

Economic, cultural and social benefits of the Coffs Harbour Cultural & Civic Space

Coffs Harbour City Council

Final Report
20 September 2018



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Contents

	page
Executive summary	4
Introduction	7
Strategic Context	14
Project forecasts	27
Economic impact analysis	33
Benefit cost analysis	38
Wider community benefit analysis	45

Executive summary

Key points

- This study uses three methods of analysis to evaluate the full range of economic, cultural and social benefits generated by a new cultural and civic space located in the heart of the Coffs Harbour CBD. The methods of analysis are: (1) benefit cost analysis, (2) wider community benefit analysis and (3) economic impact analysis.
- Our analysis concludes the Project will create an important economic, cultural and community asset, generating a range of economic and social benefits. The net present value of the project is estimated at \$4.0 million over a 30 year period. This represents an important return on the community investment with a benefit cost ratio of 1.05:1. This means that a \$1 million investment would generate a total of \$1.05 million in community benefit. The project would also support 42 ongoing jobs in Coffs Harbour.
- Investment into Coffs Harbour's creative and cultural economy is expected to generate \$79m in cultural benefits, including \$13 million in cultural tourism. This investment strategically aligns with the aims and objectives of the Regional Cultural Fund and Environment and Tourism Fund as it will provide a distinctive cultural experience, enhance cultural vitality, increase tourism visitation and expenditure in regional NSW and increase participation in creative and cultural activities.
- This study also found that the project would generate high social benefits such as community cohesion, improved wellbeing (e.g. access to services, programs targeted as disadvantaged groups) and learning opportunities. These benefits are not easily translated to monetary terms and are often excluded from evaluations of community benefit.
- Importantly, the project will help diversify the offer of the CBD. A strong and diverse CBD is becoming an increasingly strategic advantage for regions. CBD's are critical in terms of responding to growth in the service sector economy and leveraging off the benefits of agglomeration.
- It is reasonable to assume that the wider community benefits generated by this project could improve the BCR well above 1.

Background

There is currently a shortfall in regional level cultural and community facilities and social infrastructure in the region. This is having a range of social and economic consequences. The socio-economic analysis highlighted a number of issues facing the catchment including educational disadvantage, youth disengagement, spatial unemployment issues and low community participation. Without adequate investment in cultural and social infrastructure these issues are expected to deteriorate further.

Coffs Harbour City Council has developed a masterplan for the Coffs Harbour City Centre that incorporates a new cultural and civic space that meets the needs of the region, while at the same time creating an active 7-day a week precinct.

The Project represents a major investment that aims to create a new community 'heart' for the City of Coffs Harbour, while at the same time providing a new reason for tourists to visit and stay longer. The City expects that the facility will attract over 350,000 visitors in its first year and play a major social, cultural economic and learning role for the community.

This study presents the results of the Benefit Cost Analysis of the proposed project. Three methods of analysis were undertaken:

- Economic Impact Analysis (EIA): Based on the LGA Economic Impact Model (developed by NIEIR), we assessed the effect of the Project on the national and LGA economy.
- Benefit Cost Analysis (BCA): Undertaken in accordance with relevant guidelines prescribed by the Australia Government and NSW Government, the BCA is the primary measure of the Project's net community benefit. The assessment framework has been adapted from economic assessments undertaken for the Australian Library and Information Association and other State Libraries across Australia.
- Wider community benefit analysis: Examines the wider benefits of the Project to qualitatively assess impacts not able to be quantified in the BCA.

Executive summary

Benefit cost analysis results

This study examined the full range of social, cultural and economic benefits generated by the project. Using a community benefit framework that goes beyond a BCR, this study found:

- Using a 7% discount rate (recommended rate for this type of project), the net present value of the proposed development is estimated to be around \$4.0 million, with a benefit cost ratio of 1.05. This means that the proposed development costs outweighs the benefits. For every \$1 investment, the project is expected to generate \$1.05 of economic and community benefit.
- The provision of a museum, gallery and library represents a major investment into Coffs Harbour's creative and cultural economy. The project is estimated to generate \$79m in cultural benefits, including \$13 million in cultural tourism. In total, cultural benefits make up 94% of all benefits, highlighting the important economic and social role played by cultural assets.
- The major sources of benefits include (30 year period, 7% discount rate):
 - Direct user benefits (value of locals visiting the project): \$42.2m
 - Proceeds from land sales: \$19.2m
 - Cultural and learning benefits of local visitation (i.e. indirect user benefits): \$13.3m
 - Induced tourism expenditure (non-local): \$12.6m
- It is important to note that the project is economically viable under a 3% discount rate, but becomes unviable when using a 10% discount rate. The sensitivity testing also shows that the viability of the project is highly reliant on achieving the visitation forecasts.

Economic impact results (EIA)

The project is also expected to generate ongoing economic impacts through its operational expenditure and induced tourism impacts. In total, the project is expected to support around 42 ongoing jobs (direct and flow-on impacts). This level of activity is estimated to increase Gross Regional Product in Coffs Harbour by \$2.4 million per year. The EIA also shows that the project will generate major impacts during the construction phase of the project. The construction phase will support an addition of 496 jobs over the 4 years (direct & flow on).

Wider community benefit analysis results

Importantly, the project generates important economic, social, cultural and environmental benefits not captured in the benefit cost analysis. Based on the triple bottom line analysis, the project is expected to generate a moderate community impact¹ (i.e. score of 4.7 out of 10 - see page 46). This is important as the project could directly respond to the socio-economic issues identified in the region including educational disadvantage, youth unemployment, youth disengagement, unemployment and special need groups.

This wider community benefit is driven by:

- **Community cohesion benefits:** The project will facilitate an improvement in community cohesion for residents, with access to the museum, gallery and library, and the associated programs targeted to at-risk groups, such as children and seniors. This can lead to increased civic participation, greater connection with the community, sense of place and cultural awareness.
- **Improved access to educational resources and cultural activities:** Visitors to the cultural and civic space are also expected to enjoy benefits of using services and participating in community programs. These benefits include improved literacy and cultural awareness and improved employment prospects.
- **Viability of the Coffs Harbour CBD:** Importantly, the project is forecast to attract around 412,000 people by year 5. This activity will help diversify the offer of the CBD which is a vitally important employment location in the region. A strong and diverse CBD is becoming an increasingly strategic advantage for regions. CBD's are critical in terms of responding to growth in the service sector economy and leveraging off the benefits of agglomeration. Museums, galleries and libraries are important assets for a successful CBD by driving visitation, length of visit, multi-purpose visits and expenditure. They also play an important role in the night time and tourism economy, increasing the hours of trading and extending the regional catchment of the CBD. Importantly, this project can help support the rejuvenation of the CBD after the Coffs Harbour bypass project is built.
- **Co-location / environmental benefits:** Co-locating a number of different services will decrease the number of car trips required, thus creating a positive environmental impact. The delivery of better facilities will also reduce the need for residents to travel long distance to access their cultural, leisure and learning needs.

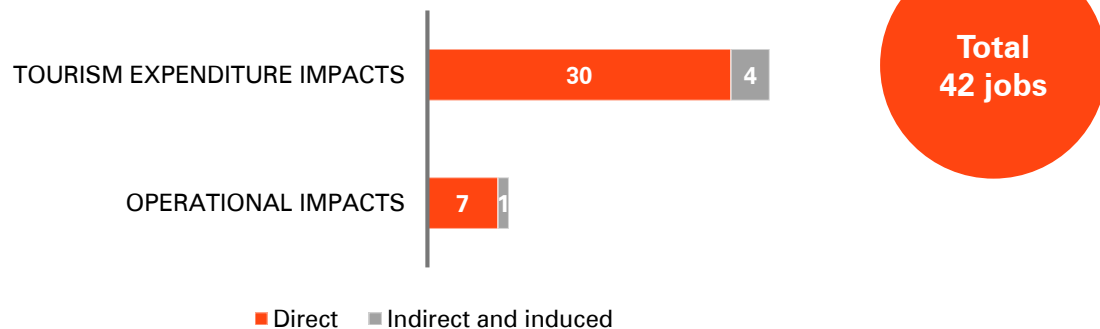
¹ Moderate positive impact, possibly of short/medium/long term duration. Positive outcome may be in terms of new opportunities or outcomes such as enhancement or improvement for a moderate number of participants.

