

Christchurch City Council MINUTES ATTACHMENTS

Date: Thursday 14 July 2022
Time: 10am
Venue: Council Chambers, Civic Offices,
53 Hereford Street, Christchurch

TABLE OF CONTENTS	PAGE
3.2.2. William Stewart	
A. 3.2.2 William Stewart Presentation.....	3
3.2.6. Central City Business Association	
A. 3.2.6 Central City Business Association Presentation	11
5. Te Kaha multi-use arena budget increase	
A. Te Kaha - Introduction.....	19
B. Te Kaha - Consultation Analysis	29
C. Te Kaha Project Delivery Limited Board presentation.....	59
D. Te Kaha - Financial Implications	86

SPORT AS LEISURE

Sports participation and spectatorship were the only daytime leisure activities to rival home-centred pursuits such as gardening in 1940s

The 1950 games started four decades of athletic success, and participation levels continued to grow.

*NZHISTORY CHANGING-TRENDS-SPORT-
IN-NEW-ZEALAND-1940-60*

The changing use of American leisure time

Weekends and holidays, 2006 v 2015*

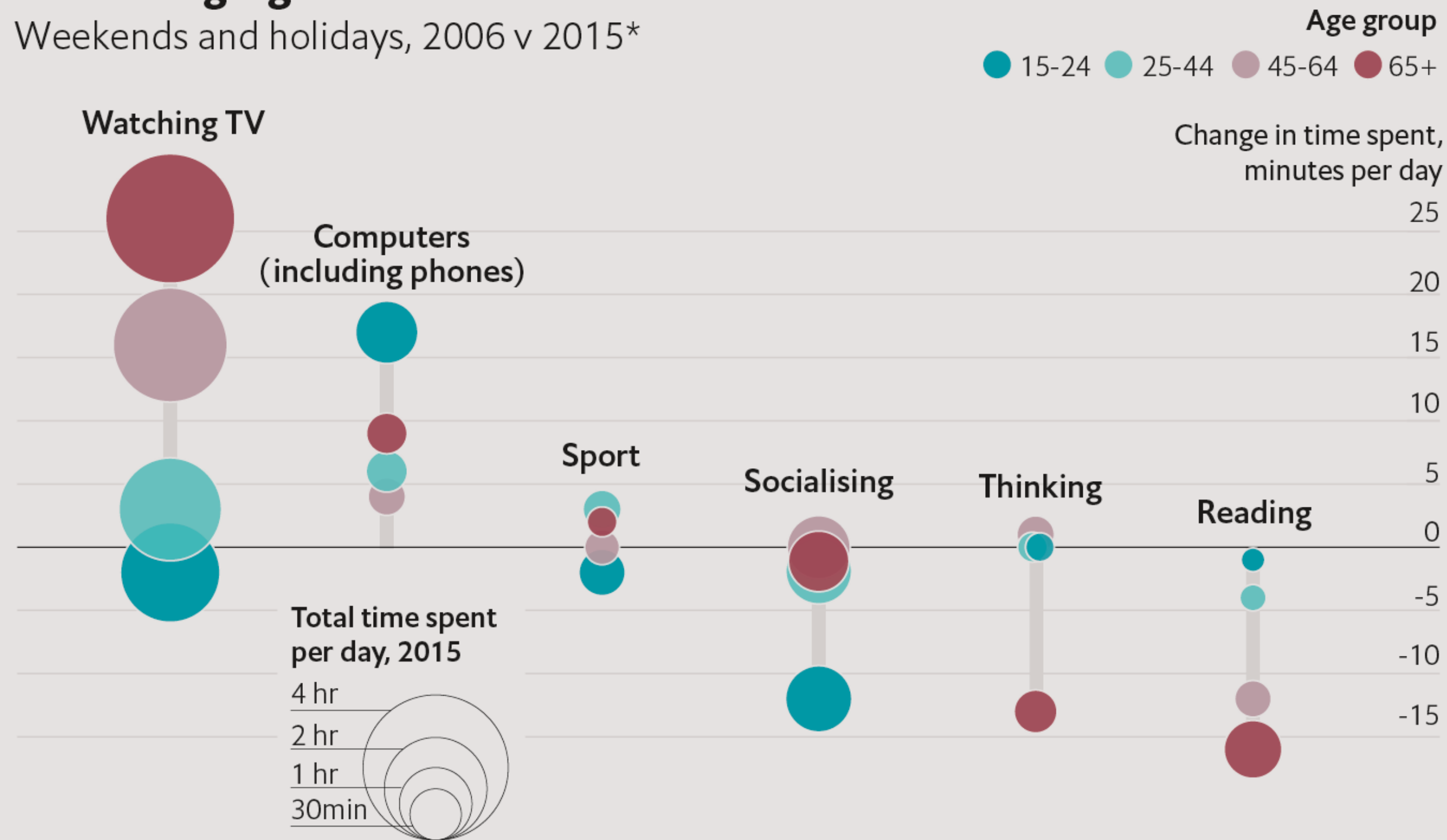


Table 1: Participation over time between ages 18 and 24

	18–24			Females 18–24			Males 18–24		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Weekly participation (%) (in the past 7 days)	75%	73%	72%	74%	71%	69%	77%	76%	74%
Average number of activities (in the past 7 days)	2.5	2.5	2.4	2.5	2.4	2.4	2.6	2.5	2.5
Average number of hours (in the past 7 days)	5.9	5.5	5.3	5.2	4.9	4.8	6.9	6.2	6.0

SPORTS NZ

DECREASE
IN INTEREST
IN SPORTS

ACTIVE NZ MAIN REPORT — THE NEW
ZEALAND PARTICIPATION SURVEY 2019

New Zealand athletics	Registered Athletes
1980s	10,000
2010	670

SINCE THE 1980S
NEW ZEALAND
ATHLETICS HAS A
DRAMATIC DECLINE
IN NUMBERS OF
REGISTERED
ATHLETES

93% DECREASE
IN 30 YEARS

***ATHLETICS IN NEW ZEALAND – TE ARA
ENCYCLOPAEDIA OF NEW ZEALAND***

Rugby in Secondary Schools	Total number of players
2000	31,000
2020	24,500

THE FUTURE OF
RUGBY

20% DECREASE
IN 20 YEARS

***THE NEW NEW ZEALAND. FACING
DEMOGRAPHIC DISRUPTION (MASSEY
UNIVERSITY PRESS, 2020).***

Empty seats raise concerns

12 Aug, 2006 09:56 PM

Super Rugby Pacific

An easy fix to empty stadiums that are killing the Super Rugby spectacle

Cricket: Snedden not worried by low attendance at Eden Park

24 Mar, 2004 09:38 AM

GAMES | JULY 11, 2018

Nobody's Going to Sports in Person Anymore. And No One Seems to Care.

By Will Leitch

Super Rugby Pacific: Why is it so difficult to fill stadiums in New Zealand?

