the land cost. Again, the expected rate of return after tax for a commercial operator is unlikely to be attractive.
- Council Owned and privately operated:
 

This could take different forms.

  - The private operator could rent the land and facility from Council.
    - The level of commercial rent would likely be ~6% of capital cost. At this level, the forecast return to the private operator after tax is unlikely to be attractive.
    - Council could charge a lower rent, but this is unlikely to be attractive to Council who are required to fund the facility and replacement / renewal costs.
  - The private operator could operate the facility under a management contract for Council. Several specialist pool and spa operators spoken to would consider this option.

Based on interviews and analysis, and on the Hanmer Springs experience, it is proposed that the best option is for Council is to own and operate the Spa. Specialist management / operational advice can be contracted to assist Council's management and governance of the facility, if required. While conducting industry interviews during the development of the business case these services were offered by several providers. Alternatively, a contract could be taken if this does not prove to be successful.

## FUNDING

### FUNDING OPTIONS FOR MPDC

Four main funding options have currently been considered for the spa development project. These are:

**1. Council:**

- a. The Council has a limited rate payer base and the complete project is not considered to be affordable, with the Council needing to fund the development of the surrounding park and infrastructure.
- b. This option is unlikely to have Councillor support and may also have limited public support if it is viewed as putting pressure on current rates and other planned infrastructure development or upgrades.

**2. Provincial Growth Fund:**

- a. The best outcome for the Council would be full funding from the PGF, but this is not considered feasible.
- b. Based upon this type of investment a full grant would not be applicable, and the PGF would likely seek a minimum 50% funding contribution from Council. It should be noted that comparable 'tourism' projects in other regions have not received full funding by the PGF.

**3. Private:**

- a. This may be possible, but the spa development is on reserve land, which is less attractive to private investors.
- b. An option has been considered for building the spa development on non-reserve land which is currently occupied with pensioner housing. Indicative estimates suggest this option will be \$2 million more expensive, due to the requirement to replace the pensioner housing.
- c. Additionally, the forecast rate of return on the spa development is less than what a private investor would likely consider acceptable, considering the risks related to the spa financial performance.
- d. Involving private operators in the management and operation of the Spa may be a possibility and would certainly be beneficial where relevant experience and expertise is required.
- e. In addition, it is hoped that the Spa development will encourage private development of accommodation and other attractions in the local area. Further investigation of this funding area would be necessary and would also involve developing an Investment Memorandum if private investment were to be sought.

**4. Shared Council and PGF:**

- a. This is considered the most realistic option as any funding application would meet a significant number of PGF objectives along with current funding criteria. Given the Government's previous interest in the project and its funding of the feasibility and business case stages, receiving further financial support to see the project brought to life would be a reasonable assumption.
- b. Therefore, it is recommended that this option is pursued by MPDC with the objective of securing the most favourable funding split and terms possible.

## 3.3 THE PREFERRED OPTION

The preferred option is:

- Option B: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water in total.
- Management: Council Owned and Operated (with private sector advice being contracted, if required).
- Funding: Seek a funding contribution from the Provincial growth fund, with 50% to be funded by Council through debt.
- This would require doubling the current geothermal water consent.

## 3.4 ECONOMIC ANALYSIS

### COSTS AND BENEFITS ANALYSIS

Tourism is an important part of the New Zealand economy. Total annual tourism expenditure is estimate at \$39bn of which 59% is spent by New Zealanders travelling around the country. The sector employs over 216,000 employees directly and

another 149,000 indirectly<sup>13</sup>. According to MBIE, tourism creates inclusive growth by distributing economic opportunities and bringing social benefits across regions, cities, and communities. Tourism provides pathways for people to enter the workforce, gaining skills and income. MBIE also assert that recent visitor growth has increased the benefits of tourism, but the growth has also created pressures and costs – like overcrowding. As part of assessing Option B, the costs and benefits were considered.

When undertaking a cost-benefit analysis (or an economic impact assessment), it is important to focus on those changes that are caused, facilitated, or unlocked, by the proposal. If something would have taken place irrespective of the proposed development, then it is excluded. In assessing the Te Aroha proposal (Option B), we consider the capital costs, operational costs as well as benefits flowing to the district. Importantly, a district focus is used meaning that we do not consider the regional transfers in a national context. The visitor spending that is new to the district is viewed as a benefit. A portion of this spending is transferred from the rest of NZ, suggesting that the 'net position to NZ' is neutral. Using a district focus is consistent with aims to distribute the impacts of tourism around New Zealand.

The analysis focuses on the costs and benefits, not the economic impacts. An economics impact assessment<sup>14</sup> looks at how the new spending flows through the economy, generating GDP<sup>15</sup> and employment impacts. An economic impact assessment looks at all the flow-on/supply chain impacts. A cost-benefit analysis looks at the costs of resources used relative to the benefits a district or region receives. A CBA does not consider the supply chain impacts.

The assessment reflects the relationship between the costs and benefits that will be felt locally. The assumptions and key variables follow:

### Key assumptions

Several assumptions underpin the economic analysis and they are summarised below.

- The development is estimated to cost \$17.4m to put in place. In addition, a series of 'non-core' or secondary business opportunities will be unlocked. Responding to these opportunities will need additional capital investment. This additional investment is estimated at circa \$5m. We have assumed that the capex for the spa and hot pools will be funded using public funds, like the Provincial Growth Fund (PGF). The capex for the secondary opportunities will be privately funded. When public financing is used, the money is sourced from taxpayers and a deadweight loss is incurred. According to the New Zealand Treasury, taxes encourage people to move away from things that are taxed and toward things that are not taxed or more lightly taxed. Their consumption choices are distorted away from what they would prefer in the absence of taxes. The change in the mix of consumption has an adverse welfare effect which is additional to the loss of welfare resulting directly from the loss of money that is taken away in the form of tax. This welfare loss is referred to as the deadweight cost of taxation (or sometimes as a deadweight loss, or 'excess burden'). Treasury indicates that 20% should be added to publicly funded costs – this reflects the deadweight loss. By adding the 20% to the original capex, a \$3.5m load is added to the cost. Looking at the long term (10+ years), the financial modelling allows for future reinvestments and renewals. We assumed that the spa and hot pools operation would be financially viable and able to pay for these items. So, these future items are treated as a private cost (so no deadweight loss is added).
- Developing the facility is assumed to unlock and facilitate a marked increase in visitors coming to the district. It is assumed that hot pools and spa will attract 'new visitors' (and so spending) to the district. In other words, it will not simply cause a shift of visitors from existing facilities. We use the visitor projections as prepared by Deloitte for the study. We use average spending at the facility, i.e. \$175 and \$35 per visitor/use/day for the spa and hot pools respectively, but the assessment excludes price changes associated with inflation. The total annual estimated visitors are put at 18,220 to the spa and 124,000 to the hot pool components. A small portion of the spending (circa 2%) is assumed to be residents using the facilities and this part is excluded from the analysis.
- With reference to the labour component, this is treated as both a cost and benefit. A portion of the labour opportunities supported by the development is 'new'. Developing the facilities and establishing operating entities (businesses) will increase the level of employment. Only a portion of the employment gains are benefits because the lift in employment has different components – net additional employment, opportunity costs and displacement effects. The opportunity cost accounts for the fact that a person going into a job does not necessarily see their

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<sup>13</sup> Statistics New Zealand. Tourism Satellite Account. YE March 2018.

<sup>14</sup> M.E have economic impact models, including multi-regional Input-Output models (MRIIO) as well as Computable General Equilibrium (CGE) models

<sup>15</sup> Importantly, GDP is not a benefit because it includes compensation of employees (a cost), taxes (a transfer), consumption of fixed capital (cost) and operating surplus (benefit).

welfare increase by their increase in income. While unemployed, a person can utilise their time and gain satisfaction from this. The displacement effects account for the fact that if an intervention moves an individual from unemployment into employment, the individual may take a job someone else would have otherwise filled. In other words, in the absence of the intervention, someone else would have taken the vacant job and the unemployment rate would be no higher or lower. The balance (after removing displacements effects, the opportunity costs and net of the business as usual growth) is the net additional employment. This is treated as a benefit and is valued using the salary and wage remuneration. The approach followed to estimate these two effects are based on the NZ Treasury’s guidelines.<sup>16</sup> This assumes that a portion of labour value (wages and salary) are costs, and they do not present a (net) benefit to society.<sup>17</sup> These costs are included under the ‘cost heading’ and the benefits are recorded as described. When expressing the ‘new jobs’ that investing in the facility would deliver, only the net component is reflected, and it is translated into jobs, i.e. expressing the estimated \$-value of the labour component in job-terms.

- When economic or business activity is undertaken, resources are used; these have costs that must be accounted for. The cost to deliver the goods and services, as well as the cost associated with operating the spa and hot pools are included in the analysis. The costs are informed by an analysis of official information published by Statistics New Zealand. Ratios in the Matamata-Piako District Multi-regional Input-Output model were used to refine and customise some of the parameters used in the analysis. Broadly, the costs to deliver the goods and services falls between 63% and 78% (of sales and excludes labour costs). In terms of the cost to operate and maintain the spa and hot pools, these were based on the Deloitte estimates. The annual operating cost for the spa and hot pools is put at \$4.2m (uninflated and once operating at a maximum). This includes labour costs of \$2.7m. With reference to the secondary opportunities, these will also use economic resources, and the value of this is estimated at \$3.8m (once operating at the assumed level). Labour cost of \$0.7m is included for the secondary activities.
- The assessment covers 25 years and uses Discounted Cash Flow (DCF) analysis to express the future cash flows in current terms (i.e. Net Present Value analysis). NZ Treasury recommends using a rate of 6% for discounting the future cashflows (costs/benefits) for infrastructure and special purpose (single-use) buildings<sup>18</sup>. The headline figures we report are estimated using a 6% discount rate. However, the present value of cashflows at a lower (4%) and higher (8%) discount rates are shown to highlight the range.

## Results and sensitivity analysis

The results are summarised below by reporting the key metrics of the analysis.

Discount rate	Costs	Benefits	Net	BCR
4%	116	123	6.9	1.06
6%	96	97	0.9	1.01
8%	82	78	(3.4)	0.96

The analysis suggests that the proposed development will return a positive BCR, i.e. it is greater than one (1) for the default discount rate (6%). A positive outcome is also expected for the 4% discount rate. Under the high discount rate (8%) the proposal’s cost outweigh its benefits. This is because the higher discount rates reduce the relative importance (or weight) of future benefits. Considering the assessment period is 25 years, and most costs are incurred early in the assessment period (due to the capex), this is to be expected. It suggests that the project is not without risk and that a positive outcome is not guaranteed.

In terms of the net benefit (benefits less costs), the proposal will deliver benefits that range between -\$3.4m and \$6.9m. The range is due to the discount rate. Taking the present value and spreading it out over 25 years returns an annual value ranging between -\$134,00 to \$280,000. The mid-point is estimated at \$37,000. Importantly, this value is the annual average and is lowered by the early years when capital spending (costs) outweigh the benefits. In future years, when the facility and secondary businesses operate at the assumed capacity, then the district will see a gain of \$3.2m (per year and undiscounted).

There are several uncertainties around the spa and hot pools project. The project spans a long time and the exact capital costs will only crystallise during construction, and the market growth for the spa and hot pools might not manifest. In addition, the project financials and estimates could be affected by optimism bias. Therefore, a separate sensitivity analysis was completed

<sup>16</sup> Treasury New Zealand (2017) Guide to Social Cost Benefit Analysis.

<sup>17</sup> Treasury New Zealand (2018) CBAX Tool User Guidance and CBAX Tool.

<sup>18</sup> <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/currentdiscountrates>

to shed light on how downward changes to key assumptions was undertaken. Essentially, the sensitivity analysis reflects more pessimistic settings. The following three scenarios were considered:

- Higher development costs (capex +20%, in addition to the 20% deadweight loss),
- Higher costs in the wider economy (the resources used to meet the additional activity in the local economy are 20% greater than estimated)
- Lower spending levels, i.e. the level of visitors attracted to the facility and the secondary business opportunities is 20% lower than the anticipated visitation levels.

Table 3.2 offers a breakdown of the sensitivity analysis.

**Table 3.2: Sensitivity Analysis**

Setting	Discount rate	Costs \$m	Benefits \$m	Net \$m	BCR
Base	4.0%	116.5	123.4	6.9	1.06
	6.0%	96.5	97.4	0.9	1.01
	8.0%	81.6	78.2	(3.4)	0.96
High Capex +20%	4.0%	121.0	123.4	2.4	1.02
	6.0%	100.8	97.4	(3.4)	0.97
	8.0%	85.7	78.2	(7.5)	0.91
High Opex +20%	4.0%	134.4	124.7	(9.7)	0.93
	6.0%	110.7	98.4	(12.2)	0.89
	8.0%	93.0	79.1	(14.0)	0.85
Low Visitors -20%	4.0%	97.3	97.1	(0.2)	0.998
	6.0%	81.2	76.6	(4.6)	0.94
	8.0%	69.3	61.5	(7.8)	0.89

The sensitivity analysis suggests that the net benefits of the proposed development is most sensitive to encountering higher costs when delivering goods and services associated with visitors. If the anticipated visitor numbers do not materialise, or higher operating costs are encountered, then the proposal's costs will outweigh the benefits, returning a BCR smaller than one (1), for all discount rates. Looking past the impacts of discounting (i.e. using 0% discount rate) and using the low visitor scenario, the proposal will still deliver positive outcomes. Ultimately, this scenario highlights the need to pro-actively manage and grow the visitor numbers. The modelling suggests that the visitor numbers can be 3% lower than the estimates and the project will still return a positive outcome (6% discount rate).

Using higher capital expenditure (+20%) also impacts the deadweight loss but the proposal is not as sensitive to higher capital costs as the other shifts. Nevertheless, if 20% is added to the capital costs (including the future capital reinvestments), under 4% discount rate the proposal is expected to deliver positive outcomes (i.e. a BCR >1). But, under the higher discount rates (6% and 8%), the costs will outstrip the benefits. As already explained, this is in part impacted by the discounting process which places less importance on benefits that are expected in future. The modelling shows the capital cost can increase by 4% before the project's costs are greater than the benefits (6% discount rate).

The sensitivity analysis shows that the proposal is most sensitive to higher operating costs. Increasing the operating cost by 20% will lift the cost to levels that exceed the benefits generated. In reality, it is unlikely for the operational costs to be 20% higher than those estimated for the project and this is seen as an extreme position. Based on the modelling, the operating cost can increase by 1% before the project's costs are greater than the benefits.

The sensitivity analysis was set up to illustrate the underlying sensitivities of the BCR and it takes a pessimistic position. The project is sensitive to higher operational costs and lower visitor numbers. But, the analysis also shows that there is some margin before the project turns negative (costs > benefits). **This suggests that the proposed development is likely to deliver positive benefits, even if the anticipated growth does not materialise or if the project costs are exceeded.**

#### Other Considerations

The CBA focuses on the additional effects of the spa and hot pools as well as the secondary business opportunities. The project will unlock a range of benefits and other activities with benefits. For example, the district's profile and exposure will be enhanced. The value of these benefits, and any further resulting effects are not included in the assessment. Excluding such benefits from the analysis means that the true benefit position is understated. In other words, **the proposed development is likely to have a catalyst effect, trigger other developments in the local economy and generating additional benefits that are not accounted for in this analysis.**

This assessment looked at the costs and benefits of the proposed development. It is not an economic impact assessment. This means that the flow-on economic effects (i.e. value chain impacts) are not included and the GDP or employment impacts are not shown. While such measures do not show a 'value for money' proposition, they show the scale of economic impacts felt locally. Considering that the proposal will attract 'new money' into the economy, and the fact that this financial injection will support a range of other businesses in the district, the GDP and employment impacts are likely to be material.

There will be other areas that will see gains and losses. These are more difficult to (robustly) estimate and quantify. Examples include:

- The environmental effects from construction activity, including any demolition waste (specifically the ecological effects), the emissions associated with the lift in visitors and their travels, and so forth.
- The externalities, risks and other costs associated with maintaining and developing roading and other infrastructure is excluded.
- A lift in the number of people visiting and travelling through the district affecting perceptions (i.e. becoming too crowded).
- The potential implications on the accommodation market, e.g. the growth in the AirBnB market and the need to provide additional accommodation is not considered. In addition, the flow on effects like AirBnB displacing households from the residential rental market is not included.
- Social effects such as the potential impacts on inequality and negative impacts on local cultural considerations.
- Costs associated with managing visitors around sensitive areas (cultural or environmental).

As with all modelling, this analysis is subject to limitations. As mentioned, the analysis focuses on the district and the relative costs and benefits to the district. It is acknowledged that the PGF costs (if the proposal attracts PGF funding) are spread across NZ taxpayers<sup>19</sup>, with only a portion of NZ's taxpayers residing in the district, while the benefits will be felt locally. Yet, the entire capital funding is treated as a 'local cost'. This means that the 'net local benefit' will be higher than that stated in the analysis because only a share of the capex (cost) will accrue to local residents. Therefore, the funding (PGF) that is injected into the local economy to fund the capital investment can also be seen as a benefit flowing to the district.

#### **What are the potential catalyst effects?**

Although it is hard to quantify the additional catalyst effect of the spa development we do know from international and domestic research that:

- Spa and wellness facilities attract visitors with higher discretionary spending power. These visitors often seek other quality experiences and hospitality and accommodation offerings. They are prepared to pay well for these services.
- Good destination spas generate a demand for quality dining, accommodation and activities. This is evidenced internationally and domestically with hospitality and accommodation businesses developing around spa and wellness facilities.
- Destination spas attract weekend domestic short stays (over Friday and Saturday nights). Visitors often do half day treatments over one or two days and then look for other activities in the periods in between. This gives rise to increased spending on retail, tours and experiences in the local area. This is true also for international visitors who tend to slow down around spa and wellness hubs (not wanting to drive away immediately after treatments). This helps to encourage an overnight stop (and increased spending).
- In the case of the proposed Te Aroha spa we know local Mana Whenua, business people and organisations are currently exploring investing in new accommodation, hospitality, tours and products based on leveraging of the new spa. If all the opportunities we are aware of occur, circa 25-30 new FTE positions would be created. This figure excludes growth in existing businesses.

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<sup>19</sup> It is beyond the scope of this assessment to consider the New Zealand level costs and benefits of the project. The focus is locally. If a national level focus is used, then only the (new) international visitors attracted to the district should be included and assessed relative to investment in the spa and hot pools.

**A Case Example - Potential catalyst effects.**

Redacted for commercial confidentiality reasons (proposed private development in Te Aroha)

### How Many Jobs Would Be Created During Construction and Pre-Construction?

MPM Projects has reviewed past construction projects and data on the proposed Te Aroha Spa to calculate how many jobs would be created during pre-construction and construction. The analysis concluded that the Spa would provide an average of 27 full time equivalent jobs for 13 months in pre-construction and an average of 80 in construction over 18 months (107 FTE jobs in total). These positions are shown in Table 3.3.

