

METHVEN HOUSE

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Public Meeting

12th September 2013 at 8pm in the Mt Hutt Memorial Hall, Methven



Committee Members

Colin Lill	Chairperson	Morris Molloy	Community Representative
Cathie Connew	Secretary & Treasurer	Derek Glass	Community Representative
Sue Jackson	Vice Chairperson & Anglican Representative	Richard Lilley	Community Representative
Joan McKay	Presbyterian Representative	Shirley Lucas	Community Representative
Myles Connew	Catholic Representative	Sue Bell	Community Representative
Elisabeth Heybrook	Nurse Manager		

AGENDA

Date: 12th September 2013 at 8pm in the Mt Hutt Memorial Hall, Methven.

Welcome:

Apologies:

History of Methven House:

Introduction of the Current Situation:

Novak + Middleton Report: Architectural Feasibility

Wing Valuation:

Ashburton District Council Summary:

Grant Thornton Report: Market Assessment & Financial Feasibility

Funding:

Where to From Here:

Questions:

Official Meeting Closed

Coffee & One on One Chat

History of Methven House:

In 1968, when Methven Cottage Hospital was closed by the Ashburton Hospital Board, a group of enthusiastic locals saw an opportunity to establish a Rest Home for the elderly on the disused site. A very well attended public meeting saw the election of a committee and Methven Aged Person's Welfare Association Inc. (MAPWAI) was formed. After many meetings with the Ashburton Hospital Board and the Ministry of Health and a vigorous fund-raising project the committee was able to proceed. The purchase of the building and site on the corner of Morgan and Alington Sts was possible due to a generous donation from Jean Wightman who farmed at Highbank. The Constitution of the Association was prepared and adopted in 1974, and the site became the property of the residents of Methven and surrounding districts as the constitution confirms. Other fundraising from throughout the district raised the funds for the conversion to a rest home. The official opening of Methven House took place on 3 April 1977.

Since then there has been widespread support from many community organisations, in the form of funds, produce and working bees to maintain the home at a high standard. A great many Methven people have spent countless hours voluntarily administering the home. The overall responsibility for the complex is in the hands of the Committee of Management made up of 12 persons. Three members represent the churches of Methven, the remainder are elected from the community on a three year term. The positions of Secretary and Treasurer are by appointment.

In 1986, two flats for elderly residents were built on land adjacent to the main house. These flats were designed for residents to be able live independently but with the reassurance of having caring staff and friends close by and able to be called in an emergency. These flats were a success and two more were built in 1993.

In 1999, the then Nurse Manger Janette Shearer introduced a serviced flat option. This allowed residents of the flats to obtain meals, housekeeping, personal care and medication support from the staff of the rest home facility at additional costs.

Since its inception many operational conditions have changed in the rest home industry. These challenges have resulted in many other comparable, small community and privately owned facilities closing down due to the increasing costs associated with these changes. Many of these challenges have resulted from the changes in government policies including the introduction of certification requirements and the change of emphasis to caring for the elderly in their own home as long as possible. This policy has also resulted in residents being much frailer when they enter care and this in turn requires more educated and experienced staff and more specialised equipment.

Currently Methven House provides rest home level care to up to 12 residents. The flats are fully occupied. The facility is managed by Elisabeth Heybrook with a staff of 14 enthusiastic and caring locals.

Introduction of the Current Situation:

In recent years the Management Committee has been focused on the long term future of the services which the association provides. There have been number issues which have driven this work:

- 1) the age of the building and increasing costs of maintenance and operations particularly heating.
- 2) the demand for a different type of accommodation from potential residents (en-suite bathrooms and increasing preferences for single rather than shared rooms)
- 3) the increasing age and frailty of residents meaning that new and often larger equipment is required to assist with care e.g. hospital style beds and hoists. The current building is not designed to accommodate this equipment.
- 4) level of care able to be provided in the current facility is not meeting the needs of the Methven community – currently Methven House is not able to provide hospital, palliative or dementia care.
- 5) Lochhead Trust offered a significant land donation as a site for a “new” Methven House.
- 6) finally the Canterbury Earthquakes have highlighted the need to consider the structural integrity of the current building in any future planning.

As part of the investigations into the options for the future the committee has commissioned the following professional reports:

- architectural feasibility study,
- valuation of the current site
- business feasibility study (two stage investigation)

The costs of these reports has been largely subsidised by donations from the Lochhead Trust and the Methven Lions Club. The committee would like to thank these organisations for their assistance.



3.0 Feasibility Study - Objectives

The objectives of this feasibility study and any future upgrade or new build should be as follows:

- To provide high quality aged care facilities within the community.
- To provide the care at an affordable cost.
- To provide modern facilities to meet the expectations of the residents, now and into the immediate future.
- To provide facilities that are attractive, friendly, accessible, hygienic, safe, appropriate and foster a sense of community.
- To provide a home environment for residents that is non-institutional.
- To provide facilities which are efficient and economical to run and maintain.
- To provide up to date buildings and improve compliance with building regulations with emphasis on seismic, structural, fire and health and safety.
- To provide the latest in aged care facilities and services that meet the current regulations research and best practice.
- To provide a modern and appropriate work environment.
- To provide the new facilities with the minimum of disruption to residents.
- To protect the Methven community's investment.
- To allow for future facility expansion, and changing requirements.