Executive summary

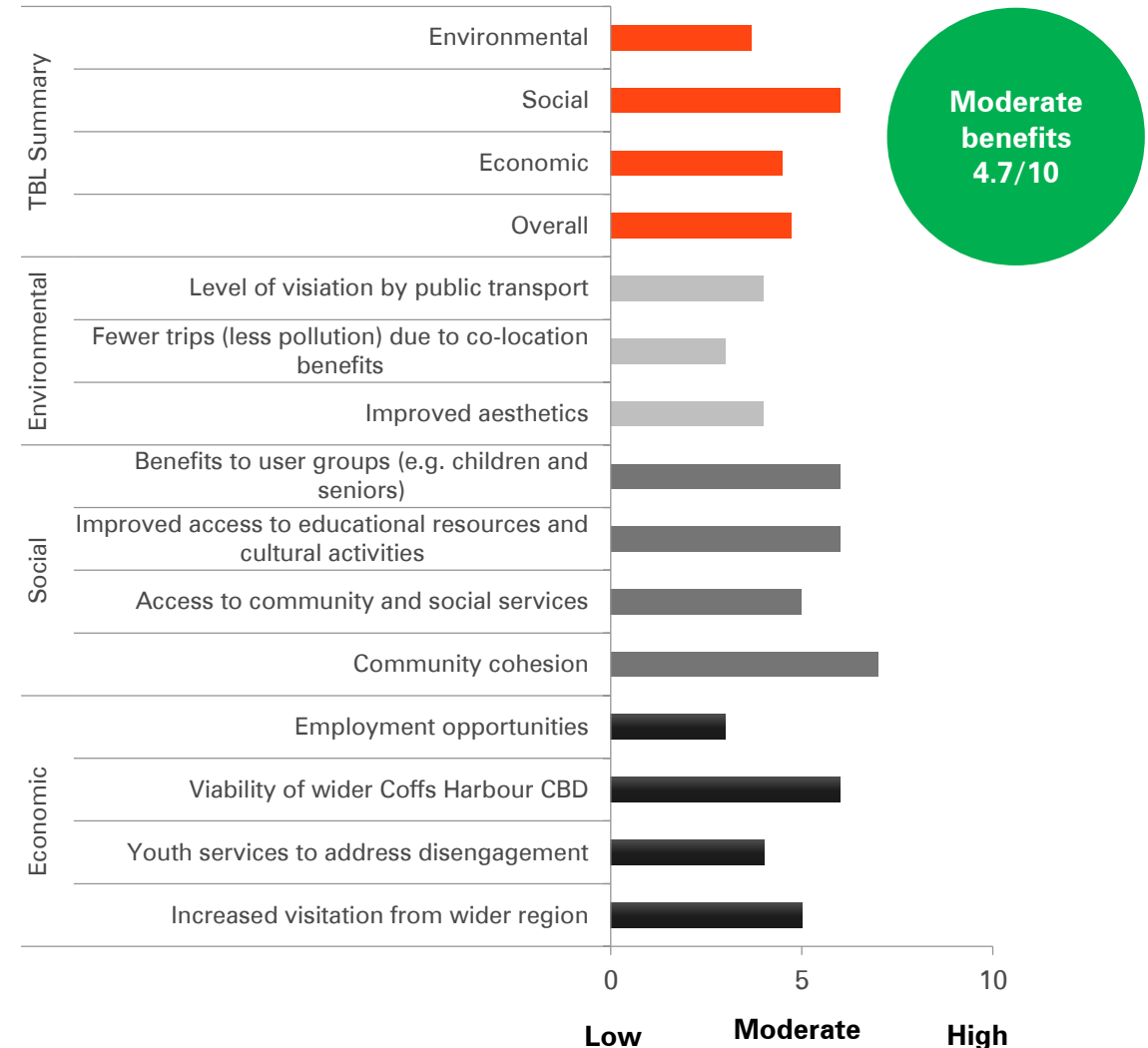
Benefit cost summary, \$m

	3%	7%	10%
COSTS			
Capital costs	\$57.27	\$50.50	\$46.07
Short term rental costs	\$4.84	\$4.34	\$4.01
Operational expenditure	\$43.70	\$25.46	\$18.11
Total costs	\$105.81	\$80.30	\$68.19
BENEFITS			
Revenue	-\$10.94	-\$6.49	-\$4.73
Proceeds from land sales	\$19.94	\$19.20	\$18.67
Induced tourism expenditure	\$24.79	\$12.82	\$8.39
Direct user benefits	\$82.63	\$42.39	\$27.61
Indirect user benefits	\$26.43	\$13.31	\$8.54
Volunteering benefits	\$0.15	\$0.08	\$0.06
Residual value	\$10.68	\$3.04	\$1.22
Total benefits	\$153.67	\$84.34	\$59.76
<i>Cultural related benefits</i>	<i>\$144.01</i>	<i>\$79.04</i>	<i>\$56.00</i>
<i>Civic related benefits</i>	<i>\$9.66</i>	<i>\$5.30</i>	<i>\$3.76</i>
SUMMARY OF RESULTS			
NPV	\$47.87	\$4.04	-\$8.43
BCR	\$1.45	\$1.05	\$0.88

Ongoing employment impacts – Coffs Harbour jobs



Wider community benefit analysis



Introduction

Introduction

Project background

Project overview

The Coffs Harbour Cultural and Civic Space will deliver a major cultural, creative and community venue for the City of Coffs Harbour.

Significant consultation about the needs for a cultural and civic precinct and cultural infrastructure occurred through the development of the new MyCoffs Community Strategic Plan, Creative Coffs – Cultural Strategic Plan, Coffs Harbour Economic Development Strategy, Tourism Action Plan and Events Strategy. It was apparent that their vision cannot be realised without improved facilities.

The City Centre Masterplan identifies this project as key to address the capacity shortfalls of current cultural facilities in Coffs Harbour and also generate efficiency and community servicing benefits by co-location. Coffs Harbour is home to around 75,000 people, set to increase to almost 100,000 people by 2036.

The current library, museum and art gallery are too small and lack appropriate technology and equipment to meet the needs of local residents and visitors. The current Harry Bailey Memorial Library is only 40% of the size recommended by the State Library of NSW for a city with Coffs Harbour's population. Coffs Harbour Regional Gallery is the smallest regional gallery in NSW, and is limited to hosting one exhibition at a time. The museum has low visitation numbers due to a location away from the CBD and has very limited space for exhibitions and group visits.

Coffs Harbour City Council has developed a plan for the development of a Coffs Harbour Cultural and Civic Space ('the Project') that meets the cultural and community needs of the region, creates an active precinct and provides new reason for tourists to visit and stay longer. The plan also includes the consolidation of the Council's customer service and administration offices in one place and the provision of new community and cultural facilities (e.g. co-working and event space).

The Project represents a major investment that aims to create a new cultural and community 'heart' for the City of Coffs Harbour. The City expects that the facility could attract over 350,000 visitors a year once fully operational and play a major social, cultural, economic and learning role for the community.

The expected outcomes of the Project include:

- A precinct which meets today's local and regional community needs and growing demands.
- Rationalisation of under-performing assets
- Provision of quality facilities in one location (one-stop-shop) and reducing demand elsewhere.
- Increased visitation to the region including by the attraction of major touring art exhibitions.
- Urban renewal that enables increased CBD investment by local businesses.
- Specific community services which integrates with other facilities and providers to deliver arts and recreation and educational services.
- A safe community meeting place.

The precinct planning investigations helped determine the specific needs of community and cultural space.

Introduction

Project background

Coffs Harbour Cultural and Civic Space

The project includes the development of a range of cultural and civic facilities that are integrated with the surrounding CBD. The building will be the centre of a new community space in the heart of our city.

It is proposed to include:

- a new state-of-the-art library, museum and gallery
- a café, shop, co-working and workshop spaces
- a multi-purpose civic (Council Chambers) and function space
- Council customer service and administration offices
- redesigned streetscapes for the surrounding area (Gordon Street and Riding Lane).



Concept designs – 1.Design Inc + Lacoste Stevenson;
2.Francis-Jones Morehen Thorpe and DRA; 3.Dominic
Finlay-Jones

Introduction

Project scope

The Report aims to provide Coffs Harbour City Council with an economic analysis and benefit assessment to support the preparation of grant applications.

The project scope includes:

- Evidence that links the economic and social needs to the region with the Project.
- Identification and quantification of the range of benefits and impacts generated by the Project.

Project objectives

.id has been engaged by Coffs Harbour City Council (CHCC) to undertake an economic, cultural and social benefit evaluation of the proposed Project. We understand that the outputs of this report will be used to:

- Determine the economic, cultural and social benefits of the project
- Support grant applications

Project scope

The scope of this project is based on the Plan for the establishment of a Coffs Harbour Cultural and Civic Space at 21-31 Gordon Street. This report evaluates all the facilities to be included within the project as noted below:

- Art Gallery
- Library
- Café and workshop spaces
- Consolidation council service and administration offices
- Multipurpose space, community meeting rooms and co-working space.

The Project will replace a range of under-performing assets, creating opportunities for asset rationalisation.

The report

In this document we report on the analysis we have undertaken to assess the economic benefits and costs of the Project. This assessment has been undertaken in accordance with relevant guidelines prescribed by Australian Government and NSW Government.

This report has been prepared in the following sections:

- **Strategic Context:** provides evidence to show how the investment may be appropriate to support the growing population and maintenance of a vibrant community in the future.
- **Project forecasts:** presents the visitor forecasts and financial statements for the Project. This is used as a key input in the benefit cost analysis.
- **Economic impact assessment:** This section reports on the outputs from the economic impact model that is specifically tailored to the LGA economy, using local input-output tables from NIEIR. Outputs include employment and value add impacts for the construction and operational phase of the project.
- **Benefit cost analysis:** A benefit-cost analysis determines the net economic benefit of a project by quantifying and comparing economic costs of a "base case" to a "project scenario" (the Project).
- **Wider community benefits:** A qualitative assessment of the benefits not quantified in the BCA.

Project scope (cont.)

In this document we report on the analysis undertaken to assess the economic, cultural and social benefits that may be expected from the Project.

The goal of the economic evaluation is to answer the question: What additional benefits will result if the project is undertaken, and what additional costs are needed to deliver it?

Assessment framework

When undertaking an economic appraisal, it is important to define a 'do minimum' base case scenario. This is because the economic worth of the project is based on the incremental benefit to the Base Case.

Base case

The base case is defined as a do minimal option that requires significant ongoing expenditure to maintain the existing facilities. This option does not provide any improvements in facilities or functionality (e.g. not appropriate for major exhibitions). Therefore, no increase in visitation levels are expected.

Project case

The development of the Project will attract significantly more visitors per year and play a major social, cultural economic, and learning role for the growing population and respond directly to areas of disadvantage.

The delivery of the project cost is estimated to be around \$70.8 million (2018 prices). ¹

¹ Based on CHCC estimate, unadjusted.

Introduction

Evaluation concepts

The CBA in this report was undertaken in accordance with the guidelines prescribed by the Australian Government and NSW Government.

The results of the CBA and EIA can not be combined. They answer separate questions required by the grant guidelines.

Cost benefit analysis (CBA)

The purpose of the CBA is to determine if the project is worth doing from a community perspective. To do this, the CBA verifies whether the benefits outweigh the costs. Specifically, it needs to demonstrate whether the community is better (or worse) off with a project compared to the base case (do minimum project).

Key outputs of the BCA are:

- Net Present Value (NPV)- the difference between the present value of benefits and the present value of costs; i.e. $PVB - PVC$. A positive NPV indicates that the project has economic merit.
- Benefit-Cost Ratio (BCR): The BCR is the present value of benefits (economics & financial) divided by the present value of costs. A BCR greater than 1 indicates that benefits exceed costs.

The CBA in this report is based on the Coffs Harbour LGA perspective given the regional focus of the project (and grant application requirements).

Economic impact analysis

Economic impact modelling shows how a change in employment or output (sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries. The economic impacts are calculated using an input-output model which is derived from the local economy microsimulation model by National Economics (NIEIR).

Wider community benefits

Not all impacts stemming from the project can be easily quantified/monetised and therefore placed into CBA or economic impact tool. However, many of these impacts (environmental, social) are important and can serve to justify a project's funding. To evaluate the full range of benefits, .id has developed a multi-criteria analysis based on a triple bottom line approach (TBL). This approach qualitatively measures the wider benefit generated by the Project against economic, social, cultural and environmental indicators..

Rapid assessment

The methodology used to undertake the appraisal is based on a rapid evaluation framework. A Rapid Benefit Cost assessment is a cost-effective way of gauging whether a proposal is likely to pass a detailed appraisal. It involves indicative estimation of the main benefits and costs without expending the resources necessary to achieve a high level of accuracy.

Introduction

Sources and geographical references

A note on sources

The report uses data and information from both published and unpublished documents. These include:

- Construction costs (CHCC)
- Financial inputs (CHCC)
- Visitation estimates (CHCC)
- Economic and employment data for Coffs Harbour using data supplied by NIEIR (National Economics)
- Impact Assessment Model developed for the Coffs Harbour economy by NIEIR (National Economics)
- Tourism Research Australia

Geographical references

This report focuses on the Coffs Harbour Local Government Area. Coffs Harbour is developing a Regional City and serves as a major service centre for Bellingen and Nambucca Shires in particular and Clarence Valley Shire. The project is expected to help support this regional role and function.