Richard Knowler • 10:14, May 06 2022



SPORT

Opinion: All Blacks - empty stands a result of empty heads

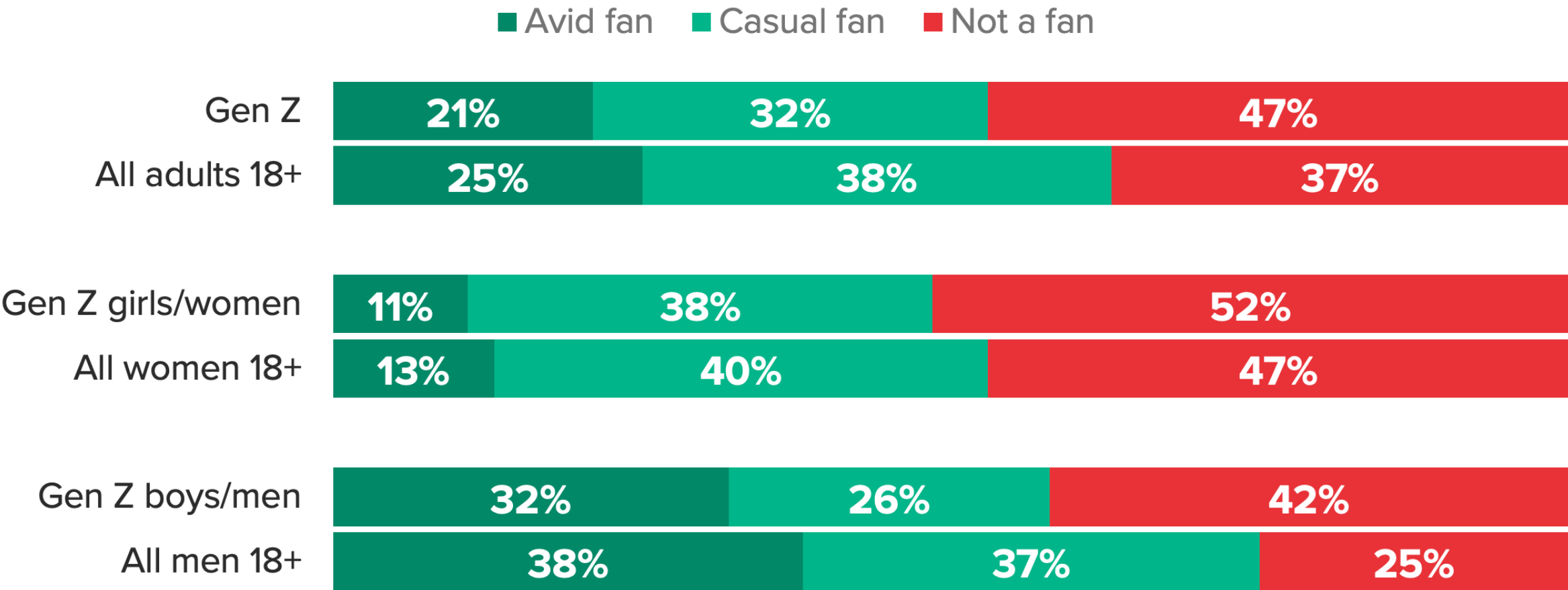
12:09 pm on 15 August 2021