The extent to which MAPWAI decides to upgrade their building or replace with a new building will depend upon the perceived benefits versus the investment.

It is apparent that the existing Methven House building is in need of considerable maintenance and upgrading. It has been some time since major improvements to the building have been undertaken. It is also very likely that the existing building is earthquake prone (refer to Dunning Thornton Consultants report.) The building also, in its current form, may no longer suit its intended purpose and is close to the end of its useful and economical life.

The intent of the feasibility study would be to provide sufficient information so that the Methven Aged Peoples Welfare Association Inc could determine which of the two options they are considering they should proceed with.

This study will need to consider whether it is practical and economical to alter the existing buildings, versus building new on the alternative site.

Methven House – Clients Mission statement and Clients Philosophy

To provide a home for the aged, embracing the needs of all, irrespective of culture, race or creed. We at Methven House will endeavour, through education and commitment, to provide a safe, warm, caring and compassionate environment for our residents and all in our community. We encourage them to maintain independence, involvement with family/whanau, friends, church and other relevant groups.

We promote awareness of individual cultural spiritual and health needs.



Proposed new Methven House at Grace Ireland Drive



4.0 Executive Summary

The concept for the upgraded or new Methven House is to create an aged care facility that is a home for up to 20 residents, including 6 residents who may require specialised dementia care.

Two options are provided, one for each site. Both proposals are a response to MAPWA's brief. Novak+Middleton are very keen to create an environment that is a home. Particular emphasis has been placed on designing a home that will have an attractive, comfortable feel that is non-institutional.

The design of Methven House should be to an appropriate standard that, given future circumstances, you would choose to live there. The facilities are being created for Methven people by Methven people in a community ownership model. It is important that the design and construction is to a very high standard. We believe this is a home that Methven will be very proud of, that will be an integral and important part of the community.

Methven House will be a home that residents and staff will be pleased to live and work in. It should also work efficiently, be safe, environmentally friendly, easy to maintain and provide appropriate modern facilities. It will provide the latest thinking in accordance with best practice and modern research, and will be built at an appropriate cost.

Clients Brief - New Methven House Concept Ideas:

New site/New build:

- 20 bed facility with options to extend. Suggestion of small wings around central service areas – short walks to dining rooms etc.
- Secure dementia unit – 6 residents? – use of wings or electronic security to change the number of dementia rooms to meet demand.
- Generously sized Single rooms.
- Two room types- Premium room with private en-suite
- Standard room with shared en-suite between two rooms.
- En-suites need walk in showers large enough for staff to assist residents.
- Commercial Kitchen to be shared between dementia and main units – also needs to be suitable for providing meals on wheels – outside entrance for drivers and deliveries.
- Laundry service to both areas. Two industrial washers and dryers.
- Networked and wired for computer and other technological needs.
- Up to 4 x 2 bedroom stand along townhouses with garages for sale of license to occupy. Need to be connected to main facility with call bells etc.
- Double or single story to be advised by experts/architects.



Entrance to new site via Grace Ireland Drive



New site



New site

Main facility requirements

- Dining room
- Two living rooms – 1 large and 1 small (suitable for use as a family visitors room)
- Staff room – storage for personal belongings. Toilet, shower and meals space.
- Storage rooms for large equipment including commodes, walkers and excess furniture
- Visitor toilet
- Separate toilets near the living areas.
- Outdoor storage for garden equipment including ride on mower.
- 2 offices – Nurse manager and Administrator
- Treatment room with sink for use by visiting treatment providers – hairdresser, podiatrist, physio etc
- Storage for linen and medical supplies

Dementia Unit requirements

- Dining room
- Lounge
- Secure garden accessible directly from lounge
- Nurses Station/Office with window on to main living zone
- Dementia walking space – should be a loop/circuit rather than there and back.
- Storage for linen and medical supplies.

Old site/Refurbishment with extension:

- Need to have the current building strengthened to code.
- Current building is 3 doubles, 4 large single and 2 small singles – this needs to be remodelled to provide 2 single room types as per next point.
- Two room types- Premium room with private en-suite
- Standard room with shared en-suite between two rooms.
- Build an extension to achieve a total of 20 residents with a small secure dementia unit. Ideally around central service areas – short walks to dining rooms etc.
- Secure dementia unit – 6 residents? – use of wings or electronic security to change the number of dementia rooms.
- Generously sized Single rooms.
- Commercial Kitchen to be shared between dementia and main units – also needs to be suitable for providing meals on wheels – outside entrance for drivers and deliveries.
- Laundry service to both areas. Two industrial washers and dryers.
- Networked and wired for computer and other technological needs.
- No changes to flats.

Main facility requirements and current issues:

- Dining room
- Two living rooms – 1 large and 1 small (suitable for use as a family visitors room)



Camrose Estate subdivision



Entrance to new site via Grace Ireland Drive



Front entrance of existing building

- Staff room – storage for personal belongings. Toilet, shower and meals space.
- Storage rooms for large equipment including commodes, walkers and excess furniture – currently a problem – large bathroom is used as a storage room.
- Outdoor storage for garden equipment including ride on mower.
- 2 offices – Nurse manager and Administrator
- Visitor toilet
- Separate toilets near the living areas.
- Treatment room with sink for use by visiting treatment providers – hairdresser, podiatrist, physio etc
- Storage for linen and medical supplies
- Corridor to old nurse manager residence wins is too narrow for safety or for ambulance/undertaker access – needs widening.
- Old doorways are too narrow for beds
- Heating is currently expensive and inefficient. Insulation is inadequate (none in walls)

Dementia unit requirements:

- Dining room
- Lounge
- Secure garden accessible directly from lounge
- Nurses Station/Office with window on to main living zone
- Dementia walking space – should be a loop/circuit rather than there and back.
- Storage for linen and medical supplies.



