
Christchurch City Council SUPPLEMENTARY AGENDA

Notice of Meeting:

An ordinary meeting of the Christchurch City Council will be held on:

Date: Thursday 9 June 2022
Time: 9.30am
Venue: Council Chambers, Civic Offices,
53 Hereford Street, Christchurch

Membership

Chairperson	Mayor Lianne Dalziel
Deputy Chairperson	Deputy Mayor Andrew Turner
Members	Councillor Jimmy Chen Councillor Catherine Chu Councillor Melanie Coker Councillor Pauline Cotter Councillor Mike Davidson Councillor Celeste Donovan Councillor Anne Galloway Councillor James Gough Councillor Yani Johanson Councillor Aaron Keown Councillor Sam MacDonald Councillor Phil Mauger Councillor Jake McLellan Councillor Tim Scandrett Councillor Sara Templeton

8 June 2022

Principal Advisor

Dawn Baxendale
Chief Executive
Tel: 941 6996

Samantha Kelly
Team Leader Hearings and Committee Support
941 6227
samantha.kelly@ccc.govt.nz
www.ccc.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. If you require further information relating to any reports, please contact the person named on the report.

To watch the meeting live, or a recording after the meeting date, go to:

<http://councilive.ccc.govt.nz/live-stream>

To view copies of Agendas and Minutes, go to:

<https://www.ccc.govt.nz/the-council/meetings-agendas-and-minutes/>

TABLE OF CONTENTS

22. Resolution to Include Supplementary Reports.....	4
23. Consultation on Te Kaha	5

22. Resolution to Include Supplementary Reports

1. Background

- 1.1 Approval is sought to submit the following report to the Council meeting on 09 June 2022:
 23. Consultation on Te Kaha
- 1.2 The reason, in terms of section 46A(7) of the Local Government Official Information and Meetings Act 1987, why the report was not included on the main agenda is that it was not available at the time the agenda was prepared.
- 1.3 It is appropriate that the Council receive the report at the current meeting.

2. Recommendation

- 2.1 That the report be received and considered at the Council meeting on 09 June 2022.
 23. Consultation on Te Kaha

23. Consultation on Te Kaha

Reference / Te Tohutoro: 22/725031

Report of / Te Pou Matua:	Mary Richardson - General Manager Citizens & Community Brent Pizzey – Senior Legal Counsel, Public, Regulatory & Litigation
General Manager / Pouwhakarae:	Leah Scales - General Manager Resources/Chief Financial Officer Mary Richardson - General Manager Citizens & Community

1. Purpose of the Report Te Pūtake Pūrongo

- 1.1 The purpose of this report is to recommend to Council that it seeks community views before making a decision on whether or not to invest additional money into Te Kaha: Canterbury Multi-Use Arena.
- 1.2 This report has been written in response to advice from Te Kaha Project Delivery Ltd (the company tasked with delivering Canterbury's multi-use arena) that the cost of the project could increase by up to \$150 million. The Council has received legal advice that before making a decision it should seek community views.
- 1.3 The decisions in this report are of low significance in relation to the Christchurch City Council's Significance and Engagement Policy. The decision the Council will make in July 2022 will be significant which is why it is important for the Council to consider the views of the community along with expert advice, financial reports and other relevant information.

2. Officer Recommendations Ngā Tūtohu

That the Council:

1. Agrees that staff proceed with the proposed process to seek community views on whether or not Council should invest additional money into Te Kaha: the Canterbury multi-use arena.
2. Resolves to lodge an outline plan for Te Kaha under section 176A of the Resource Management Act 1991.
3. Delegates to the Chief Executive authority to seek an alteration to the conditions for Te Kaha in the District Plan.
4. Delegates authority to officers in the Te Kaha Project Team to withdraw or amend the outline plan consistent with the Council decision on the Te Kaha project in July 2022.