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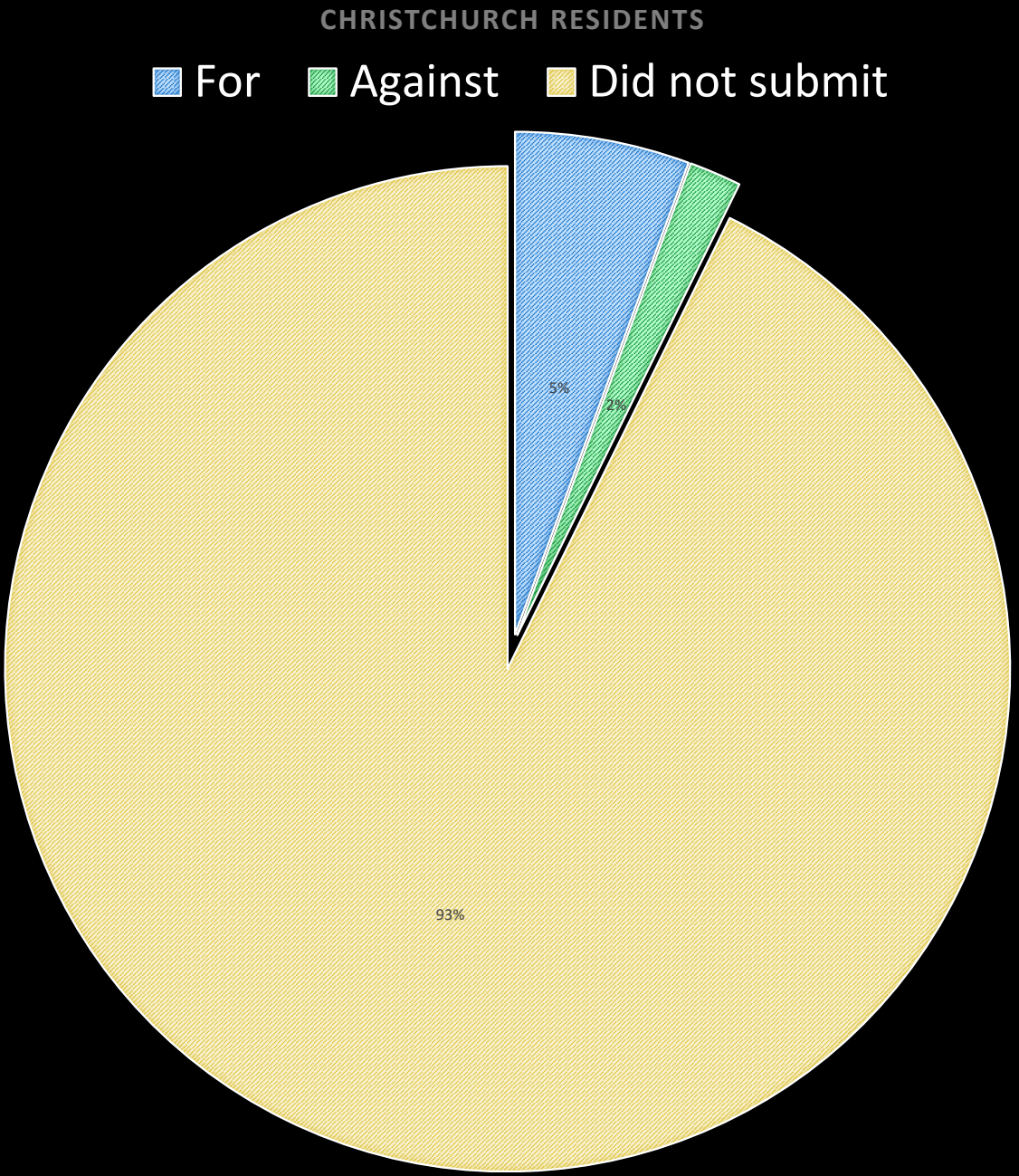
Gen Zers Less Likely Than Public to Identify as Sports Fans