Existing building



Existing self contained units



Existing living area

12.0 Renovate or Rebuild

We have reviewed various articles from Insite, the aged care website www.insitemagazine.co.nz, as suggested by MAPWAI, and included below a few relevant insights:

From the article 'Pointers and Pitfalls - Lessons learnt from developing aged care facilities':

"It is a difficult decision to determine whether it is better to refit an existing building or to completely rebuild the facility. A refit will inevitably involve compromises, but a rebuild is obviously more expensive. However, if the refit is comprehensive and includes moving walls, interior plumbing and services, the cost difference narrows."

"Removing and relocating walls can uncover things such as uneven floors, or poor alignment of walls and doors, revealing the poor quality of the original construction. Another issue is often that the desired new layout will not neatly fit inside the shell of the old layout, resulting in redundant or suboptimal spaces. The capacity and location of existing services may also create problems for a different design."

"A construction project will have an enormous effect/impact on the day to day operations of a facility. Similarly sequencing a project around an operating facility can disrupt the workflow between trades and operations."

From the article 'Baby boomers – New Build or Renovate':

"With a new build comes the benefit of a blank canvas. Compromise is usually dictated by budget, but rarely by architectural design. Consumer preferences for things like ensuite bathrooms, accessibility needs such as adequate room to manoeuvre chairs and walkers in bathrooms, modern technologies and plenty of space for staff can be incorporated into a new design. A new build also allows designers to adopt best practice. According to modern research, more challenges usually present when existing care facilities need to be updated. In such projects, design elements need to work in with the idiosyncrasies of the building."

The final quote from the article 'Architects of the Future':

"Many designers overlook the fact that older people are just as interested in high quality living environments as any other sector of society."

13.0 Recommendations

It is the recommendation of Novak+Middleton Architects that the new build on the Grace Ireland site is the better option. This is summarised as follows:

1. Larger site – 50% bigger.
2. The land has been gifted to MAPWAI.
3. Brand new building.
4. No constraints working around existing buildings.
5. It is the more economical option (if the four stand alone two bedroom units are not built) – refer to Rider Levett Bucknall Concept Design Costs.
6. It is likely to have a similar cost, if the four units are built, when the increased cost risk attached with working around the existing Methven House, including the staging costs and the relocation of residents costs, are considered.
7. No impact on residents during construction. Residents will move in when the project is completed.
8. Future expansion potential – the complex could be expanded to a 36 bed facility.
9. Best Practice 'state of the art' aged care and dementia facility can be built with fewer constraints.
10. Quicker to build.
11. Passive solar sustainable development potential.
12. Excellent access, servicing and carparking.
13. Very sunny site with good views.
14. The modern design will be appealing to baby boomers and residents in to the future.
15. Potentially lower planning and maintenance costs. If the facility is expanded to 36 bedrooms, the costs per resident will decrease.
16. A longer term solution.
17. More compliant with the Ashburton District Council town plan. Site coverage is easily compliant at 28%. Neighbours approval to the proposal, if required for a resource consent, may be easier to obtain on a green fields site.
18. Could be designed in excess of New Building Standard for earthquakes.
19. Larger landscaped areas of outdoor space and gardens are available.
20. An excellent opportunity.



Wing Valuation – March 2012 – In Summary:

I believe there are two options for the sale of the property to get the best return for the Association. The first is selling the property in its entirety as it stands and the second is to undertake a development and subdivide the property into sections.

There is no market evidence to suggest what the property is worth as a “going concern” but that the minimal value is the calculated value based on a hypothetical subdivision.

If the Association was to undertake the subdivision and develop the sections and sell the sections themselves then the profit and risk margin would be the Associations gain. For the Association to undertake the sale of developed sections there is a degree of expertise required plus the cost and time but if the developers profit and risk margin was retained by the Association, then the \$270,000 margin allowed for could be added to the Block Value as Assessed above.

Profit and Risk Margin	\$270,000
Block Value	\$415,000
Return to Association	\$685,000

Ashburton District Population - Facts & Figures - Updated September 2011:

What could this mean? - Where is the population growth likely to be?

- The District's population is forecast to increase by 1800 over the 5 years 2011-2016. Using an average household size of 2.5 people per dwelling (Stats NZ 2006), this could necessitate require up to 720 new dwellings over this period.
- It can be anticipated that around 280 new dwellings are likely to be built in the Ashburton urban area over the next five years³.
- It can be expected that rural areas and smaller towns in the district will account for the majority of new household development in the district in the next five years, with 48.3% of the population growth in this time.
- Rakaia and Methven are likely to be the fastest growing area units in the district, given the high population increase over the last census cycle.
- Council has a District Development Plan that indicates where land might best be rezoned to accommodate future growth.

¹ Based on 2011 population projections.

² Based on 2011 population projections.

³ Based on total expected dwellings and proportion of population growth.

