

Northland Inc

Growing Northland's Economy

Kia tupu ai te ōhanga o Te Tai Tokerau

21 January 2019

Cr Bill Shepherd
Chairman
Northland Regional Council
Private Bag 9021
Whangarei 0148

Dear Bill

Northland Inc. Board Recommendation to Fund: Manea Footprints of Kupe

Northland Inc has assessed the Manea Footprints of Kupe Project and whether it should be supported with funding from the Northland Regional Council Investment and Growth Reserve. There is no doubt that the project has the potential to provide a significant economic development benefit to the wider Hokianga community. The anticipated flow on effects will also be significant. This is an exciting project which Northland Inc believes will be a game changer.

The Directors have been concerned about the quality of the business case and financial model as originally submitted to Northland Inc, requiring considerable effort on the part of management and the board to review and correct deficiencies in the commercial assumptions and model and assist with sensitivity testing (ref attached business plan and financial model). These concerns notwithstanding, this project is seen as offering significant economic benefits to an under-performing area in Northland, with direct, positive impact to several targeted areas — e.g. the Maori economy, creating a cornerstone tourism asset in an under-served area, etc. Any residual risks to funders of the project including key commercial uncertainties are in NINC's view outweighed by the potential significant regional economic benefits. Those risks should be further mitigated by the recently proposed additions of experienced tourism operators on the Manea Footprints of Kupe Limited board.

Northland Inc recommends to the Northland Regional Council that the Manea Footprints of Kupe project be provided with an Enabling Investment Grant from the Investment and Growth Reserve of \$500,000 (excl GST). This recommendation is subject to the following conditions:

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1. The full project funding (circa \$8.2 million) must be 100% approved before any NRC funding drawdowns occur, and that the Trust will undertake that any cost overruns for the building assets will be covered by supplemental funding such that there is no ability to draw extra funds from the budget intended to fund the Trust's operating assets — e.g. the building fit out, the development of a quality "experience", and associated assets and start-up costs. (Note: This would in all likelihood require fixed price contracts for the building construction phase of the project).
2. The stress testing of the financial model has identified that an additional \$100,000 of overdraft facility (making the total overdraft facility of \$200,000) is required. Particularly if the project experienced a reduction in ticket pricing, retail sales and or visitors numbers in the first three years.

Please present this project to Council for its consideration as an application to the Investment and Growth Reserve.

Yours sincerely

Jim Makaweo
Deputy Chair