Respondents were asked whether they consider themselves “avid” sports fans, “casual” sports fans or not sports fans



MORNING CONSULT

Poll of 1,000 Gen Zers ages 13-23 conducted Aug. 21-23, 2020, with a margin of error of +/-3%. Poll of 2,200 U.S. adults conducted Aug. 28-31, 2020, with a margin of error of +/-2%.

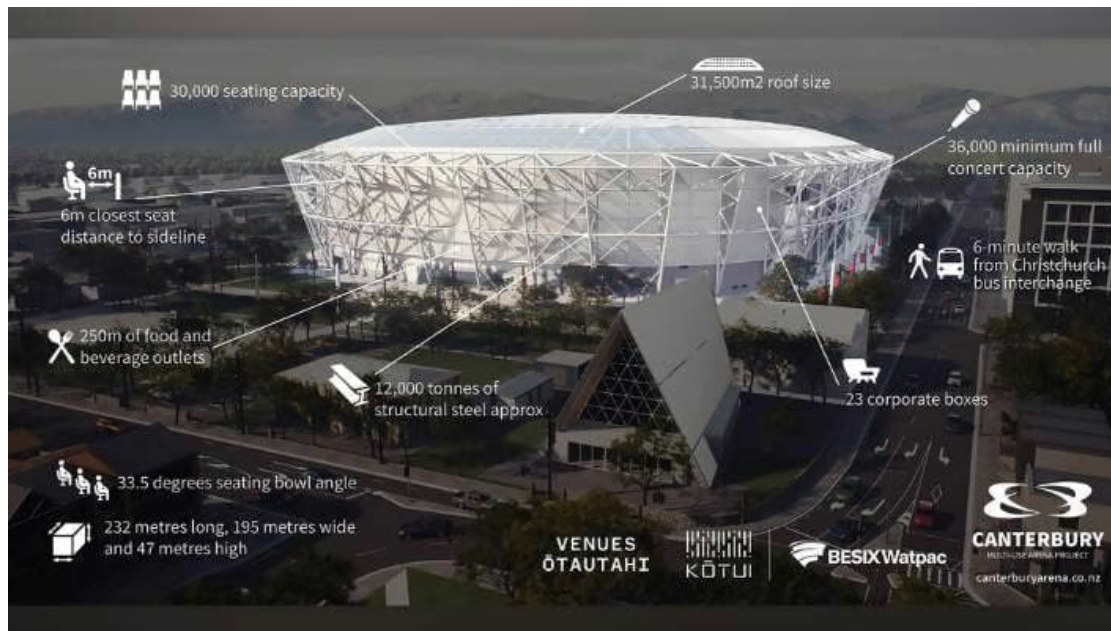


“THE MAJORITY”