Population by Age

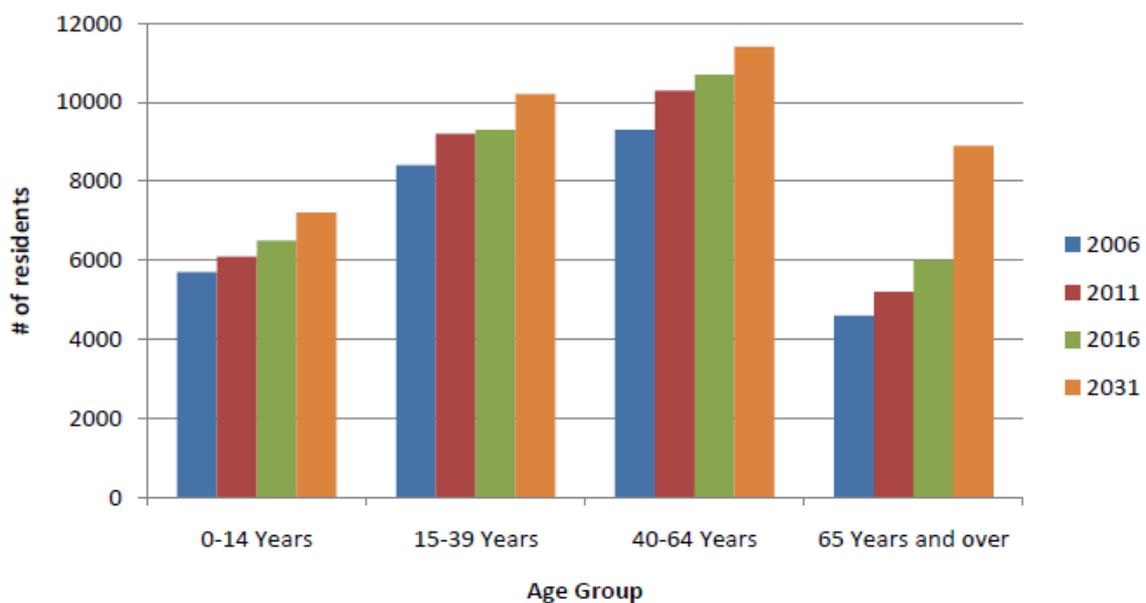


Figure 2: Ashburton District Population by Age, 2006-2031.

Source: Statistics New Zealand Census data 2006 and projections.

What is this about?

Figure 2 shows the population count by age at the time of the last census in 2006. It also shows the current projection for 2011, and the population projections by age for 2016 and 2031.

Key Points

- Ashburton District looks set to follow the national trend of an ageing population as the “Baby Boom” generation moves into retirement age.
- The number of people in the ‘Over 65’ age group in Ashburton District is expected to almost double between the years 2006 (4,600) and 2031 (8,900).
- The proportion of District residents in the working population (aged between 15 – 64 years) is expected to fall from 63% in 2011 to 57% in 2031. The actual numbers within this group are, however, expected to increase by about 3,900.
- The current median age (half the population is older and half is younger) of the district is 38.8 years. This is higher than the national median age of 35.9 years. Since the 2001 census, the median age for the district has decreased, while it has increased for New Zealand as a whole. This indicates that population growth within the district in recent years has primarily been through younger residents, due to an increased birth rate and a higher proportion of migrants to the district belonging to the younger age groups.
- The District median age is showing some convergence with the New Zealand median age, though it remains to be seen whether this trend continues given the large increase in older population forecast.

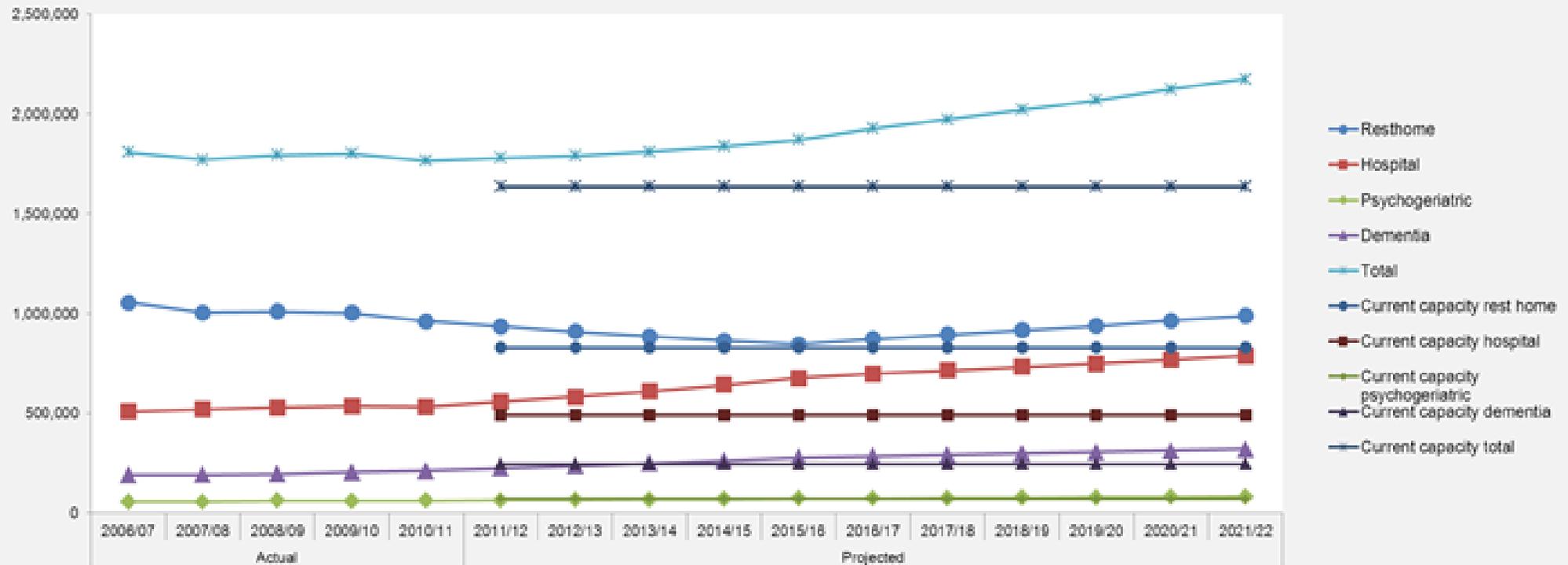
What this could mean?