**Table 3.3: Te Aroha Spa Development Job Number Estimate**

Design Phase 13 months (fast tracked)		Full Time	Part Time	Total FTE	No Months	FTE jobs /month
Consultants	Project Manager	1	2	2	13	26.0
	Architect	2	4	4	13	52.0
	Heritage Architect		1	0.5	13	6.5
	Cultural Architect		2	1	13	13.0
	Structural Engineer	1	3	2.5	13	32.5
	Civil Engineer	1	2	2	13	26.0
	Mechanical Services Engineers	1	3	2.5	13	32.5
	Electrical Services Engineers	1	3	2.5	13	32.5
	Hydraulic Services Engineers	1	3	2.5	13	32.5
	Specialist Services Engineers		2	1	13	13.0
	Spa Consultant		1	0.5	13	6.5
	Quantity Surveyor		2	1	13	13.0
	Planner		1	0.5	8	4.0
	Surveyors		2	1	2	2.0
	Geotech Engineer		2	1	8	8.0
	Archaeologist		1	0.5	5	2.5
	Traffic Engineer		1	0.5	3	1.5
	Landscape Architect		2	1	5	5.0
	Tourism Consultant		1	0.5	13	6.5
	Consents/others		10	5	8	40.0
Total FTE jobs per month over 13 months						355.5
<b>Therefore Ave 27 jobs for 13 months preconstruction period</b>						<b>27.3</b>
Construction Phase 18 months		Full Time	Part Time	Total FTE	No Months	FTE jobs /month
Consultants	Project Manager		2	1	18	18.0
	Architect	1	2	2	18	36.0
	Structural Engineer	1	1	1.5	18	27.0
	Civil Engineer		1	0.5	18	9.0
	Geotech Engineer		1	0.5	5	2.5
	Mechanical Services Engineers		1	0.5	18	9.0
	Electrical Services Engineers		1	0.5	18	9.0
	Hydraulic Services Engineers		1	0.5	18	9.0
	Specialist Services Engineers		1	0.5	18	9.0
	Quantity Surveyor		1	0.5	18	9.0
	Geotech Engineer		1	0.5	5	2.5
	Archaeologist		1	0.5	5	2.5
	Landscape Architect		1	0.5	4	2.0

	Consents/others		3	1.5	18	27.0
Contractors	Main contractor	5	4	7	18	126.0
	Excavation & Filling	6	2	7	4	28.0
	Piling	4	2	5	2	10.0
	Concrete Work	6	2	7	6	42.0
	Precast Concrete	6	2	7	6	42.0
	Reinforcing Steel	5	2	6	6	36.0
	Blockwork	6	2	7	4	28.0
	Structural steel	5	2	6	4	24.0
	Metalwork	4	2	5	4	20.0
	Metal Windows	4	2	5	3	15.0
	Carpentry	12	3	13.5	17	229.5
	Plasterboard & stopping	8	3	9.5	5	47.5
	Joinery	5	2	6	4	24.0
	Joinery Fittings	4	3	5.5	4	22.0
	Waterproofing	4	1	4.5	3	13.5
	Metal Roofing	5	1	5.5	3	16.5
	Membrane roofing	5	2	6	3	18.0
	Plumbing, Gas & Downpipes	8	2	9	8	72.0
	Drainage	5	2	6	6	36.0
	Electrical	6	2	7	8	56.0
	Data Installation	2	1	2.5	5	12.5
	Security	2	1	2.5	5	12.5
	Audio Visual	2	1	2.5	5	12.5
	Solar Panels	4	1	4.5	3	13.5
	Mechanical Services	6	3	7.5	5	37.5
	Fire Alarms	2	1	2.5	5	12.5
	Fire Sprinklers	4	1	4.5	8	36.0
	Lift	2	1	2.5	2	5.0
	Floor Coverings	6	2	7	2	14.0
	Suspended Ceilings	5	2	6	2	12.0
	Steel Stud Partitions	5	1	5.5	3	16.5
	Painting	6	2	7	4	28.0
	Stainless Steel Kitchen	4	2	5	2	10.0
	Fall Arrest System	3	1	3.5	1	3.5
	Siteworks	8	3	9.5	12	114.0
	Landscaping	6	2	7	3	21.0
Total FTE jobs per month over 18 months						1438.5
<b>Therefore Ave 80 jobs for 18 months construction period</b>						<b>79.9</b>

# 4.0

## COMMERCIAL CASE

### 4.1 FACILITY MANAGEMENT STRATEGY

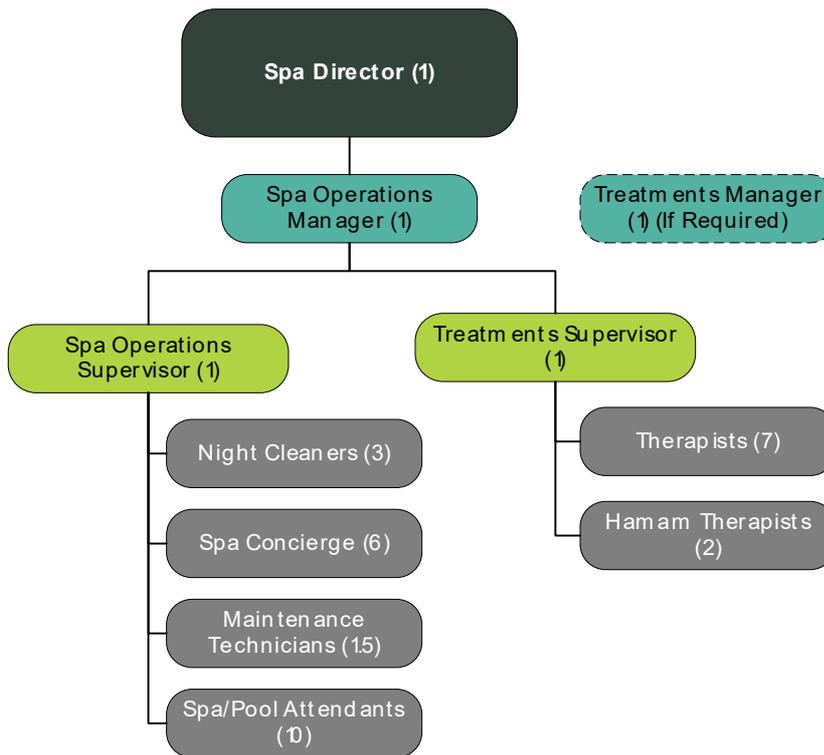
The spa facility will be Council owned and operated. It is assumed that Council would operate the Spa as a division of Council. Whilst this can sometimes give rise to concerns about the commerciality of the operation, this can be addressed by employing the right manager (who is appropriately remunerated and incentivised) and having the correct objectives and governance in place. The introduction of an external spa consultant in an advisory role can also be of great assistance. The ‘financial case’ in this document has made allowances for these initiatives. We would also strongly recommend the spa operate at arm’s length from Council and have an independent skill based advisory board.

A good example of this type of Council owned approach is Hanmer Springs Thermal Pools and Spa, which is operated as a Council division, but has a clear commercial objective, an independent advisory board and operates largely at arm’s length from Council. Hanmer Springs Thermal Pools and Spa contributes \$1.5 to 2.0 million in operating surpluses to Hurunui District Council each year. Another advantage of this structure is that as a Council division it would not be tax paying.

#### PROPOSED SPA MANAGEMENT STRUCTURE

Given this approach the proposed management structure of the spa operation is outlined in Figure 4.1.

Figure 4.1: Proposed Spa Management Structure



Note: If required a Treatments Manager (1) can be added alongside the Spa Manager

Note: It may prove necessary to appoint a Treatments Manger should a Spa Operations Manager with the necessary skill set not be identified. This would see the splitting of duties between the two positions.

## ASSUMED POSITIONS AND PHASE IN PERIODS

The proposed spa is assisted by the fact that an existing operation is already in place (though on a far smaller scale). It is assumed many if not all the existing spa employees will find work at the new spa. However, the new operation will require far more employees. It is recommended that the new spa staff have a phase in period before opening. The recommended phasing is outlined in Table 4.1.

**Table 4.1: Assumed Positions and Phase in Periods**

Assumed Position	Assumed Phase-In Start
Director of Spa	6-Months Pre-Opening
Spa Operations Manager	5-Months Pre-Opening
Spa Operations Supervisor	3-Months Pre-Opening
Spa Concierge	2-Months Pre-Opening
Treatments Manager	5-Months Pre-Opening
Treatments Supervisor	3-Months Pre-Opening
Therapist	2.5-Months Pre-Opening
Hamam Therapist	2.5-Months Pre-Opening
Spa & Pools Attendant	2-Months Pre-Opening
Night Cleaner	2-Weeks Pre-Opening
Maintenance Technician	3-Months Pre-Opening

The rationale for the phase in periods outlined in Table 4.1 is as follows:

1. The Spa Director will initially prepare 'critical path' and 'pre-opening checklists' documents for the entire team to follow leading up to the opening date. These will take some time to create and monitor (as they will be specific to the facility).
2. Each position requires adequate time to ensure that they are guest-ready for the opening date (i.e. treatment and service execution is at the required level from the start).
3. All staff need adequate time to familiarise themselves with how to operate in the new facility and its equipment.
4. The senior spa/pool team needs time to continue to conduct construction snagging (fault identification) during the pre-opening stage (alongside the contractors and architects) to ensure that the spa/pool facility is operationally ready. Once identified faults need to be fixed.
5. The Spa Director will need to be onboard early enough to:
  - a. Complete the operational budgets,
  - b. Create and complete all standard operating procedures (SOPs),
  - c. Complete further (more updated) competitor research (as required),
  - d. Develop the spa / pool concept,
  - e. Develop the spa / pool services menu,
  - f. Confirm the spa / pool pricing structure,
  - g. Create outlines for spa/pool staff advertisements,
  - h. Confirm / purchase any spa / pool licensing needs (where applicable),
  - i. Confirm spa/pool signage planning alongside the signage specialist / architect,
  - j. Create and purchase a complete OS&E and FF&E order to enable a perfectly executed spa & pool operation. This will be done in conjunction with the Spa Operations Manager,
  - k. Conduct management training for the team.
6. The Spa Operations Manager will need to be onboard early enough to create:
  - a. The facility fact sheet,
  - b. All staff job descriptions,
  - c. All staff schedules / rosters,
  - d. A detailed / comprehensive spa/pool operational training plan (SOPs),
  - e. All spa filing systems,
  - f. Staff uniform requisitions (once team have been selected),
  - g. Towel counts for each area,
  - h. All spa cleaning & health/safety checklists,

- i. Conduct extensive operational training for all staff (in conjunction with the Spa Operations Supervisor),
  - j. Create any signature treatment protocols unique to the Te Aroha concept,
  - k. Create the treatments training plan,
  - l. Create and conduct the treatment / service simulation program for the wider team,
  - m. Conduct extensive treatment training for all therapists and hamam therapists,
  - n. Create all spa cleaning and health/safety checklists for spa treatment and prep areas.
7. The Spa Director will also be responsible for leading the entire facility recruitment process (with the assistance of the Spa Operations Manager). The full team will need to be onboard with adequate time for training.
  8. The receiving/checking of all spa / pool OSE& and FF&E items will also need to be coordinated by the spa / pool team within the months leading up to opening. This is a lengthy process and all items will need to have adequate storage areas arranged.
  9. All spa and pool collateral will need designing and developing (by outside specialists). This will be done in conjunction with the Spa Director and all collateral will need final approved / signed off before having time for printing.
  10. The spa / pools software system (with all products and services) will require system configuration. All spa / pool team members who will have access to this system will then require full training for this system. This entire process requires 6-8 weeks in total.
  11. All spa collateral will need to be delivered and all systems and items organised by the Spa Operations Supervisor and Spa Concierge team at the spa reception.
  12. A detailed spa / pool simulation will need to be carried out by the entire spa / pools team to both ensure that Spa Therapists and Hamam Therapists are 'guest ready' for all spa treatment services, and that the whole team is well-versed in all spa / pool offerings.
  13. Sales and marketing walk-throughs (just prior to opening – in a 'showable section' of the spa) will need to be conducted for key press and media representatives (led by the Spa Director or Spa Operations Supervisor) to assist the early promotion and sales drive of the spa / pool facility.
  14. Prior to the facility set-up process, a commercial deep clean of all facility areas is needed. This will be coordinated by the Spa Operations Supervisor and conducted by a commercial cleaning company to clear any construction debris. Once this is completed, the Spa and Pool Attendant team (assisted by the wider spa team) will need to do more detailed cleaning of their respective areas during set-up.
  15. The entire spa team will need to officially 'move into the facility'. The whole team will be responsible for the set-up of their respective areas both for the operation and decoratively (e.g. treatment rooms, relaxation areas, spa reception, offices etc.)
  16. A team building event is advised to be held for the entire spa / pools team prior to the opening date to encourage cohesiveness.

## STAFF ROLES AND RESPONSIBILITIES

A summary outline of the roles of the main staff and their responsibilities is outlined below:

### SPA DIRECTOR

- Finance (budgets, P&L, statistics, revenue control, business planning, payroll),
- Marketing and PR of the spa/pools resort,
- Development of marketing plan in liaison with Spa Operations Manager,
- Oversee the development and renovations of any spa/pool areas alongside the Maintenance Technicians (as required),
- Personnel management (recruitment, training, appraisals, counselling),
- Goal setting for the entire spa/pool team,
- Continuously review spa and pool standards and SOPs,
- Retail strategy development – meeting with new suppliers as required,
- Conduct and oversee retail sales training,
- Guest incidents and follow-up,
- Accountable for / oversee the quality of service and facilities,
- Membership sales management (if any),
- Overseeing members relations (if any) in conjunction with the Spa Operations Manager,
- Development and launch of spa promotions in liaison with the Spa Operations Manager,
- Develop and manage the annual calendar of events for spa & pools,
- Sales revenue drive ongoing (spa and pools),
- New spa/pool business developments (corporate + commercial),
- Create and drive group spa and pool bookings / packages,
- Direct reports include the Spa Operations Manager,
- Driver of the spa and pool health and safety standards and processes.

## SPA OPERATIONS MANAGER

The two aspects of the operations managers role are spa and pool and spa treatment. Should a candidate with the required skills not be identified it may be necessary to separate these duties under two positions.

### Spa and pools operations

- Oversees entire spa and pools operations and facilities (reception, retail space, waiting area, pool/wet area facilities),
- Oversight of the hygiene and health and safety for the spa and pools operations,
- Management and development of spa systems,
- Recruitment for the spa / pools alongside the Spa Director,
- Conduct appraisals of direct reports,
- Membership sales,
- 'Manager on Duty' shifts,
- Management and final sign-off of inventories (linen, retail and professional guest supplies/amenities, cleaning equipment),
- Final sign-off of all purchase requisitions - monitor monthly expenses allocation when purchasing items,
- New retail product implementation and management,
- Guest incidents and follow up,
- Oversee the Spa Operations Supervisor and wider spa/pools operations team,
- Development of marketing plan in liaison with Spa Director (and if required Treatments Manager),
- Assist in the development / implementation of events and workshops,
- Spa/pools software system(s) configuration and maintenance,
- Oversight of monthly / annual spa audits (e.g. Mystery Shoppers, ResMax, Health and Safety, LQA etc.)
- Responsible for overseeing and guiding Spa Concierge, Spa/Pool Attendants, Night Cleaners and Maintenance Technicians,
- Maintain and manage spa/pool guest database,
- Oversee and submit rosters for Spa Concierge, Spa/Pool Attendants, Night Cleaners and Maintenance Technicians to Spa Director for approval,
- Continuously review and retrain SOPs for all Spa/Pool Attendants and Spa Concierge,
- Develop and implement monthly training plans for Spa Concierge and Spa Attendants.

### Spa treatment operations

- Oversees entire spa treatment operations and facilities (treatment rooms / spaces, prep rooms etc.),
- Management of the health and safety for all treatment areas,
- Recruitment and trade testing of Treatments Supervisor, Spa Therapists and Hamam Therapists,
- Conducting and planning of all treatments training,
- Development of new spa treatments,
- 'Manager on Duty' shifts,
- Guest incidents and follow up,
- Sign-off of final inventory (spa treatment professional products) prior to Spa Director approval,
- Development of marketing plan in liaison with Spa Director (and Spa Operations Manager if required),
- Review of new product lines and recommendations given to Spa Director,
- Hosting Therapist meetings and attending other spa/pool meetings,
- Create and sign off the Treatment Supervisor, Therapist and Hamam Therapist schedules prior to Spa Director submission,
- Develop and implementation of treatment-related training schedules (for all spa/pool team members),
- Responsible for overseeing and guiding Treatments Supervisor, Therapists & Hamam Therapists,
- Conducting appraisals and quarterly reviews with Treatment Supervisor, Therapists & Hamam Therapists,
- Conduct meetings and treatments with Press & VIPs as required,
- Ensure that Therapist and Spa Concierge teams are keeping up to date with guest profile records.

## SPA TREATMENTS SUPERVISOR

- Support in the oversight of spa treatment operations and facilities (treatment rooms / spaces, prep rooms etc.),
- Ensure compliancy to all standards (including health and safety) outlined in SOPs in treatment rooms, prep & storerooms,
- Daily upkeep of all spa treatment areas – ensuring that all maintenance issues are reported as per protocol,
- Direct reports are: Therapists and Hamam Therapists,
- Oversee back of house operations (treatment rooms, preparation room and storerooms),
- Develop monthly training plan in liaison with the Spa Operations Manager (or Treatments Manager),
- 'Manager on Duty' shifts,
- Inventory management (professional treatment products),
- Training of therapists in generic therapist SOPs,
- Assist the Spa Operations Manager (or Treatments Manager) in conducting spa treatment training (as required),

- Complete purchase requisitions for new products,
- Develop rosters for therapists and input into the spa software/booking system,
- Ensure that the spa software booking system and all full-time therapist manning is being maximised,
- Conduct treatments,
- Conduct treatments and interviews with both press and VIP guests as required.

### SPA OPERATIONS SUPERVISOR

- Support in the oversight of spa operations and facilities (pools, changing rooms, heat/water areas, reception/retail areas),
- Oversee ongoing health and safety processes / standards in all spa areas,
- Ensure compliance to all standards (including health and safety) outlined in SOPs in all spa/pool general areas,
- Ensure that all maintenance issues in spa areas are reported as per protocol,
- Conduct and follow-up on all formal quality service standards training (e.g. LQA),
- Conduct standards training (as per SOPs),
- Support Spa Operations Manager in overseeing Spa Concierge and Spa/Pool Attendant and Maintenance Technician teams,
- Oversee spa counter operations and assist Spa Concierge in spa counter tasks as required,
- Develop rosters for Spa Concierge, Spa/Pool Attendant and Maintenance Technician teams,
- Daily Inventory, stock takes,
- Monthly inventory in liaison with Spa Operations Manager and Treatment Manager,
- Daily revenue management (spa/pool bookings, payments, reports),
- Group bookings coordination for pools and spa,
- Conduct SOP training for new spa concierge,
- Review all quality audit results and actively maintain standards,
- Guest complaint handling (training required),
- Membership and packages accounting, renewals, administration and gifts (if applicable),
- Oversee all spa and pool administration as required for the facility operations (including for events),
- Liaise with all retail & operational suppliers and maintain all administration relating to stock management (including on Spa Software system),
- Making/receiving confirmation/reservation calls and emails,
- Monitor monthly expenses allocation when purchasing items.

### SPA CONCIERGE

- Compliance to all standards (including health and safety) outlined in SOPs in all spa/pool general areas,
- Report maintenance issues in all spa/pool areas as required,
- Taking spa reservations, upselling spa bookings and business,
- Making/receiving confirmation/reservation calls and emails,
- Meeting and greeting arriving and departing spa / fitness guests,
- Daily revenue processing (spa/pool bookings, payments, reports),
- Conduct spa counter operations retail sales and operational tasks as required,
- Complete and file all spa and pool administration as required for spa and pools operations,
- Selling of spa merchandise and retail,
- Maintain cleanliness of front of house i.e. reception, relaxation lounge and retail areas,
- Taking spa reservations, upselling spa bookings and business,
- Making/receiving confirmation/reservation calls and emails,
- Consistently maintain all formal quality service standards (e.g. LQA),
- Participate in training as required (e.g. sales, service etc.),
- Support with daily Inventory and stock takes as required,
- Assist in the coordination of group bookings for pools and spa as required,
- Guest complaint handling (training required),
- Membership and packages accounting, renewals, administration and gifts (if applicable),
- Assist with all spa and pool administration as required for the facility operations (including for events),
- Assist in spa food and beverage service as required.

### SPA / POOLS ATTENDANT

- Proactive customer service to all spa/pool guests within spa reception, change, pool/heat and water areas and relaxation areas,
- Daily up-keep of all spa/pool areas – ensuring that all maintenance issues are reported as per protocol,
- Cleaning of all spa, pool, fitness facilities, wet areas & lockers (including the monitoring of pool health and safety standards),
- Maintain stock and cleanliness of storage and spa/pool change areas,

- Maintain refreshments in the relaxation lounges,
- Support with laundry stock-take, pick-up and delivery as required,
- Display/fold spa/pool linen as required,
- Oversee pool/spa/heat & water areas and ensure safety of all guests who visit – act on and report any issues as required,
- Assist Spa Therapists and Hamam Therapists in re-setting spa treatment rooms / spaces as required,
- Re-set all private pools with linen and guest amenities (as required) before & after guest use
- Be knowledgeable on, and upsell all spa and pool services to guests throughout interactions as appropriate,
- Ensure all guest service consistently maintain required quality service standards.

### SPA THERAPIST

- Conducts all trained spa treatment services (massage, hamam, beauty and body treatments, waxing, manicure and pedicures),
- Maintain all treatment rooms / spaces and preparation rooms according to standards, health and safety and tasks lists,
- Ensure all spa treatment maintenance issues are recorded as required – as per protocol,
- Upsell product sales and complementary spa/pool services to all guests and members,
- Actively participate in treatment training as required,
- Inform the Treatments Supervisor or Manager of any treatment stock inventory issues as required,
- Remain up to date regarding all spa/pool operational information and promotions,
- Ensure that the spa software booking system is updated with guest contraindications (factors that serve as a reason to withhold a certain treatment) and information at all times,
- Conduct treatments and interviews with both press and VIP guests as required,
- Constantly maintain all guest service to a high-quality standard.