Te Kaha
Must
Proceed





World Class Facility





Second
Biggest
City in NZ





Multi-Use Arena has Been Promised



Gives
Confidence
to Commit
To The
Central City





Supports
Long-Term
Economic
Prosperity of
Christchurch





No Cheaper
Time Than
Now



No Other
Viable
Options

Te Kaha Decision re D&C Contract

Decisions being asked to make

Receive the Reports

Te Kaha recommendation

1. Approve to increase the overall Total Project Budget for Te Kaha to \$683,165,830, noting this budget includes D&C Contract and other project costs, including Governance, Project Team, Insurance, Enabling Works, PCSA Phase Consent Fees, Other Works outside BESIX Watpac's contract, Design & Construct Contingency (P85 QRA) and Council Project Contingency, as set out in Detailed Project Costings (Attachment D (Confidential)).
2. Appoint BESIX Watpac NZ (CMUA) Limited to carry out the Design and Construct contract for the Te Kaha project for the contract sum and details as set out in Detailed Project Costings (Attachment D (Confidential)).
3. Delegate authority to the Christchurch City Council Chief Executive in consultation with the Chair and Deputy Chair of the Finance and Performance Committee to execute a Letter of Acceptance to BESIX Watpac to enable work to proceed and to execute the Design and Construct contract once all the contract documentation has been completed.
4. Contract and other project costs, including Governance, Project Team, Insurance, Enabling Works, PCSA Phase Consent Fees, Other Works outside BESIX Watpac's contract, Design & Construct Contingency (P85 QRA) and Council Project Contingency, as set out in Detailed Project Costings (Attachment D (Confidential)).
5. Approve the Delegations to the Board and Contingencies as set out in Detailed Project Costings (Attachment D (Confidential)).
6. Acknowledge confirmation from the Crown via The Treasury Te Tai Ōhanga that the Project Assurance Points 2 & 3 as set out in the Funding Agreement with the Crown have been satisfied, subject to Council approving the additional funding required for the project and providing the required Delegations and Contingency to the Board as noted above.

Decision based on

- Based on
 - Community view
 - Advice from Te Kaha Board
 - Independent legal advice
 - Advice of risk assurance
 - Consideration of financial impact
 - Other consideration

Background

- 12 December 2019, the Council approved the stadium Investment Case and submitted it to Cabinet to consider funding as part of the Christchurch regeneration project funding.
- 2 March 2020, Cabinet approved the \$220 million funding contribution
- March 2020, Council took responsibility for leading the multi-use arena project
- September 2020, Project Board established
- 5 October 2020, a Funding Agreement with the Crown was signed
- November 2020, a Request for Proposal document was issued for a main contractor to develop the design for the CMUA.
- 29 January 2021, tenders closed
- 25 March 2021, the Council approved the execution of the PCSA with BESIX Watpac
- June 2021, Council was notified of a significant increase in the Contractor's Design & Construct (D&C) Contract Price Estimate in late June 2021. Council and Venues Ōtautahi worked with BESIX Watpac and the project consultants to identify design alternatives.
- 22 July 2021, Council resolved to reduce seating capacity to keep project with max price
- 12 August 2021, the Council agreed to seating capacity as per Investment Case and increased the cost by \$50 million.

Known Risk

- Cost estimates and risk estimates were preliminary estimates and that there was a real risk of further escalation. Risks relating to:
 - Additional price escalation meaning the 3% escalation allowance would not be sufficient, due to escalation in global steel prices, higher container, shipping and other freight costs.
 - Ongoing impact of COVID-19 outbreaks and the resulting emergency measures on international trade were unknown.
 - Exchange rate fluctuations.
 - Supply chain issues and material delays.
 - Lack of skilled resources.
 - Other reports indicated that inflation was due to fall back below 2.0% in 2022 (Treasury Budget Economic and Fiscal Update 2021 (BEFU)).
 - Ground condition and contamination risks.
 - Lack of skilled resources.
- The cost consultant also noted significant unknown risks and financial risks that were not captured within the contingency figure.