Data on population age groups can provide the information necessary to ensure appropriate community services, such as healthcare, schools and accommodation are planned for and provided.

- **Community Services and Facilities:** The needs of an ageing population will impact on the community services and facilities required and demanded. An ageing population will have different social needs to the rest of the population. Leisure is more likely to be passive for the aging population and based around improving and maintaining good health and wellbeing. Examples of facilities an ageing population may value in the community include public gardens and green space, art galleries and museums, and physical recreation facilities appropriate for their use.
- **Health Services:** While older residents can be expected to be fitter and healthier than in the past, health services in the district may need to adapt to cater for the needs of older residents in the future.
- **Housing:** With an increase in the 60+ age group there will be a need for housing suitable for older residents. This includes both independent housing and managed units and rest homes. The housing stock overall will need to increase.

CDHB demand projections

All Funded Bed-Days: Canterbury DHB - Ages: All - Scenario: Past five year trend - Projection: Medium compared with Current Capacity (as at Feb 2012)



Grant Thornton Report:

Stage One Report:

MAPWAI proposes to demolish its existing 12 bed ARC facility and construct a 20 bed facility at a new site (a net increase of 8 beds). Adopting the assumption that demand is driven by regional population and penetration growth factors alone (per our discussion above), we have projected new demand for ARC (demand above the existing 12 beds) for the next 10 years based on the penetration rate assumptions (conservative, mid and optimistic) on the previous page.

- Under the conservative scenario, we estimate that the demand for ARC beds will increase by an additional 7 units to a total of 19 units over the next 10 years.
- Under the optimistic scenario, demand for ARC beds is estimated to be higher than the conservative scenario by a further 4 units (i.e. an additional 11 units to a total of 23 units over the next 10 years).

Our estimates of cumulative additional demand are summarised in the table below.

Projected cumulative shortage/(oversupply) for ARC beds

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Conservative	-	1	2	2	3	3	4	5	5	6	7
Mid	-	1	2	3	3	4	5	6	7	8	9
Optimistic	-	1	2	3	4	5	6	7	8	10	11

These estimates indicate demand will not exceed supply (of 20 beds) until 2022 - 2023 under the optimistic and mid demand scenarios and not until after the end of the 10 year forecast period under our conservative demand scenario.

As outlined above, further work is required to more accurately assess likely demand in the Methven district in the short term and also the timeframe over which the new facility would be expected to achieve standard occupancy. This would include discussions with the community and qualitative and quantitative surveys of potential residents of the facility within the district.

Retirement Village:

There are currently no RV facilities operating in Methven under the auspices of the Retirement Village Act 2003 which utilises an Occupational Rights Agreement licence arrangement. MAPWAI has 4 fully occupied rental flats occupied by residents aged over 65, the district council and other providers have an additional 6 old person flats, and there is a development with approximately 5 houses for residents aged over 60 near the proposed new site.

Given none of the above facilities operate as licenced RV facilities, technically there is currently a nil penetration rate for RV in the Methven district. This compares to the national average penetration rate for RV facilities of approximately 5% (source: Jones Lang Lasalle). Assuming that penetration in the district will trend towards the national average over time, demand in the Methven area of up to 13 RV

units could be expected in the medium term (based on a current estimated population of 271 people aged over 65 in the district).

We have projected new demand for RV in the Methven district under the demand and supply scenarios described above. A summary of the projected demand under each scenario is presented in the table below.

Projected cumulative shortage/(oversupply) for RV units

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Conservative	-	2	2	3	3	3	4	4	4	5	5
Mid	-	2	3	3	4	4	5	5	6	7	8
Optimistic	-	2	3	4	4	5	6	7	9	11	13

Results of scenario analysis

(\$ per annum)	Scenario 1 14 bed rest home/ 6 bed dementia	Scenario 2 14 bed hospital/ 6 bed dementia	Scenario 3 7 rest home/ 7 beds hospital/ 6 beds dementia
No greenfield savings			
EBITDAR per bed	(308)	859	275
EBITDAR (facility)	(6,164)	17,177	5,507
5% greenfield savings			
EBITDAR per bed	1,655	3,620	2,637
EBITDAR (facility)	33,091	72,407	52,749
EBITDAR = Earnings Before Interest Tax Depreciation Amortisation Restructuring or Rent			

Overall, projected profitability is marginal under all three scenarios. Achievement of the projected cost savings for a Greenfield facility would appear to have a significant bearing on the profitability at the level of EBITDAR. The most profitable service mix of the three scenarios is the 14 bed hospital/6 bed dementia (scenario 2). The ability to swing beds means that in the short term, while demand for hospital level care grows, the more likely service utilisation for MAPWAI will be a mix of rest home and hospital residents resembling scenario 3 above.