### HAMAM THERAPIST

- Conducts all Hamam treatment guest services and assist in conducting massage, and body treatments as required (if trained),
- Maintain all treatment rooms / Hamam and preparation rooms according to standards and health and safety and tasks lists,
- Ensure and spa treatment maintenance issues are recorded as required – as per protocol,
- Upsell product sales and complementary spa/pool services to all guests and members,
- Actively participate in treatment training as required,
- Inform the Treatments Supervisor or Manager of any treatment stock inventory issues as required,
- At all times remain up to date on all spa/pool operational information and promotions at all times,
- Ensure that the spa software booking system is updated with guest contraindications (factors that serve as a reason to withhold a certain treatment) and information at all times,
- Conduct Hamam treatments and interviews with both press and VIP guests as required,
- Constantly maintain all guest service to a high-quality standard.

### NIGHT CLEANER

- Maintain clean and sanitised pool, spa and heat/water areas (in all respects) overnight and conduct deep cleans as required,
- Ensure all spa, pool and heat/water areas are immaculately clean and ready for guest use prior to opening time,
- Follow and complete daily, weekly and monthly cleaning checklists to ensure all areas of cleaning are kept updated,
- Report any new cleaning materials or equipment that are required / low on stock on an ongoing basis,
- Ensure all spa/pool cleaning SOP standards are followed (to ensure constant facility health and safety),
- As required report any necessary maintenance issues,
- Maintain and set up linen inventory in all spa and pool areas to ensure the facility is ready for daily operation,
- Collect dirty linen, garbage and recyclables from all required spa/pool areas and ensure it is processed daily.

### SENIOR MAINTENANCE TECHNICIAN

- Oversee facility maintenance and engineering problem-solving for the entire spa, pool, heat and water operation,
- Assess, install, diagnose, carry out repairs and maintenance on electrical equipment/appliances and mechanical systems within the facility – suggest improvements and efficiencies to systems where possible,
- Liaise with outside contractors/suppliers as needed to ensure the entire spa/pool operation functions consistently,
- Perform monthly maintenance walk-throughs of all areas to ensure all facilities are maintained to a high standard,
- Respond to all spa/pool maintenance requests in a timely and friendly manner,
- Assess, repair and maintain electrical machinery or equipment to ensure the facility continues to function properly,
- Conduct daily/weekly and monthly chemical testing and balancing as required,

- Ensure the pH and Chlorine values are optimal at all times for good water quality,
- Assist with and be knowledgeable in pool pump operations and pool vacuum use,
- Maintain all required pool and pool chemical certifications for the pool/spa operation,
- Operate, inspect, repair and maintain boiler plant, calorifier and steam supply system,
- Repair light current systems such as CCTV, paging system, MATV system, etc,
- Regularly clean and service pool filtration/plant systems/pumps as required,
- Manage and maintain a regular schedule for circulating water in the pools (as required),
- Maintain all maintenance and daily/weekly/monthly pool and maintenance records as required for health and safety reasons,
- Log equipment faults, water quality problems or abnormalities in the system and report urgently to managers,
- Operate and inspect tools and equipment and make minor adjustments and repairs,
- Safely store and handle hazardous chemicals as per health and safety guidelines,
- Set up audio and video equipment for functions as required,
- Repair and/or replace sanitary fittings,
- Carry out minor installations of piping systems,
- Carry out preventive maintenance as stated in the preventive maintenance checklists,
- Ensure suitable tools and materials are always available. Order as required,
- Attend any daily/weekly/monthly operational meetings as required,
- Be responsible for and accountable for the departmental operating budget,
- Find ways of maximizing and increasing sales and/or yield (in spa and pools),
- Find ways of reducing costs without affecting the service or product received by guests – propose new services and products.

## 4.2 PROCESS / CONTRACT REQUIREMENTS

Spa management and staff will be engaged on individual employment contracts. These contracts will be developed by Council’s lawyers with input from senior managers and an external spa advisor. The contracts will align with all relevant New Zealand legislation.

## 4.3 SERVICE RISKS

As a Council owned and managed facility most risks will rest with Council. These risks include areas such as:

- Design risk,
- Construction and development risk,
- Operating risks,
- Variability of revenue risks,
- Financing risks,
- Legislative risks.

In its routine operations Council deals with many of these risks regularly and has established mitigation methods (for example, minimising interest fluctuations through well-established borrowing practices at below market rates).

More specific service risks that arise both during the development phase and in the Spa’s ongoing management have been identified with mitigating options in Table 4.2.

**Table 4.2 Spa risks and mitigation options.**

Spa Risks	Potential Severity	Likelihood	Mitigation Options
Poor functional design making the facility less operationally efficient and harder to maximise its financial potential.	Moderate to severe given: This may have significant cost implications (if early errors need rectifying later – post construction).	Relatively likely given:  NZ architects and contractors are generally new to the specialist spa and wellness industry and there are a lot of very specialist design elements to consider (to both maximise revenue & operational potential).	<ul style="list-style-type: none"> <li>▪ Take care in selecting the architectural team.</li> <li>▪ Bring in a specialist spa and pools consultant(s) during the early / ongoing design stages right through to the construction and pre-opening stages. This insight can minimise operational design faults and maximise operational efficiency / revenue generation.</li> </ul>

Spa Risks	Potential Severity	Likelihood	Mitigation Options
			<ul style="list-style-type: none"> <li>▪ See Management Case section for further mitigation steps.</li> </ul>
<p>Construction Risk – poor construction leading to building operational issues.</p>	<p>Moderate to severe given: Remediation after the fact will likely be more expensive.</p>	<p>Relatively unlikely given:  Proposed project management approach (see Management Case).</p>	<ul style="list-style-type: none"> <li>▪ Employ a qualified and experienced Project Manager.</li> <li>▪ Implement strong project management supervision over contractors.</li> </ul>
<p>Lack of high service standards being maintained or delivered within the facility.</p>	<p>Moderate to severe given: This may risk significant revenue and impact on return-business. Within a small community (if the operator is limited in specialist expertise to execute international service standards)</p>	<p>Moderately likely given:  International luxury spa &amp; pool service standards experience and knowledge is limited and very specialist within the NZ industry.</p>	<ul style="list-style-type: none"> <li>▪ Have a specialist spa consultant conduct the recruitment &amp; trade-testing for the facility to maximise the selection of a skilled team.</li> <li>▪ Have a specialist spa consultant conduct pre-opening service training with the wider spa / pools team to impart initial specialist knowledge.</li> <li>▪ Have a specialist spa consultant provide a full template SOP document which will help the operations team to ensure they are following international spa / pool standards in all respects.</li> <li>▪ Provide (online or hard copy) customer satisfaction surveys to guests to identify all spa/pool training needs.</li> <li>▪ Have a spa service auditing company (e.g. LQA) or a spa consultant conduct post-opening operational audits to identify training needs.</li> <li>▪ Have a specialist spa consultant conduct ongoing training - to ensure service standards improve and become engrained and consistent.</li> <li>▪ Train local people ahead of the spa being developed.</li> </ul>
<p>Guest numbers for pool &amp; spa do not meet budget expectations</p>	<p>Moderate to severe given: This may have significant and negative revenue implications.</p>	<p>Low to moderately likely given:  There is already significant turn-away business at the existing spa property.  The market is growing within the catchment area.  That said, accommodation options are limited within the town (reducing overnight weekend stays in the short / medium term).</p>	<ul style="list-style-type: none"> <li>▪ Ensure the property brings on the Spa Director early enough to assist in executing a robust spa/pools sales &amp; marketing plan alongside a specialist sales and marketing / PR company.</li> <li>▪ Set good initial marketing budgets and start marketing pre-opening.</li> <li>▪ Encourage local developers / entrepreneurs to invest in boutique higher end accommodation on the back of the spa development.</li> <li>▪ Have a specialist spa consultant or company conduct ongoing financial oversight for 12 months post-opening to assess monthly business and suggest / train the operational team in property-specific strategies for improvement.</li> </ul>
<p>Lack of operationally functioning equipment at the property affecting immediate</p>	<p>Moderate to severe given: Equipment breakdown delays could impact the revenue-generating</p>	<p>Moderately likely.  It is relatively normal for daily equipment or maintenance issues to</p>	<ul style="list-style-type: none"> <li>▪ Ensure the property hires highly trained senior Maintenance Technician to be on-site at the property at all times.</li> </ul>

Spa Risks	Potential Severity	Likelihood	Mitigation Options
<p>guest experience and potentially revenue.</p>	<p>areas (hence impacting overall property revenue and guest satisfaction or return-custom). These malfunctions could also pose health &amp; safety issues which may put staff and guests at risk.</p>	<p>occur at a spa/pool facility (both in new and older facilities).</p>	<ul style="list-style-type: none"> <li>▪ It is vital to have thorough maintenance agreements drawn up with all spa &amp; pool equipment suppliers to ensure ongoing maintenance (within a maximum of 24 hours) is factored into the equipment purchase or lease agreements.</li> <li>▪ Ensure pre-opening equipment snagging is done well.</li> </ul>
<p>Guests having an on-site injury that cannot be attended to carefully and efficiently.</p>	<p>Severe given: Whilst many injuries are far less severe, injuries within a spa/pool facility can be fatal (e.g. drowning) if all health &amp; safety measures are not followed.</p>	<p>Moderately likely (for less severe injuries) due to:  Whilst more severe injuries are far less frequent, due to the wet nature of a spa and pool facility, minor injuries can be common in spa/pool facilities.</p>	<ul style="list-style-type: none"> <li>▪ Ensure adequate safety signage is displayed throughout the facility wherever required. A specialist signage consultant can assist the Spa Director with implementing this during pre-opening.</li> <li>▪ Spa / Pool Attendants must ensure they monitor guest areas at all times (and drying/wiping floors frequently).</li> <li>▪ Checklists to be provided for Attendants to follow within spa/pool/heat and water areas stating areas to check frequently throughout their working shift.</li> <li>▪ Install panic buttons in suitable areas throughout the spa/pool/heat and water areas where possible.</li> <li>▪ Recruit lifeguards if needed (as per NZ legislative requirements) depending on outdoor pool uses/depths. If needed, ensure a trained lifeguard is on duty in the outdoor pool areas at all times and is trained in pool rescue and first aid.</li> <li>▪ Ensure a large majority of guest-facing staff are all first-aid trained in basic first aid and resuscitation to avoid any major guest issues.</li> <li>▪ It is vital to have a range of first-aid stations available throughout the facility (which are replenished regularly).</li> </ul>
<p>Having an unsafe and unhygienic facility for guests.</p>	<p>Severe given: There are a range of common health &amp; safety issues that can arise within a spa / pool facility (e.g. chemical spills / chemical imbalance in pools, food poisoning, slips / falls, spa treatment injuries e.g. waxing, guests overheating / dehydration). Each issue can have severe consequences if not well prevented / managed. These can also be extremely damaging to</p>	<p>Moderately likely given:  There are many variables within a spa and pools facility which can occur if not well managed. However even within the best facility, accidents can occur due to the nature of the facilities &amp; services offered</p>	<ul style="list-style-type: none"> <li>▪ Have a specialist spa and pool consultant provide an international-level (and detailed) health &amp; safety standards guidelines document with comprehensive health &amp; safety system recommendations to act as a template for the operational team to build upon.</li> <li>▪ Engage a thorough health &amp; safety auditor to do annual (unannounced) audits of your facility to enable any 'improvement areas' to be rectified.</li> <li>▪ Ensure the entire spa / pools team are engaged in the importance of all health &amp; safety practices (e.g. cleaning, equipment checks, first aid / panic button testing etc). The management team should check</li> </ul>

Spa Risks	Potential Severity	Likelihood	Mitigation Options
	the business reputation long-term		<p>these standards are being met on a daily, weekly and monthly basis.</p> <ul style="list-style-type: none"> <li>Ensure the spa operations team engage daily with the night cleaners if there are any hygiene areas for concern as per SOP's.</li> </ul>
Hamam (or other specialty Therapists) being difficult to source, therefore these staff are not trained or skilled to a high standard and therefore treatment specialties being sub-standard.	<p>Moderate given:</p> <p>This may impact repeat-guest business and reputation of more specialist treatments at facility.</p>	<p>Moderately likely given:</p> <p>The New Zealand spa industry is relatively young &amp; Hamam Therapists are extremely specialist in this region.</p>	<ul style="list-style-type: none"> <li>Consider recruiting Hamam (or other specialty Therapists) from abroad (where the origins of specialisation are). Recruitment costs will need to be considered</li> <li>Have a specialist spa consultant use their international / local resources to source &amp; conduct the recruitment &amp; trade-testing for the Hamam therapists to maximise a skilled Hamam Therapist team.</li> <li>Have a specialist spa consultant conduct pre-opening Hamam (or other specialist treatment training) to impart initial specialist knowledge and create signature Hamam treatments unique to Te Aroha.</li> <li>If a therapist is recruited from abroad (on a short-term visa) make part of their job description training local therapists.</li> </ul>
The spa product(s) are not well-selected (not unique, or suitable to the spa concept / price point).	<p>Low-Moderate given:</p> <p>If an inappropriate line is selected (lacking in reputation) it may not gain the guest loyalty required (subsequently may impact repeat facial or body treatment business). It may also impact the Therapists ability to upsell the brand – limiting spa retail sales.</p>	<p>Moderately likely:</p> <p>If an internationally versed Spa Director is not hired early enough to be the leader of product research &amp; selection.</p>	<ul style="list-style-type: none"> <li>Ensure ongoing support / training (on-site) and product/treatment personalisation is factored into any product supplier agreements,</li> <li>Ensure well-trained spa staff (particularly Therapists, Spa Director and Treatment Manager are hired within the suggested timeframes to prevent inappropriate product selection. This will allow for adequate time to do a thorough product line research (inclusive of local distribution rights and exclusivity).</li> </ul>
A unique spa/pool service concept is not created pre-opening.	<p>Moderate given:</p> <p>Whilst a concept can be changed at any time, this can be a costly exercise (e.g. new marketing materials etc). Therefore, a unique spa/pool concept is vital from the outset to ensure revenue opportunities are maximised and the property stands out amidst market competitors.</p>	<p>Moderately likely if an internationally-versed Spa Director is not hired early enough to assist in the conceptualisation of the spa &amp; subsequent service offerings</p>	<ul style="list-style-type: none"> <li>Ensure the Spa Director and Treatments Manager are hired within the suggested timeframes to ensure a unique and professionally executed spa concept and service offerings</li> <li>Engage a specialist spa and pools consultant to provide a proposed Te Aroha unique/innovative spa concept alongside signature service suggestions and protocols to enable the property to stand out in both the local and international markets.</li> </ul>
Tools not being adequate to operate the spa / pools facility	<p>Moderate to severe given:</p>	<p>Moderately likely if an internationally-versed Spa Director is not hired early</p>	<ul style="list-style-type: none"> <li>Bring on a specialist spa consultant to assist in OS&amp;E / FF&amp;E Listing and to hand to the Spa Director for</li> </ul>

Spa Risks	Potential Severity	Likelihood	Mitigation Options
effectively and to international standards	The spa and pools equipment required is both plentiful and extremely specialist and needs to be relatively specific to maximise an effective operation and subsequent revenue.	enough to assist in the OS&E / FF&E spa & pools listing. Even then, they would require solid insight into national and international OS&E & FF&E standards (which can be challenging to find in NZ).	<p>sourcing, purchase, receiving &amp; storage. This will also help Te Aroha Spa to understand fair pricing expectations within the region to limit being over-charged.</p> <ul style="list-style-type: none"> <li>▪ Ensure all staff are hired within the suggested timeframes to assist in product selection (e.g. Treatments Manager etc.).</li> </ul>
Adequate storage is not provided for the pre-opening spa/pools OS&E and FF&E deliveries during construction.	Moderate to severe given: Thousands of dollars-worth of equipment could get damaged if stored in an unsuitable / unprotected area.	Highly likely if there is no (senior) staff on board early enough to assess storage needs & make suitable arrangements.	<ul style="list-style-type: none"> <li>▪ Work with the design and team and specialist spa consultant to identify storage needs early in the design process.</li> <li>▪ Arrange pre-opening storage facility several months ahead of the opening date with dimensions large enough to store the full OS&amp;E / FF&amp;E listing. Allow budget for this.</li> </ul>
A suitable training facility is not available for the Therapists & Hamam Therapists to train in all spa treatments prior to opening.	Moderate to severe given: This will have a direct impact on the professionalism of treatments being offered once the facility is open (which could have an adverse effect on guest satisfaction and revenue in the early / most impactful stages of the operation.	Highly likely if there is no (senior) staff on board early enough to make training arrangements. It is unlikely the spa / pools construction will be completed 3 months ahead of schedule.	<ul style="list-style-type: none"> <li>▪ Ensure a spa treatment training facility is ready to go with a minimum of 5 treatment beds at least 10 weeks prior to the opening date. Linen &amp; product arrangements will need to be made.</li> <li>▪ Bring on a specialist spa consultant 10-12 weeks prior to opening to assist in executing a detailed, professional and organised pre-opening training.</li> <li>▪ Ensure well-trained spa staff (particularly Therapists, Spa Director and Treatments Manager) are hired within the suggested timeframes to prevent inadequate training being given/arranged.</li> <li>▪ Ensure the Hamam facility is ready (and operating) at least a minimum of 4 weeks prior to the opening date as this is the only true location to conduct Hamam training.</li> </ul>
An inefficient / inappropriate spa software / booking system is selected.	Moderate given: Whilst not extreme, the better the spa software system is, the more efficient the guest service will be long term and the more effective the business tracking and revenue opportunities will be.	Moderately likely if an internationally-versed senior spa staff member is not brought in early enough to assist in the researching, trialling & selecting the most appropriate spa software system for the business.	<ul style="list-style-type: none"> <li>▪ Ensure well-trained spa staff (particularly Spa Director, Spa Operations Manager, Spa Operations Supervisor and Spa Concierge) are hired within the recommended timeframes to ensure system set up and configuration support is available 8 weeks prior to opening.</li> <li>▪ Ensure a professional spa software supplier is selected to support with a robust pre-opening &amp; ongoing operational support 24-hours daily.</li> <li>▪ Bring on a specialist spa consultant 8 weeks prior to opening to assist in executing a professional and organised pre-opening software configuration &amp; training with the wider spa team.</li> </ul>

Spa Risks	Potential Severity	Likelihood	Mitigation Options
<p>The property is not operationally ready for opening and sets a poor first impression to the market in the start-up phase.</p>	<p>Moderate given:</p> <p>Whilst a first impression is key, the general public does tend to give some leeway initially with basic service flaws, but mistakes would need to be rectified quite swiftly.</p>	<p>Moderately low if the right team are in place to manage the process carefully.</p>	<ul style="list-style-type: none"> <li>▪ Engage a specialist spa consultant to be on board for the 2 weeks prior to opening and 1 week post-opening to ensure the operation is 'guest ready'.</li> <li>▪ The specialist spa consultant can also assist with the pre-opening construction monitoring and operational set-up to ensure everything is completed as per specifications &amp; standards.</li> <li>▪ Ensure the full spa / pools team is hired within the recommended timeframes (and is led by a strong, experienced and knowledgeable pre-opening Spa Director).</li> <li>▪ Make sure all OS&amp;E and FF&amp;E equipment is delivered in a timely manner and all equipment &amp; supplies are on-site and set-up well before opening day.</li> <li>▪ Ensure commercial and detailed cleaning has been completed well ahead of the opening day.</li> </ul>
<p>Therapists are not 'guest ready' to start treatments on day 1 of the operation.</p>	<p>Moderate to severe given:</p> <p>This could drastically impact both the spa treatment revenue, but also guest satisfaction / retention if treatment quality control is not well managed.</p>	<p>Moderately low if the pre-opening training is well managed.</p>	<ul style="list-style-type: none"> <li>▪ Conduct a full 2 to 3-week simulation of all spa treatments and pool services for the spa team. This helps Therapists and Hamam Therapists get 'guest ready' by taking on helpful feedback from knowledgeable staff, and also gives the full team an opportunity to experience the services first-hand for better upselling opportunities.</li> <li>▪ Ensure the full spa team is hired within the suggested timeframe to ensure adequate training times leading up to the simulation practice.</li> <li>▪ Have a specialist spa consultant conduct &amp; lead the pre-opening treatment training alongside the Spa Manager (or Treatments Manager) to ensure everything is extremely well executed and all treatments (for each therapist) are signed off.</li> <li>▪ Have the Spa Treatments Supervisor create a 'Therapist Skills Matrix' highlighting which treatments or services each Therapist or Hamam Therapist can complete well. These services will also need to be loaded into the spa software booking system.</li> </ul>
<p>Spa collateral, marketing and support materials are not available for operational use.</p>	<p>Low to moderate given:</p> <p>Whilst a lot of information can be given online, limiting the availability of quality printed spa marketing material can have a</p>	<p>Moderate given there is a vast range of specialist marketing materials required to run a spa operation effectively.</p>	<ul style="list-style-type: none"> <li>▪ Engage a specialist spa consultant to provide a spa marketing collateral breakdown chart with template examples to use as a guide for the facilities' marketing and collateral needs.</li> <li>▪ Ensure the Spa Director is hired within the recommended timeframe</li> </ul>