Increased D&C submission

- Te Kaha Project Delivery Ltd 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 and did not include a fixed price for some materials because of the volatility in the commodity market, so there was a risk of further cost escalations.

Consultation

- The Council received legal advice that it should seek community views about the additional funding prior to making a decision as Section 78 of the Local Government Act states:

S78 Community views in relation to decisions

(1) A local authority must, in the course of its decision-making process in relation to a matter, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.

- 9 June 2022, Council resolved “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.”

Consultation Options

- The June 2022 report identified three options:
 - Option 1 - Invest an additional up to \$150 million to enable the project to continue as planned,
 - Option 2- Stop the project altogether, or
 - Option 3 - Pause and re-evaluate the project.
- Consultation commenced on 10 June and closed on 5 July 2022.

In tandem to consultation

- Te Kaha continued negotiations with BESix and due diligence
- Finance model
- Staff and Te Kaha responded to range of information requests.

Outline of Advice

- Consultation Report – Aimee Martin, Ashleigh Hamilton & Kath Jamieson (Research Team)
- Te Kaha Advice and Recommendations
 - Advice from Board Chair
 - Venues Otatauhi
 - Independent Assurance Manager - Peter Nevan
 - Independent Legal Advice (Simpson Grierson) – Lisa Curren & Michael Wetherell
- Advice on Financial Implications – Leah Scales (GM/CFO)