Summary

Subject to the assumptions described in our report, our initial findings indicate that there is potential demand for both ARC services and RV units in the Methven district in the medium term. We have identified some interrelated qualitative factors that may affect future demand and supply however detailed consideration of these factors will be required to further investigate their impact on the demand/supply relationship.

The financial projections for the proposed facility indicate that profitability is marginal under all three different service mixes, with the 14 bed hospital/6 bed dementia facility being the most profitable at the EBITDAR level. However, achievement of profitability may be dependent on the facility's ability to realise the operational cost savings observed in Greenfield facilities. There may also be other sources of

revenue from provision of services to RV units or other community facilities that will enhance the profitability of the facility.

Stage Two Report:

Market Assessment

Our more detailed stage two work has confirmed our demand profiles for the Ashburton region from stage one as set out below.

Projected cumulative shortage/(oversupply) for ARC beds - greater Ashburton											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Conservative	(41)	(36)	(109)	(102)	(94)	(87)	(79)	(71)	(63)	(55)	(47)
Mid	(42)	(31)	(101)	(91)	(80)	(69)	(58)	(46)	(34)	(21)	(8)
Optimistic	(42)	(26)	(93)	(79)	(65)	(50)	(35)	(18)	(1)	16	35

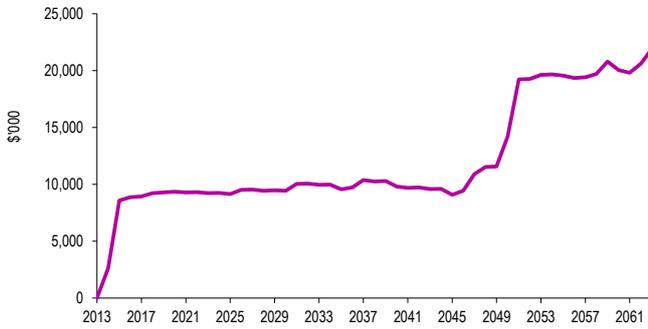
Projected cumulative shortage/(oversupply) for RV units - greater Ashburton											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Conservative	(26)	(44)	(61)	(79)	(85)	(90)	(95)	(100)	(104)	(108)	(111)
Mid	(28)	(42)	(55)	(69)	(71)	(71)	(70)	(68)	(64)	(59)	(51)
Optimistic	(28)	(37)	(46)	(56)	(52)	(45)	(36)	(22)	(5)	18	46

We note that the existing Methven facility is currently full. Given the very high levels of occupancy overall in the region we believe that demand will tend towards the optimistic scenario in the tables above. We also understand that you have recently conducted some community meetings where there was strong support for a new facility and unanimous support amongst elderly residents for staying in the Methven region for both aged care and RV services if facilities were available.

