

PROPOSAL TO DEVELOP RUTHERFORD PARK TO INCLUDE A PERFORMING ARTS CENTRE AND A CONFERENCE CENTRE

Summary

Nelson is one of the few New Zealand cities of its size without a large auditorium venue suitable for major performances and events. In the last 13 years, several reports have demonstrated the need for a suitable large performance auditorium and conference facility to bring new economic development to the region. Research has shown a strong demand from a range of potential users, from touring events to local productions, and for high profile public and civic functions such as conferences, College and MIT graduation ceremonies.

Nelson City Council therefore intends to move forward to engage the public in considering its proposal for the development of Rutherford Park to include a previously planned upgrade to the northern end of the Trafalgar Centre, integrated conference facilities and a Performing Arts Centre nearby, within the Rutherford Park complex. Council will then, in mid June 2011, decide whether or not the project is supported by the public and should proceed or not. This will happen as part of this draft 2011/12 Annual Plan process. If a decision is made to proceed, the proposed development would cover the surrounding area to include features such as the Maitai River walkway, landscaping, pedestrian friendly spaces, green open spaces and links to the city centre.

Key features of a proposed \$30 million Performing Arts Centre would be:

- A 1200 seat main auditorium with tiered seating
- High standard stage, fly tower, backstage facilities and acoustics

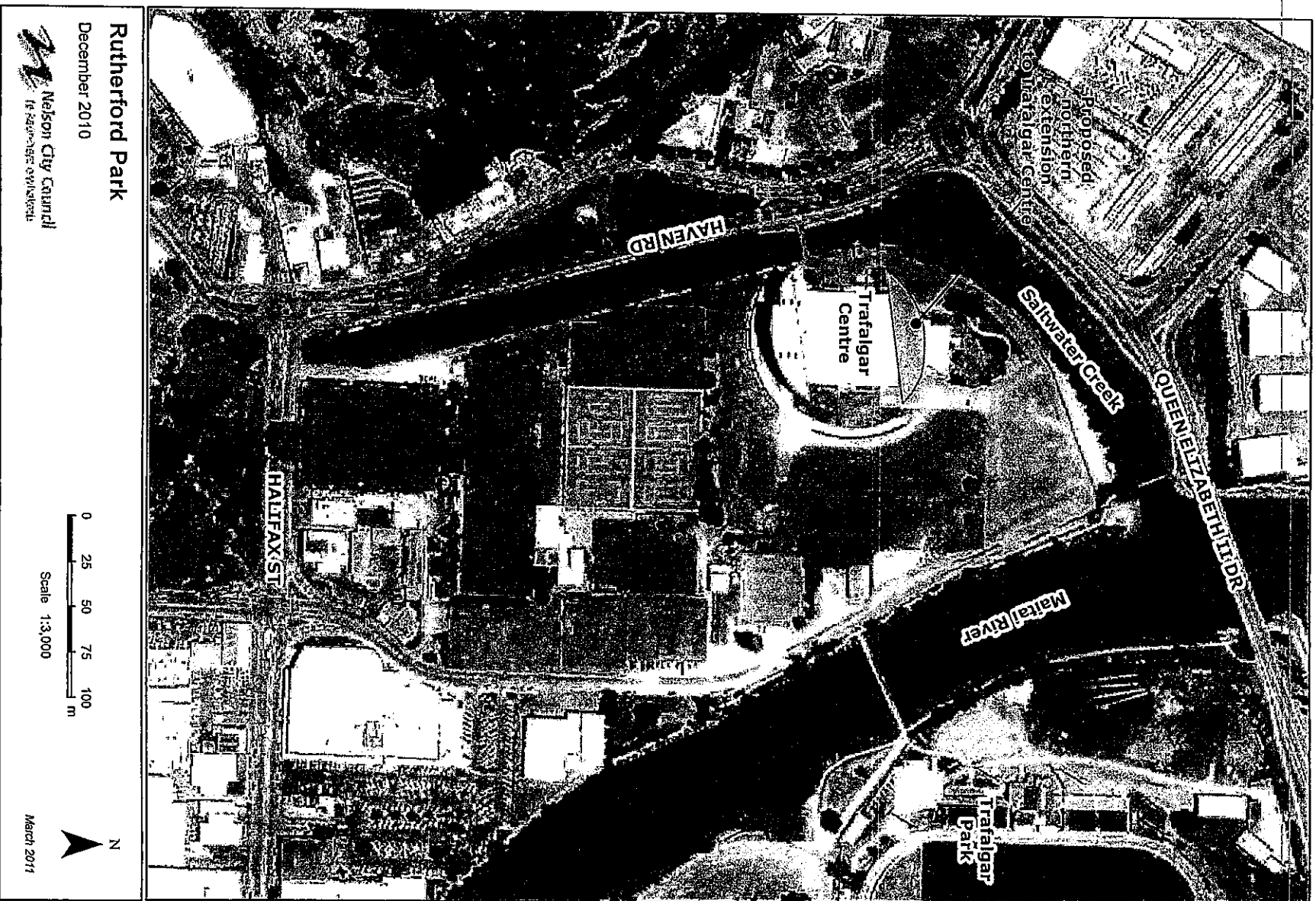
Key features of a proposed \$19 million conference centre would be:

- 700 seat capacity over two rooms
- 500 seat dining capacity
- At least eight break out rooms with some moveable walls
- Links with the Performing Arts Centre, Trafalgar Centre and other Rutherford Park developments

Your views are needed

This is the largest major project that Council has put to the public for input and submissions. It is vital, therefore, that as many people as possible put forward their views. Submissions will be carefully considered and will be a key part of any decision by Council on whether or not to proceed with this proposal. Refer to page 11 for details of how to comment.





The map is an appropriate representation only and must not be used to determine the location or size of items shown, or to identify legal boundaries. To the extent permitted by law, the Nelson City Council, their employees, agents and contractors will not be liable for any costs, damages or loss suffered as a result of the data or plan, and no warranty of any kind is given as to the accuracy or completeness of the information represented by the GIS data. While reasonable use is permitted and encouraged, all data is copyright reserved by Nelson City Council. Cadastral information derived from the Land Information New Zealand. CROWN COPYRIGHT RESERVED. KS. Original map size A4.

The proposed budget for the three facilities and associated improvements would total \$58 million over four years, with construction proposed to begin in 2012/13. Loan repayments would be spread over 40 years. The balance of the total is made up of \$1.8 million on the Maitai Walkway and a further \$4 million on developing the surrounding area in Rutherford Park. Annual operating costs, excluding interest, depreciation, income and costs of staging events for the completed facilities have been estimated at approximately \$650,000 a year, based on similar New Zealand facilities. In 2011/12, \$3 million of capital spending is estimated for detailed design of the proposed facilities, consents and approvals at a total rates cost of \$94,250 in that year. Proposed spending in later years is set out in the full proposal and would be included in next year's 2012-22 Long Term Plan. The cost would be spread through borrowing over 40 years to share the costs more equitably across those who benefit, so current ratepayers do not carry the full cost.

DETAILS OF THE PROPOSAL

In 2009 Council investigated a proposal to place an integrated Performing Arts and Conference Centre (PACC) on land adjacent to the Rutherford Hotel. Although this proposal did not proceed, Council was able to establish the type, size and scale of a Performing Arts Centre and Conference Centre facility that would be suitable for our region. These parameters are the basis for the facilities proposed, below on page 25.

In 2010 Council investigated alternative sites that would best meet the needs of such a facility and the region. Council sought help from experts including:

- Warren and Mahoney, architects that worked on the previous plans for the PACC on the Rutherford Hotel site
- Urban design firm Urbanisplus, which worked with Council on the Heart of Nelson Strategy
- The Urban Design Panel, formed in late 2009 and made up of local and national experts who give free advice on significant projects

These expert advisers considered many factors in relation to each site option including size, location and design, street appearance and sustainability features. Their comments assisted Council to refine its choice of potential sites and were unanimous that Rutherford Park was the preferred site.