Multiple reports were relied on as key inputs into this economic assessment.

The benefits and costs estimated in this section are a direct function of the assumptions provided.

.id has not sought to verify the estimates and has relied solely on the results provided by CHCC.

Strategic Context

Role and function of integrated cultural and civic centres

Community and cultural facilities are typically considered public goods that cater to the community for leisure and learning. Given the public good nature of these facilities, market prices do not readily exist and other methods often need be used to quantify the value.

A review of literature and case studies highlights the wide range of benefits generated by such facilities.

¹ Huxley, M. for Museums and Galleries of NSW, 2014, *ADDING VALUE - A report on the economic impact of the cultural infrastructure of the Evocities of NSW*

² Asia Pacific Social Impact Leadership Centre, Melbourne Business School, 2013, *Demonstrating impact in Public Arts Museums*

³ Pew Research Center, 2014, *Younger Americans and Public Libraries*

Introduction

Major cultural and civic facilities in Coffs Harbour City are limited in capacity and lack modern technology and equipment required to meet the educational and wellbeing needs of the community. The need for investment in social infrastructure is set to grow, with the population reaching almost 100,000 by 2036.

The Project is expected to generate significant benefits to Coffs Harbour including economic and tourism activity, operation efficiencies and a range of important social and cultural benefits including community cohesion, wellbeing and learning.

Cultural Facilities

It is widely acknowledged that cultural facilities such as museums, art galleries, theatres and their related activities generate a number of social and cultural benefits to regional towns and cities such as community cohesion, sense of identity, health and improved educational outcomes. However, they also often generate a positive economic impact to the local economy from the operations of the facilities, capital expenditure related to the facilities, and non-local (tourist) visitation.¹

Studies have shown that facilities such as Art Galleries are important contributors to regional growth by influencing perceptions of liveability, supporting adjacent business investment and generating considerable tourism spending when hosting major exhibitions.

For example, the economic impact of the Grace Kelly exhibition on the Bendigo economy was estimated at \$16.3million.²

A recent study titled *Adding Value! A report on the economic impact of the cultural infrastructure of the Evocities of NSW* examined the economic impact of cultural facilities operated by the Evocities of NSW. This study found that:

- Once the flow effects are taken into consideration the facilities provide a positive return on investment from Local, State and Federal government funding.
- There is a positive economic impact on the local and regional economies from the operations of the facilities, capital expenditure related to the facilities, and non-local (tourist) visitation in the financial year ending June 2013.
- There is a positive impact on employment and volunteering at the facilities on the local and regional economies

Role and function of integrated cultural and civic centres

The co-location of the cultural and community facilities can generate a range of benefits including: precinct activation, create a sense of place, allow different people to meet and interact, longer hours trading, and increased efficiencies through shared resources.

⁴ City of Ryde, 2010, *Community Facilities: New Directions*

Changing nature of libraries

The changing role and function of contemporary public libraries is mainly driven by rapid advancements in information technology and changing social needs. Libraries have moved beyond their traditional function as simply a physical storage space for learning resources, evolving as modern information hubs and community centres offering opportunities for social connection, culture and recreation.

Some libraries have experienced a revival based on their capacity to adapt to contemporary changes, diversifying their services to include study spaces, digital media resources, meeting rooms and art and history offerings. Patrons are increasingly thinking of libraries as community spaces that allow access to technology and as a source of digital literacy for various demographics.¹

Co-location of cultural and civic facilities

The co-location of a range of services and providers within one community building creates a central hub of activity, allows for the provision of better resources (due to pooled funding), generates efficiencies in the use of these resources and offers an integrated approach to meeting the needs of local residents. These facilities may enhance capacity to assist smaller organisations through partnership with more established organisations and offer opportunities for amalgamated approaches to delivering community services.⁴

Successful case studies

The Geelong Library and Heritage Centre provides a successful example of a community facility co-located within a wider precinct.

The integrated facility meets the needs of a regional catchment by delivering a mix of places, spaces, programs, events and services and also supporting community networks and social inclusion.

Project details

- Cost: \$45 million
- Population: 244,798

Geelong Library and Heritage Centre

A useful case study of the changing role and function of contemporary community and cultural facilities is the Geelong Library and Heritage Centre (GLHC). Opened in November 2015 at a cost of \$45 million, The Dome is situated within Geelong's cultural precinct. While retaining its traditional function as a resource for information, the centre features a unique modern architectural design. It boasts a number of programs and digital facilities that help create a multipurpose space for community gathering, learning and recreational activities. Features of The GLHC include:

- Patrons will visit the library to access various services and facilities beyond simply borrowing a book. For example, with its large cafe and meeting rooms, the centre serves as a community gathering place with space for social interaction and shared activities.
- In addition to high speed internet access, digital innovations used in the building include way-finding kiosks, video gaming machines and mobile devices
- Virtual reality and 3D printing technologies help to create a more modern and dynamic library experience for users.

The GLHC has attracted significant levels of visitation, with just under 500,000 visits recorded in its first full financial year of operation. The Word for Word national Non-Fiction Festival was held at the Dome, attracting over 4,000 people over the event weekend.



Strategic context

Successful case studies

Albury Cultural Precinct

A successful example of co-located cultural and civic facilities to establish a recognised precinct is in Albury NSW. A phased series of upgrades to existing facilities over a decade has now created a true cultural meeting place in the heart of Albury. Surrounding the QEII Square the precinct includes the Albury LibraryMuseum, Murray Art Museum Albury (MAMA) and Albury Entertainment Centre.

Opened in 2007, the Albury LibraryMuseum was one of the first combined facilities in Australia. It features state-of-the-art technology, engaging interactive exhibitions, reading and research in one location.

MAMA was the result of a \$10.5m refurbishment of the Albury Regional Art Gallery. It opened in 2015, and along with an emphasis on innovative, self-curated exhibitions, MAMA features a stunning 24-hour 'art skin', interactive workshops and immersive cultural experiences.

A recent addition is the Retro Lane Café and Youth Space. In addition to a café, it provides workshop spaces for hire, a chill-out space with access to great technology and library collections and a wide range of programs for young people.

In recent years, the Albury Library/ Museum has averaged approximately 230,000 visitors per year (30% outside Albury) and MAMA 80,000 visitors.

The Albury Cultural Precinct has developed over the past decade into the true cultural and civic heart of Albury offering a range of facilities for all residents and attracting visitors from a much broader region.

Project details

- Cost: \$10.5 million
- Population: 52,886



The Blue Mountains Cultural Centre, provides an example of a successfully integrated/co-located art gallery and library.

Blue Mountains Cultural Centre

After more than a decade of planning, The Blue Mountains Cultural Centre opened in Katoomba in November 2012. Rather than have a stand-alone regional gallery, the Council decided to pursue an innovative model – a Cultural Centre incorporating a City Art Gallery and Interpretive Centre to reflect the community's strong attachment to the arts and its identity as a City within a World Heritage National Park environment.

A new Katoomba Library and retail facilities was added to the original project plan. It is a 21st century facility delivering programs which merge information, art and literature in an electronic age. It includes multi-purpose spaces for activities such as children's story-times, book launches and quiet study. There are lounges for reading, additional areas for meetings, 12 internet terminals and free wi-fi access. The library also incorporates an Aboriginal Knowledge Centre and exhibit area.

Since its opening the centre has averaged 120,000 visitors and 20 major art exhibitions per year.

<http://bluemountainculturalcentre.com.au/>



Our review of literature and case studies of integrated/co-located facilities highlights the nature of benefits that could be expected from the development of the Project. The main benefits include:

- Economic (induced expenditure)
- Social (community cohesion)
- Mental health
- Learning
- Cultural

Benefits of integrated cultural and community facilities

Community and cultural facilities are typically considered public goods that cater to the community for recreation, wellness and learning. Given the public good nature of these facilities, market prices do not exist and other methods need be used to quantify the value.

The table on this page presents the potential benefits generated by an integrated cultural and community facilities. These benefits have been drawn from our case study analysis and review of literature.

Key pieces of research reviewed included:

- Enriching communities: The value of public libraries in NSW, State Library of NSW
- National Welfare & Economic Contributions of Public Libraries – prepared by SGS for Australian Library and Information Association
- Early Literacy and NSW Public Libraries (Dr Emilia Djonov, A/Prof Jane Torr, Dr Maree Stenglin and Natalie Papaellinas)
- Creative Health: The Arts for Health and Wellbeing (All-Party Parliamentary Group on Arts, Health and Wellbeing Inquiry, United Kingdom).

Potential benefits from integrated cultural/community facilities

Economic	Social/Cultural
Non-local expenditure (tourism visitation)	User / community benefits (e.g. social interaction and inclusion, wellbeing)
Revenue created through room hire fees – contribute to operating expenses	Civic pride / community cohesion for local residents
Economic multipliers from new expenditure	Higher rates of participation in community activities
Additional employment from new expenditure	Improved literacy and career progression
Avoided health costs from social isolation	Ability to attract a variety of events and support development of local sport industry
Increase productivity (reduced absenteeism)	Ability to target special groups – e.g. seniors, youth, Aboriginal people
Increase social capital	Encourages volunteering
Financial savings through clustering (e.g. reduced administrative costs)	Co-location – many uses in the one location
	Non-user benefits (e.g. option value)

The Project is well located to the existing and future population growth within Coffs Harbour. This level of growth will support additional demand for new community and cultural facilities. This highlights the strategic need for the proposed project.

Population

The population of Coffs Harbour in 2017 was estimated at 75,503. Coffs Harbour is a Regional City and serves as a major service centre for Bellingen, Clarence Valley and Nambucca Shires in particular.

Population growth rates

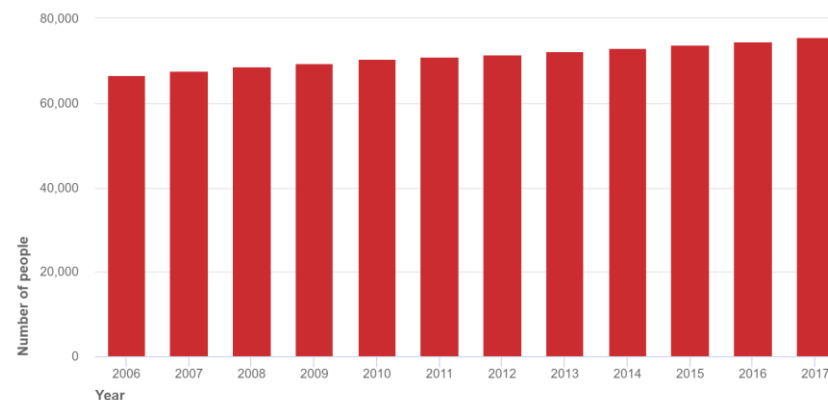
The population of Coffs Harbour has grown slowly over the past 10 years, with an average annual growth rate of 1.1%.