Spa Risks	Potential Severity	Likelihood	Mitigation Options
	direct negative impact on revenue.		to liaise with an outsourced marketing company & ensure that the design/creation & printing is executed in time.
The pool and chemical safety are not being well-managed by the spa / pools operational team.	Severe given: Pool chemical spills or imbalances can cause death or severe injuries / illness in extreme cases.	Relatively low to moderate given:  Whilst there are a lot of pool chemical safety variables within a spa/pool facility, as long as well-managed, those which impact guests or staff do not occur frequently.	<ul style="list-style-type: none"> <li>▪ Have a specialist spa / pool consultant provide a template pool safety operating plan to be used as a guide for pool &amp; chemical safety.</li> <li>▪ Follow local legislation requirements and ensure the Maintenance Technicians or Spa Director document the 'pool chemical' standards well within the SOP's.</li> <li>▪ Ensure all pool chemicals are safely stored &amp; carefully handled with safety equipment always.</li> <li>▪ Ensure the team responsible for pool chemical handling are following SOP's at all times and the Spa Operations Manager checks this on a daily/weekly and monthly basis.</li> </ul>
Ongoing staff retention being a challenge.	Moderate given:  Whilst staff can be replaced, finding specialist and trained staff can take time. This time equates to money (particularly in the case of a Therapist or Hamam Therapist if a vacancy is unfilled for a period). Poor staff retention can also impact remaining staff morale.	Highly likely due to:  1. The more remote location of Te Aroha.  2. Staff retention within the global spa industry is known to be challenging at times.  3. Generally larger / more reputable hotel groups attract high quality spa staff so this could be a challenge of an 'unknown' standalone entity.	<ul style="list-style-type: none"> <li>▪ Measures will need to be taken to retain staff e.g. bonus incentive schemes, team-building outings to be budgeted, regular appraisals / staff meetings, staff accommodation / transportation or laundry to be offered etc.</li> <li>▪ Hiring the right staff from the outset is key. Bring on a specialist spa consultant to lead the recruitment for the spa and pools team. Utilise their expertise with how to make the right staff selection and the skills/attributes to look for.</li> <li>▪ Ensure the team hired is motivated, aware of the challenges of the location and fit well together. The Spa Director must always monitor this.</li> <li>▪ Try recruit and train local people where possible.</li> </ul>



## 5.0 FINANCIAL CASE

The following section covers the financial analysis of Option B: A new spa development utilising 125m<sup>2</sup> of geothermal pool surface water in total (GFA of 1,378 m<sup>2</sup>) for an estimated capital cost of \$17.4m in today's dollars and a forecast \$19.2 million with escalation when built by FY23.

### 5.1 GENERAL ASSUMPTIONS

The following general assumptions have been made:

- Annual inflation (CPI) will be 2% per annum. This is applied to all revenues, payroll and other costs.
- Council will own and operate the facilities.

### 5.2 CAPITAL ASSUMPTIONS

The indicative capital cost of the proposal is summarised below in Table 5.1. The indicative capital cost is in today's dollars. Also included is an estimate assuming the facilities are built in two years, allowing for capital cost escalation at 4% per annum, based on Quantity Surveyor advice.

**Table 5.1: Te Aroha Spa and Pool Facilities - Indicative Capital Cost**

NZ000's	Option B	Life (years)
Land	Owned by MPDC	
Building	10,693	50
Plant	916	20
Pools	1,089	15
FFE	316	8
Parking	1,709	10
Services	2,658	50
Estimated Cost in Today's \$	17,381	
Escalation - say 3 years at 4% pa	1,794	
<b>Estimated Cost when completed in June 2023</b>	<b>19,176</b>	

Source: Rough Order of Cost Estimate for Te Aroha Spa - MPM/ Maltbys, Quantity Surveyors, 23 Jan 2020

### 5.3 VISITS

The following assumptions have been made in relation to visits:

- The level of patronage and price are key to the facility's viability.
- Visits have been forecast based on the existing facility, latent demand (as evidenced by bookings being turned away for capacity reasons) and other facilities known to Visitor Solutions and Spa Evolutions (a specialist spa treatment consultant working with Visitor Solutions).
- The level of visits is forecast to increase annually until the facilities reach their operational capacity. This will be supported by a large marketing campaign in the year of opening and ongoing marketing thereafter (Table 5.2).

**Table 5.2: Visitation Forecasts**

	Current	Forecast								
	FY18	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Capacity
Spa Treatment Guests	2,800	6,000	6,360	6,742	7,146	7,503	7,879	8,272	8,603	18,220
Pool Guests	29,000	70,080	74,285	78,742	83,466	87,640	92,022	96,623	100,488	124,000

## 5.4 PRICING

The following assumptions have been made in relation to pricing:

- Pricing has been based on current pricing, pricing at similar facilities and the knowledge of Visitor Solutions and Spa Evolution.
- Proposed pricing is:
  - Average Spa Treatment lasting 75 minutes: \$201 including GST.
  - Average Private Pool fee: \$40 per person including GST.
 Pricing is assumed to increase at CPI each year.

## 5.5 OTHER REVENUE

- An allowance has been made for the sale of spa products to Spa Treatment guests, at a cost of sale of 50%.

## 5.6 STAFFING

The following assumptions have been made in relation to staffing:

- The Spa and Pools are forecast to employ 33.5 to 50 plus full-time equivalent staff, increasing as guest volumes increase.
- Staffing is the main cost of operations.

**Table 5.3: Staffing Schedule**

NZ000's	Option B	Salary/ Wage	Commissions
<b>Full Time Equivalents</b>			
Spa Director	1	\$115,000	
Manager	1	\$65,000	
Spa Ops Supervisor	1	\$48,880	
Spa Concierge	6	\$45,800	1% of total revenue
Treatment Supervisor	1	\$48,880	
Therapists	7	\$45,760	} 5% of treatment revenues and 7% of } retail sales
Hamam Therapist	2	\$42,640	
Spa/ Private Pool Attendants	10	\$43,995	
Overnight Cleaners	3	\$43,995	
Maintenance	1.5	\$72,500	
<b>Total Staff FTE Number</b>	<b>33.5</b>		

**Payroll Year 1 (FY24)** \$1,808,722

**Total including 8% on-costs** \$1,953,419 ACC, Kiwisaver, sick pay

Source: Spa Evolution, Hanmer Springs Thermal Pools

- As a sales incentive Therapists and Concierges are also paid a commission on turnover.
- Payroll is increased by CPI annually.
- Staff numbers for Spa Concierges, Therapists and Attendants are increased proportionally as the guest numbers increase.

## 5.7 OTHER COSTS

The following assumptions have been made in relation to other costs:

- Credit card commission costs at 2% have been allowed on all revenue.
- Cost of Sales for retail sales has been assumed to be 50% of revenue.
- Other costs have been built up by Spa Evolution and Visitor Solutions based on their knowledge from similar facilities and from benchmarks. The costs have been reviewed with Hanmer Springs with some additional maintenance and staff costs added.
- All costs inflate annually at CPI.

**Table 5.4: Spa Overhead Costs**

<b>Spa Overhead Costs</b>	<b>Option B</b>
Cleaning materials	\$6,869
Spa Software	\$15,500
Contract Services	\$77,279
Decoration	\$6,869
Guest Supplies	\$54,954
Laundry and dry cleaning	\$103,039
Maintenance	\$165,000
Marketing	\$100,000
Operating Supplies	\$17,173
Staff Training	\$20,608
Travel	\$21,869
Uniforms	\$4,808
Uniforms Cleaning Costs	\$17,173
Utilities	\$55,000
Insurance	\$70,000
General/ Other	\$91,006
<b>Annual Costs</b>	<b>\$827,147</b>
<b>Additional Costs in Year 1</b>	
Marketing Year 1	\$150,000
Uniforms - Year 1	\$19,500

Source: Spa Evolutions, Hanmer Springs Thermal Pools

## 5.8 FUNDING

As the Spa facility capital cost is not affordable by the Council alone, and as the facility meets the criteria for Provincial Growth Fund funding, it is assumed the facility will be funded:

- With support from Provincial Growth Fund (PGF) grant at 50% of the initial capital cost (\$9.6 million), and
- The balance (\$9.6 million) funded by Council with debt on typical Council funding terms, namely repayable over 30 years at a 3% interest rate. Whilst Council can currently borrow through the Local Government Funding Authority at a lower rate, 3% is used as a long term estimate.

## 5.9 FORECAST FINANCIAL PERFORMANCE

Based on the assumptions noted above the Te Aroha Spa facility is forecast to operate profitably and cash flow positive, including the repayment of Council debt over 30 years.

The forecast financial performance and cash flow is shown on the next page.

**Table 5.5: Forecast Financial Performance**

Statement of Financial Performance - Te Aroha Spa Facility		Note - Some years are hidden for presentation purposes only																			
	Year	1	2	3	4	5	6	7	8	9	14	19	29	30	34		49	50			
	NZ000's	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	
<b>Guests</b>																					
Spa Treatments		0	6,000	6,360	6,742	7,146	7,503	7,879	8,272	8,603	8,948	10,373	11,452	13,960	14,239	15,413		18,220	18,220		
Private Pools		0	70,080	74,285	78,742	83,466	87,640	92,022	96,623	100,488	104,507	121,153	124,000	124,000	124,000	124,000		124,000	124,000		
<b>Total Guests</b>		0	76,080	80,645	85,483	90,612	95,143	99,900	104,895	109,091	113,455	131,525	135,452	137,960	138,239	139,413		142,220	142,220		
<b>Revenue per Guest</b>																					
Spa Treatments			189	193	197	201	205	209	213	217	222	245	270	329	336	364		489	499		
Private Pools			38	39	39	40	41	42	43	44	44	49	54	66	67	73		98	100		
Average \$/Guest (including Retail)			51	52	53	54	56	57	58	59	60	66	75	96	98	109		154	158		
<b>Revenue</b>																					
Spa Treatments		0	1,135	1,227	1,327	1,435	1,537	1,646	1,763	1,870	1,983	2,539	3,095	4,598	4,784	5,605		8,918	9,096		
Private Pools		0	2,655	2,871	3,104	3,356	3,594	3,849	4,122	4,373	4,639	5,937	6,710	8,179	8,342	9,030		12,153	12,396		
Retail		0	114	123	133	143	154	165	176	187	198	254	309	460	478	561		892	910		
<b>Total Revenue</b>		0	3,904	4,221	4,563	4,934	5,284	5,659	6,061	6,430	6,821	8,730	10,114	13,237	13,605	15,196		21,963	22,402		
Cost of Goods Sold		0	(318)	(344)	(372)	(402)	(431)	(461)	(494)	(524)	(556)	(711)	(851)	(1,211)	(1,255)	(1,448)		(2,237)	(2,282)		
<b>Gross Margin</b>		0	3,586	3,877	4,192	4,532	4,854	5,198	5,567	5,906	6,265	8,019	9,262	12,026	12,350	13,748		19,726	20,120		
Gross Margin %			92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	91%	91%	90%		90%	90%		
<b>Indirect expenses</b>																					
Staff Costs		0	(417)	(1,953)	(2,075)	(2,172)	(2,356)	(2,491)	(2,599)	(2,801)	(2,918)	(3,071)	(3,805)	(4,392)	(5,730)	(5,845)	(6,583)		(9,485)	(9,675)	
Insurance		0	0	(76)	(77)	(79)	(80)	(82)	(84)	(85)	(87)	(89)	(98)	(108)	(132)	(135)	(146)		(196)	(200)	
Laundry and dry cleaning		0	0	(112)	(114)	(116)	(118)	(121)	(123)	(126)	(128)	(131)	(144)	(159)	(194)	(198)	(214)		(289)	(294)	
Maintenance		0	0	(179)	(182)	(186)	(190)	(193)	(197)	(201)	(205)	(209)	(231)	(255)	(311)	(317)	(343)		(462)	(471)	
Marketing		0	0	(108)	(110)	(113)	(115)	(117)	(120)	(122)	(124)	(127)	(140)	(155)	(188)	(192)	(208)		(280)	(286)	
Utilities		0	0	(60)	(61)	(62)	(63)	(64)	(66)	(67)	(68)	(70)	(77)	(85)	(104)	(106)	(114)		(154)	(157)	
Other		0	0	(362)	(369)	(376)	(384)	(391)	(399)	(407)	(415)	(424)	(468)	(517)	(630)	(642)	(695)		(936)	(954)	
		0	(417)	(2,849)	(2,988)	(3,104)	(3,306)	(3,460)	(3,588)	(3,809)	(3,946)	(4,120)	(4,963)	(5,670)	(7,289)	(7,434)	(8,304)		(11,801)	(12,037)	
<b>EBITDA</b>		0	(417)	737	889	1,088	1,226	1,394	1,610	1,758	1,959	2,145	3,056	3,592	4,737	4,916	5,444		7,924	8,083	
Depreciation		0	0	(657)	(657)	(657)	(657)	(663)	(663)	(642)	(620)	(527)	(441)	(463)	(577)	(836)	(827)		(861)	(621)	
<b>EBIT</b>		0	(417)	80	231	431	568	731	947	1,117	1,340	1,618	2,614	3,129	4,160	4,080	4,617		7,063	7,462	
Interest		0	0	(288)	(282)	(275)	(269)	(262)	(256)	(249)	(241)	(234)	(193)	(146)	(28)	(14)	0		0	0	
NPBT		0	(417)	(208)	(50)	155	299	468	692	868	1,098	1,384	2,421	2,983	4,132	4,065	4,617		7,063	7,462	
Tax		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
<b>NPAT</b>		0	(417)	(208)	(50)	155	299	468	692	868	1,098	1,384	2,421	2,983	4,132	4,065	4,617		7,063	7,462	
<b>Statement of Cash Flows - Te Aroha Spa Facility</b>																					
	NZ000's	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	
<b>Cash flow from Operations</b>																					
Receipts from Customers		0	0	3,904	4,221	4,563	4,934	5,284	5,659	6,061	6,430	6,821	8,730	10,114	13,237	13,605	15,196		21,963	22,402	
Payments to Suppliers		0	(417)	(3,167)	(3,332)	(3,475)	(3,708)	(3,890)	(4,049)	(4,303)	(4,470)	(4,676)	(5,674)	(6,521)	(8,500)	(8,689)	(9,752)		(14,039)	(14,319)	
Interest		0	0	(288)	(282)	(275)	(269)	(262)	(256)	(249)	(241)	(234)	(193)	(146)	(28)	(14)	0		0	0	
Tax		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	
<b>Operating Cash flows</b>		0	(417)	449	607	813	957	1,132	1,355	1,510	1,718	1,911	2,862	3,446	4,709	4,901	5,444		7,924	8,083	
Investing Cash flows		(9,400)	(9,776)	0	0	0	0	(47)	0	0	0	0	0	0	0	(5,632)	0		0	0	
<b>Free Cash flows</b>		(9,400)	(10,193)	449	607	813	957	1,085	1,355	1,510	1,718	1,911	2,862	3,446	4,709	(731)	5,444		7,924	8,083	
Grant		4,700	4,888	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	
Financing Cash Flows - Loan		4,700	4,888	(202)	(208)	(214)	(220)	(227)	(234)	(241)	(248)	(255)	(296)	(343)	(461)	(475)	-		-	-	
<b>Net Cash Flows</b>		0	(417)	248	399	599	737	858	1,121	1,269	1,470	1,656	2,566	3,103	4,248	(1,206)	5,444		7,924	8,083	
Net Present Value @ 10%		(114)																			
IRR		10.0%																			
Payback Years		14	excluding funding and interest																		

DISCLAIMER - These projections have been compiled from information and instructions furnished to us and estimates made by Deloitte. As these projections are based on assumptions about circumstances and events that have not yet taken place they are subject to variations that may arise as future events actually occur. Accordingly, we cannot give assurance that the predicted results will actually be achieved.  
Deloitte, Chartered Accountants, Christchurch 25 March 2020

## 5.10 SENSITIVITIES

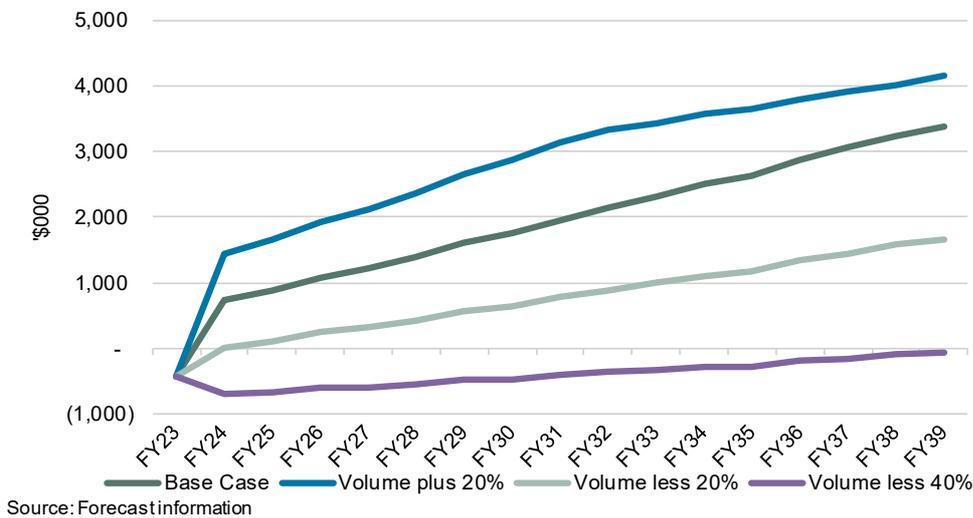
- Costs of operation are largely fixed. Therefore, the viability of the Spas and Pools is principally sensitive to volumes and prices.
- This is illustrated in the charts below, which summarise for the two Options for Changes in volume and changes in price.

### CHANGES IN VOLUME

The analysis below shows the impact of changes in volume.

- Earnings Before Interest, Depreciation and Tax (EBITDA) (or Operating Profit):
  - EBITDA increases or decreases proportionately with increases/ decreases in forecast guest numbers.
  - The operation still remains financially viable before funding costs at a decline in guest numbers of 20%, though with additional funding required for a few extra years of deficits before becoming profitable.
  - The numbers of years of deficit increases with lower guest numbers- a 40% decline (to Spa treatments 3,600 guests, pools 42,000 guests) would require an estimated \$4m in operating support over 10 years before surpluses are forecast to be achieved.

**Figure 5.1: Option B: Earnings Before Interest, Tax and Depreciation – Changes in Volumes**



Another way of illustrating this is to look at the impact of changes in volume on the payback period. That is, how many years of earnings (EBITDA) does it take to repay the initial investment. This is illustrated in the table 5. 6 below.

**Table 5.6: Initial Investment Payback**

Change in Volume	Guests - Year 1		Payback Years
	Spa	Pools	
Base	6,000	70,080	14
Volume plus 20%	7,200	84,096	10
Volume less 20%	4,800	56,064	25
Volume less 40%	3,600	42,048	50

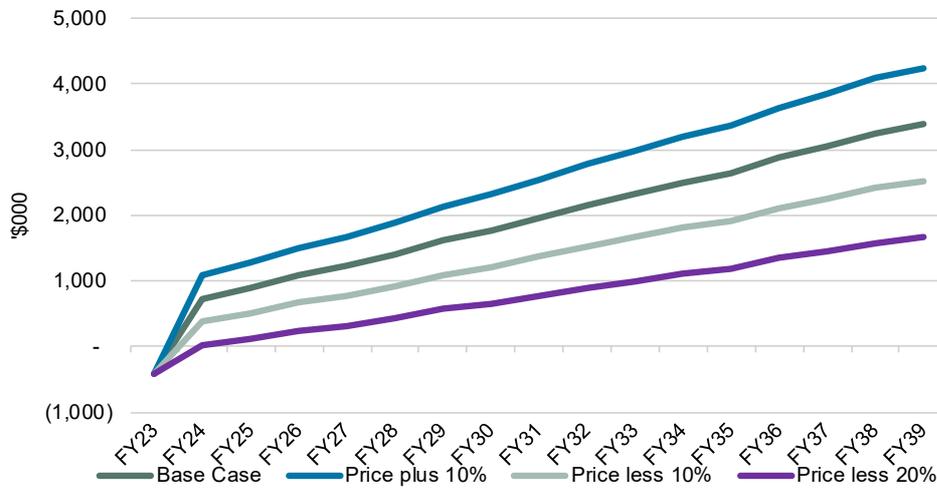
This shows:

- Increases in volume will make the payback period shorter and decreases in volume make the payback period longer.
- The operations are still viable at volumes less 20%, but would require operational funding for some of the earlier years.
- The operations are not viable at a volume decrease of 40%, because the payback period in Option B takes 50 years, which would mean it would require operational funding for a reasonably long period.