Council proposes that Rutherford Park is the most suitable location for potential events and conference/convention facilities because:

- Council already owns the land on behalf of the City
- It is close to all the amenities of the town centre, including the Visitor Information complex at Millers Acre
- It is spacious
- It has many attractive scenic outlooks with an ideal view of the Maitai River

This proposal put to the public of Nelson as part of Council's 2011/12 draft Annual Plan process, places the integrated development within Rutherford Park. Proposed plans retain the vision of the Rutherford Park Reserve Management Plan, to "provide space for cultural and other events as well as open space for recreation. It would attract use because of its facilities for events, its high quality landscape, its links with the Maitai River and its active transport connections".

Rutherford Park is also considered to be attractive because it is home to the Trafalgar Centre. The stadium facilities within the Trafalgar Centre offer perfect flat floor spaces for displaying trade information during conferences and conventions. An upgrade of the northern end of the stadium had been proposed for the 2013/2014 financial year which, in conjunction with the recently completed southern upgrade and current works to the west of the stadium, would complete the Trafalgar Centre upgrade.

The proposed Performing Arts Centre would be incorporated into the overall development of Rutherford Park. Features of the integrated development would also include elements of the Heart of Nelson Strategy such as links to the city centre, improvements to the Maitai Walkway, open and pedestrian-friendly spaces and attractive landscaping.

Therefore, Council proposes to complete the upgrade of the northern end of the Trafalgar Centre and construct integrated conference/convention facilities and a performance venue nearby within Rutherford Park. It is anticipated that the entire complex would become an iconic Nelson cultural centre and a catalyst for regional economic development for generations to come, drawing prosperity and adding to Nelson's attractiveness as a destination.

CONFERENCE FACILITY

Council proposes an integrated conference facility with the following features:

- 700 seat capacity combined over no more than two rooms
- 500 seat dining capacity combined over no more than two rooms
- Eight or more breakout rooms, some flexible with moveable walls to allow joining
- Media facilities
- Physical links with a performance venue and the greater Rutherford Park development

PERFORMING ARTS CENTRE

Council proposes a performance venue with the following features:

- 1200 seat main auditorium, with continental styled tiered seating
- Approximately 900 seats in the main gallery and a further 300 seats in the circle
- An arched Roman style proscenium stage of a width and depth suitable for orchestral performances, theatre, classical and modern dance
- An appropriate fly tower structure above the stage that allows for scene changes and lighting
- Backstage facilities of a high standard
- High quality, adjustable acoustics for opera, theatre and contemporary music performances
- A foyer and entrance with associated facilities including ticket sales, administration, merchandise, food and beverage sales
- Circulation space from the foyer
- Provision for use by physically impaired patrons including ramps and lifts to elevated spaces
- Urban landscaping to provide easy access to the venue from the central city including signs from car parking areas and walking access
- Sheltered entries and drop off zones for buses, coaches, cars and other vehicles
- Physical links to the Trafalgar Centre and the integrated conference facility

WHY DO WE NEED A MULTI-PURPOSE

PERFORMING ARTS AND CONFERENCE
COMPLEX?

The main indoor performance spaces presently available in Nelson are at the Suter Te Aratoi o Whakatu, the Nelson School of Music, Theatre Royal, the Nelson Cathedral, school halls and the Trafalgar Centre. The last two types of venue have flat floors, moveable seating and poor quality acoustic performance. The Suter, Nelson School of Music and Theatre Royal are smaller venues and the Cathedral is restricted in the types of performances for which it can be used.

Both local and touring performances typically require a capacity in the range of at least 1000 to 1500 seats. Upgrades and developments of theatres elsewhere in New Zealand in the last decade confirm this. Examples include Palmerston North (Regent Theatre 1400), Napier (Municipal Theatre 993), North Shore (Bruce Mason Theatre 1200), Dunedin (Regent Theatre 1800) and Invercargill (Civic Theatre 1000).

Nelson would continue to miss significant touring performances without a suitable venue. Local musical, drama and school productions would have to use less suitable facilities until a new, improved venue could be developed.

A LONG TIME COMING

In the mid-1990s, Council came close to purchasing the Majestic Theatre, which had a stage, seats for 1200 and had been used for some live performances. Unfortunately in 1996 the building burnt down. The Millennium Centre Trust was formed soon after and began research into the type of performance facility that would best suit Nelson's needs.