Population forecasts

The population of Coffs Harbour is forecast to grow to 96,087 by 2036.¹ This represents an average annual growth rate over the next 20 years of 1.3%. This is slightly higher than the growth that has been experienced between 2006 and 2016.

Estimated Resident Population (ERP)

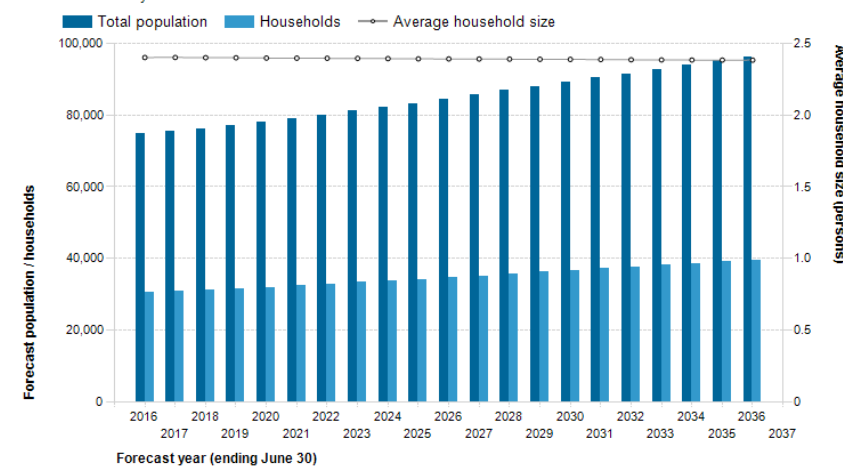
Coffs Harbour City



Source: Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented by .id the population experts

Forecast population, households and average household size

Coffs Harbour City



Population and household forecasts, 2016 to 2036, prepared by .id the population experts, November 2017.

¹ Forecast.id population forecasts

While the residents in the Coffs Harbour LGA are generally older than the NSW average, the area also has a higher proportion of school aged residents.

People of all ages benefit from community and cultural facilities such as the one proposed. Children and the elderly in particular benefit, as community and cultural facilities provide programs specifically targeted at their ages and needs.

Age structure

The age of Coffs Harbour LGA residents is generally older than the New South Wales average. However, there is also a larger share of school aged residents.

Household types

Across Coffs Harbour LGA, couples without children are the dominant household type, reflecting the high share of retirees in the community. Lone person households are also common in the area.

Aboriginal and Torres Strait Islander profile

The Aboriginal and Torres Strait Islander Census population of Coffs Harbour City in 2016 was 3,642. Aboriginal and/or Torres Strait Islander people made up 5.0% of the Coffs Harbour population, well above the Stage average of 2.9%.

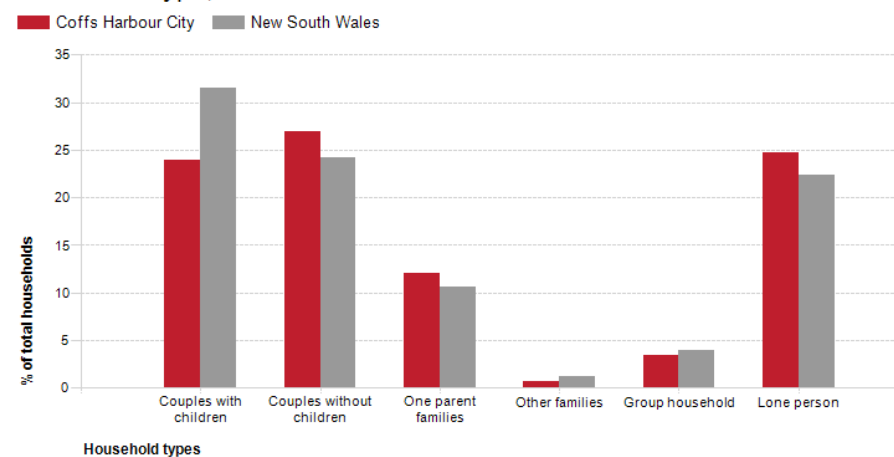
Age structure - service age groups, 2016

Total persons



Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Usual residence data). Compiled and presented in profile.id by .id, the population experts.

Household type, 2016



Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Enumerated data). Compiled and presented in profile.id by .id, the population experts.

Demographic and Socio-economic profile

The unemployment rate in Coffs Harbour has risen considerably of recent. Incomes in the area are also low, creating socio-economic disadvantage.

The Project has the potential to have a direct influence on employment and learning/career development opportunities in the region.

Employment status

Overall, the City of Coffs Harbour has a low labour force participation rate (58.2%). This is lower than the New South Wales average of 63.2%.

However, this is skewed somewhat by the large numbers of retirees living in the area. Looking just at those in the working ages (15-64 years), 74.1% participated in the labour force.

Unemployment

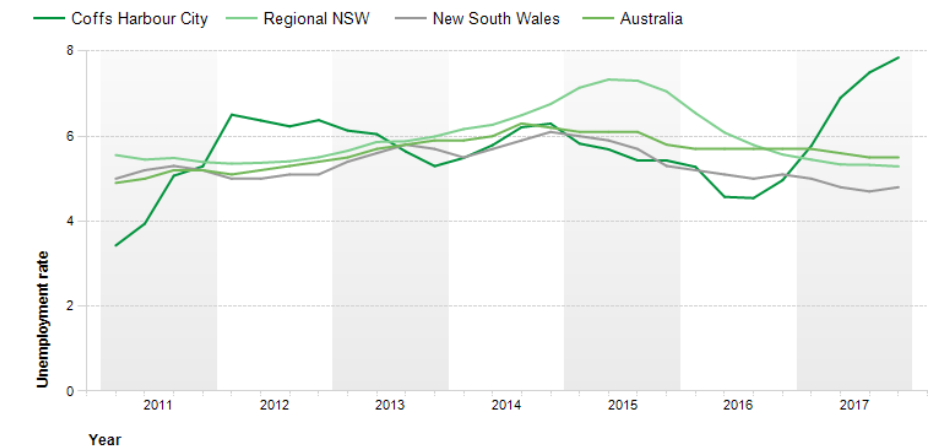
Unemployment in Coffs Harbour has generally followed the state average but has risen considerably recently to 7.85% in December 2017. The rate has been relatively stable over the past two years, after a period of volatility between 2013 and 2015.

Youth unemployment (15-24) in the Coffs Harbour – Grafton region is 20.6% compared to 11% in NSW and 12% in regional NSW (ABS Labour Force Data – Calendar year 2017 average). The project would significantly improve employment opportunities in the region and help respond to high levels of youth unemployment.

Income

The median household income in Coffs Harbour is \$1,104 per week, considerably lower than the New South Wales average of \$1,481 and also that for regional NSW (\$1,166).

Quarterly unemployment rate



Source: Australian Bureau of Statistics, Labour force survey, catalogue number 6202.0, and Department of Employment, Small Area Labour Markets, June 2017. Compiled and presented in economy.id by .id the population experts.

Strategic context

Industry and local jobs

Gross regional product

At June 2016, the Gross Regional Product for Coffs Harbour City was estimated at \$3.2 billion. Over the past 10 years, the area has experienced moderate growth in GRP, with an average annual growth rate of 1.2%, compared to 2.2% for NSW.

Local jobs

In 2016, there were an estimated 31,554 jobs within Coffs Harbour LGA. Local job growth has been relatively stagnant over the past five years, with a downward trend in growth rates since 2011.

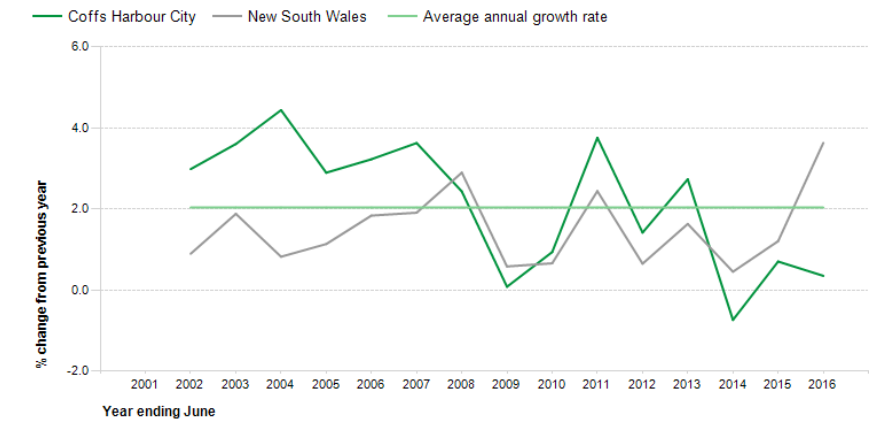
Industry structure

In employment terms, the three largest industries in Coffs Harbour were:

- Health Care and Social Assistance (5,035, 16.0%)
- Retail Trade (4,580, 14.5%)
- Accommodation and Food Services (3,052, 9.7%)

Compared to NSW, Coffs Harbour has a comparative advantage (high LQ) in: Agriculture, Forestry and Fishing; Accommodation and Food Services; Retail Trade; Health Care and Social Assistance; and Construction. The advantage in accommodation, retail and food services is also linked to the importance of tourism and hospitality to the local economy.

Annual change in local jobs

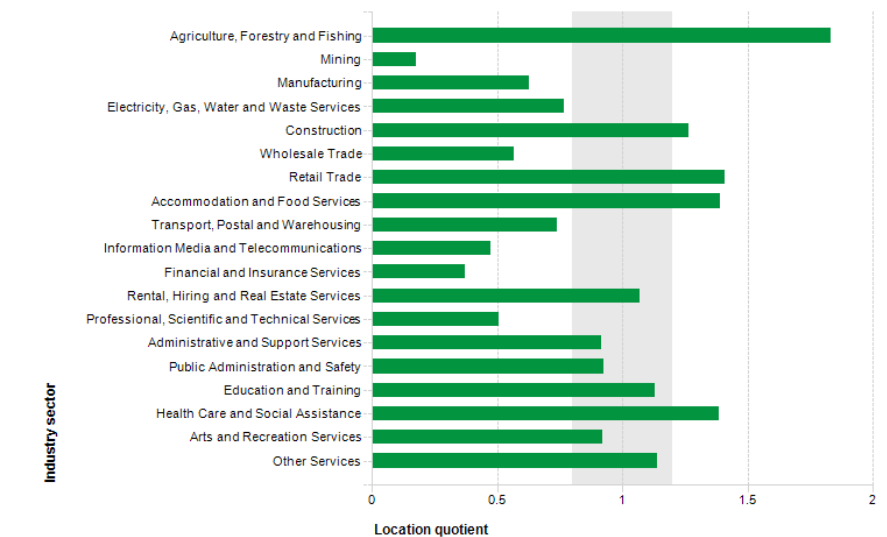


Source: National Institute of Economic and Industry Research (NIEIR) ©2016
Compiled and presented in economy.id by .id the population experts

Location quotient by industry sector 2015/16

Employment (Total)

■ Coffs Harbour City relative to New South Wales



Source: National Institute of Economic and Industry Research (NIEIR) ©2016
Compiled and presented in economy.id by .id the population experts

Employment growth in the LGA has been weakening in recent years, this contrasts with rising growth in state employment levels.