## CHANGES IN PRICE

The analysis below shows the impact of changes in price of +10%, -10% and -20%. This shows the Spa operation is less sensitive to reasonable changes in price than to changes in volume (Figure 5.2).

**Figure 5.2: Option B: Earnings Before Interest, Depreciation and Tax – Changes in Price**



Source: Forecast information

The impact of changes in prices on payback period is shown in the table 5.7 below.

**Table 5.7: Impact of Price on Payback**

Change in Price	Price - Year 1		Payback Years
	Spa	Pools	
Base	\$201	\$40	14
Price plus 10%	\$221	\$44	12
Price less 10%	\$181	\$36	18
Price less 20%	\$161	\$32	26

This shows that:

- Increases in prices will make the payback period shorter and decreases in price make the payback period longer.
- The operations are still viable at prices less 10%.
- The operations are still viable in Option B at prices less 20%.

## CHANGES IN INTEREST RATES

An interest rate of 3% has been applied and a debt repayment term of 30 years, with debt funding assumed at 50% of the capital cost. Analysis indicates a change in interest rate to 4%, 5% or 6% per annum reduces the change flows slightly (by approximately \$200k in year 1 at 6% interest rate, reducing to almost nil in later years (as debt is paid down). Interest rate is not a significant sensitivity.



# 6.0 MANAGEMENT CASE

## 6.1 PROJECT MANGEMENT APPROACH

A professional Project Manager will be employed to manage the project. A Project Management Plan will be developed for the project which will outline the objectives of the project, the way the project will be structured, who the key stakeholders are and their responsibilities, and the methodologies used to successfully implement the project management strategies. An outline of the content of this plan is set out in Table 6.1. Once prepared the plan will be peer reviewed by Council and another external project manager.

**Table 6.1: Te Aroha Spa Project Execution Plan content outline.**

Main Contents Heading	Main Sub Section Headings
1. Purpose of Document	
2. Project Definition	2.1 Vision 2.2 Objectives/Key Issues 2.3 Scope
3. Project Considerations	3.1 Assumptions 3.2 Constraints
4. Governance and Management Structure	4.1 Key Stakeholders 4.2 Project Governance 4.3 Project Control Group 4.4 Project Team Structure 4.5 Delegation and Approval Framework
5. Communications Management	5.1 Project Correspondence 5.2 Communications Strategy 5.3 PCG Meetings 5.4 Design Meetings 5.5 Site/Progress Meetings 5.6 Monthly Contract Report
6. Scope Management	6.1 Scope Changes
7. Milestone List	
8. Cost Management	8.1 Project Budget 8.2 Cost Planning 8.3 Cost Reporting 8.4 Approvals
9. Quality Management	9.1 Design Documentation Reviews 9.2 Performance Quality Standards 9.3 Construction Quality Assurance Audits
10. Risk Management	
11. Procurement Management	
12. Change Control	
13. Value Engineering	
14. Project Handover	
15. Appendices	A. Project Team Structure & Lines of Communication B. Project Contact List C. Project Programme D. Project Budget E. Risk Analysis

A Governance and Management Structure will be established which identifies the key stakeholders and assigns representatives to work on a Project Control Group (PCG) (Figure 6.1). A Terms of Reference document will identify the PCG representative’s roles and responsibilities for the day to day management of the project including decision making and capital expenditure authority. We would recommend the PCG has representation from Council, funders and Iwi.

The PCG will manage the project on behalf of Matamata-Piako District Council and give direction to the project by:

1. Developing the project brief,
2. Establishing and reviewing procedures,

3. Providing design development direction,
4. Reviewing and approving work progress,
5. Establishing who should be consulted, and when, and set the lines of communication.

The PCG will be chaired and minuted by the Project Manager. The PCG will generally convene on a fortnightly basis and other external consultants may attend meetings where specific matters are required to be discussed or reported. If desired Council may also appoint an independent consultant (normally with a specialist skill set aligned to the project) to sit on the PCG.

**Figure 6.1: Te Aroha Spa Precinct Development Project Team Structure and Lines of Communications.**

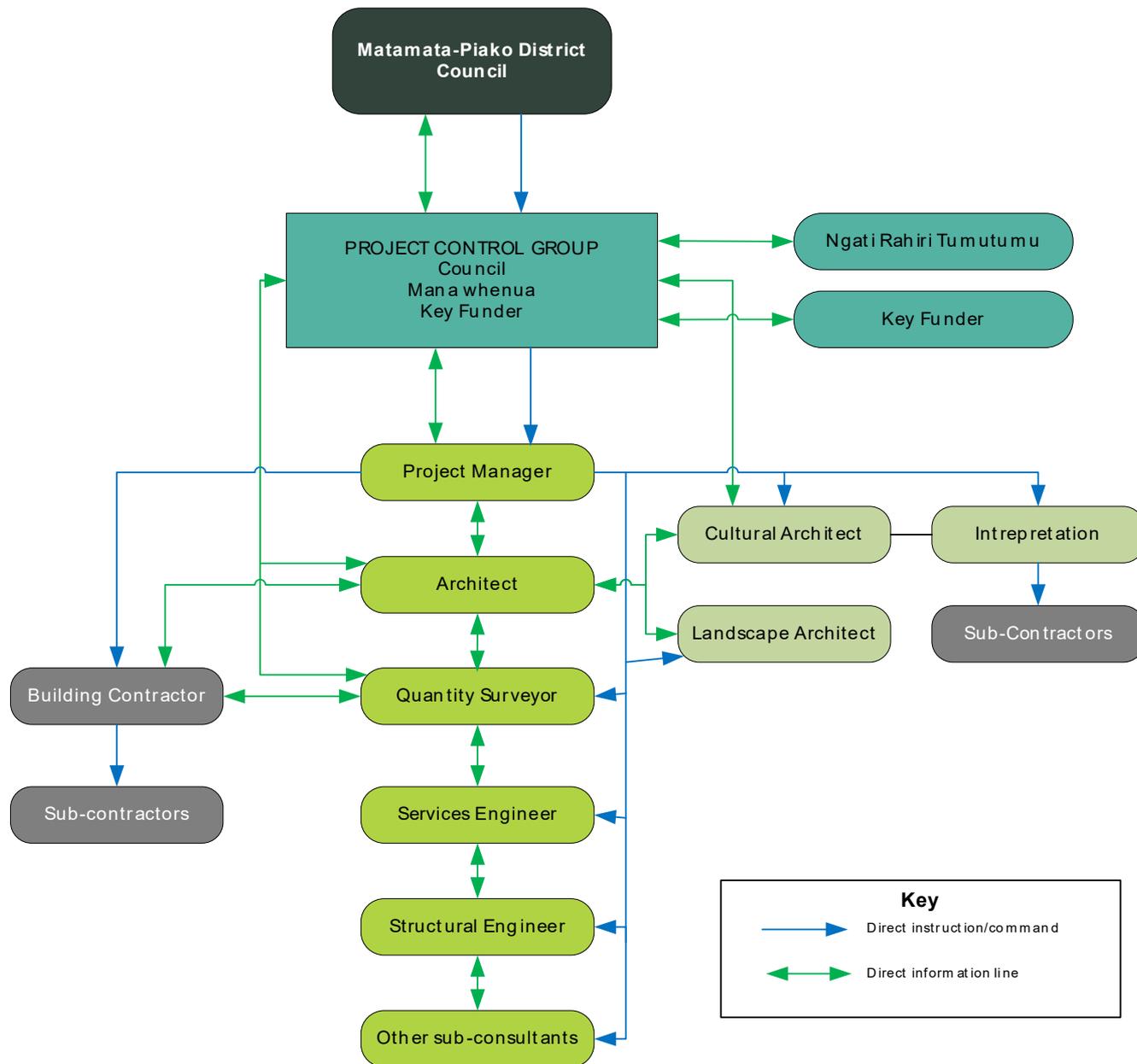


Figure 6.1 outlines the lines of direct communication / command and direct information lines. These extend between the Matamata-Piako District Council and the PCG, the PCG and Project Manager and Quantity Surveyor, the Project Manager and the design team and building contractor. These communication lines have been set to minimise operational risks and maximise efficiency during the design and construction project phases.

## 6.2 PROCUREMENT MANAGEMENT

Four different procurement approaches were considered during evaluation. These included:

- NZS 3910:2013 New Zealand Standard Conditions of contract for building and civil engineering construction. Under this approach, professional services are procured for design stages under consultancy agreements before the appointment of a contractor.
- NZS 3916: 2013 New Zealand Standard. Conditions of contract for building and civil engineering construction – **Design and Construct**.
- NEC3 (New Engineering Contract). This suite of contracts was developed from early work by the Institute of Civil Engineers in the UK.
- Early Contractor Involvement – an alternative contracting model where the inclusion of construction expertise in the development of a project could ensure decision making in the planning and designing phase is appropriately balanced with constructability issues.

Given the characteristics of the proposed spa development the favoured approach is a traditional model whereby a design team is appointed under professional service contracts and a construction contract is later awarded under NZS 3910. This gives a range of benefits to Matamata-Piako District Council including:

- Under this model, the client and partners (Iwi and funders) have more control over the complete design, including attendance at design meetings (via the PCG) and review gateways (back to Council direct through set reporting stages). This option gives the opportunity for the PCG (and its independent advisors) to get close to the design process and to be able to influence favourable design outcomes early in the process.
- Professional services such as architecture and engineering can be competitively tendered and appointed based on experience with similar projects, or personnel with specific skills in spa design.
- Pre-established relationships can lead to a closer-knit team, for instance, an architect and structural engineer may have worked together on previous relevant projects. The architect is responsible for assembling a team they can work with and is experienced in the necessary areas.
- Sub-contractors are stated in tender responses and can be evaluated as part of the total package.
- The project manager is already appointed and can provide advice to the PCG.
- Traditionally this approach is better understood by project managers and the New Zealand construction industry.
- The risk rests with the outsourced design team and engineers in terms of professional indemnity insurance.
- Early Contractor Involvement can still be coupled with this approach to provide construction guidance and advice to the appointed design team. This advice can be called upon by the project manager and PCG at an appropriate point in the design process.

Whilst a design / build procurement approach is feasible, it was discounted as it will not create the necessary level of owner and manager input into the design process. This is especially important as the building is a specialist design and small design optimisations can have a dramatic impact on the functionality and operation of the spa. Full ongoing access to the design team is considered an essential requirement.

Other disadvantages of NZS 3916 (design and construct) are that:

- The client can have a lack of control over detailed design,
- It can be difficult comparing concept designs,
- Undefined or loose specification can result in the lowest possible grade products being used to achieve the basic requirements of the specification,
- The pricing model needs to be well considered and articulated, as an ‘apples for apples’ approach is not possible.
- It can rest on simply being a design competition with the actual construction and programme of works being a secondary consideration.

An NEC3 procurement approach was also discounted. Many Councils in New Zealand who have experienced using the approach are now moving away from using NEC contracts. Whilst the rationale behind this is complex, issues cited include a history of poor experiences, a lack of understanding and market maturity from both the client and contractor and the ongoing impacts of risk sharing. Given the significance of the spa project to Matamata-Piako District Council it was

considered more appropriate to retain a more traditional approach with the opportunity to gain construction (buildability) input in other ways.

### The Proposed Procurement Approach – Design and Management

The project’s procurement approach is outlined below and in table 6.2.

1. The project will be led by Matamata-Piako District Council in partnership with funders and iwi. Council will appoint an external project manager who will be responsible for project delivery.
2. A procurement plan and risk analysis for the appointment of professional services will be developed.
3. The procurement plan will detail evaluation criteria, weighted attributes and the evaluation team proposed to review and undertake scoring. Evaluation teams will include members of the PCG.
4. Three separate commissions will be sought as described in Table 6.2. The first is the independent project manager. Following appointment, the project manager will oversee the procurement and appointment of a multi-disciplinary design team. This team will undertake the design process which will build on the work completed in the feasibility and business case and move into the traditional stages of Concept, Preliminary, Developed and Detailed Design. It will include architectural and engineering design (together with a range of sub-disciplines). The final appointment will be a quantity surveyor.
5. The design will primarily centre on the spa buildings which are the focus of this business case. Also included in the scope will be space planning, urban design, and landscaping of the entire domain site. It is the expectation the architect and its sub-consultants will design the greenspace surrounding the spa to provide attractive and welcoming spaces which link together.
6. Council’s independent project manager will chair the Project Control Group and report formally to Council.
7. The Elected Members will be kept updated as the project progresses. A formal recommendation will be presented to Council prior to the award of a construction contract.
8. It is anticipated that the design team will manage both base build and fit out contracts under one project and with one lead contractor.

**Table 6.2: Proposed procurement requirements**

<b>Appointment 1</b>	Procure a professional and experienced project manager to oversee the management of the design and construction process.
<b>Appointment 2</b>	Procure an appropriately experienced Architect to lead the design process, consenting and undertake construction observation during the build. The architect will also be responsible for fit-out design. The architectural team will contain specialist- spa and landscape design expertise. The architects will also manage the engineering design process including, but not limited to: structural, mechanical, electrical, hydraulic, fire, seismic, disciplines. This could be one company or more likely a joint submission from one or more suppliers.
<b>Appointment 3</b>	Procure a professional and experienced quantity surveyor to manage the project budget, including but not limited to: completing design cost reviews at pre-determined points, value engineering, tender analysis (financial), assessing and validating contractor claims, variations and preparing the final account.

### The Proposed Procurement Approach – Construction

The tendering process for construction contracts will involve:

1. Requests for Expressions of Interest (EOIs) from suitable contractors will be advertised on the Government Electronic Tendering Services website (GETS).
2. EOIs will be received and evaluated by the Project Manager, and representatives from the PCG to shortlist the most suited contractors to invite to tender.
3. Tenders will be received and evaluated by the Project Manager, and representatives from the PCG on price and non-price attributes.
4. Industry standard forms of contract and conditions of engagement will be issued to all suppliers.

## 6.3 PROJECT PROGRAMME

It is anticipated procurement of the packages outlined in Table 6.2 could start as early as July 2020 depending on successful funding requirements being met. A three-month procurement process with an ensuing 12 month design period is estimated.

Programme dates are dependent on the acceptance of planning, feasibility and business case information and the necessary funding commitments being made by Council and funders.

The indicative project programme is outlined in Appendix 5.

## 6.4 RISK MANAGEMENT

The Project Manager will take responsibility for monitoring and managing risk for the project. A risk register will be established to identify risks, quantified on the basis of probability and impact. The project manager will develop a mitigation plan. This risk analysis will be monitored and updated at regular intervals through the project.

The risk register will be reviewed by the PCG fortnightly and by the Matamata-Piako District Council on a monthly basis. Mitigation initiatives will be overseen by the Project Manager and reported to the PCG and Council.

## 6.5 BENEFITS

Delivery of the project benefits will be monitored at each project milestone to ensure the original project objectives are still being delivered at each milestone gate before approval is given by the PCG to proceed to the next project phase.

## 6.6 POST EVALUATION ARRANGEMENTS

Post occupation reviews will be carried out which will include interviews with key project team members and end users. This will compare project deliverables with original project objectives to confirm project success and also identify lessons learnt for future projects.



## **7.0 APPENDIX**

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### **7.1 APPENDIX 1: NGATI RAHIRI TUMUTUMU POSITION LETTER**

Craig Jones  
Visitor Solutions  
P O Box 9972  
Newmarket  
Auckland 1149

Dear Craig,

Ngati Tumutumu whakapapa to Te Aroha through their Chief Te Ruinga, a Ngati Rawkawa contemporary who conquered the old tribes of Te Aroha in the 1600's, embedding Ngati Tumutumu mana within this whenua.

The waters within the Maunga have always been sacred to Ngati Tumutumu. The healing powers of the waters were used by warriors after battle, King Tawhaio brought his warriors here after battle, to recuperate and mend their battled bodies.

Ngati Tumutumu has always claimed their rightful ownership of these lands, which led to the Waitangi Tribunal claim. Our claim is considered to be well founded and specifically recognises Ngati Tumutumu as kaitiaki over this whenua. Ngati Tumutumu are currently in negotiations with the crown over this and other claims within and around Te Aroha.

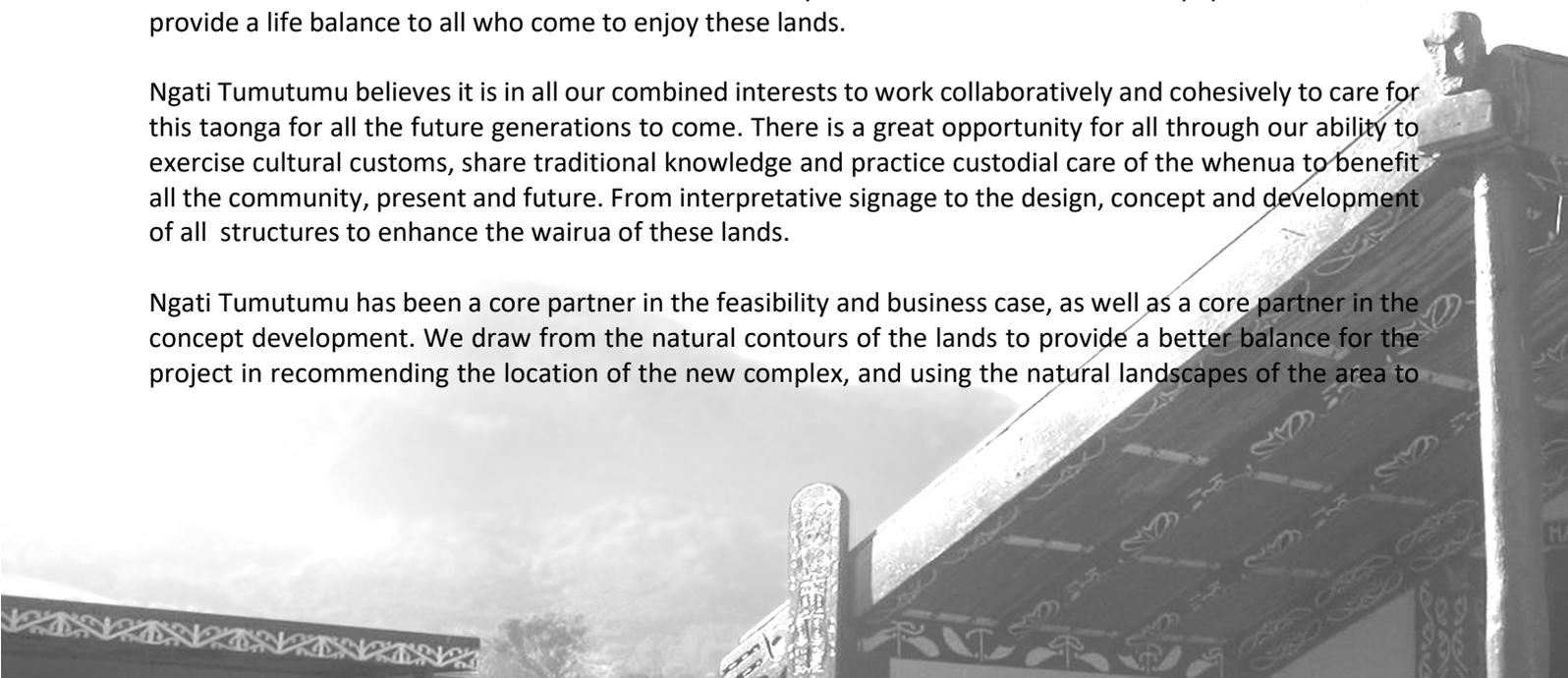
For Ngati Tumutumu, the role of kaitiaki seeks to preserve the special characteristics of the area, recognising the holistic nature of the natural world. Ngati Tumutumu believes the development and restoration of this whenua is of the utmost importance in restoring the wairua and mana of these waters, and therefore the lands to which they flow.

Ngati Tumutumu claim to the Waitangi Tribunal makes specific reference to the loss and alienation of the iwi from their traditions to this whenua and specifically, waters. In tradition, the source of whakapapa takes its beginnings from water, hence the spiritual importance of water to the culture of Ngati Tumutumu: from water comes life.