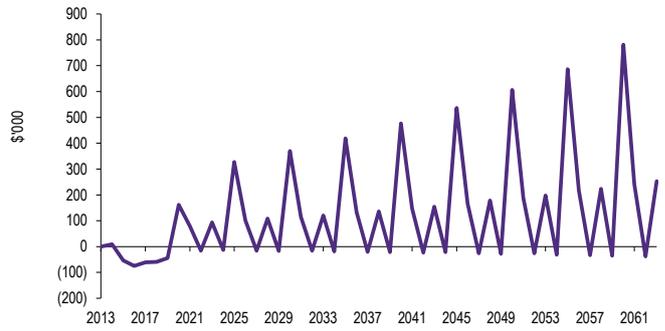
High Level Financial Model

Scenario 1

Total financing requirements

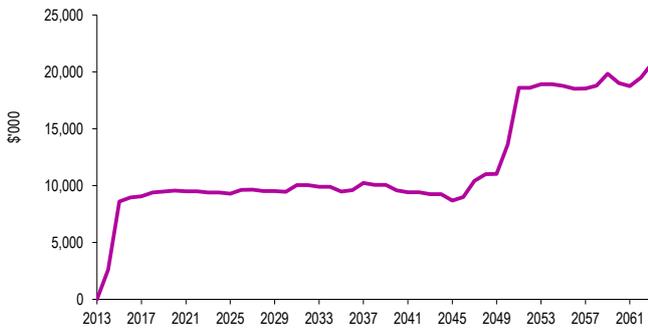


Operating cash flows

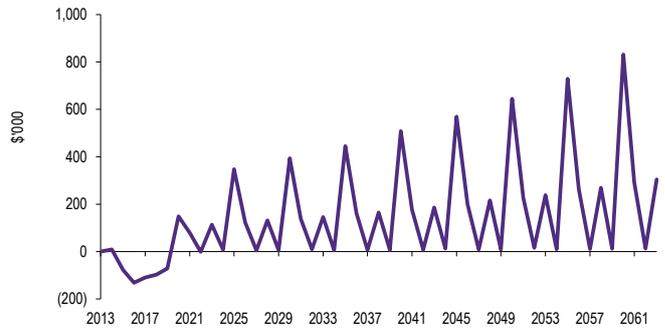


Scenario 2

Total financing requirements



Operating cash flows

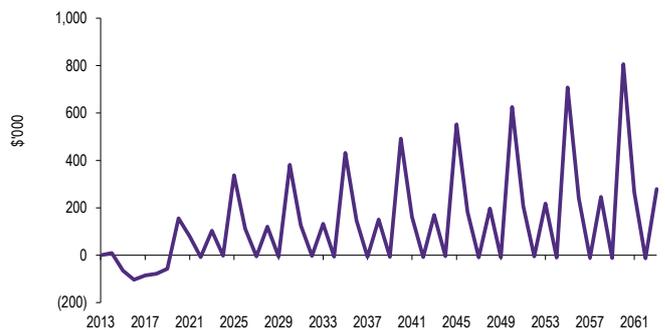


Scenario 3

Total financing requirements



Operating cash flows



The bas case shows a marginal cumulative cash profit/(loss) from aged care operations under the three scenarios, with positive cash flow from the RV business. It should be noted that these figures represent a cumulative cash flow from the facility over the forecast period, not an annual cash flow.

Under the forecast assumptions, the facility does not provide a positive IRR (Internal Rate of Return) on capital employed and is not able to provide sufficient cash flow for ultimate refurbishment of the facility, plant and equipment. The Net Present Value of the overall development is significantly negative and in the event that a positive commercial return on and of investment is being sought our recommendation is that this development should not proceed.

These results mean that the community cannot expect a return from the capital invested to build the facility. It will also need to access capital for the development from sources not requiring a commercial return on funds employed. We also note that the base case assumes no cost for the land and associated site development. The facility does not have the capacity to service any debt finance.

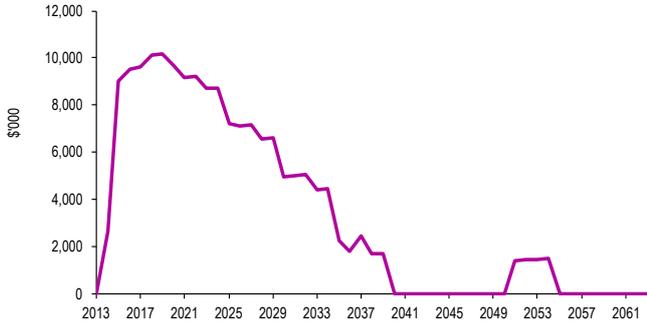
This all sounds pretty grim but in reality this has been the operating situation for the current Methven House for many years. Ultimately the bottom line is that under this scenario, after an initial fundraising effort the facility would be able to operate for many years with minimal additional input. However in 40-50 years when it is time for a major refurbishment or rebuild there would need to be another major fundraising effect to raise the capital.

However there is a more optimistic scenario which can be considered. As part of this report a calculation tool was provided which allows change the numbers to see what the results would be. Using this tool changing the number of RV units from 1 per year to a total of 5 to 2 per year to a total of 10 (assuming the units remain occupied) this completely changed the overall return on investment as show on this graph.

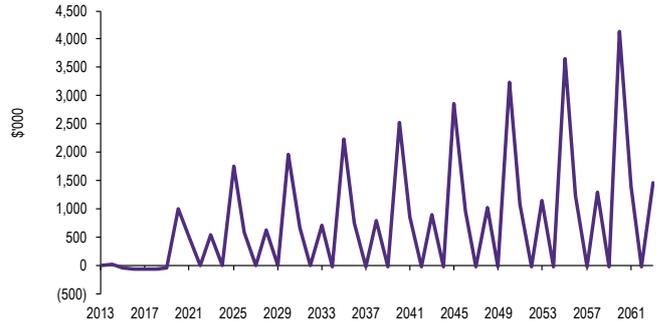
As the total financing line returns to zero this indicates that indicates that surpluses will be created giving a return on investment and allow reserve funds to be built up for the future redevelopment.