SOCIAL CONSIDERATIONS

A performance venue with an associated conference/convention centre would contribute to the economic, social and cultural wellbeing of the region and would give Nelson the ability to attract and retain an active drama and musical sector. It would increase the national and international profile of the Nelson Tasman region, and improve access to out-of-region shows for Nelson residents.

Types of performances

A performance venue would allow Nelson to attract and stage a wide range of shows and events. Examples include the New Zealand Symphony Orchestra, National Opera, National Youth Orchestra, Royal New Zealand Ballet, the National Youth Choir, touring contemporary music acts, WearableArt® mini shows, cultural events, large religious gatherings, the Royal NZ Navy Band, Comedy Festival touring acts, the Big Sing Choral Festival, tribute shows such as Pink Floyd, Abba, Bee Gees, Southern Jam Jazz Festival, touring children's shows such as the Wiggles or Hi Five, Court Theatre productions, Country Music Awards and touring Irish dance shows.

Function space

The proposed foyer would be big enough to be used for pre and post-event functions or to be used independently as a function venue. Showcasing Nelson, an iconic performance venue would stand out among existing facilities in the region. It would generate a sense of community and contribute to an improved sense of place, allowing the region to gather together. The design would draw on local resources, experience and the talent of local craftspeople.

A legacy for future generations

The proposed centre would be built for the enjoyment of present and future generations.

ECONOMIC BENEFITS

Researching the potential

As part of the earlier 2009 proposals, Council appointed Business and Economic Research Limited (BERL) to assess the potential economic benefits of a new Performing Arts Centre and Conference Centre. In the investigations, BERL approached a range of local people, businesses and organisations. A copy of the resulting BERL report is available at www.nelsoncitycouncil.co.nz, at Civic House reception or at the Nelson Public Libraries.

The report found that, as well as providing a venue for arts, such a centre would provide economic spin-offs for the wider region. It stated that audience numbers attracted to high profile shows such as the Topp Twins leave no question the region could fill a proposed performance venue, but expressed uncertainty that it would be the case for all shows.

The report looked at two scenarios: a high scenario, based on work by the Nelson Millennium Centre Trust, suggesting around 45 shows a year and a more conservative scenario based on 22 shows a year. With setup and rehearsals, the actual activity level in the facility would be much higher.

In the 22-show scenario, the Performing Arts Centre would produce at least \$900,000 per year in local spending by touring groups and out-of-town visitors. It would generate \$370,000 in GDP and create 11 ongoing full time jobs. Add in the flow-on effects and this would increase to \$1.3 million to local spending, \$570,000 in GDP, and 13 jobs.

The more optimistic 45-show scenario would result in direct output of \$1.7 million, additional GDP of \$690,000 and 20 new jobs; rising to \$2.4 million in local spending, \$1.1 million additional GDP and 25 jobs when flow-on effects are added.

FINANCIAL CONSIDERATIONS

Capital cost

The conceptual design for the proposed facilities and improvements is based upon a maximum total budget of \$58 million, including design and project management. This total budget is comparable to similar scale theatre developments elsewhere in New Zealand.

Annual costs

Once both performing arts and conference facilities are complete, it would cost approximately \$650,000 a year to run excluding interest, depreciation, income and running costs from staging events, from 2014 on, based on similar size facilities elsewhere in New Zealand. A portion of these running costs would apply as soon as the proposed conference facility was complete, which would be in 2013. This would include staffing, maintenance, energy, consumables and utilities. Interest costs and debt repayment would be spread over 40 years. An average depreciation rate of 5.7% has been provided for, based on the average depreciation of the comparable Bruce Mason Theatre in Auckland. These amounts would also be provided for scrutiny in the draft 2012-22 Long Term Plan, which will be open for consultation in early 2012.

The total additional cost to rates of the design phase would be \$6,250 in 2010/11 and \$94,250 in 2011/12. The rates cost of the construction phase, as proposed, would be \$797,000 in 2012/13 and \$4.23 million in 2013/14. Total annual costs for 2014/15 are estimated to be \$8.48 million and \$8.77 million in 2015/16. Estimates for future financial years would be included in the draft Long Term Plan for 2012-22.