The Te Aroha Domain Spa Development Project is of the utmost importance to Ngati Tumutumu, both spiritually and culturally. Ngati Tumutumu has a positive role to play in this development of their traditional lands and waters. We believe that this mahi will not only benefit and restore our whakapapa and mauri, but provide a life balance to all who come to enjoy these lands.

Ngati Tumutumu believes it is in all our combined interests to work collaboratively and cohesively to care for this taonga for all the future generations to come. There is a great opportunity for all through our ability to exercise cultural customs, share traditional knowledge and practice custodial care of the whenua to benefit all the community, present and future. From interpretative signage to the design, concept and development of all structures to enhance the wairua of these lands.

Ngati Tumutumu has been a core partner in the feasibility and business case, as well as a core partner in the concept development. We draw from the natural contours of the lands to provide a better balance for the project in recommending the location of the new complex, and using the natural landscapes of the area to



guide the concept drawn up to date. We look forward to our involvement and participation continuing thought all levels of the project.

Ngati Rahiri Tumutumu must continue to be involved in the projects ongoing governance and at the table as a key member of any operational/management group such as a Project Control Group (PCG) including but not limited to input on the wider Domain and spa design. We look forward to working with council to formalise our involvement, and working on this exciting project over the coming months and years.

Yours faithfully,

Jill Taylor  
Iwi Representative

## 7.2 APPENDIX 2: HERITAGE ARCHITECTURAL REVIEW

18 February 2020  
2019-064

Craig Jones  
Visitor Solutions  
PO Box 9972  
Newmarket  
Auckland 1149  
E: [craig@visitorsolutions.net](mailto:craig@visitorsolutions.net)

## Te Aroha Tourism – Proposed New Spa Complex in Te Aroha Domain Historic Area Heritage Architect Commentary

Matamata Piako District Council have commissioned a consultant team led by Visitor Solutions to promote tourism in Te Aroha, with a focus on the significant Te Aroha Domain historic area.

As an outcome of the commission and as one of many initiatives proposed, a high-level concept design for a new Spa Complex building in the historic area is proposed by design-lead architect Pacific Environments. The purpose of this commentary is to evaluate the impact of the proposal in the context of heritage and the historic area.

### **Context**

Te Aroha Domain historic area is bounded by Whitaker, Boundary and Wilson Streets in central Te Aroha. The following is taken from a Built Heritage Summary report prepared by the writer in August 2019:

### **Built Heritage**

Heritage NZ listed the Te Aroha Domain as a Historic Area in 1994, and I reference sections of their appraisal as follows:

#### ***Historical Significance or Value***

*This historic area was registered under the Historic Places Act 1993. The following text is from the original Recommendation for Registration report considered by the NZHPT Board at the time of registration.*

*Historical: The Te Aroha Hot Springs Domain was for almost two decades the most popular of the three main spa resorts developed in New Zealand at the end of the nineteenth century.*

*CONCLUSION: Te Aroha Hot Springs has significant historical and cultural value as a once leading nineteenth Century New Zealand health resort. It has maintained a level of historic integrity unmatched by other spa resorts such as Hanmer Springs and Rotorua. The structures that remain and the landscape features of the Domain serve to maintain much of the original Edwardian character.*

*Architectural: Te Aroha is an interesting collection of vernacular bathing and recreational buildings that still reflects the character of the Edwardian era. Only a few of the original buildings remain but they are unique architectural examples of their type.*

*Aesthetic: The Te Aroha grounds represent the mature landscape that has been altered over time but one that still retains features from the gardens developed under H. Dalton and T.E. Pearson. The original landscaping that includes lake-lets, rockeries, exotic and native plant life is enhanced by the remaining Edwardian structures.*

*Archaeological: There are several significant archaeological sites within the Domain due to the removal of structures dating back to the spa's heyday.*

*Cultural/Social: Te Aroha reflects nineteenth Century attitudes to health problems and their cure. The Domain continues to play an important part in the town as an urban park area, a sports centre and as an attraction for local and international tourists.*

Working from first principles, HNZ's listing on the entire Domain recognises the area's relevance to the town's social and architectural history. This doesn't preclude changes, and I propose the following draft inventory:

1. **Buildings for retention** - recognised as having heritage value with Heritage NZ and/or local Council:
  - Cadman Bathhouse (1898) – use to be determined
  - Domain House (1908-23) – return as a teahouse/café/restaurant
  - No.7 or Maori Bathhouse (1886) – restore, possibly make open to public for museum viewing/interpretation
  - *i-Site* building (1894-1905) – possible use unchanged
  - Former Women's Bowling Pavilion (1905) – possible gallery use unchanged
  - Band Rotunda (1898-1905) – retain as is
  - No.2 bathhouse (1886) – Council to continue with restoration/adaptation works to concrete bath
  - No.15 Spring (1910) – retain as is
  - Cottage Café (Gardener's Cottage) (1907) – retain use, maintenance
  - Historic Gates (Whitaker St) – retain
  - Grand Hotel – refurbish for use as hotel

Ideally use/reuse each building/structure for its original intended purpose or a purpose which doesn't require wholesale changes to physical fabric or layouts. Retain extent of place curtilage or "free space" around each building.

2. **Buildings/landscape for possible retention, modification, removal or demolition** -
  - Mineral Spa Bathhouse (c 1990) – demolish, consider replacement building
  - Pools Building – retain as is
  - Croquet Club (c 1950) – retain for new use or remove/demolish
  - Former Bowling Pavilion (c 1980) – retain for new use or remove/demolish
  - Former Skating Pavilion (c 1957) – remove/demolish
  - Former Croquet Greens – retain, modify in-line with proposal
  - Former Bowling Greens – modify in-line with proposal
  - Lake-lets & Playgrounds – retain or modify in-line with proposal
  - Utility Shed – remove/demolish
  - Toilet & Carport – remove/demolish

### ***The Proposal***

Reference: Pacific Environments Architects, 19053 Te Aroha Tourism Precinct, drawing sheets A01, A101, A102, A104, dated 22 Jan 2020 ~

A building complex including features and functions appropriate to a world-class thermal spa is proposed, located behind the Cadman Building and adjacent to the band rotunda, lake-lets and playground. A carpark to serve the new complex is also proposed, located in the adjacent site to the northwest, with a direct footpath link passing through the lake-lets.

Existing spa complex - the existing spa facility is considered inappropriate in design aesthetic, inadequate in size and layout and in a location considered too far away from other activities proposed for the site.

Location – the new spa complex is to be located some 16m behind (to the northeast) of the central and significant Cadman Bathhouse.

Architectural Response to site - the size and scale of the complex is considerably larger than the existing spa complex and other built structures in the Domain. This is to meet the expectations and demands of international tourism and offer a thermal spa experience that is world-class.

A biophilic\* design approach is adopted, which goes hand-in-hand with a built form design heavily influenced by the Domain site's topography. The outcome is an architectural response not of a heroic built monument upon the land, but rather an arrangement of spa functions and features inserted into a concentrated landscape of knolls and mounds – natural or man-made. The spin-offs are all positive:

- i. User interest and engagement (enabled by the design);
- ii. A built design which has an easy relationship with the existing site topography by sitting low in the landscape (nominally 2.5m above natural sloping ground), has a roof plane "lid" that is tilted parallel with the existing sloping topography, and;
- iii. Architectural drawcard – Te Aroha is once again "on the map" of tourist attractions, not only for a world-class thermal spa complex, but new architecture in a compelling micro-landscape set within a broader historical landscape of Edwardian architecture. The sum-total is unique.

*\* Biophilic design is a concept used within the building industry to increase occupant connectivity to the natural environment through the use of direct nature, indirect nature, and space and place conditions.*

Impact on the historic area: Cadman Bathhouse – located more or less in the centre of the historic area, the Cadman Bathhouse presents itself to Te Aroha as the hero building in the Domain. It is a single, central, point of focus and its siting on level ground together with the ceremonial steps leading up to it (on approach from Whitaker Street) is reminiscent of the sense of pride, celebration and civic importance upheld in 1898 at the height of the town's popularity.

It follows that any additions or alterations to the Domain built structures or landscape be highly scrutinised and carefully considered so as to be sensitive to the heritage-rich buildings and landscape.

The new spa complex is modern in design. It does not take any architectural cues from the Cadman Bathhouse or any other Edwardian building on the site. This is intentional, with the premise being that new structures in the historic area be *complimentary by contrast* in design, rather than derivative in form, scale, proportions and materials. The existing c.1990 Mokena spa baths building is a case in point of derivative design. While it is clearly a sensitive and fitting architectural response to the surrounding heritage buildings, it does little to contribute, in a spirited or positive manner, to the opportunity that presented itself to design a modern building. It is, however, understandable that a new building in the Domain historic area in 1990 was odds-on always going to be a facsimile of the significant buildings such as the Cadman Bathhouse.

#### Impact on the historic area: landscape in general

With reference to drawing sheet A104, this long-section drawing (from the top-to-bottom of the Domain site) shows the proposed spa complex building in relation to the sloping site, demonstrating how the new complex:

- a. is distanced from the Cadman Bathhouse (by nominally 16m)
- b. is visually masked from the Whitaker St aspect with retention of large trees between Cadman Bathhouse and new spa complex
- c. does not compete, architecturally, with the Cadman Bathhouse
- d. sits low in the ground on a formed shelf, rising out of the ground with a cap or lid roof limiting its presence in the landscape to nominally 2.5m above natural sloping ground

#### Impact on the historic area: rotunda & lake-lets

With reference to drawing sheet A101, the proposed spa complex is located to the southeast of the existing lake-lets, with the closest point of the complex some 6m away from the closest water edge. An existing network of formed paths weave in and around the lake-lets and will be retained, with the addition of one more formed path cutting across the sloping land to directly link the spa complex with a carpark, located in the adjacent property to the northwest.

The responsibility to get it right – a blanket caveat must apply in allowing such a thoroughly modern built response in the historic area. This condition is that stakeholders responsible for its delivery must not cut any corners in the design, construction and implementation processes. To do so would quite possibly jeopardise, or at the very least compromise, the desired, great, outcome.

Put another way: for the new Te Aroha Spa Complex to draw the crowds it must be award-winning, internationally recognised architecture. It is not puerile to compare (its potential) to the Guggenheim Museum in Bilbao Spain, or the Sydney Opera House.

Thinking on a big scale, and thinking optimistically and embracing new architecture in what is otherwise an historic precinct is required, if only to get out of the pedestrian rut that a 2020 version of an Edwardian timber building would otherwise offer – a missed opportunity.

### ***Conclusion***

I trust this commentary assists stakeholders and interested parties with their consideration of the proposed new spa complex design and the potential tourism development opportunities it unlocks in the Te Aroha Domain historic area site. My review of the Pacific Environments design has given rise to the effects such a large-scale and architecturally modern built proposal will impact on the status quo of recognised, respected and coveted heritage buildings in an equally valued heritage landscape. I believe the effects are positive and the design initiative taken to offer up a spa complex with so much opportunity – as an architectural and tourism drawcard – is to be commended. I strongly endorse the design proposal and look forward to its creation with great optimism for: New Zealand modern architecture; New Zealand architecture in a recognised historic area; and the future growth and prosperity (through tourism) of the town of Te Aroha.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lloyd Macomber', written in a cursive style.

**Salmond Reed Architects Ltd**

**Lloyd Macomber**

ARCHITECT / DIRECTOR

### 7.3 APPENDIX 3: PRELIMINARY QUANTITY SURVEY



**Rough Order of Cost Estimate**

**For**

**Te Aroha Spa**

**23 January 2020**

## Te Aroha Spa

### Rough Order of Cost Estimate - January 2020 Clarifications & Exclusions

#### Clarifications

Estimates are based on the following :

PENZL Schedule of Spaces dated 29/08/19

Boffa Miskell Site zoning plan dated 3 Sept Rev A

Estimates assume a traditional procurement process

Provisional Allowances have been made where noted for items where scopes have been assumed.

Should the location of new carparking be consolidated in one location on the site of the existing Pensioner Flats, then there would be an additional cost in the order of \$2m+ to demolish and rebuild these pensioner flats in a new location (plus land acquisition costs, Council costs and fees).

#### Exclusions

The following are excluded from these estimates:

Boffa Miskell Plan Key references as follows:

- 4 I -Site
- 5 Existing Public parking
- 6 On street Parking
- 7 Existing playground
- 8 Rotunda
- 9 Cadmen Bathhouse
- 13 Existing pool
- 14 #2 Bathhouse
- 16 Low impact Zip line/ropes experience
- 17 Shared space road zone
- 18 Key Connection between domain & river
- 21 Minigolf course
- 22 Café & Function Venue

Site specific allowances including geotech issues

Development Contributions & Infrastructure Growth charges

Land, Finance & Legal costs

Escalation costs from 1st Quarter 2020

GST

mpm projects

**MALTBYS**

DEFINING COSTS · MANAGING RISK · DELIVERING RESULTS

Map Ref	Item					
<b>Te Aroha Spa Precinct</b>						
<b>Rough Order of Cost Estimate - January 2020</b>						
<b>1</b>	<b>Destination Playground</b>					
	Demolition & site clearance	1	Sum	40,000	40,000	
	Provisional Sum Allowance for Destination Playground	1	Sum	1,000,000	1,000,000	
	Provisional Sum Allowance for Landscaping	1	Sum	200,000	200,000	1,240,000
<b>2</b>	<b>Croquet Lawns</b>					
	Demolition & site clearance	1	Sum	70,000	70,000	
	Relocate existing clubrooms	1	Sum	20,000	20,000	
	x1 new croquet lawn	1	Sum	160,000	160,000	
	Provisional allowance to make good x3 existing lawns	1	Sum	75,000	75,000	325,000
<b>3</b>	<b>Event Area</b>					
	Demolition & site clearance	1	Sum	10,000	10,000	
	Grade & regrass lawn areas	1	Sum	80,000	80,000	
	Provisional Sum Allowance for Landscaping	1	Sum	100,000	100,000	
	Provisional allowance for BBQ sites x 4	4	Sum	20,000	80,000	270,000
<b>10</b>	<b>New Spa Complex (Refer separate Estimate)</b>					
<b>11</b>	<b>Service Zone</b>					
	Allowance for new service access road	1	Sum	200,000	200,000	
	Provisional Sum Allowance for Landscaping	1	Sum	50,000	50,000	250,000
<b>12</b>	<b>Remove existing Spa Building</b>					
	Demolition & site clearance	1	Sum	65,000	65,000	
	Allowance for making good tracks	1	Sum	20,000	20,000	
	Provisional Sum Allowance for Landscaping	1	Sum	75,000	75,000	160,000
<b>15</b>	<b>Carparking</b>					
	Allowance for Carparking (4 No locations)	1	Sum	1,200,000	1,200,000	
	Provisional Sum Allowance for Landscaping	1	Sum	150,000	150,000	1,350,000
<b>19</b>	<b>Gateway Threshold Points</b>					
	Provisional Sum Allowance for Sculptures/gateway treatments	2	Sum	200,000	400,000	400,000
<b>20</b>	<b>Reinstate maori ngawha as key node point</b>					
	Provisional Sum Allowance for pathway realignments	1	Sum	150,000	150,000	
	Provisional Sum Allowance for Landscaping	1	Sum	50,000	50,000	200,000
<b>23</b>	<b>Relocation of Services Shed</b>					
	Provisional Sum Allowance for relocating services shed	1	Sum	170,000	170,000	170,000
	<b>Provisional Sum Allowance for site wide landscaping</b>	1	Sum	500,000	500,000	500,000
	<b>Te Aroha Spa Precinct Sub Total</b>					<b>4,865,000</b>
	Professional Fees	15%				730,000
	Consent fees					75,000
	Contingency	10%				567,000
						<b>\$6,237,000</b>
						<b>Say \$6.3M</b>
	<b>Site Interpretation</b>					
	Refer Separate Budget Allowance for Interpretation, wayfinding signage, maps, themed installations sculpture installations					
	Option "A"	1	Sum	2,820,000	2,820,000	<b>\$2,820,000</b>

<div style="border: 1px solid red; padding: 5px; display: inline-block;"> <b>mpm projects</b> </div>					
<b>MALTBYS</b> <small>DEFINING COSTS · MANAGING RISK · DELIVERING RESULTS</small>					
<b>Te Aroha Spa</b>					
<b>Rough Order of Cost Estimate - January 2020</b>					
<b>Option A (based on 63m2 pool surface area, no heat pump)</b>					
<b>BUILDING</b>					
RECEPTION/RETAIL/WAITING/KITCHENETTE	75	m2	4,500	337,500	
MULTI-USE TREATMENT ROOM-WITH SHOWER	12.5	m2	6,700	83,750	
MULTI-USE TREATMENT ROOM-WITH SHOWER	12.5	m2	6,700	83,750	
MULTI-USE TREATMENT ROOM-WITH SHOWER	12.5	m2	6,700	83,750	
MULTI-USE TREATMENT ROOM-WITH SHOWER	12.5	m2	6,700	83,750	
MULTI-USE TREATMENT ROOM-WITH SHOWER	12.5	m2	6,700	83,750	
MULTI-USE TREATMENT ROOM-WITH SHOWER	12.5	m2	6,700	83,750	
COUPLES TREATMENT ROOM	25	m2	6,700	167,500	
COUPLES TREATMENT ROOM	-	m2	6,700	-	
BOH SPA AREAS	130	m2	4,500	585,000	
LAUNDRY	15	m2	4,500	67,500	
DRYING ROOM	-	m2	4,500	-	
RELAXATION AREAS	40	m2	5,700	228,000	
FEMALE SPA CHANGE/WC/SHOWERS	40	m2	6,600	264,000	
MALE SPA CHANGE/WC/SHOWERS	40	m2	6,600	264,000	
FEMALE HAMAM	25	m2	9,000	225,000	
MALE HAMAM	25	m2	9,000	225,000	
FEMALE EXPERIENCE SHOWER	8	m2	7,600	60,800	
FEMALE EXPERIENCE SHOWER	8	m2	7,600	60,800	
MALE EXPERIENCE SHOWER	8	m2	7,600	60,800	
MALE EXPERIENCE SHOWER	8	m2	7,600	60,800	
FEMALE SAUNA	16	m2	8,000	128,000	
MALE SAUNA	16	m2	8,000	128,000	
FEMALE STEAM ROOM	16	m2	8,200	131,200	
MALE STEAM ROOM	16	m2	8,200	131,200	
OUTDOOR POOL	-	m2	7,500	-	
STANDARD PRIVATE POOL 1	17	m2	7,500	127,500	
STANDARD PRIVATE POOL 2	17	m2	7,500	127,500	
STANDARD PRIVATE POOL 3	17	m2	7,500	127,500	
STANDARD PRIVATE POOL 4	17	m2	7,500	127,500	
STANDARD PRIVATE POOL 5	17	m2	7,500	127,500	
DELUXE PRIVATE POOL	20	m2	7,500	150,000	
O/D EXPERIENCE SHOWER 1	-	m2	7,600	-	
O/D EXPERIENCE SHOWER 2	-	m2	7,600	-	
WATER PLANT	20	m2	2,700	54,000	
BUILDING PLANT	95	m2	2,700	256,500	
GENERAL SERVICES	25	m2	2,700	67,500	
GENERAL STORE	50	m2	2,700	135,000	
RUBBISH	20	m2	2,700	54,000	
CIRCULATION	260	m2	4,500	1,170,000	
Gross floor area	1,161	m2			
<b>POOLS</b>					
OUTDOOR POOL	1	Sum	100,000	100,000	
STANDARD PRIVATE POOL 1	1	Sum	50,000	50,000	
STANDARD PRIVATE POOL 2	1	Sum	50,000	50,000	
STANDARD PRIVATE POOL 3	1	Sum	50,000	50,000	
STANDARD PRIVATE POOL 4	1	Sum	50,000	50,000	
STANDARD PRIVATE POOL 5	1	Sum	50,000	50,000	
DELUXE PRIVATE POOL	1	Sum	55,000	55,000	
O/D EXPERIENCE SHOWER 1	1	Sum	50,000	50,000	
O/D EXPERIENCE SHOWER 2	1	Sum	50,000	50,000	
<b>SPECIALIST PLANT</b>					
FEMALE HAMAM	1	Sum	33,000	33,000	
MALE HAMAM	1	Sum	33,000	33,000	
FEMALE EXPERIENCE SHOWER	2	Sum	27,000	54,000	
MALE EXPERIENCE SHOWER	2	Sum	27,000	54,000	
FEMALE SAUNA	1	Sum	20,000	20,000	
MALE SAUNA	1	Sum	20,000	20,000	
FEMALE STEAM ROOM	1	Sum	23,000	23,000	