Scenario 1

Total financing requirements

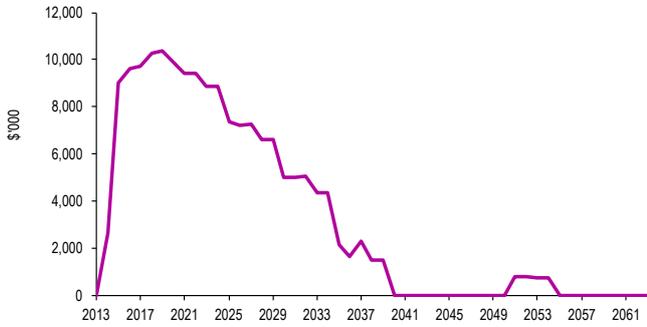


Operating cash flows

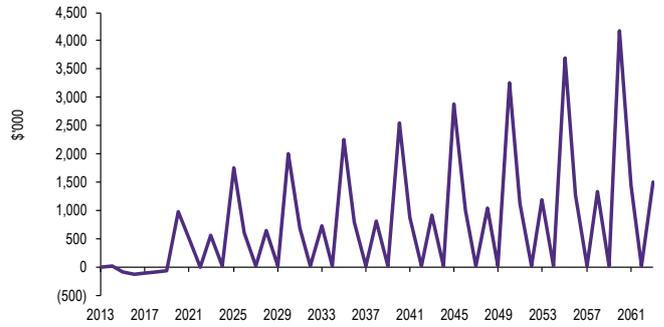


Scenario 2

Total financing requirements

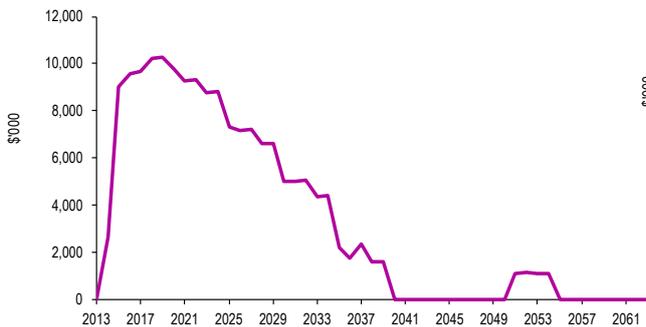


Operating cash flows

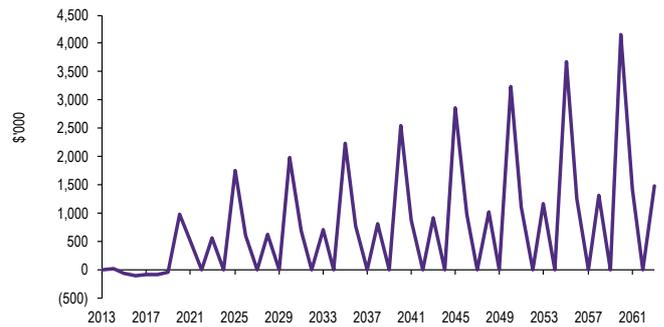


Scenario 3

Total financing requirements



Operating cash flows



Funding:

On current information depending on what is finally chosen and when building starts, the fundraising effort would need to be in the range of \$6-8 million.

That sounds like a huge amount of money for a small community however, the renewly earthquake strengthening Methven Heritage Centre (home of Mt Hutt Memorial Hall) is an example of the ability of this community to raise large sums of money. This redevelopment cost approx. \$6 million dollars which was raised from a mixture of grants and private donations from less than 200 organisations and families. So a fundraising effect of this size is not unachievable.

The association currently has approx. \$100,000 in our reserve funds, with a possible \$650,000 from selling the Morgan St site, so potentially 10% has been raised already.

To give an idea of how large sums can be raised we have prepared a scale of giving which provides an illustration of how a range of annual gifts over a five year period can built to substantial sums of money.

Size of Annual Gift	Size of Gift over 5yrs	No. of Gifts required	Totals
\$ 200,000	\$ 1,000,000	1	\$ 1,000,000
\$ 100,000	\$ 500,000	1	\$ 500,000
\$ 50,000	\$ 250,000	2	\$ 500,000
\$ 20,000	\$ 100,000	6	\$ 600,000
\$ 15,000	\$ 75,000	8	\$ 600,000
\$ 10,000	\$ 50,000	10	\$ 500,000
\$ 5,000	\$ 25,000	20	\$ 500,000
\$ 2,500	\$ 12,500	25	\$ 312,500
\$ 2,000	\$ 10,000	34	\$ 340,000
\$ 1,500	\$ 7,500	50	\$ 375,000
\$ 1,000	\$ 5,000	50	\$ 250,000
\$ 750	\$ 3,750	55	\$ 206,250
\$ 500	\$ 2,500	65	\$ 162,500
\$ 250	\$ 1,250	75	\$ 93,750
\$ 120	\$ 600	100	\$ 60,000
		501	\$ 6,000,000

Summary:

- Methven House cannot continue to operate in the existing building in the medium term without major renovations
- Methven township will experience growth in demand for both ARC and RV aged care options over the next 10 years
- The option to move the complex to the land offered by the Lochhead Trust is considered the best option for a variety of reasons including cost, size, and room for development.
- A conservative analysis of the viability of a suitably sized complex indicate that it would be marginally viable for a community/charitable organisation. A profit organisation would not invest in a facility of this size
- This conservative analysis would also indicate that the complex would not generate surpluses for future development in the long term .
- A more optimist analysis increasing the number of RV units would increase the long term viability of the complex and would generate surplus for use in future development.
- The complex would not be able to support a loan so all funds would need to be raised for the initial capital works.
- Fundraising required would be between \$6 to \$8 million.
- Association would be able to contribute approx. \$750,000 to the fund.

Where to from here:

For those people who are interest in reading the in depth report these will be available for members from the Office. As these are weighty documents it would be preferable if you could read them on site. Some of these documents are for limited distribution so are only available to members of the association. You can become a member of the association for \$10 annual subscription.

The association will be distributing a survey to ask the community for feedback on this information. The survey will be either an online survey or paper format. We plan to distribute within 2 weeks. It is important that as many people as possible complete and return these surveys for future planning and fundraising if the project is to go ahead.

Once results are receive these will be collated and distributed to the members of the association. The association will hold a Special General Meeting shortly after at which time the members will be asked to vote on the future actions for the committee. Only members will be able to vote at this meeting.

We hope to have a report back to the community by early December.