Tasman District Council contribution

The proposed facilities would benefit and be used by the wider region. The Tasman District Council did not include a contribution towards such a proposal in its 2009 Long Term Community Plan. Nelson City Council would continue to encourage Tasman District Council to contribute to these important regional facilities at both a capital and operational level because of the shared benefits.

Larger conference capacity

Currently, the Rutherford Hotel provides Nelson's largest conference venue with capacity for around 300 delegates. While this capacity is likely to increase with the planned upgrade by the hotel's owners, it would still mainly cater for the small to medium conference market. The Rutherford Park complex could cater for much larger conferences and conventions that would create significant spending outside the peak tourism season in summer, helping to address the tourism industry's seasonality issues identified as a key priority in the Nelson Tasman Regional Tourism Strategy. The BERL report noted that extra hotel beds would be needed to support extended conference facilities. Accommodation facilities are outside the scope of this proposal and could be developed by private interests.

Links between the facilities

Shows could be included as part of the entertainment at conferences. In this way, a conference facility and a performance venue would work together to support regional economic development. The conference facility would also have potential links with tourism and arts events in the region and the Visitor Information complex at Millers Acre. The region's ability to stage large indoor and outdoor performing arts events would add to its attraction as a conference destination.

Trade display space

Details would evolve during the design stage, if approved, but the Trafalgar Centre would be able to work alongside the conference facility to offer ample display space.

Effect on Council debt levels

The proposed facilities and associated improvements would add \$58 million to Council debt by 2013/14.

Additional funding sources

Council would actively seek additional sources of funding to contribute towards the project and reduce the total cost on ratepayers. Saxton Field and the Theatre Royal are good examples of facilities that have gained funding support locally and nationally. The businesses of our region have been generous in supplying donations in kind in the past for community facilities and Council is confident this would be the case again.

ENVIRONMENTAL CONSIDERATIONS

Sustainability

Sustainability features would be included throughout the proposed facilities' design and operation. The development would target a Green Star environmental rating of not less than five stars including acoustic and thermal insulation, rainwater harvesting for re-use in toilets, low energy lighting and passive solar heating.

Site and appearance

The map on page 22 shows the proposed upgraded northern end of the Trafalgar Centre and the general location of Rutherford Park. The concept is that the proposed facilities would be somewhere between the Trafalgar Centre and the Maitai River. While the exact location and orientation of the facilities are yet to be determined, the proposed concept is that an events and performance venue would be stand alone with a fly tower between 20m and 24m high. It would be located somewhere within the Rutherford Park area so its position would complement the Trafalgar Centre and the proposed conference facilities as well as the adjacent Maitai River and surrounding Rutherford Park environment.

Getting there

The Rutherford Park area is large and parking would be provided as part of the overall Rutherford Park development. Urban design features would be developed to help people find their way to and around the facilities through attractive signs and lighting.

Noise levels

The proposed facilities would be built to contain noise and events held there would be subject to normal noise requirements. The resource consent process would address noise issues.

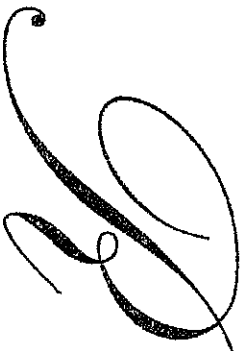
Sea level rise

Design of the facilities would ensure there is sufficient elevation to take into account a potential rise in sea level and other natural hazard risks over their anticipated lifetimes.