MALE STEAM ROOM		1	Sum	23,000	23,000
OUTDOOR POOL		1	Sum	40,000	40,000
STANDARD PRIVATE POOL 1		1	Sum	20,000	20,000
STANDARD PRIVATE POOL 2		1	Sum	20,000	20,000
STANDARD PRIVATE POOL 3		1	Sum	20,000	20,000
STANDARD PRIVATE POOL 4		1	Sum	20,000	20,000
STANDARD PRIVATE POOL 5		1	Sum	20,000	20,000
DELUXE PRIVATE POOL		1	Sum	25,000	25,000
O/D EXPERIENCE SHOWER 1		1	Sum	27,000	27,000
O/D EXPERIENCE SHOWER 2		1	Sum	27,000	27,000
					<b>\$7,136,100</b>
Prov Allowance for excavation/retaining to form building platform		1	Sum		600,000
Prov Allowance for access paths, ramps etc		1	Sum		400,000
Prov Allowance for hard paving around building		1	Sum		200,000
Prov Allowance for landscaping		1	Sum		200,000
Prov Allowance for outdoor structures		1	Sum		200,000
Prov Allowance for services infrastucture		1	Sum		1,400,000
Prov Allowance for mineral water supply/ storage		1	Sum		100,000
Prov Allowance for loose furniture fittings & equipment		1	Sum		200,000
<b>Spa Facility Sub Total</b>					<b>10,436,100</b>
Professional Fees		15%			1,619,600
Consent fees					95,000
Contingency		10%			1,216,000
					<b>\$13,366,700</b>
					<b>Say \$13.4M</b>
<b>Note:</b>					
Pricing based on a metal roof option. Premium cost for other roof options as follows:-					
1. Membrane roof option premium \$300,000					
2. EFTE roof option premium \$600,000					
3. Green roof option premium \$1,350,000					
All based on a roof area of 1250m2					

Te Aroha Spa		mpm projects		
Rough Order of Cost Estimate - January 2020		MALTBY'S		
Option B (based on 124m2 pool surface area, no heat pump)		DEFINING COSTS · MANAGING RISK · DELIVERING RESULTS		
BUILDING				
RECEPTION/RETAIL/WAITING/KITCHENETTE	75	m2	4,500	337,500
MULTI-USE TREATMENT ROOM-WITH SHOWER	13	m2	6,700	87,100
MULTI-USE TREATMENT ROOM-WITH SHOWER	13	m2	6,700	87,100
MULTI-USE TREATMENT ROOM-WITH SHOWER	13	m2	6,700	87,100
MULTI-USE TREATMENT ROOM-WITH SHOWER	13	m2	6,700	87,100
MULTI-USE TREATMENT ROOM-WITH SHOWER	13	m2	6,700	87,100
MULTI-USE TREATMENT ROOM-WITH SHOWER	13	m2	6,700	87,100
COUPLES TREATMENT ROOM	26	m2	6,700	174,200
COUPLES TREATMENT ROOM	26	m2	6,700	174,200
BOH SPA AREAS	150	m2	4,500	675,000
LAUNDRY	15	m2	4,500	67,500
DRYING ROOM	20	m2	4,500	90,000
RELAXATION AREAS	40	m2	5,700	228,000
FEMALE SPA CHANGE/WC/SHOWERS	48	m2	6,600	316,800
MALE SPA CHANGE/WC/SHOWERS	48	m2	6,600	316,800
FEMALE HAMAM	25	m2	9,000	225,000
MALE HAMAM	25	m2	9,000	225,000
FEMALE EXPERIENCE SHOWER	8	m2	7,600	60,800
FEMALE EXPERIENCE SHOWER	8	m2	7,600	60,800
MALE EXPERIENCE SHOWER	8	m2	7,600	60,800
MALE EXPERIENCE SHOWER	8	m2	7,600	60,800
FEMALE SAUNA	16	m2	8,000	128,000
MALE SAUNA	16	m2	8,000	128,000
FEMALE STEAM ROOM	16	m2	8,200	131,200
MALE STEAM ROOM	16	m2	8,200	131,200
OUTDOOR POOL 1	-	m2	7,500	-
OUTDOOR POOL 2	-	m2	7,500	-
STANDARD PRIVATE POOL 1	17	m2	7,500	127,500
STANDARD PRIVATE POOL 2	17	m2	7,500	127,500
STANDARD PRIVATE POOL 3	17	m2	7,500	127,500
STANDARD PRIVATE POOL 4	17	m2	7,500	127,500
STANDARD PRIVATE POOL 5	17	m2	7,500	127,500
STANDARD PRIVATE POOL 6	17	m2	7,500	127,500
STANDARD PRIVATE POOL 7	17	m2	7,500	127,500
STANDARD PRIVATE POOL 8	17	m2	7,500	127,500
DELUXE PRIVATE POOL 1	20	m2	7,500	150,000
DELUXE PRIVATE POOL 2	20	m2	7,500	150,000
O/D EXPERIENCE SHOWER 1	-	m2	7,600	-
O/D EXPERIENCE SHOWER 2	-	m2	7,600	-
WATER PLANT	40	m2	2,700	108,000
BUILDING PLANT	115	m2	2,700	310,500
GENERAL SERVICES	25	m2	2,700	67,500
GENERAL STORE	50	m2	2,700	135,000
RUBBISH	20	m2	2,700	54,000
CIRCULATION	280	m2	4,500	1,260,000
Gross floor area	1,378	m2		
POOLS				
OUTDOOR POOL 1	1	Sum	120,000	120,000
OUTDOOR POOL 2	1	Sum	120,000	120,000
STANDARD PRIVATE POOL 1	1	Sum	50,000	50,000
STANDARD PRIVATE POOL 2	1	Sum	50,000	50,000
STANDARD PRIVATE POOL 3	1	Sum	50,000	50,000
STANDARD PRIVATE POOL 4	1	Sum	50,000	50,000
STANDARD PRIVATE POOL 5	1	Sum	50,000	50,000
STANDARD PRIVATE POOL 6	1	Sum	50,000	50,000
STANDARD PRIVATE POOL 7	1	Sum	50,000	50,000
STANDARD PRIVATE POOL 8	1	Sum	50,000	50,000
DELUXE PRIVATE POOL 1	1	Sum	60,000	60,000
DELUXE PRIVATE POOL 2	1	Sum	60,000	60,000
O/D EXPERIENCE SHOWER 1	1	Sum	50,000	50,000
O/D EXPERIENCE SHOWER 2	1	Sum	50,000	50,000



Te Aroha Spa

Asset Renewal Cost Estimate - January 2020

mpm projects

**MALTBYS**  
DEFINING COSTS - MANAGING RISK - DELIVERING RESULTS

Spa Facility Option B

Asset Replacement	Replacement cycle	\$ Today	year 5	year 10	year 15	year 20	year 25	year 30	year 35	year 40	year 45
Roofing & cladding	40	590,000								590,000	
Roofing & cladding repaint	10	200,000		200,000		200,000		200,000			
Alumin Joinery	20	440,000				440,000				440,000	
Repaint internal linings	10	200,000		200,000		200,000		200,000		200,000	
Joinery	15	75,000			75,000			75,000			75,000
WC partitions	15	75,000			75,000			75,000			75,000
Floor Finishes	10	150,000		150,000		150,000		150,000		150,000	
Elect/Fire /data/security	20	750,000				750,000				750,000	
HVAC	20	1,300,000				1,300,000				1,300,000	
Sanitary Fittings	15	150,000			150,000			150,000			150,000
Specialist pool plant	15	600,000			600,000			600,000			600,000
Recoat pools	10	55,000		55,000		55,000		55,000		55,000	
Recoat Treatment rooms	5	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Landscaping	10	75,000		75,000		75,000		75,000		75,000	
Reseal carparks	15	60,000			60,000			60,000			60,000
Furniture Fittings & Equipment	15	250,000			250,000			250,000			250,000
Main services infrastructure	30	1,000,000						1,000,000			
Annual Total			40,000	720,000	1,250,000	3,210,000	40,000	2,930,000	40,000	3,600,000	1,250,000

## 7.4 APPENDIX 4: GEOTHERMAL WATER CONSENTING



1 November 2019

✦ Craig Jones  
Director  
Visitor Solutions  
PO Box 9972  
Newmarket  
**AUCKLAND 1149**

Dear Craig

## TE AROHA TOURISM PRECINCT GEOTHERMAL FEASIBILITY ASSESSMENT

### 1.0 Background

Pattle Delamore Partners (PDP) were engaged by Visitor Solutions to provide specialist advice relating to the geothermal resource for the Te Aroha Tourism Precinct Development feasibility study for Matamata-Piako District Council (MPDC). The proposed development comprises enhancement of the existing Te Aroha Domain to include a spa resort and associated visitor attractions. There are existing geothermal pools at the site but it is likely that the development will involve expansion of these pools potentially requiring additional geothermal resource use. In September 2019, PDP completed a desk-based review of the geothermal (hot water) supply, which will form an integral part of the overall operation.

This letter provides follow up advice regarding the consenting process and an outline of the next steps towards acquiring an appropriate geothermal take consent to supply the development.

### 2.0 Consenting Considerations

Following the initial review, the project team are further considering and refining design options and potential constraints. PDP was requested by Visitor Solutions to make initial contact with Waikato Regional Council (WRC) to discuss general requirements for supporting a consent application and identify any potential significant barriers to obtaining additional allocation from the geothermal resource.

On 31 October 2019, a phone discussion between Blair Thornburrow (PDP) and Katherine Luketina (Geothermal Scientist at WRC) took place and is summarised below:

- ✦ BT explained that MPDC are assessing development options for the Te Aroha Domain including various hot pool design configurations. Options involving greater areas of pools may require additional take of water and heat from the Te Aroha geothermal system over what is currently allowed by existing consents.
- ✦ BT sought comment from KL as to whether there are any significant known roadblocks to a potential consent application at this stage (e.g. concerns about the geothermal resource as a whole).



- ∴ KL advised that from her technical perspective, that while the Te Aroha geothermal resource is not well understood, there were no significant concerns about the resource which would hinder an application process, notwithstanding the normal consideration of potential effects.
- ∴ An application and supporting assessment would need to include the following (among others):
  - Demonstration of water and heat use efficiency (waste/loss minimisation) and description of the overall heat and water budget.
  - Inclusion of the existing unconsented spring supply to existing Bath House.
  - Results of a pumping and drawdown test on an existing or new geothermal bore (depending on whether a new bore is drilled).
  - Input from a specialist geothermal consultant to review the geology, geochemistry and geophysics information in detail.
  - The beneficial economic effects of the proposal would also be considered as part of the overall effects assessment.
- ∴ KL noted that the level of assessment required to support the application would be commensurate with the proposed proportional increase to the existing consented take.

### 3.0 Next Steps

In order to develop a scope of works for tasks required to obtain an additional take from the geothermal resource, confirmation of the preferred design and associated geothermal take requirement is needed. Following this there are two distinct staged work phases associated with advancing the geothermal supply:

1. **Source capacity assessment.** Determination of whether the existing infrastructure can supply the design demands, which may involve flow testing on existing bores. Possible exploratory drilling, construction of a geothermal production bore(s) and associated testing. Potential revision of design if supply capacity is less than design demand or driven by other factors e.g. cost/benefit.
2. **Resource consent application process.** Preparation of an assessment of effects including pump test/drawdown analysis, specialist assessment of the geothermal resource and demonstration of efficient resource use. Reliant on outcomes of Stage 1 confirming both supply and demand.

The timing of Stage 1 will depend largely on whether drilling would be involved as this could require a number of months to complete. The consenting process may also take several months, depending on the process followed (e.g. notified or non-notified). The outcome of any consent application process cannot be guaranteed in advance and is subject to consideration of the application by WRC.

#### 4.0 Limitations

This memorandum has been prepared by Pattle Delamore Partners Limited (PDP) on the basis of information provided by Visitor Solutions and others (not directly contracted by PDP for the work), including Waikato Regional Council. PDP has not independently verified the provided information and has relied upon it being accurate and sufficient for use by PDP in preparing the memorandum. PDP accepts no responsibility for errors or omissions in, or the currency or sufficiency of, the provided information.

This memorandum has been prepared by PDP on the specific instructions of Visitor Solutions for the limited purposes described in the memorandum. PDP accepts no liability if the memorandum is used for a different purpose or if it is used or relied on by any other person. Any such use or reliance will be solely at their own risk.

Yours faithfully

**PATTLE DELAMORE PARTNERS LIMITED**

Prepared by



**Blair Thornburrow**

Water Resources Service Leader

Reviewed and Approved by

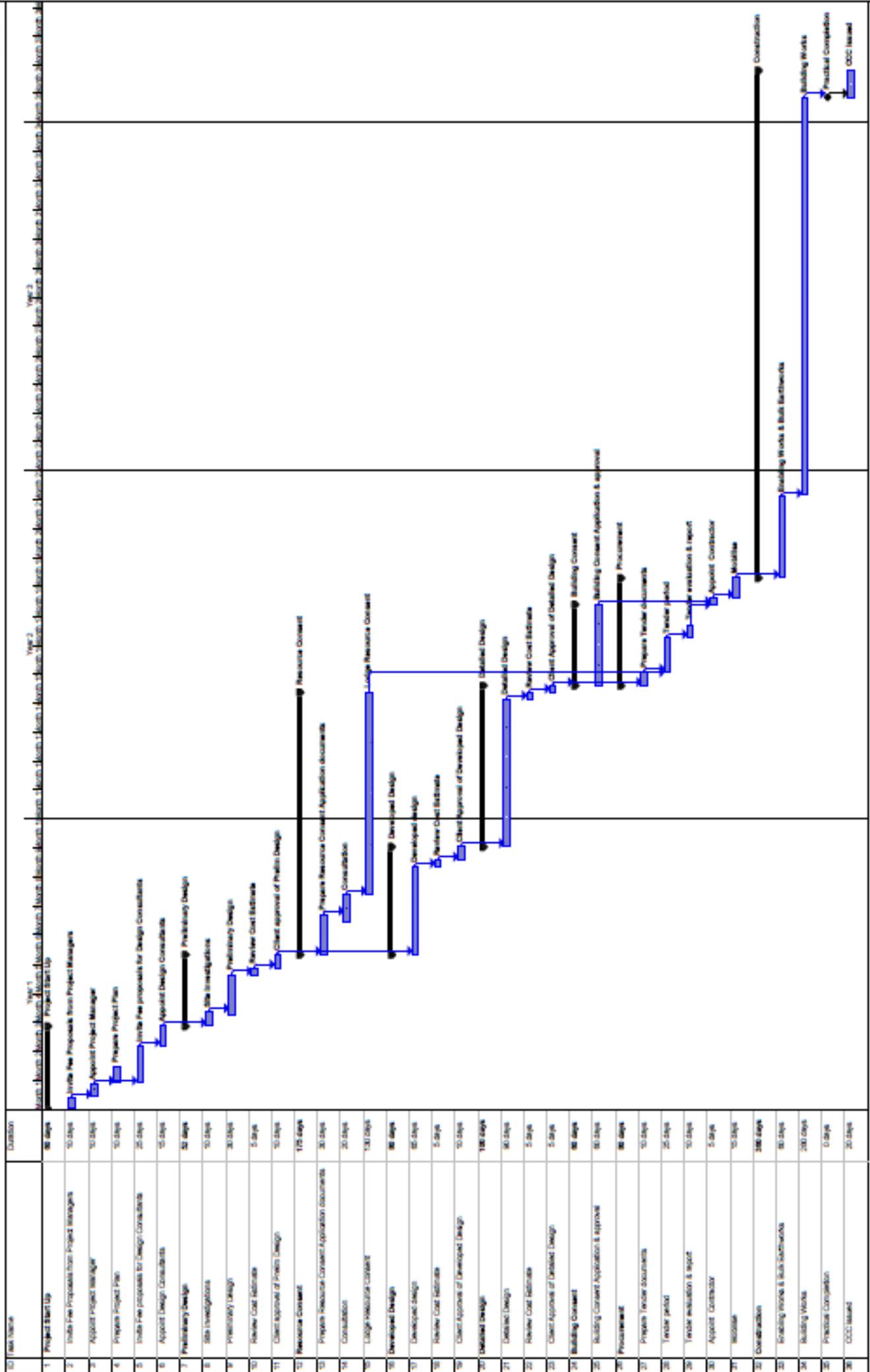


**Alan Pattle**

Technical Director

**7.5 APPENDIX 5: INDICATIVE PROJECT PROGRAMME**

Te Aroha Spa Precinct Development



## 7.6 APPENDIX 6: COMPETITOR ANALYSIS

There are large numbers of 'hot pool' sites throughout the mid-to-upper North Island associated with the 'Golden Triangle' area (i.e. Auckland, Waikato, Bay of Plenty). Rather than addressing the many small natural hot-pool and largely hotel-based spa pool facilities, this analysis focusses on those facilities which operate more in a context of larger 'spa/resort' destinations. These are nearby destinations/sites that are somewhat comparable to what has been historically operated in Te Aroha in the past (and could do so in the future).

### 'COMPETITOR' REVIEW

This table summarises high-level descriptive content about a several different larger scale spa/thermal offers in the Golden Triangle area (Auckland, Waikato, Bay of Plenty). This area covers sites within 2 hours drive of Te Aroha' including the focal thermal areas of Rotorua and Taupo.

<p><b>Wairakei Terraces and Thermal Health Spa</b></p>	<p>State Highway 1, Wairakei, Taupo 3377</p> <p>Proximity - 148km - 1 hr 50 min drive</p>	<ul style="list-style-type: none"> <li>• Large natural style thermal/hot pool spa destination.</li> <li>• Geothermal bore water emerging through originally artificial, but now naturally growing silica terraces, over a waterfall before descending through a series of manmade hot pools of steadily reducing temperature.</li> <li>• A large hotel complex is adjacent.</li> <li>• Linked to walkway tours through an adjacent natural terrace and geyser areas (also walkways and plantings around pools)</li> <li>• Has added Maori cultural experience options</li> <li>• Various styles of massage available.</li> <li>• Adults-only site (14years+).</li> <li>• Cost \$25 per person (14 years+) for the hot pools, extra for booked massages or the cultural experiences (if active)</li> <li>• Open all year from 8am-9pm (Thursdays closed)</li> </ul>
<p><b>Waikite Valley Thermal Pools</b></p>	<p>648 Waikite Valley Rd, Waikite Valley, Rotorua 3077</p> <p>Proximity - 136km - 1 hr 50 min drive</p>	<ul style="list-style-type: none"> <li>• Natural style thermal/hot pool destination.</li> <li>• Hot pools straight out of the Te Manaroa natural boiling spring.</li> <li>• Six pools in a range of temperatures, including a large leisure pool, sit and soak pools and private pools. Also, a walkway to the source spring and large café.</li> <li>• Includes a campsite with 26 powered/unpowered sites, laundry and kitchen facilities, thermally-heated drying room, and free access to the pools.</li> <li>• \$16.50 adult, \$9 child, \$3 U5s</li> <li>• Open all year from 10am-9pm</li> </ul>
<p><b>Okoroire Hot Springs</b></p>	<p>18 Somerville Rd, RD2, Tirau, 3485</p> <p>Proximity - 56km - 40 min drive</p>	<ul style="list-style-type: none"> <li>• Small thermal pool destination.</li> <li>• Three secluded hot springs in rural setting near Tirau</li> <li>• Historic spa site with main hotel established in 1889</li> <li>• Hotel includes restaurant and spaces for events, functions, conferences, meetings etc., and is located adjacent to a golf course</li> <li>• Cost \$10 per person per hour</li> <li>• Open all year from 7.30am-7pm</li> </ul>
<p><b>Miranda Hot Springs</b></p>	<p>Front Miranda Rd, RD 6, Thames, Miranda 3576</p> <p>Proximity - 61km - 50 min drive</p>	<ul style="list-style-type: none"> <li>• Large basic thermal pool destination.</li> <li>• Three pool complex in open rural location including large main warm swimming pool, smaller cooler children's pool and hotter adult-only spa pool.</li> <li>• Current pool established in the late 1950s.</li> <li>• Other facilities include play spaces, games room and separate dairy style shop onsite.</li> <li>• Located adjacent to the large Miranda Holiday Park which includes its own thermal pool, extensive activity/play options, and usual campground kitchen, laundry and shop facilities.</li> <li>• Cost \$14 adult (14 years+), \$7 children (3-13 years), \$9 non-swimmers, Free for children U3. \$15 per 30mins for private spa, per person</li> <li>• Open all year from 9am-9pm.</li> </ul>