3. Reason for Report Recommendations Ngā Take mō te Whakatau

- 3.1 The Council and Crown have made a number of decisions regarding the scope and cost of Te Kaha. A chronology has been prepared and is attached to this report (Attachment 1).
- 3.2 In August 2021, the Council agreed to increase seating capacity of the arena to 30,000 and increase the cost by \$50 million. As a result, \$50 million was included in the financial modelling for payment in FY24/25.
- 3.3 When making the decision to increase the capacity and cost, the Council was informed that there was a risk of escalation (estimated at that time to be a further \$57.8 million). That risk has materialised and Te Kaha Project Delivery Ltd has advised Christchurch City Council the cost of the project could increase up to \$150 million to a total project cost of \$683 million. The opening date has also moved out to April 2026.

- 3.4 Te Kaha Project Delivery received the final Design and Construct (D&C) submission from the lead contractor, BESIX Watpac, on 27 May 2022. This indicated an increase in the D&C contract sum. BESIX Watpac was also unwilling to provide a fixed price for some materials because of the volatility in the commodity market, so there was a risk of further cost escalations, which was estimated at \$10 million. Te Kaha Project Delivery is working with BESIX Watpac to review their D&C submission to provide two options – a fixed price submission and a risk share price where some materials have not been fixed.
- 3.5 The decision in August 2021 prompted a relatively high level of public interest, with comments from the media, and members of the public over a period of two to three weeks. A petition containing 24,116 signatures was presented to the meeting calling for a further investment in Te Kaha to enable the seating capacity to be increased to 30,000 seats. The meeting was live streamed and the public gallery was full, with most attendees supporting the motion.
- 3.6 Although the Council was aware of community views when it approved a scope change in August 2021, the current position is of sufficient significance to justify further consideration of the views of the community in the decision-making process.
- 3.7 The Council has received legal advice that it should seek community views about the additional funding prior to making a decision. The engagement process must reflect the funding issues facing the Council and its ratepayers and make the issues available for public scrutiny. The feedback will inform the Council’s decision, as well as enabling the community to be informed.

4. Consultation on investing further Funding in Te Kaha

- 4.1 On 14 July, the Council will need to decide whether it wants to:
 - a) Accept the cost increase and increase the budget up to \$150 million.
 - b) Stop the project.
 - c) Delay and redesign the arena.
- 4.2 The proposed consultation process will seek community views on these options prior to Council making a decision.

Option 1 - Accept the Cost Increase

- 4.3 If the Council accepts the cost increase, the project would proceed with the scope agreed by Council in August 2021. The key fundamentals and benefits outlined in the business case would be realised. It would be consistent with the key deliverables in the Funding Agreement with the Crown.
- 4.4 However, there would be a financial impact. The tables below show the financial impact on current projections and are based on the revised project cost estimate and timing. These changes largely impact the period in which most of the Council’s contribution has been allocated in the Long Term Plan. Any change to this timing would impact the financial projections summarised below.
- 4.5 The change in delivery date to April 2026 means the annual operating contribution from Council would not fully “kick in” until January 2026 on the current operating model. This results in operational cost savings until the second half of 2025/26. This is partly offset by the need to extend support for Orangetheory Stadium operations through the Venues Ōtautahi operating grant for a further year at \$0.5 million in 2025/26.

Rates Impact

- 4.6 Due to the timing changes noted above there is a small reduction in rates in the next two years but overall there would be a net 1.25% increase in rates driven largely from servicing the higher debt requirements. The peak rates impact is felt later than forecast in the Long Term Plan as a result. The additional debt drawn is modelled to be repaid over a 30 year period. Please note the FY23 (2022/23) current projection is subject to adoption of the annual plan on 21 June 2022.

Rates Increase %	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Current Projections	4.89%	5.42%	5.82%	7.49%	4.78%	3.82%
Additional cost plus revised spend profile	-0.04%	-0.65%	0.02%	0.99%	0.90%	0.02%
Proposed Increase - \$150m more	4.86%	4.76%	5.84%	8.48%	5.68%	3.84%

Debt Headroom

- 4.7 Council's Financial Strategy targets Debt Headroom to be held greater than \$400 million. The purpose of our debt headroom is to have the ability to borrow in the event of an emergency and remain within debt covenant limits.
- 4.8 Our LTP had Council maintaining a debt headroom minimum of \$400m. The table below shows the impact of adding \$150m on our debt headroom. It should be noted that our Annual plan for FY22/23 has not yet been adopted, but the projected headroom is based on our current projection. We are in an improved starting position (from LTP) because of the impact of COVID/supply chain having delayed delivery of our full capital programme and operational surpluses giving us the ability to not borrow/early repay the balance of our COVID borrowing. Note future years will also be impacted by Water Reform which will be adjusted for in the FY24/34 LTP.