PROPOSED TIMELINE

When	Proposed work	Estimated Capital cost	Rates cost & % of 10/11 rates
2010/11	<p>Preparation of preliminary concept plans for an integrated Rutherford Park development to include:</p> <ul style="list-style-type: none"> The northern extension to the Trafalgar Centre Integrated conference facilities A Performing Arts Centre Landscaping and Heart of Nelson elements that relate to Rutherford Park including the Maitai Walkway 	<p>\$0.25 million</p> <p>NOTE: \$0.5 million had been provided for 2010/11 in the 2009-19 Nelson Community Plan</p>	<p>\$6,250 0.0%</p>
2011/12	Detailed design of proposed facilities including securing required consents and approvals and \$100,000 for the walkway in Heart of Nelson projects	\$3 million	\$94,250 0.2%
2012/13	<p>Construction of:</p> <ul style="list-style-type: none"> The northern extension of the Trafalgar Centre and conference facilities, \$19 million The Maitai walkway and associated Heart of Nelson works, \$1.75 million Overall development of Rutherford Park, including landscaping, \$1 million 	\$21.75 million	\$797,000 1.5%
2013/14	<p>Construction of:</p> <ul style="list-style-type: none"> A Performing Arts Centre, \$30 million Rutherford Park development, including landscaping, \$3 million 	\$33 million	\$4.23 million 8.0%
2014/15	Full year of depreciation and 75% of standard loan repayment	NIL	\$8.48 million 16.1%
2015/16	Full year of depreciation plus loan repayments	NIL	\$8.77 million 16.7%
TOTAL CAPITAL COST (estimated)		\$58 million	

*The cost to rates includes interest of 6.5%, loan repayments over 40 years, depreciation at an average 5.7% based on a similar facility, operating costs of \$650,000 once completed from 2014/15 onwards and 40% of these costs in 2013/14 when the facilities are 40% completed. Note that the 16.7% increase in rates and water charges by 2015/16 is cumulative over five years.



Appendix B

ROUTHERFORD HOTEL
NELSON

A HERITAGE HOTEL

3rd March 2011

Nelson City Council
Trafalgar Street
Nelson

Dear Councilor,

PAC / Conference Centre Proposal

We understand that Council has committed to public consultation on a proposal to spend \$58m including an \$8m upgrade of the Northern end of the Trafalgar Centre to allow 1000 person conference. Further that the spend will be funded by a 4% annual rate rise, representing a net increase in rates of 20% over 4 years (cumulative).

Setting aside the merits of that level of spend in today's economic environment or the affordability of the scheme by Nelson it raises serious issues for the Rutherford Hotel.

As Councilors are aware Rutherford has continued with plans to construct a new Conference Centre on the hotel site. Design is in the final stages and our Architects and RMA consultant (Mark Lile) have been in discussion with Councils consent team since late 2010 regarding the Consent issues and the best way to approach those. Having had a number of meetings with Council planners and traffic engineers a final Resource Consent application is been prepared for lodging.

Plans are attached, the spend and extent of modifications to the Conference Centre are not unsubstantial – they raise the stud height over 2 metre's, increase delegate capacity to 550 (Banquet) and 750 theatre style. It includes two new foyers, toilets, amenities and kitchen facilities to suit.

Nelson cannot support two conference centers. The business case for one is marginal at best and now to spread what is a small and seasonal conference market across 2 new facilities in Nelson is an economic disaster. Whatever drivers are in play for the Council, there is a mutual and essential interest to resolve the situation. It makes no sense in this environment that one of Nelsons largest accommodation providers goes "head to head" in competition with the Nelson City Council. We collectively have to address that. It is a problem that won't go away and we write to seek clarification on both the Councils intentions and outline our view that the proposed Council Conference facility is flawed.

Whatever the outcome and who ever funds the facility, public or private, we have a collective interest and obligation to ensure it is the right one for Nelson.

Background

Rutherford has been consistent since day 1 that the focus in bringing a new conference center to Nelson, must be on 'right sizing' rather than driving solely for maximum capacity. Consistent with that, we entered an MOU with the Council that provided for a

"Conference Centre of such capacity that Nelson is able to promote and attract conferences of a size and frequency comparable with other supporting factors in the region – ie: air travel capacity, tourism attractions, restaurant capacity and conference party's entertainment".

A range of views as to the appropriate size were held by Councilors, interest groups, previous project teams, architects, designers and tourism operators .

Determining the right size for a conference centre is essential whether it is privately or publically funded. It would be reckless for Council to spend \$8m-\$18m of rate payer's money on a project that doesn't have any chance of commercial success given the target market size. In our view, there's a real risk that the proposed centre will be both a reckless spend of ratepayers funds and an unsustainable rate burden.