This highlights the need for projects that can diversify the economic base as well as support sustainable economic growth and build the capacity of strategic industries. The strategic industries set to benefit from the Project include Arts and Recreation Services, Info. Media & Telecommunications (Library services), Retail Trade and Accommodation and Food Services (tourism related).

The industries most likely to directly benefit from the Project are:

- Arts and Recreation and Info. Media & Telecommunications are relatively small and under-represented industries in the LGA. There is potential for small growth in these.
- Tourism is a major employer in the Coffs Harbour LGA and an important economic contributor, currently worth \$326.4m in value added. Visitation levels are high, driven by people visiting their family and friends, and the natural assets of the region, such as beaches and National Parks.

Arts and Recreation Services

In 2016, 445 people were employed in Arts and Recreation Services in Coffs Harbour. Most of these jobs are in the Sports and Physical Recreation Activities sector, with only 75 being in Creative and Performing Arts Activities. This represented 0.2% of all jobs compared to 0.4% for NSW. The Project is likely to support further development of this sector.

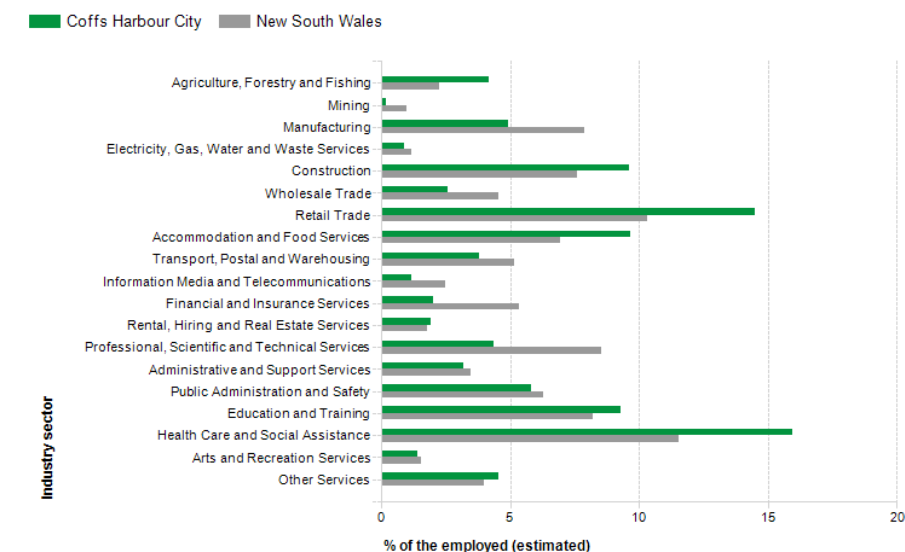
Information Media and Telecommunications

In 2016, only 371 jobs were estimated in this sector, representing 1.2% of all jobs compared to 2.5% at the state level. Enhanced library and information media facilities will help support new jobs and provide learning opportunities for younger residents.

Tourism

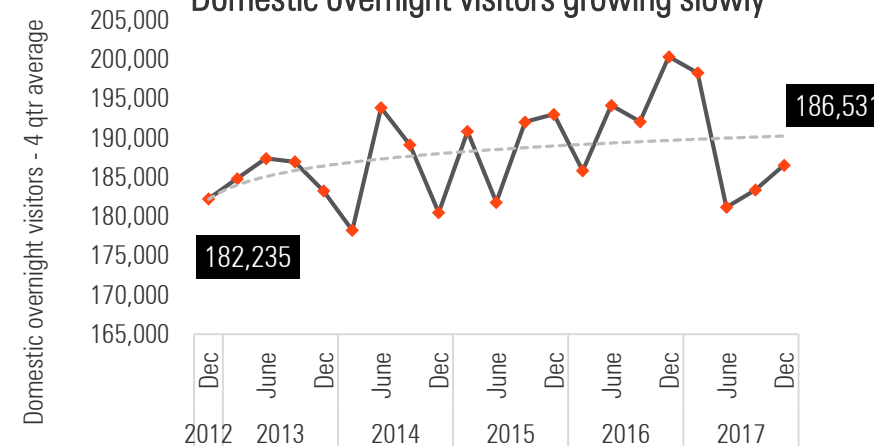
Coffs Harbour experiences a high level of tourist visitation. During the three years to 2016/17, there were an annual average of approximately 766,000 daytrips to the region, and 743,000 domestic overnight visitors. Most daytrippers come for shopping and medical reasons highlighting the city's regional centre role. Overnight visitors primarily come for holidays or to visit relatives. The main activities are eating out and going to the beach. Only 3% of overnight visitors attend Museums/Art Galleries compared to 6% for NSW as a whole. Tourism is currently worth \$326.4 million to the Coffs Harbour economy, up from \$304.5 million in 2010/11. The industry is also a strong employer, supporting over 3,000 jobs.

Employment (total) by industry 2015/16



Source: National Institute of Economic and Industry Research (NIEIR) ©2016
Compiled and presented in economy.id by .id the population experts

Domestic overnight visitors growing slowly



Source: Tourism Research Australia - National Visitor Survey. Jan 2018

Many residents in Coffs Harbour may experience some level of social disadvantage. This is generally due to low levels of education and income, or being part of a population group that is more inclined to experience disadvantage, such as the elderly or Indigenous Australians.

The Project has the potential to have a direct influence on these areas of disadvantage and increase the wellbeing and economic prosperity of the catchment it serves.

Coffs Harbour City has a slightly higher level of social disadvantage when compared to the state averages. The table to the right shows the area compared to the NSW average for a number of indicators. Possible disadvantage is indicated by a 'traffic light' system, with red symbolising suggested higher disadvantage, and green representing lower levels of disadvantage.

Prosperity

Incomes in Coffs Harbour are significantly lower than the NSW average, which is both an indicator and cause of socio-economic disadvantage.

Education

Levels of education in Coffs Harbour are low, with lower than average Year 12 completion rates.

Disadvantaged groups

Coffs Harbour is home to some large population groups that are likely to experience social disadvantage. These include the elderly, those with a need for assistance due to disability, and Indigenous Australians. There are also access issues in the area, with a slightly higher than average proportion of homes without an internet connection – a vital source of information and social connection. Coffs Harbour is also home to a high share of humanitarian arrivals (refugees).

Community participation

While social disadvantage may be high in the area, there is a willingness of Coffs Harbour residents to help, with a higher than average rate of volunteering.

Social disadvantage indicators, 2016

Measure	Unit	Coffs Harbour	New South Wales
Prosperity			
Low income households (under \$650 per week)	%	● 22.3	17.8
Median income	\$	● 1,104	1,481
Education			
Population completed Year 12	%	● 38.7	52.1
Population with university degree	%	● 14.8	23.4
Disadvantaged groups			
Population aged over 65 years	%	● 21.0	16.3
Speaks a language other than English at home	%	● 7.5	25.2
Indigenous	%	● 5.0	2.9
Households without an internet connection	%	● 15.3	14.0
Has need for assistance	%	● 6.2	5.4
Community participation			
Population that volunteer	%	● 19.7	18.1

Source: ABS Census of Population and Housing, 2016. N.B. 'Not Stated' has not been removed from totals used for % shares.

Project forecasts

Facility forecasts

Construction costs

Construction cost forecasts

Total project costs were estimated to be \$70.8 million (\$2018) spread over a four year period (2018/19 to 2021/22). This cost estimate is sourced from the City of Coffs Harbour Council, with escalation excluded (3% per year).

Capital income

The development of the Coffs Harbour Cultural and Civic Space provides the opportunity for Council to undertake a rationalisation of existing assets. A one off benefit of \$20.5 million is estimated (PV = \$19.4m).

Construction costs – Project Case

	Real \$2018
2018/19	\$500,000
2019/20	\$3,170,930
2020/21	\$16,812,942
2021/22	50,089,320
TOTAL	\$70,788,000

Source: CHCC, adjusted by .id

Total project costs were estimated to be \$70.8m (\$2017/18) spread over a four year period (2018/19 to 2021/22).

Facility forecasts

Operating forecasts

Operating forecasts

The table on this page shows the estimated difference in operating expenses and incomes from the base case. These estimates are sourced from Coffs Harbour City Council.

Forecasts beyond 2022/23

Net ongoing operating expenses is forecast to be consistent with the 2022/23 figures going forward. The income loss from rental income at Rigby House and Rose Avenue continues over the 30 year assessment period (i.e. would have been received if not for the project).

Income from the café is forecast to generate \$32,000 of revenue in 2022/23. This is assumed to increase by around 1% per year in real terms.

Operating forecasts - Difference from Base Case

\$,000	2018/19	2019/20	2020/21	2021/22	2022/23
Operating Expenses					
Temporary rentals					
Rigby House rent (ground & level 1)		-896	-923	-634	
Castle St rent		-973	-1,002	-688	
Museum rent		-55	-57	-39	
Operating expense changes					
Staff & other opex total	-60	-338	-703	-724	-746
Additional operating costs				-521	-1042
Borrowing costs			-1,820	-1,787	-1,753
Income					
One-off					
Rigby House sale	10,250				
Castle St sale	7,080				
Museum sale	960				
Rose Ave sale	2,250				
Grant income	0	0	0	0	0
On-going					
Income loss (rental Rigby House L3)		-580	-597	-615	-615
Income from Café				16	32
Interest on unexpected loan			272		

Source: CHCC

Facility forecasts

Visitor forecasts

Overview

The usage and visitations assumptions included in the model have been sourced from the City. .id has used this information to estimate indicative visitor forecasts for both the base and project case. It is noted that a number of assumptions were made to estimate visitor numbers due to the limited information available. More detailed modelling is required to confirm the appropriateness of the assumptions used, and as such, caution is required when interpreting the results. Sensitivity testing is provided in this report given these data limitations. Information about the usage and visitation assumptions is provided in the Appendix.