<b>Polynesian Spa</b>	1000 Hinemoa St, Rotorua 3010  Proximity - 104km - 1 hr 20 min drive	<ul style="list-style-type: none"> <li>• Large high-end spa destination.</li> <li>• Geothermal hot mineral waters in central Rotorua are sourced from two natural springs (with different water properties) and feed into 28 hot mineral pools.</li> <li>• Current spa complex established in 1972 on the site of earlier spa buildings near Government Gardens and include a café and 'Spa-Essentials' shop.</li> <li>• Costs range for different pool and spa experiences from starting at \$10 for family pools to \$179 for day-spa retreat experiences. Extras can include Deluxe spa, massage, mud therapies or facials (individually or in package combinations).</li> <li>• Open all year from 9am-9pm.</li> </ul>
<b>The Lost Spring</b>	121A Cook Dr, Whitianga 3510  Proximity - 130km - 1 hr 50 min drive	<ul style="list-style-type: none"> <li>• High-end spa destination.</li> <li>• Geothermal bore water running through a series of manmade hot pools in a planted natural setting in Central Whitianga.</li> <li>• Located adjacent to several small waterfront resort and apartment complexes.</li> <li>• Established in the 1990s</li> <li>• Many customised services, treatments and therapies available including massage, facials, foot pampering, poolside food and drink services, multiple soaking options in a variety of package options.</li> <li>• Adults-only site (14years+, 14-18 with 1:1 adult).</li> <li>• Costs range for different pool and spa experiences from starting at \$45 for 1½hr pool soak (\$80/day) to a \$420 all day 'Pure Decadence' experience.</li> <li>• Open all Year from 9:30am - 6:00/8.00pm Sun–Thu/Fri-Sat</li> </ul>
<b>Taupo DeBretts Spa Resort</b>	76 Napier-Taupo Road, SH 5, Taupo 3330  Proximity - 158km - 2 hr drive	<ul style="list-style-type: none"> <li>• Large Aquatic/Spa resort complex featuring 2 large thermal water pools in natural planted settings. 12 internal private thermal pools and multiple other thermally heated aquatic facilities including a kids' warm-water park/playground, spa-pools and hydro-slides.</li> <li>• There is also a day spa with various body treatments, massages, facials, pedicures, thermal mud etc. in a range of packages.</li> <li>• The wider complex also includes a café and a full Holiday Park with a variety of accommodation options from motel units to tent sites. The Hilton Lake Taupo is located adjacent.</li> <li>• Costs for pool use: \$23 Adult, \$16 Students (13-17 years), \$11 Seniors (65+), \$12 Children (4-12 years), \$3 Children &lt;3 years (and spectators). Hydro-slides \$8. Costs for a variety of other treatments range from around \$20-\$200 subject to package.</li> <li>• Open all Year from 8:30am – 9.30pm.</li> </ul>
<b>Mount Hot Pools</b>	9 Adams Ave, Mount Maunganui, Tauranga 3116  Proximity - 90km - 1 hr 20 min drive	<ul style="list-style-type: none"> <li>• Hot thermal water is used to heat saltwater for the five pools, comprising a cooler active pool and children's pool, a warmer passive pool, and 2 hotter spa pools.</li> <li>• Private pools and massage options are also available along with some programmed activities (more like an aquatic centre)</li> <li>• Costs start for basic public pool use \$14.70 Adult, \$9.40 Seniors (65+) and children 5-15 years, \$5.90 Children (2-4 years), free Children &lt;3. All prices are higher for private pools. A variety of massage options range from \$50-120</li> <li>• Open all year from 6:00am – 10.00pm (8.00-10.00 Sun/hols).</li> </ul>
<b>Parakai Springs</b>	150 Parkhurst Road, Parakai, Helensville, Auckland, 0830  Proximity - 184km - 2 hr 20 min drive	<ul style="list-style-type: none"> <li>• Large Aquatic/Spa resort complex featuring 2 large thermal water pools (one indoor and one outdoor), indoor private pools and spa pools and two hydrosides. While thermal mineral water is used this water is treated.</li> <li>• There is a private venue option available including various indoor and outdoor function spaces for up to 20. It includes staffing and catering services.</li> <li>• A café and campground also provide some onsite food and accommodation options.</li> <li>• A private spa/beauty service is also available onsite for various treatments and massages.</li> <li>• Costs for pools: \$26 Adult, \$19 Students, \$16 Seniors, \$13 Children (5-15 years), \$6 Toddlers (3-4 years), \$3 babies. Hydro-slides included.</li> <li>• Open all year from Sun-Thu 10am-9pm and Sat -Fri 10am-10pm</li> </ul>

## 7.7 APPENDIX 7: BEST PRACTICE

### FACTORS FOR NEW ZEALAND SPA / HOT POOLS SUCCESS

Design, service and operational up-keep are all vital factors when ensuring spa/heat and water facility success. This was reiterated in a 2019 targeted spa and hot pool survey (conducted with New Zealand hot pool visitors at Glacier Hot Pools, Franz Josef). The survey highlighted the key needs of a guest when visiting a spa or heat and water facility. These needs are shown below:

1. A quality experience (in service, facilities and cleanliness),
2. Somewhere that offers the 'whole experience' (e.g. treatments, spa and hot pools),
3. A facility with all the mod-cons (and offering value for money),
4. Somewhere to enjoy views of nature or 'authentic' New Zealand.

Many of the same key motivators (quality service, facilities and cleanliness) have also appeared in international research.

Spas that do not raise their standards and meet market expectations will likely drop behind the innovators and become less or even non-viable. As the earlier sections indicate the existing Te Aroha spa is dropping behind in the market.

#### The Importance of Design

With the international maturity of the spa and wellness industry and a vast increase in spa consumer expectations, both stand-out design aesthetics and optimal functionality are paramount within a quality spa and wellness facility. The right design of a spa and wellness facility is not only key to ensure a commercially successful investment, but also to encourage a more operationally efficient space (maximising the overall guest experience and revenue).

A design that focuses on a clear concept, flexibility for dynamic treatment offerings, ease of guest flow and strategically designed back of house spaces is far more likely to deliver a successful spa experience. Effective design input from the outset will ensure specialist fixtures and furnishings will be functional, long-lasting and from reputable manufacturers, spa equipment will be well-concealed from the guest, therapists are able to deliver treatments quickly and effectively, a holistic guest journey will be as efficient as possible and guest relaxation/comfort is maximised.

Some (non-exhaustive) examples of good spa design / planning are:

1. Treatment rooms and relaxation areas are in close proximity to one another for ease of guest movement.
2. Investment in quality equipment. For example, a spa treatment experience can improve drastically if enjoyed on a luxury treatment bed vs a cheap static model.
3. Cultural preferences to be considered when designing gender-separated (or inclusive) facilities.
4. Heat/water facilities having good connectivity to spa treatment areas (creating a more holistic experience yet minimising wet disruption in dry areas).
5. Treatment areas are separated (and sound-proofed) from potential high-noise areas / guest types (such as noisy outdoor pools, café's and fitness centres).
6. Spa retail spaces are interactive and easily accessible to the spa check-out / reception area.

Whilst effective design is easier to achieve within a new-build facility, it can also be achieved within a renovation of a pre-existing facility with the right planning. In either case, it is key development plans are always both customer and operator centric.

For example, the current Te Aroha hot pools facility has demonstrated a strong guest need for more private pool and spa treatment spaces due to high turn-away business over recent years. Similarly, local industry growth indicates the need to upgrade to a more international-level facility (that allows Te Aroha to remain competitive within the market and commercially buoyant). A focus will need to lie with a property that fulfils current market desires (i.e. with high-level facilities / mod-cons, service and cleanliness).

#### The Importance of Quality Service & Standards

In order to deliver a first rate spa and wellness experience, the facility and price need to be matched with the same level of service delivery. To enable this, staffing levels should be based on the size of facility and level of service and cleaning detail required. For example, a more international-level facility would focus on less guest self-service and more on direct staff service in public spa/pool areas. This would involve servicing guests with towels and water and keeping equipment maintained to optimum levels.

This requires an adequate number of spa / pool attendants and technical staff to be on site at all times in public spa and pool areas. A quality spa requires constant, dynamic management to ensure daily/weekly and monthly processes are optimised,

the latest wellness trends get integrated into the offering, training is kept up-to-date and marketing activities adjust to changes in the target guests. Good spa service is an on-going effort but pays off with repeat business and subsequently, profit.

### **The Importance of Well-Maintained Pool, Heat & Water Facilities**

Maintaining the quality of the spa heat and water facilities to fixed standards will enhance the guest enjoyment of the spa and prolong equipment life. For this reason, it is crucial to ensure good water quality. The risk of bacterial contamination is low when best facility maintenance practices are applied. Good water chemistry requires regular maintenance and is a balance of several key factors: water treatment/recirculation/replacement, equipment maintenance, water quality monitoring, regular inspections, daily record keeping, bather compliance with hygiene and usage rules and operator training. Failure to maintain spa pool, heat and water areas well can result in poor and potentially harmful conditions for users (particularly vulnerable groups e.g. young children, the elderly and those with low immunity) and possible damage to the spa. All these factors can have grave consequences to guest health and safety, operator reputation, and subsequently the long-term commercial success of the spa facility.

### **The Importance of Clean & Well-Maintained Treatment Areas**

Similarly, cleanliness and up-keep of spa treatment areas is vital to ensure operational effectiveness, asset longevity, guest safety and enjoyment. Rigid health and safety checklists (including cleaning programs, spa equipment checklists and maintenance inspections) must be followed at all times to ensure treatment facilities are optimally maintained and to avoid any guest incidents/complaints due to faulty or unsafe equipment. Hygiene in these areas (particularly important due to the sensitivity of some services offered, such as waxing, laser, machine facials). A specialist spa and wellness consultant or experienced operator can assist with ensuring that suitable operational systems and procedures are in place. It is then down to the operational team to ensure that these are strictly followed on an ongoing basis. Failure to do so can also have a direct impact to a spa reputation and subsequently, repeat custom/revenue.

### **Upgrade / Renovation Upgrade Timeframe Norms**

Regular renovations and upgrades are an essential part of spa operations to keep it up to standard, fresh and aligned with or exceeding competitor offerings. This not only helps properties maintain the quality / longevity of their product investment, but it also keeps them ahead of (or at least in line with) their competition.

Renovations are generally led by several key drivers; the need for ongoing upkeep or remedial works to be done (to ensure equipment and facilities are working effectively), operator feedback (with upgrade works done to fulfil operational needs), and innovations led by the need to remain in line/ahead of market competitors. For owners, the decision of when, and in what areas to reinvest is driven by a variety of factors. These include ongoing health and safety preventative measures, the age and condition of the asset, guest expectations, revenue generation priorities, and in some cases brand requirements. Priorities of the business and the asset should be balanced, but modifications should always improve guest flow/safety, increase revenues and improve visual appeal (by being more current in the marketplace).

Frequency of upgrading the spa asset is very much dependent on the level of maintenance carried out over the facility life span, the quality of the materials used and of course level / number of users in that space. It is better to have a constant rolling schedule of refreshing and replacement maintenance/ upgrades (where your tolerance threshold for wear and tear is low). If things are not well maintained in this way, there will be a huge impact to the revenues and operation by having to shut down to renovate a spa completely in the long run. Some basic guidelines for the frequency of spa upgrade recommendations (from a world-renowned spa & wellness group - Mandarin Oriental Hotel Group) are:

1. Spa furniture, finishes and lighting etc: Upgrade as required each year,
2. Carpets/rugs: Every 7 years (generally only used in low-traffic public areas (e.g. area rugs under displays, seating cluster rugs etc.),
3. Timber flooring: Every 5-10 years (dependent on environment e.g. near sea etc),
4. Timber wall panelling: Every 10-12 years (or earlier dependent on usage and environment)
5. Stone flooring: Every 30+ years (if cleaned well & regularly),
6. Wet areas (pools, heat and water experiences): Should last for 15-18 years if well manufactured (saunas may need refinishing or bleaching every 3-5 years and interim maintenance renovations to the wet areas should also be ongoing and certainly touched-up prior to the 10-12 year mark),
7. Plant room equipment (i.e. Pool filters and motors): Should have lifetime guarantees if properly maintained,
8. Steam generators: Every 5-10 years,
9. Sauna stoves: Every 10-12 years minimum.

It is relatively normal for luxury spa and wellness properties to set aside revenue annually for repairs and maintenance if a facility is well maintained regularly. Other CAPEX needs may be mechanical / structural upgrades (such as structural enhancements or HVAC, elevator or fire suppression system improvements), revenue generating enhancements or special projects. A strong five-year capital plan should be constantly revised to adapt to shifting spa business priorities.

## 7.8 APPENDIX 8: MANA WHENUA AND WIDER COMMUNITY PERSPECTIVES

Mana Whenua and wider community perspectives were sought on the wider Te Aroha tourism precinct development through five main approaches.

- Mana Whenua workshops / meetings,
- The Te Aroha Tourism Opportunities Survey (web based),
- Open online comments (on Council webpage and Facebook page),
- Community and stakeholder workshops,
- Community drop-in discussions.

The following section provides a high-level summary of findings from the engagement process. Some participants raised certain opportunities "in confidence". This confidentiality has been maintained. However, in the event other participants in the engagement process raised the same opportunities (in an open forum) the opportunities have been summarised and may appear in the report. Confidential information has not been shared between entities or individuals. Detailed confidential information about Mana Whenua and private sector initiatives or opportunities has not been included but was taken into consideration by the consultants.

### MANA WHENUA PERSPECTIVES

Mana Whenua engagement was led by Ngāti Rahiri Tumutumu representatives. Ngāti Rahiri Tumutumu have expressed a strong desire to keep the process of engagement progressing and expanding over the project's future work stages. The wider Mana Whenua Forum has also expressed this desire.

Ngāti Rahiri Tumutumu representatives and members who participated in workshops and meetings all saw the tourism precinct development project as a much-needed way of revitalising Te Aroha for the benefit of the entire community. There was a strong desire to have a "place that is thriving". The tourism precinct development project was also seen as a potential catalyst to bringing their community together. All those spoken with wanted to be active participants in the development and its outcomes.

People talked about the importance of building on what Te Aroha has and protecting what makes the whenua special, such as the maunga, geothermal springs and the Waihou river. There was also a strong desire to tell Ngāti Rahiri Tumutumu stories, which were perceived to be underrepresented currently. These stories should be offered to the community in time after careful consideration and discussion.

The opportunities identified during the engagement process were wide and varied. Some were considered to have potential commercial objectives while others were discussed to build value and strength in the community. Ideas included:

- Developing a new spa and leveraging off visitors with a series of Mana Whenua lead or partnered projects (such as walking tours, traditional "Hau oranga" - wellness experiences, cultural experiences and commercial support services),
- A desire to share stories and have a higher visibility. For example, stronger connection to Mōkena Hau and the story that he 'gifted' the Domain land to the Government,
- A desire to see tours integrated with the Marae (as was historically the case with tours that took visitors up the maunga after having first visited the Marae),
- Opportunities that used the Waihou river (such as waka tours or wider tour boat links from Thames),
- Optimised walking and cycling tracks and integration with the excellent Cycle trail (with the Domain as the hub),
- Spaces for families such as a themed destination playground - Māra Hūpara that is an attractor. This enables tamariki Māori to see themselves reflected in their stories and have pride in who they are
- Commercial leisure opportunities,
- Reinstating the Māori ngāwhā (spa),

### COMMUNITY PERSPECTIVES

#### SURVEY SUMMARY

An open-access web-based survey was provided via Council channels and media to the whole Te Aroha Community. The link was also published on non-Council community noticeboards, newsletters and webpages. In total 168 full responses were

received, and summary findings from the 3 open-ended questions are presented below.<sup>20</sup> (also see the summary tables in Appendix 1<sup>21</sup>).

- **Te Aroha Domain** - summary comment themes from the top 5 recreation and tourism opportunities:
  1. **Hot pools/Spa** opportunities (76%) - often linked to soaking related to use of tracks and/or the mountain for walking and biking.
  2. **Walking and biking track** opportunities (54%) - usually linked to the Mountain, with some also linking them to hot pool use.
  3. **Mountain attraction** opportunities (36%) - often linked to options for gondolas, luges, ziplines, walking/ biking tracks and networks.
  4. **Heritage building** opportunities (27%) - usually referring to upgrading them and/or repurposing them for more recreation and tourism focused uses, including some hot pool/spa uses and engaging in heritage recreation activities.
  5. **Other thermal attraction** opportunities (23%) - often featuring geyser enhancement and/or restoration of soda water experiences and product availability.
  
- **Wider Te Aroha Town** - summary comment themes from the top 5 recreation and tourism opportunities:
  1. **Walking and biking track** networking opportunities (42%) - often linked to the Mountain, with some also linking them to Rail Trail, Kaimai Range and river site uses.
  2. **Rail Trail networking** opportunities (33%) - often based on linking rail-trail and hot pools/spa experiences, with some suggesting packages.
  3. **Mountain attraction** opportunities (29%) - often linked to attraction options for gondolas, luges, zip-lines, walking/biking tracks and sometimes to hot pools/spa and river use options.
  4. **River use and networking** opportunities (24%) - including cruises, kayaking, and connecting different sites/activities (e.g. rail trail, town heritage experiences)
  5. **Spa precinct/resort** opportunities (23%) - hot pool/spa/soaking uses, sometimes linked to track opportunities and engaging with heritage precinct/activities.
  5. **Heritage precinct/site** opportunities (22%) - usually related to generally upgrading and featuring Icon/theme buildings and sites (e.g. the Domain)
  
- **Top 5 tourism development projects** - that would help boost Te Aroha
  1. **Hot pool/Spa** developments (53%) - usually referring to specific facility or service improvement/development, or greater thermal precinct development.
  2. **Mountain attraction** developments (51%) - often linked to options for gondolas, luges, ziplines, walking/ biking tracks and improved road accessibility.
  3. **Support structure / service** developments (44%) - a wide variety of general infrastructure / service improvements including accommodation capacity, info resources / services, transport options, parking, better maintenance etc.
  4. **Tracks / Networking** developments (35%) - track maintenance and new tracks, more connections to wider walking and biking networks (including Rail Trail, River, Kaimai Ranges), more biking options.
  6. **'Mainstreet' /Heritage precinct** developments (30%) - mostly related to tidying the mainstreet/central Te Aroha, with heritage restoration and precinct development as a sub-theme.

Overall the survey results indicated the interlinked nature of potential opportunities. Clustering opportunities were seen as essential. For example, the hot pool/spa development ideas were seen by many as being strategically aligned with other developments especially those associated with or around the Domain or Mount Te Aroha (built heritage, walking and biking tracks, wider rail trail and river use linkages, and mainstreet restoration).

## FACEBOOK COMMENT SUMMARY

Notices about the project and related survey and workshop opportunities were submitted to several Facebook pages during August 2019. These included the Facebook pages of Matamata-Piako District Council and the Te Aroha Community Noticeboard. These notices were also shared further by individuals on their personal private Facebook pages. As well as generating awareness of the survey and workshops, many comments were also made on these notices about possible development ideas. Comments posted on the 'public' site were viewed and the main themes are summarised here as a complement to the main survey and workshop processes. From the 112 comments available for review, the top five 'meaningful' comment themes<sup>22</sup> (in descending order) were:

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20 Figures represent the cumulative response frequencies from the combined 5 responses allowed for (e.g. how many times each theme was cited in total).

21 Full survey comment responses are also available for more detailed investigation as required.

22 Many 'comments' were not meaningful in term of offering development ideas or opinions, so actual meaningful comment numbers were considerably fewer.

- Improving general town support infrastructure and its sustainability (e.g. shops, accommodation, information services, developing a vibrant/attractive 'Mainstreet' precinct),
- A general need for the development of Te Aroha,
- Developing more track options for walking and biking (including links to other networks e.g. Rail Trail, activities and hot pools/spa)
- Developing a renewed spa hub, including restored heritage baths and other geothermal features (Hanmer Springs was cited as a success example in several comments).
- Adopting heritage themes in building restoration, downtown development, attractive restorations or developments that pull people into Te Aroha.

Beyond the top five comment themes, the next two themes 6 and 7 were respectively for and against developments on Mt Te Aroha (e.g. gondola, ziplines, luges, road access) with comment numbers largely equal either way. Skyline Rotorua and Skyline Queenstown were cited as examples of gondola and adventure-based activity hub successes.

Collectively these various comment themes represent the scope and prevalence of the meaningful comments made.

### **COMMUNITY WORKSHOPS / DISCUSSIONS**

The workshops undertaken at the Te Aroha Domain and community drop in discussions were well attended (circa 200 attendees). They largely identified the same opportunities and challenges identified in the survey process (summarised above). However, the workshops and discussions were invaluable on fleshing out opportunities in more detail. These more detailed data were used to inform the development of the feasibility study but have not been summarised again.