Nelson Conference Market

The BERL economic report, commissioned by the Nelson Council at the time, was conclusive in its recommendation that for Nelson *"by far the biggest gains come in the 300 to 500 delegate range"*.

The facts about Nelson Conference market are telling.

- 90% of conferences in Nelson are less than 80 people. The average conference in the region is only 44 persons.
- The average New Zealand conference is only 180-250 people.
- Nelson had only 2 conferences in 2010 over 250 people -- not because of a lack of facilities but a lack of demand and our regional nature which limits large conferences (see below).
- Only 7% of New Zealand Conferences are over 250 people and only 3% are over 500 persons.
- Nelson only gets 1.5% of the nations conferences per annum.
- The Rutherford Hotel proposal caters for 97% of all New Zealand conferences and has a capacity of 750 persons (single room theatre style).

In response to the facts above and the realities of the Nelson conference market, we frequently hear the mantra *"build it and they will come"* or alternatively that Nelsons lack of large conferences is *"only because Nelson doesn't have a facility large enough"*. That's simply not correct. Once more facts tell you that. Queenstown has over 15 times the hotel accommodation of Nelson, an International airport and immense support and ancillary tourist services yet had only 2 conferences over 500 people last year.

The Nelson conference market is typical of regional New Zealand. It has smaller than average conferences, more multi days and less international delegates than the main centers. Two thirds of all National conferences are single day events which are held in the centers, not regionally, where they are proximate to delegate's homes and they have the hotels, airports/transport and facilities to cope. Even with a conference center at 1000 you don't attract delegates-as-they-have-better-total-facilities-elsewhere. That dilemma is noted repeatedly throughout the BERL analysis.

Nelson like all NZ regions gets a very small and disproportionate share of 'single day' conferences. As BERL note 75% of delegate days in Nelson are multi day. Delegates come to Nelson as a destination. As a regional market, reliant on multi day conferences our target market is much reduced. Further to attract what few large conferences are available to the region Nelson must have the supporting facilities for large conferences – we don't. As BERL put it:

"The region does not have sufficient facilities of a standard to host large scale conferences".

For that reason, the regional share of large conferences is extremely limited and will be in the foreseeable future, and as a result our target market is something different than large conferences.

Right Sizing

BERL concluded that for Nelson, *by far the biggest gains come in the 300 to 500 delegate range*. That is consistent with the work Rutherford Hotel did with the national Heritage Hotel chain at the time.

Right sizing a conference centre for Nelson is a quality not a numbers game.

Nelson's sweet spot for a conference size is 200-300 and that's the size our region should be actively targeting. It needs to be a quality experience and something that Nelson can repeat twice a week. Much more important than maximizing capacity is that the facilities have all the supporting infrastructure to comfortably support that level of guests (e.g., breakout rooms, amenities, accommodation etc.). Guests must receive high levels of service and be comfortably accommodated by bars, restaurants and ancillary tourist activities. All that is much more difficult from a standalone and isolated facility that provides a service 'every other month'.

Rather than 'oversize' the center to be full one day a year, resources are better channeled into something right sized that's flexible, busy and of a high standard.

Nelson, both as a city and economy, is far better rewarded with 50 conferences per annum in the vicinity of 200-300 people with exceptional facilities than it is by a fallow elephant that is busy 1 night per year. By promoting such a flawed scheme the Council put at risk the economic spin offs for Nelson that would flow from a regular, consistent and growing level of conference business. As above, Nelson cannot have 2 schemes.

The Rutherford Proposal is right sized - consider:

- It caters for a conference that has twice the national average number of delegates.
- It covers 97% of all NZ conferences and

- Hosts 4 times the Hotels average current conference size.
- Is compatible with the ancillary services of accommodation, tourist providers, restaurant capacity and support services in Nelson.

By contrast, the Councils latest proposal advocates a spend between \$8 to \$18m on a 1000 seat facility that the BERL report and all the market research concludes is incorrectly sized.