Debt Headroom(\$m)	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Current Projections	1,270	660	566	566	562	610
Additional cost plus revised cost profile	1,289	622	436	446	450	502

Operational Costs

- 4.9 Venues Ōtautahi has refreshed the forecasts in the operating business case based on detail design elements to include updated lifecycle cost estimates, increased insurance on higher capital values, revised operating revenues and costs including facility maintenance. The revised annual operating subsidy noted above is still comparable to the original business case of \$4.2 million per annum updated to 2023 dollars. The business case identified the need for an operational bid fund. This has not been incorporated into the annual operating budget. This will be considered as part of the FY24/34 LTP.

Option 2 - Stop the Project

- 4.10 If the Council discontinues the project it would avoid the financial impact, including potential rate increase and the impact on Council's debt headroom. Council would also be able to decide if the remaining Te Kaha budget should be allocated for other projects and/or be used to reduce forecast borrowing and rates.
- 4.11 However, there would be \$40 million sunk cost (investment already incurred that could not be recovered). This is the money spent on design development, the Pre-Contract Services Agreement and enabling works. The Council may be liable for some further costs because of agreements that it already has in place.

- 4.12 Large sport and entertainment events would have to continue using the temporary stadium in Addington. The temporary stadium is made of a scaffolding structure originally intended to have a life of around five years. Constructed in 2012, the venue is now 10-years-old and, whilst structurally sound and subject to quarterly structural assessments, it will in due course require decommissioning.
- 4.13 On this basis, if Te Kaha is not built, there will be no venue in Canterbury suitable for large sporting or entertainment events in the medium to long-term.
- 4.14 The Crown investment would be withdrawn.

Option 3- Delay and Redesign the Arena

- 4.15 If the Council reduces the scope of the arena to fit within the budget it could result in a stadium/arena which would not require or reduce the requirement of additional investment by Council. This would avoid the increase in borrowing and rates.
- 4.16 However, it would push out the completion date for the arena by 9 to 12 months to 2027, as, given the extent of the required changes, we would need to go back to the start of the three-stage design process.
- 4.17 As it is likely that prices will continue to rise, delaying the project for redesign is likely to result in further escalation during the design period even if the rate of price escalation reduces.
- 4.18 An estimated \$30 million would be spent on redesign.
- 4.19 The project would need to consider changes to scope and capacity, including reducing capacity and functionality. High level estimates suggest:
 - 4.19.1 Removing the centre oculus of the roof, would save about \$35 million. If we did this, we would have the option of building a roof at some future date.
 - 4.19.2 Redesign to only a 'dripline' roof would generate greater savings, but this has not been quantified.
 - 4.19.3 With \$533 million, the capacity of the arena would be approximately 17,000 permanent seats and space for approximately 3,000 temporary seats.
- 4.20 The above options would compromise the key deliverables in the Funding Agreement with the Crown. The Council would need to attempt to renegotiate the Agreement. If the Crown did not agree to this change and withdrew its funding, we would be unable to proceed with the project.
- 4.21 There is a possibility that the new design programme could identify an option which reduced the quantum of the cost overrun but was closer to the key fundamentals. At this stage it is not possible to anticipate what this could be. It would still create a 9 to 12 months delay and require expenditure on the redesign. Reverting to a 25,000 seat capacity would require a 9 to 12 month delay for redesign and the Project Team have advised the cost would be over budget.
- 4.22 Venues Ōtautahi, who will operate the arena, has advised that reducing the scope would impact on the arena's financial viability and likely to necessitate additional funding for annual operating costs.
- 4.23 There is a risk that the contractor would not be in a position to dedicate another 9 to 12 months to further design. This would delay the project further as the project would have to go back to the market for design.