Visitor forecasts

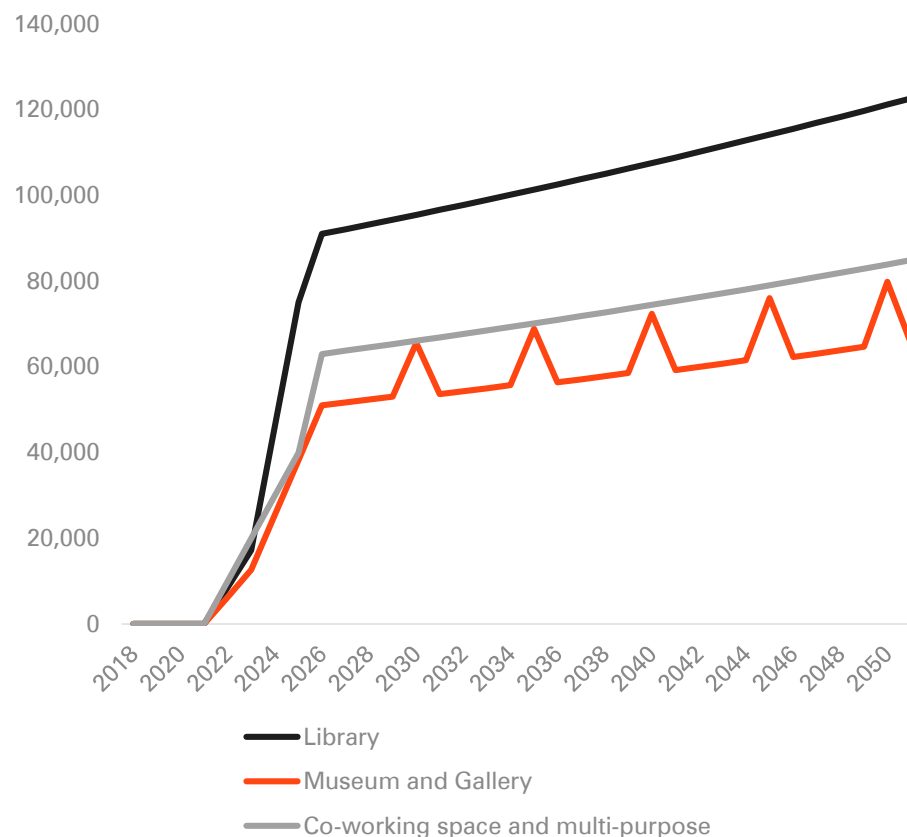
Visitation to the facilities is estimated to increase from around 196,200 (average of last two years of operation – 2016 and 2017) to around 412,000 by year 5 post construction (2027). This forecast is based on detailed visitation analysis undertaken by Council for the library, museum, gallery, co-working space and multi-purpose space. A blockbuster gallery or museum event is assumed to occur every 5 years, which leads to a 20% increase in gallery and museum visitation for the year. We have assumed visitation to increase by 1.1% post 2027, in line with population growth.

Base case

Visitation to the precinct under the base case is forecast to remain flat over the assessment period, in line with recent visitation statistics provided by Coffs Harbour Council.

Additional visitation – project vs base case

Source: .id based on Council visitation forecasts



Visitor forecasts cont.

Assumptions

A number of additional assumptions have been applied to this economic assessment. The assumptions include:

- Local visitation is excluded as this is assumed to be a redistribution of local expenditure, and not an 'impact'.
- Currently around 16% of visits are non-local. This is unchanged in the base case. Under the project case, it is assumed that 19% of visits are non-local. This is based on the existing visitor profile to the gallery with additional assumptions made about additional growth.
- The visitor profile is based on the data provided by Council for the library, gallery and museum.
- For domestic overnight and international visitors, we have assumed that they stay 2 days in the LGA. This is based on a visitors who's main reason for travel was to attend a cultural activity.
- It is assumed that one in five (20%) of visits were as a direct result of attendance at the expanded gallery. It is assumed the other visitors would have visited Coffs Harbour regardless. This assumption is based on the insight and research gathered through the Adding Value study².
- Visitor expenditure is based the estimates presented in Destination NSW's report *Cultural and Heritage Tourism to NSW*. The analysis looked at the average spend of a 'cultural' visitor.

² http://mgns.org.au/media/uploads/files/Adding_Value_-_for_publication_1.pdf

Project forecasts

Visitor forecasts cont.

Induced visitation is estimated at 10,371 in year 5 of the project. This level of additional visitation is estimated to have a \$2.6 million direct impact on the local economy.

Visitors	Total	Non-local		Non-local induced (20%)
		No.	%	No.
Base case (yr 5)				
Library & co-working/multi-purpose space	176,000	23,056	13.1	4,611
Gallery	12,783	5,113	40	1,023
Museum	2,403	1,682	70	336
Total	191,186	29,851	15.6	5,970
Project case (yr 5)				
Library	344,600	58,685	17	11,737
Gallery	56,731	29,500	52	5,900
Museum	10,769	9,800	91	1,960
Total	412,100	97,985	20.3	19,597
Change				
Library	168,600	35,629		7,126
Gallery	43,948	24,387		4,877
Museum	8,366	8,118		1,624
Total	220,914	68,134		13,627

	Library & co-working/multi-purpose space	Gallery	Museum	Total
Visitor mix (%)				
Day trips	100	73	33	79
Domestic overnight visitors	0	23	56	17
International visitors	0	4	11	3
Induced Visitors				
Day trips	7,126	3,560	536	11,222
Domestic overnight visitors	0	1,122	909	2,031
International visitors	0	195	179	374
Total	7,126	4,877	1,624	13,627
Induced Visitor nights (days)				
Day trips	7,126	3,560	536	11,222
Domestic overnight visitors (2 nights per trip)	0	2,244	1,818	4,062
International visitors (2 nights per trip)	0	390	357	747
Total	7,126	6,194	2,711	16,031
Induced Visitor expenditure \$m				
Day trips (\$120/night)	0.9	0.4	0.1	1.3
Domestic overnight visitors (\$273/night)	0.0	0.6	0.5	1.1
International visitors (\$123/night)	0.0	0.0	0.0	0.1
Total	0.9	1.1	0.6	2.6

Economic Impact Analysis

Economic impact assessment

Assessment framework

Assessing economic impacts

The economic impact of the Project was assessed using a Regional Input-Output model. The construction and operational phases were modelled separately. The economic impacts are calculated using an input-output model which is derived from the local economy model developed by National Economics (NIEIR).

An input-output matrix describes how the different industries in an economy interrelate, and how supply chains operate in the local area. The economic modelling reproduces the National Accounts data for local areas. Data sources in the model include:

- Census Journey to Work data
- ABS Labour Force Survey
- Centrelink employment estimates
- ABS building approvals – commercial floorspace estimates.
- Australian Taxation Office worker income data
- Microsimulation of household expenditure

The modelling produces a factor, which shows the flow-on effects of economic productivity in an industry sector, to other sectors and the total economy.

The main outputs from this model are total direct and indirect employment and gross regional product arising from expenditures directly related to the Project.

Direct expenditure impacts

The direct expenditure impacts include (\$2018 values):

1. Construction phase

Construction: \$70.8 million

2. Operational phase

5 years post construction

- Art Gallery/Museum/Library: Additional \$1.0 p.a. operational expenditure compared to base case
- Café sales: additional \$32,000 p.a. to the base case

3. Induced tourism expenditure

Due to better facilities and the ability to host touring exhibitions at the precinct

- Tourism expenditure: \$2.6 million p.a. (5 years post construction after lead in time)

The project will generate both construction and ongoing employment and value added impacts for the Coffs Harbour economy.

The construction phase of the project will generate approx. \$70.8 million in direct construction output.

While the operation of the precinct (operation and external providers) is estimated to generate an additional \$1.0m per year in direct output. The ability to attract visitors and host major events at the precinct is estimated to induce direct tourism expenditure by \$2.6 million p.a.

These direct impacts will then have flow on impacts for the local economy.

Economic impact assessment

1. Construction phase

Results

Using the NIEIR Impact Assessment Module to assess an economic impact gives an idea of the likely flow-on effects. Construction in the Coffs Harbour LGA is an important industry, worth \$301m value-add, or 11% of the local economy in 2015/16. Construction tends to fluctuate significantly with the commencement or completion of new projects.

The investment of \$70.8 million of Construction activity into the LGA would add \$29.9 million in direct impact in value added and 137 local jobs associated directly with the construction (~34 per year over the 4 year construction period). Given the size of this project, this is likely to have a regional impact as not all of these jobs will be performed by local residents.

In addition, another 67 jobs (\$6.9 million in value-added) would come from associated industries (suppliers and users), with around 13 jobs in consumption impact (more money flowing through the economy from increased spending by additionally employed workers).

The total impact on the local economy would be 217 jobs and \$37.9 million in value-add from the construction phase of the project.

The impact model also includes assumptions around input-output relationships between regions and therefore there are additional impacts to the broader Australian economy as a result of supply chain relationships. These impacts would be an additional \$32.8m in value added and 279 extra jobs outside the region.

Economic impact summary – Construction phase

Summary	Output (\$m)	Value-added (\$m)	Local jobs
Impacts on Coffs Harbour City economy			
Direct impact	70.8	29.9	137
Industrial impact	17.5	6.9	67
Consumption impact	2.9	1.2	13
Total local impact	91.3	37.9	217
Type 1 multiplier (direct & industrial)	1.2	1.2	1.5
Type 2 multiplier (direct, industrial & consumption)	1.3	1.3	1.6
Impact on Australian economy			
Total impact outside Coffs Harbour			
City	71.4	32.8	279
Total impact on Australian economy	162.7	70.7	496

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id , the population experts.

Note: All \$ values are expressed in 2015-16 base year dollar terms.

2. Operational phase

Results

The operation of the new facility will also have ongoing economic impacts for the Coffs Harbour economy over the short, medium and long term. New annual expenditure activity will be generated as a result, directly impacting on specific local sectors associated with the facility as well as flow-on impacts to businesses in other industries.

The operation of the precinct (operation and external providers) is estimated to generate an additional \$1.0 million direct impact on output in year 5 (above and beyond the base case).

The ongoing direct expenditure of \$1 million into the LGA would add \$0.49 million in direct value added impacts and 7 jobs associated directly with the project. In addition, another 1 jobs (\$0.13 million in value-added) would come from associated industries (suppliers and users), with around 0.3 jobs in consumption impact (more money flowing through the economy from increased spending by additionally employed workers).

The total impact on the local economy would be 8 jobs and \$0.58 million in value-add per year from the operational phase of the project.

The impact model also includes assumptions around input-output relationships between regions and therefore there are additional impacts to the broader Australian economy as a result of supply chain relationships. These impacts would be an additional \$0.46 million in value added and 4 extra jobs outside the region.