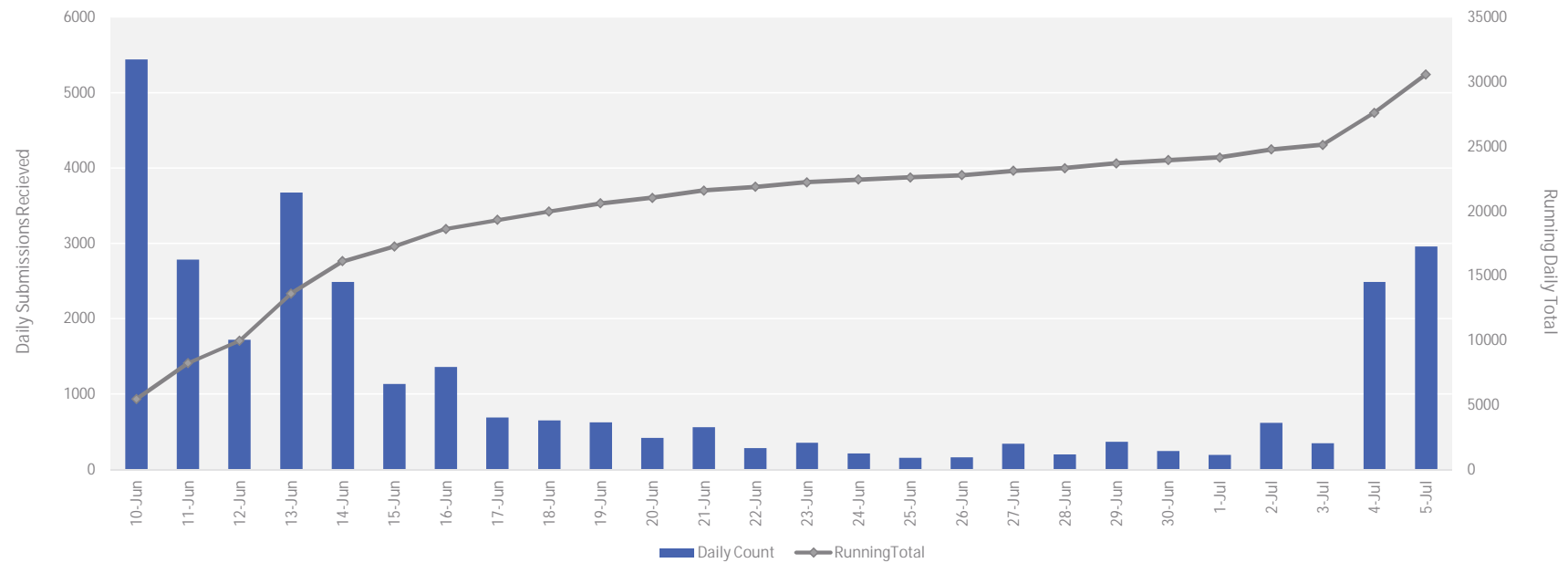
Te Kaha Multi-Use Arena

Consultation Analysis & Findings

Prepared by Monitoring and Research
July 2022

1. Who did we hear from?

Submission timeline



Data Cleaning Summary

Category	Count	%
Total Submissions Received	30,575	100%
Removed (more than one submission)	501	2%
Invalid	87	0.3%
Total Valid Submissions	29,987	98%
Individuals	29,801	99%
Organisations	186	1%

Submitters were required to provide their first and last name, an email address or phone number and their residential address when making their submission. Where these details were not provided, a submission has been deemed invalid and has not been included in the final analysis.

Where multiple submissions from an individual were identified, any additional feedback was merged into the first submission received from that submitter and the additional submissions were removed. Multiple submissions on behalf of a business or organisation were treated in the same way.

Where submitters own multiple properties and had made submissions on behalf of each property, they were also merged into a single submission for analysis and reporting purposes.

Where submitters provided more than one submission with different points of view they were contacted and asked which one they would like included and any others were removed.

Demographics

Age	Submitters		Whole of City Comparison	
	Count	%	City total*	City total %*
Under 18 years	265	0.9	76,545	21
18 – 24 years	1,526	5	39,297	11
25 – 34 years	4,706	16	58,026	16
35 – 49 years	7,792	26	72,621	20
50 – 64 years	8,679	29	67,143	18
65 – 79 years	5,873	20	40,374	11
Over 80 years	746	3	15,000	4
Not answered	391	1		
Total	29,978	100	369,006	100

Gender	Submitters		Whole of City Comparison	
	Count	%	City total*	City total %*
As a man	17,254	58	183,972	49.9
As a woman	11,815	39	185,034	50.1
Non-binary/ another gender	150	0.5		
Not answered	759	2.5		
Total	29,978	100	369,006	100

Ethnicity	Submitters		Whole of City Comparison	
	Count	%	City total*	City total %*
New Zealand European	26,353	88	264,231	72
Māori	1,722	5.7	36,642	9.9
Pacific Peoples	332	1.1	14,178	3.8
Asian	536	1.8	54,984	15
Middle Eastern/Latin American/African (MELAA)	145	0.5	5,580	1.5
Other European	1,133	3.8	25,635	6.9
Other	887	3	5,007	1.4
Total	29,978	100	369,006	100

*As at Census 2018 (Source: Statistics New Zealand)

Geographic Breakdown

Territorial Authority	Count	%	Territorial Authority	Count	%
Christchurch City	25,769	87	Porirua	4	0.01
Selwyn District	1,952	7	Westland District	4	0.01
Waimakariri District	1,233	4	Taupo District	4	0.01
Ashburton District	152	0.5	Napier City	4	0.01
Hurunui District	131	0.4	Southland District	4	0.01
Auckland City	126	0.4	Manawatu District	4	0.01
Timaru District	74	0.25	Gisborne District	3	0.01
Wellington City	46	0.15	Kapiti District	3	0.01
Queenstown-Lakes District	21	0.07	Upper Hutt City	3	0.01
Dunedin City	21	0.07	Palmerston North City	3	0.01
Nelson City	19	0.06	Rotorua District	2	0.01
Marlborough District	17	0.06	Thames-Coromandel District	2	0.01
Tasman District	15	0.05	Waikato District	2	0.01
Tauranga City	14	0.05	Waipa District	2	0.01
Kaikoura District	14	0.05	Waitaki District	2	0.01
New Plymouth District	9	0.03	Whanganui District	2	0.01
Invercargill City	9	0.03	Matamata-Piako District	2	0.01
Mackenzie District	9	0.03	South Taranaki District	2	0.01
Waimate District	8	0.03	Central Otago District	2	0.01
Lower Hutt City	8	0.03	Gore District	2	0.01
Grey District	8	0.03	Hauraki District	1	0.00
Whangarei District	7	0.02	Far North District	1	0.00
Hamilton City	7	0.02	South Wairarapa District	1	0.00
Marlborough District	6	0.02	Chatham Island Territory	1	0.00
Hastings District	6	0.02	Otorohanga District	1	0.00
Buller District	5	0.02			
			International	49	0.16
			Total	29,796	