5. Consultation Timing

5.1 The consultation timeline will be

10 June 2022	Consultation starts
5 July 2022	Consultation ends
6 – 11 July 2022	Analysis of feedback
14 July 2022	Council decision

Note that there will not be Hearings as part of this consultation process.

5.2 In tandem with the consultation, Te Kaha Project Delivery will continue to work with BESIX Watpac to review the D&C submission. Council will continue to investigate funding options.

6. Other Matters for Consideration

Lodging of Outline Plan, altering conditions in the District Plan

- 6.1 The RMA requires the Council, as builder of Te Kaha, to lodge (with the Council as territorial authority) an outline plan of what it is going to build. The outline plan must show:
- (a) the height, shape, and bulk of Te Kaha; and
 - (b) the location on the site of the public work, project, or work; and
 - (c) the likely finished contour of the site; and
 - (d) the vehicular access, circulation, and the provision for parking; and
 - (e) the landscaping proposed; and
 - (f) any other matters to avoid, remedy, or mitigate any adverse effects on the environment.
- 6.2 The RMA enables the Council as territorial authority to then make a recommendation for changes to the outline plan to the Council as builder of Te Kaha. The stadium builder then decides whether to adopt any recommendations. If Council gives its approval, the consultation will start on Friday 10 June.
- 6.3 To avoid further cost escalation and programme delay, Te Kaha Project Team is recommending that the Council lodge the outline plan.
- 6.4 This plan can be withdrawn if the Council makes a decision in July 2022 not to proceed with, or to change, the current project.
- 6.5 Te Kaha's design has developed and has changed since the Council decided last year to ask the Minister to approve conditions in the District Plan for noise from Te Kaha. Those conditions refer to specific noise contour lines. Minor changes to the noise contour lines arising from the developed design mean that an alteration to the conditions is required. There are processes available under the RMA for the Council as provider of Te Kaha to seek a change to the conditions. The Te Kaha Project Team ask Council to delegate authority to seek that change in conditions. Officers don't intend to lodge that notice of alteration of conditions until after the further Council decision in July 2022.

Reducing the expenditure on Early Works

- 6.6 Te Kaha Project Team will also continue a small component of the Early Works, which were approved by Council on 9 December 2021, to avoid risk of further cost escalation and programme delay if the project continues.

- 6.7 The Early Works will improve the land for any future use, remove contamination, reduce Te Kaha programme risk by progressing Critical Path activities (thus mitigating further escalation and delay risks) and complete Early Works subcontracts which have already been committed. This would include enabling civil works/site establishment, ground improvement, and the design of services and the ETFE roofing/cladding.
- 6.8 The remaining Early Works would not be progressed unless the Council makes a decision in July 2022 to progress with the project.

7. Policy Framework Implications Ngā Hiraunga ā- Kaupapa here

Strategic Alignment Te Rautaki Tīaroaro

- 7.1 This report supports the [Council's Long Term Plan \(2018 - 2028\)](#):
- 7.1.1 Activity: Recreation, Sports, Community Arts and Events
- Level of Service: 7.0.2.2 Provide well utilised facility based recreational and sporting programmes and activities. - The number of participants using multipurpose recreation and sport centres, outdoor pools and stadia at least 4.4 million
 - Level of Service: 7.0.2.2 Provide well utilised facility based recreational and sporting programmes and activities. The number of participants using multipurpose recreation and sport centres, outdoor pools and stadia at least 4.4 million