Economic impact summary – Operational phase

Summary	Output (\$m)	Value-added (\$m)	Local jobs
Impacts on Coffs Harbour City economy			
Direct impact	1.00	0.49	7
Industrial impact	0.18	0.06	1
Consumption impact	0.07	0.03	0
Total local impact	1.25	0.58	8
Type 1 multiplier (direct & industrial)	1.18	1.13	1.11
Type 2 multiplier (direct, industrial & consumption)	1.25	1.18	1.16
Impact on Australian economy			
Total impact outside Coffs Harbour City	0.97	0.46	4
Total impact on Australian economy	2.22	1.04	12

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id , the population experts.

Note: All \$ values are expressed in 2015-16 base year dollar terms.

3. Induced tourism expenditure

Results

The Project has the potential to attract additional tourism visitation to the region. The forecast direct visitation is applied to the tourism expenditure profile outlined on page 31 and 32. From year 5 of operation, the improved attraction is estimated to induce direct tourism expenditure by \$2.6 million p.a (on top of existing expenditure levels).

The injection of \$2.6 million per year in additional tourism expenditure as a result of the project would add \$1.3 million p.a. in direct impact in value-added and support 30 jobs per year. In addition, another 3.7 jobs would come from associated industries (suppliers and users), and the consumption impact (more money flowing through the economy).

The total impact would be 34 jobs and \$1.7 million in value-add induced tourism expenditure annually from increased attendance by visitors.

Economic impact summary – Induced tourism

Summary	Output (\$)	Value-added (\$)	Local jobs
Impacts on Coffs Harbour City economy			
Direct impact	2,632,000	1,325,753	29.9
Industrial impact	665,151	233,153	2.7
Consumption impact	233,029	91,765	1.0
Total local impact	3,530,180	1,650,670	33.7

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id , the population experts.

Note: All \$ values are expressed in 2015-16 base year dollar terms.

Tourism and hospitality are key industries and major contributors to Coffs Harbour's economy. The development of a new tourism offer has the potential to attract new visitation as well as extend the length of trip and tourism expenditure captured in Coffs Harbour.

The project is expected to generate around 34 jobs per year (\$1.7 million value added) from increased arts and heritage based visitation.

Benefit Cost Analysis

Benefit cost analysis

Introduction

Overview

A benefit-cost analysis determines the net economic benefit of a project by quantifying and comparing economic costs of a "base case" to a "project scenario" (the Project).

The CBA in this report was undertaken in accordance with the guidelines prescribed by the Australian Government and NSW Government.

The costs and benefits are estimated in real based on 2018 prices.

The cost benefit analysis was conducted over a period of construction and 30 years post construction completion commencing in 2018/19. A real discount rate of 7% was applied.

Construction is assumed to be staged over a four year period (2018/19 to 2021/22), with operation commencing in 2022/23

Net present value (NPV)- the difference between the present value of benefits and the present value of costs; i.e. $PVB - PVC$. A positive net present value indicates that the project has economic merit.

Benefit-Cost Ratio (BCR): The BCR is the present value of benefits (economics & financial) divided by the present value of costs. A BCR value greater than 1 indicates that benefits exceeds costs

This section presents the main inputs into the benefit cost model.

Benefit cost analysis

Quantitative analysis of benefits and costs

The base case scenario is based on a business as usual outcome. No above population growth increase in visitation levels are forecast.

The project case scenario is based on a major upgrade to cultural and community and cultural facilities. By doing so, the project will attract more visitors to the precinct and provide opportunities for commercial operations and induced visitor expenditure.

Capital costs

Total project costs were estimated to be \$70.8 million (\$2018) spread over a four year period (2018/19 to 2021/22).

Operating expenditure

Refers to the incremental operational expenditure generated by the Project compared to the base case. This is based on the forecast operational expenditures estimated on page 29.

Incremental benefits

Income from Rigby House

Refers to the income generated by the Project compared to the base case. This is based on the forecast operational revenues estimated on page 29. The revenue generated in the project case is around \$0.6 million per year less than the base case (i.e. the benefit is negative) due to the loss of revenue from Rigby House.

Proceeds from land sales

The development of the Coffs Harbour Cultural and Civic Space provides the opportunity for Council to undertake a rationalisation of existing assets. A one off benefit of \$20.5 million is estimated (PV = \$19.4m).

Revenue from commercial tenants

The Project will create a new cafe. The value added generated by these tenants is estimated to be \$32,000 p.a. This is forecast to grow in line with population growth.

Residual value (benefit):

The estimated value of project assets at the end of the period of analysis, representing their expected value in continuing use. The residual value in year 30 is estimated at \$28.3 million (PV=\$3.0m).

Quantitative analysis of benefits and costs (cont.)

It is noted that the Project may have the potential to attract more events over time. This would increase the induced tourism expenditure assumed in this report.

The main driver of the direct user benefits is the incremental visitor forecasts, outlined on page 30.

Induced tourism expenditure

The Project has the potential to create a cultural precinct that boosts visitation to the Coffs Harbour LGA. Advanced facilities and the ability to host events and touring exhibitions should draw visitors from across NSW.

This is estimated to generate around \$1.3 million per annum in direct value added (benefit that results from \$2.6 million in output).

Direct user benefits

The benefits from participating in cultural and community activities at the Project. This can be in the form of education, leisure, satisfaction and personal development. The Project also provides the opportunity for social interaction. As there is no observable market price for these services, we have used the travel cost method (TCM) to quantify the benefits to the user. This method uses the travel time to impute the value users place on visiting the facility (i.e. their time has a value).

The inputs used to estimate the direct user benefits are:

- Distance and time travelled by visitors based on 2010 Gallery survey. The average round trip is assumed to be 20 kms, and take 15 minutes.
- Estimate time spent at the facility: Based on previous studies of visitation to community and cultural facilities. The time spent at the facilities under the base case is estimated at 30 minutes per visit. This increases to 45 minutes under the project case due to better facilities and opportunities for multi-purpose trips (co-location benefit).

- Estimate the value of time (\$/hr): Based on standard cost benefit analysis guidelines published in Principles and Guidelines for Economic Appraisal of Transport Investment and Initiatives. Adjusted to 2017/18 values. This is estimated at \$17.27/hr.

Based on this, the total value of direct user benefit is estimated at \$18.5 per visit under the base case and \$22.9 per hour under the project case. This value is applied to the forecast local visitation under both scenarios to estimate the incremental benefit of the Project. Non-local visitation is excluded due to potential double counting (e.g. induced tourism expenditure).

Indirect user benefits

There are a number of studies that identify a range of indirect benefits associated with users of libraries and community centres. The Australian Library and Information Association (SGS) and State Library of Queensland (2012) report identifies a range of benefits including social and cultural benefits of community cohesion, improved career development opportunities and environmental savings. This study found that Libraries were recognised as having a range of perceived benefits including supporting children's education, supporting early development and contributing to enjoying and meaningful pastimes.

Unfortunately, valuation of these benefits are limited. Nonetheless, the study by Liddle (2008) provides a useful estimate of facilitating career development and productivity improvements.

Benefit cost analysis

Quantitative analysis of benefits and costs (cont.)

Indirect benefits (cont.)

Based on a Contingent Valuation Methodology (CVM), Liddle (2008) suggests that this benefit can be valued at \$21.3 per capita (2018\$).

For the purpose of this analysis, we have used the benefit per capita rate of \$18.54 (\$2011). This estimate is rebased to \$2018 values and is applied to unique additional visitors (aged 15+) to the library.

Volunteering benefits

Galleries, museums and libraries play an important role in providing volunteering opportunities within a region. Volunteers provide unpaid help in the form of time, service or skills. In this study we have valued the contribution of volunteering at \$21.4/hr (based on the average hourly wage in the arts and recreation centre).

The project is expected to increase the number of volunteers by 380 hours per year.

Benefits not quantified

There are of course a number of aspects that cannot be valued due to limited information and insufficient research. These benefits are explored in the qualitative Wider Community Benefit assessment. These include:

- Non-user benefits
- Volunteering
- Improved amenity
- Co-locational benefits
- Reduced social isolation
- Environmental benefits from reduced travel
- Benefits to specific user groups (e.g. youth, indigenous people and seniors)

Benefit cost analysis

Results

The BCA results are summarised in the table on this page. The BCA shows that the project generates a Benefit Cost Ratio (BCR) of 1.05:1. This means that a \$1 million investment would generate a total of \$1.05 million in benefit.

The most significant benefits of the proposed project results from direct user benefits. This is due to a significant improvement in the facilities, amenities and services offered by Project.

The total present value of benefits in this proposed development is estimated to be around \$84 million based on a 7% discount rate. The total present value of the costs in this proposed development is estimated to be \$80.3 million.

The net present value of the proposed development is estimated to be around \$4.04 million, with a benefit cost ratio of 1.05. This means that the proposed development costs outweighs the benefits. For every \$1 investment, the project is expected to generate \$1.05 of economic and community benefit.

The key benefit of the project is the direct user benefit. That is the benefits visitors receive from participating in arts, cultural and community activities. This benefit is estimated at \$42.4 million. This is expected given the poor quality of existing facilities.

Utilising a lower discount rate of 3% provides a NPV of +48 million and BCR of 1.45. The higher discount rate of 10% however suggests that the project is not viable.

Benefit cost summary, \$m

	Nominal	Present values (7% discount rate)
INCREMENTAL COSTS		
Construction costs	\$63.07	\$50.50
Short term rental costs	\$5.27	\$4.34
Operational expenditure	\$70.99	\$25.46
Total costs	\$139.33	\$80.30
INCREMENTAL BENEFITS		
Operating revenue	-\$17.76	-\$6.49
Proceeds from land sales	\$20.54	\$19.20
Induced tourism expenditure	\$44.13	\$12.82
Direct user benefits	\$148.04	\$42.39
Indirect user benefits	\$47.91	\$13.31
Volunteering benefits	\$0.24	\$0.08
Residual value	\$28.32	\$3.04
Total benefits	\$271.42	\$84.34
<i>Cultural related benefits</i>	\$254.35	\$79.04
<i>Civic related benefits</i>	\$17.07	\$5.30
PROJECT OUTCOMES		
NPV		\$4.04
BCR		1.05

Benefit Cost Analysis - Sensitivity test

	3%	7%	10%
Benefits (\$m)	\$153.67	\$84.34	\$59.76
Costs (\$m)	\$105.81	\$80.30	\$68.19
BCR	\$1.45	\$1.05	\$0.88
NPV (\$m)	\$47.87	\$4.04	-\$8.43

Benefit cost analysis

Sensitivity test

The project is even less economically viable if the visitor forecasts are 15% lower than forecast in this report.

However, the project becomes viable if visitor forecast are 15% greater than expected.