BERL Report

The economic benefits to the Nelson region of various sized Conference Centre's were comprehensively studied in the BERL report. BERL concludes that the best economic impact to Nelson is not a 1000 person capacity centre but one at 300 to 500 delegates noting:

"With only 400 beds available at hotel's, the region does not have sufficient facilities of a standard to host large scale (300 plus delegates) conferences."

BERL confirmed that a conference capacity of "600 to 800" could only ever benefit Nelson if hotel capacity was substantially increased and we obtained further supporting infrastructure and services (eg flights, tourism activities etc). Nelson does not have that, nor an economic climate likely to facilitate an increase in hotel rooms (a cost which BERL put at \$55m) or greater infrastructure. Despite that advice there is now a proposal to spend between \$8 and \$18m for a centre with a 1000 delegate capacity. Note the Rutherford does propose increasing room numbers on site but nothing near what ~~would be required for 1000 people conference.~~

BERL also looked closely at the *marginal* extra benefit Nelson would attract from large conferences (i.e. 850 +). It found that:

- Nelson would only get 1.8 extra conferences per annum if it increased capacity from 500 to 850 capacity conference center. No measure of feasibility can deliver Council a satisfactory return on a \$8m - \$18m spend on the basis it will only result in 1.8 additional conferences per annum.
- The marginal benefit of extending to over 700 people is a mere \$100,000 of GDP improvement and only 2.4 extra FTE's. The real benefit is already captured in increasing from 300 to 500 delegates. Of course when that is spread over not one but 2 new facilities the benefit is lost entirely.

BERL also clearly warned about oversizing given the nature of the Nelson market. They noted there was a risk.

- *"The new CC may be fallow due to having to compete for a small overall national share of conference activity".*
- *While the conference center may be designed in a way that allows for flexible seating arrangements and room size, intimacy and atmosphere at a conference are important. If organizers believe the venue will swallow up the number of delegates expected to attend, they will look elsewhere for a more intimate venue.*

- *A venue focused too much on securing a share of the large conference market, and thus too large for smaller conferences, may be under-utilized. This could create bad perceptions about Nelson as a conference, or even a tourist, destination. In addition, an under-utilized facility could reflect badly on those who made the decision to build it at a larger scale.*

Standalone conference centers are dead zones – they have no life, hustle bustle or atmosphere. No vibrancy in their cafes or community. Guests don't want to bus to their conference each morning, nor dine in "hangers". In our view the concept proposed of an oversized standalone conference facility has all the makings of a grand and expensive failure.

Summary

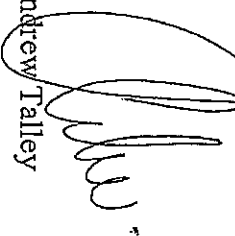
Rutherford Holdings is seeking clarity around Councils current intentions with respect to the Conference center. Regardless of agenda, the fact is that Nelson is not large enough to support two new conference centers. It would be unwise for Rutherford Holding to proceed and go 'head to head' with a ratepayer funded conference center. That is especially so here, where it appears the Council is having so little regard to economic factors or matters of feasibility.

The proposal for Council to spend up to \$18m on a conference center simply does not add up. By embarking on a public consultation process, and committing significant ratepayers funds in the process, Council are implying that some work has been completed regarding the feasibility and logic of what's proposed. We don't believe that to be the case. All the facts, as assessed independently by BERL and consistent with Industry data and market research, are compelling - there is no justification for building something on the scale or at a cost of what's proposed. Indeed there is significant risk in doing so according to BERL.

If Council wants to use ratepayer's funds to enter the conference business and compete with ratepayers and private operators then we would at least urge that they plan and propose something that is "right sized" for Nelson. That is, it would provide at least a hope of providing a return to the rate payers that funded it and as importantly, provide an 'effective' Conference Centre for local accommodation providers. This is not the climate for monuments. All tourist businesses and operators in Nelson have an obligation to get this right. Clearly it's not.

This letter is a constructive attempt to see the issues debated openly and objectively. We repeat that Rutherford is less concerned with who builds or funds the center than it is with ensuring it is the right one for Nelson.

Yours sincerely,



Andrew Talley