Policy Consistency Te Whai Kaupapa here

- 7.2 The decision is consistent with Council's Plans and Policies. However, the funding is not consistent with the Long Term Plan.
- 7.3 The legal advice is that the proposed increase will not trigger any statutory requirement to amend the 2021-31 Long Term Plan (LTP), or to undertake a formal consultation process, such as a special consultative procedure.
- 7.4 The 2024-34 Long Term Plan will take into account any rates increases that impact from June 2024 which may follow from the decision in July 2022. This is because the additional rate increases are not projected to have a significant impact before the 2024/25 financial years.
- S.97(1) of the Local Government Act 2002 (LGA) requires the Council to undertake a formal consultation process before making a decision that would significantly alter the intended service level provision for a significant activity. Increasing the project budget would not of itself require a change to the intended level of service provision for Te Kaha in the LTP nor, therefore, formal consultation.
 - S.96(3) of the LGA would allow the Council to make a decision that was inconsistent with the contents of the 2021-31 LTP, subject to the provisions of s.80. This provides that if the decision was significantly inconsistent with a plan of the Council (i.e. an LTP) this must be clearly identified, along with the reasons for it, and any intention to amend the plan to accommodate the decision. In this case, the intention would be to accommodate the additional rates increases in the Council's 2024-34 LTP. S.96(3) could not be relied on if the decision would trigger the consultation provisions in s.97(1).

Impact on Mana Whenua Ngā Whai Take Mana Whenua

- 7.5 The decision does involve a significant decision in relation to ancestral land or a body of water or other elements of intrinsic value, therefore this decision does specifically impact Mana

Whenua, their culture and traditions. Mana whenua are involved in the project and has an appointment on the company board.

Climate Change Impact Considerations Ngā Whai Whakaaro mā te Āhuarangi

7.6 The decision to seek community views has no direct impact on climate change.

Accessibility Considerations Ngā Whai Whakaaro mā te Hunga Hauā

7.7 Council will seek to ensure the process is accessible to a range of people.

8. Resource Implications Ngā Hīraunga Rauemi

Capex/Opex / Ngā Utu Whakahaere

8.1 Cost to Implement – The decision in this report does not require additional budget, the consultation will be funded from existing operational budgets. The Early Works programme has been approved. The decision which Council is expected to make on 14 July will have an impact on the capital programme.

8.2 Information regarding the rate impact and impact on the Council's debt headroom if the budget is increased is in Table 1 and Table 2 above.

9. Legal Implications Ngā Hīraunga ā-Ture

Statutory power to undertake proposals in the report / Te Manatū Whakahaere

Kaupapa

- 9.1 The Council has the statutory power to make the decision as to whether and how to proceed with Te Kaha but must comply with its decision-making obligations under Part 6 of the Local Government Act 2002.
- 9.2 Council is a Requiring Authority for Te Kaha as a public work under the RMA. The District Plan designates the Te Kaha site for the stadium development, permitting it provided that the development complies with the conditions that the Minister imposed at the Council's request.
- 9.3 The RMA provides processes by which the Council as Requiring Authority can ask the Council as Territorial Authority to alter the conditions in the District Plan.
- 9.4 Section 176A of the RMA obliges the Council as Requiring Authority to lodge an outline plan, as described above.




Other Legal Implications / Ētahi atu Hīraunga-ā-Ture

- 9.5 Section 76 of the Local Government Act 2002 requires that the decision-making provisions in Part 6 are 'appropriately observed' for high significance decisions. Section 77 also provides that if any of the options for a decision involves a significant decision in relation to land or a body of water, the Council must take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.
- 9.6 Furthermore, under Part 6, the more significant the matter, the higher the standard of compliance is expected from the identification and assessment of options, the consideration of the views of those affected, and the extent of the written record kept showing compliance.
- 9.7 In this case, the decision is one of high significance, and affects the whole city. The Council would need to be able to take into account the views and preferences of interested and affected persons across the city.

10. Risk Management Implications Ngā Hiraunga Tūraru

- 10.1 The consultation will seek to ensure the process hears from a range of people and organisations.

Attachments / Ngā Tāpirihanga

No.	Title	Page
A  	Te Kaha Timeline	13
B  	Consultation Document	14
C  	Q&As for Consultation	19

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
Not applicable	

Confirmation of Statutory Compliance / Te Whakatūrutanga ā-Ture

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories / Ngā Kaiwaitohu

Authors	Mary Richardson - General Manager Citizens & Community Brent Pizzey - Senior Legal Counsel Peter Langbein - Finance Business Partner
Approved By	Leah Scales - General Manager Resources/Chief Financial Officer Mary Richardson - General Manager Citizens & Community

CMUA/Te Kaha development timeline