The results above are highly sensitive to the visitation forecasts for the project case. Given the data limitations associated with the visitor forecasts, we have undertaken a sensitivity test to show the performance of the proposed project under different visitors forecasts.

The sensitivity test shows that the BCR falls quite below 1 if visitation was reduced by 15%. However, the project is viable if visitation is 15% higher than estimated in the project case with a BCR of 1.25.

Given the sensitivity of visitation on the project viability, it will be important to put in place strategies that drive visitation in line with the forecast outlined in this study.

Sensitivity test summary, \$2018, 7% discount rate

	Project case	Sensitivity test 1 - 15% higher visitation	Sensitivity test 1 - 15% lower visitation
INCREMENTAL COSTS			
Construction costs	\$50.50	\$50.50	\$50.50
Short term rental costs	\$4.34	\$4.34	\$4.34
Operational expenditure	\$25.46	\$25.46	\$25.46
Total costs	\$80.30	\$80.30	\$80.30
INCREMENTAL BENEFITS			
Operating revenue	-\$6.49	-\$6.49	-\$6.49
Proceeds from land sales	\$19.20	\$19.20	\$19.20
Induced tourism expenditure	\$12.82	\$15.29	\$10.03
Direct user benefits	\$42.39	\$52.41	\$31.09
Indirect user benefits	\$13.31	\$17.09	\$9.06
Volunteering benefits	\$0.08	\$0.08	\$0.08
Residual value	\$3.04	\$3.04	\$3.04
Total benefits	\$84.34	\$100.61	\$66.00
PROJECT OUTCOMES			
NPV	\$4.04	\$20.31	-\$14.30
BCR	1.05	1.25	0.82

Wider community benefit analysis

Introduction

Community and cultural facilities are typically considered public goods that cater to the community for leisure and learning. Given the public good nature of these facilities, market prices do not readily exist and other methods often need be used to quantify the value.

This section presents the wider social and cultural benefits of the project. The importance of this impact should not be understated given the overriding civic and social investment rather than commercial nature of the investment.

The project also has the potential to generate positive economic, social and environmental benefits not captured in the benefit cost analysis. To evaluate the full range of benefits, .id has developed a multi-criteria analysis based on a triple bottom line approach (TBL). This approach qualitatively measures the wider benefit generated by the project against economic, social and environmental indicators.

The 10 point rating scale used in this analysis is provided below.

This analysis has drawn upon our literature review and case study analysis.

Nature	Rating Level (out of 5)	Description
Negligible	0	No impact
Very Low	1	Minimal positive impact, possibly only lasting over the short term. Confined mainly to a limited area and limited number of participants.
Medium	5	Moderate positive impact, possibly of short/medium/long term duration. Positive outcome may be in terms of new opportunities or outcomes such as enhancement or improvement for a moderate number of participants.
Very High	10	Major positive impacts resulting in substantial and long term improvements/enhancement/opportunities that would not occur but for the program and positively effects a large number of participants.

Wider community benefit analysis

Results

Key Findings

Overall, the project is expected to generate a moderate community impact score of 4.7. Including these wider community benefits in the Benefit Cost Assessment would have a moderate improvement on the BCR.

Social/Cultural

The largest benefit is expected to be improved social and educational outcomes for residents in Coffs Harbour LGA. Such benefits are important for a growing community, and where social disadvantage is prevalent. The facility will also facilitate an improvement in community cohesion for residents, with access to the museum, gallery and library, and the associated programs targeted to at-risk groups.

Economic

There were also a range of important economic benefits identified. Importantly, the project will help diversify the offer of the CBD, being a vitally important employment location in the region. A strong and diverse CBD is becoming an increasingly strategic advantage for regions. CBD's are critical in terms of responding to growth in the service sector economy and leveraging off the benefits of agglomeration. Museums, galleries and libraries are important assets for a successful CBD by driving visitation, length of visit, multi-purpose visits and expenditure. They also play an important role in the night time and tourism economy, increasing the hours of trading and extending the regional catchment of the CBD. This is particularly important in light of the visitation impacts likely from the Coffs Harbour bypass project.

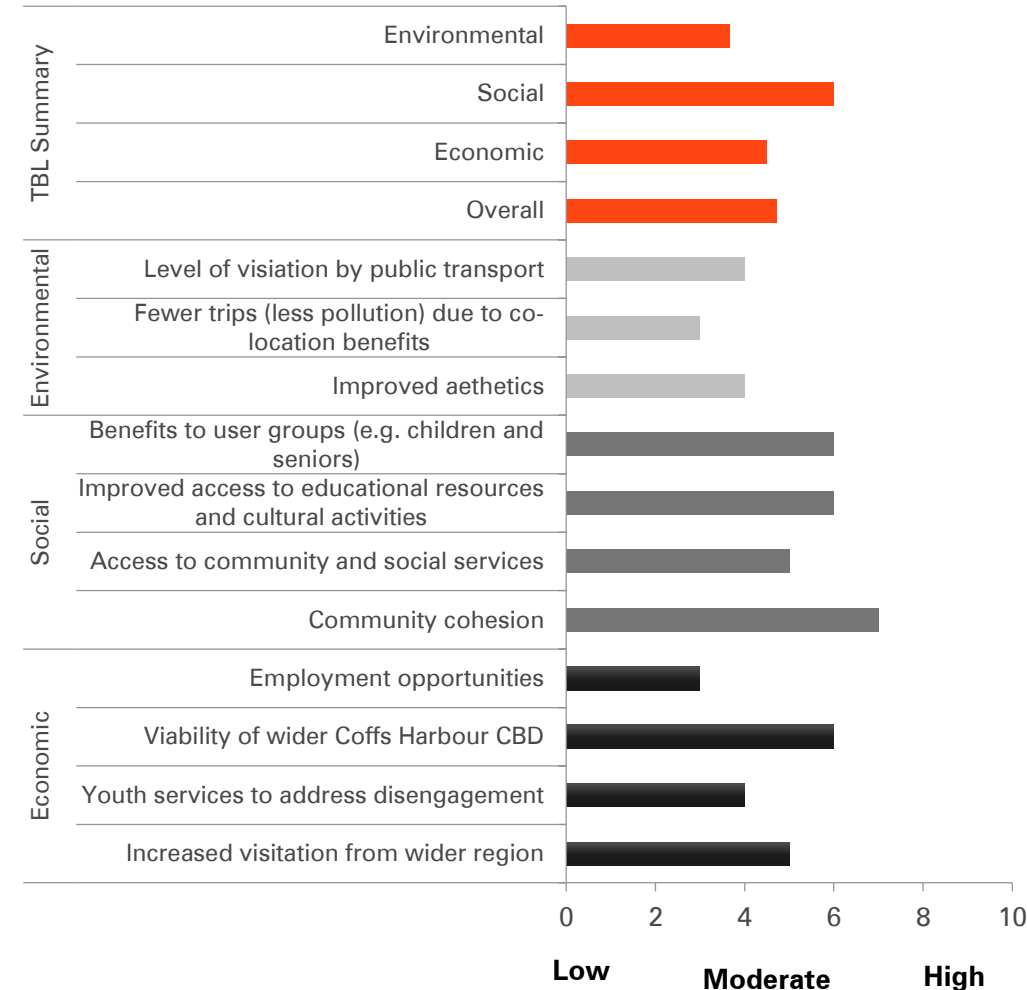
Environmental

The project is expected to have a low, albeit important, environmental benefit. Co-locating a number of different services will decrease the number of car trips required, thus creating a positive environmental impact. The delivery of better facilities will also reduce the need for residents to travel long distance to access their cultural, leisure and learning needs.

Based on the Triple Bottom Line Assessment, the project is expected to generate a moderate community benefit score of 4.7. Importantly the project is expected to generate important social and cultural benefits above and beyond those quantified in the Cost Benefit Analysis. Including these wider community benefits in the Benefit Cost Assessment would have a moderate improvement on the BCR and NPV outcomes.

Triple Bottom Line Results – Incremental benefits

Source: .id



Appendix

Appendix A: Project inputs

Project case – construction costs

Construction costs	2018	2019	2020	2021	2022
Nominal	0	\$500,000	\$10,000,000	\$30,000,000	\$29,500,000
Real		\$478,750	\$9,425,000	\$27,825,000	\$26,771,250

Source: CHCC

Forecast financials – Difference from Base Case

\$,000	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Expenses					
Building cost \$70m	-500	-10,000	-30,000	-29,500	
Misc relocation costs					
Operating Expenses					
Temporary rentals					
Rigby House rent (ground & level 1)		-896	-923	-951	
Castle St rent		-973	-1,002	-1,032	
Museum rent		-55	-57	-58	
Operating expense changes					
Staff & other opex total	-110	-412	-796	-1,270	-810
Additional operating costs				-415	-855
Additional depreciation (1750-585)	0	0	0	-583	-1,165
Saved depreciation		585	603	310	
Income					
One-off					
Rigby House sale	10,250				
Castle St sale	7,080				
Museum sale	960				
Rose Ave sale	2,250				
Grant income	0	0	0	0	0
T2S contribution		10,500	3,200	3,200	
On-going					
Income loss (rental Rigby House L3)		-580	-597	-615	
Income from Café				16	32
Annual net	19,930	-1,831	-29,572	-30,898	-2,798
Cumulative net	19,930	18,099	-11,473	-42,371	-45,169

Source: CHCC

Appendix B: Visitor assumptions

Information about potential usage of the existing and future facility is based on data provided by council and case study analysis.

This section summarises this information and includes our assumptions to estimate existing and future visitation.

Current visitation to the main facilities to be replaced are:

- Harry Bailey Memorial Library – 181,105 (2 yr average 2016-2017)
- Coffs Harbour Regional Gallery and Regional Museum – 15,096 (2 yr average 2016-2017)

Based on Council's case study analysis of comparable facilities it is assumed that after a given lead in time (5 years) the new library has the potential to increase in visitation upon current figures by 100% and the Gallery/Museum by 500%.

Current shares of visitation to facilities by non-locals are estimated to be 6.5% for the library (based on library membership) and 32% (based on 2010 survey data).

It is assumed that these figures will increase as the new facilities represent the largest and most modern in the North Coast NSW area and the ability to stage larger exhibitions draws residents from other LGAs. We have conservatively applied 8% and 40% figures (based on case study analysis).

2010 survey data suggests 15% of non-locals are daytrippers and 85% are overnight visitors. These shares have been kept for the project case.

It is acknowledged that most visitation to cultural facilities is not necessarily the main reason for visitation to a region. Many holidaymakers and/or daytrippers will participate in cultural activities as incidental to other activities.

The average stay for a domestic overnight visitor who visited Coffs Harbour to attend a sports or cultural event is 1.5 nights. We have conservatively assumed that this would increase to 2 nights based on upgraded facilities hosting major exhibitions.