Ward	Count	%	City total *	City total % *
Banks Peninsula Ward	748	3	9,390	2
Burwood Ward	1,434	6	28,800	7
Cashmere Ward	2,210	9	22,300	6
Central Ward	1,461	6	27,500	7
Coastal Ward	1,841	7	23,300	6
Fendalton Ward	2,445	9	23,400	6
Halswell Ward	2,454	10	34,300	9
Harewood Ward	1,812	7	22,600	6
Heathcote Ward	2,321	9	26,500	7
Hornby Ward	1,000	4	24,500	6
Innes Ward	1,727	7	24,500	6
Linwood Ward	1,242	5	25,400	6
Papanui Ward	1,237	5	23,900	6
Riccarton Ward	1,179	5	26,600	7
Spreydon Ward	1,152	4	25,500	7
Waimairi Ward	1,506	6	23,600	6

2. What did submitters want us to do?

What do submitters want us to do?

All Submitters

Response	Count	%
Invest up to an additional \$150 million to enable the project to continue as planned	23,216	77
Stop the project altogether	4,375	15
Pause and re-evaluate the project	2,387	8

77% of all submitters support investing up to an additional \$150 million; 75% of submitters from Christchurch City support this option.

Submitters from Selwyn and Waimakariri tended to be more supportive of investing up to an addition \$150 million.

Territorial Authority

Territorial Authority	Invest up to an additional \$150 million		Stop the project		Pause and re-evaluate	
	Count	%	Count	%	Count	%
Christchurch City	19,418	75	4,129	16	2,215	9
Selwyn District	1,751	90	118	6	83	4
Waimakariri District	1,124	91	64	5	45	4
Hurunui District	118	90	6	5	7	5
Ashburton District	147	97	3	2	2	1
Timaru District	68	92	4	5	2	3
Kaikoura District	13	93	1	7	0	0
Waimate District	6	75	2	25	0	0
Rest of New Zealand	365	88	29	7	20	5

Strong support from other territorial authorities across the Canterbury region and the rest of New Zealand to invest up to an addition \$150 million.

Submitters from Christchurch City tended to be slightly more in favour of stopping the project altogether or pausing and re-evaluating than submitters from the wider Canterbury region and other areas of New Zealand.

Christchurch City

Ward	Invest up to an additional \$150 million		Stop the project / Pause and re-evaluate	
Banks Peninsula Ward	48%	↓	52%	↑
Burwood Ward	81%	↑	19%	↓
Cashmere Ward	64%	↓	36%	↑
Central Ward	75%	-	25%	-
Coastal Ward	78%	↑	22%	↓
Fendalton Ward	82%	↑	18%	↓
Halswell Ward	79%	↑	21%	↓
Harewood Ward	84%	↑	16%	↓
Heathcote Ward	67%	↓	33%	↑
Hornby Ward	77%	↑	23%	↓
Innes Ward	82%	↑	18%	↓
Linwood Ward	68%	↓	32%	↑
Papanui Ward	83%	↑	17%	↓
Riccarton Ward	76%	↑	24%	↓
Spreydon Ward	71%	↓	29%	↑
Waimairi Ward	78%	↑	22%	↓

↑ Above City Result | ↓ Below City Result | - Same as City Result

Submitters from Central, Coastal, Halswell, Hornby, Riccarton and Waimairi wards tended to mirror the city-wide results (75% want to invest up to an additional \$150 million).

Those from Burwood, Fendalton, Harewood, Innes and Papanui wards tended to be more supportive (when compared to the city result) of investing up to an additional \$150 million to see the project continue as planned.

Submitters from Banks Peninsula, Cashmere, Heathcote and Linwood & Spreydon wards tended to be the least supportive of investing up to an additional \$150 million.

Less than half of submitters from Banks Peninsula think that we should invest the additional money.

Demographic Breakdowns | Age & Gender

Age	Invest up to an additional \$150 million		Stop the project		Pause and re-evaluate	
	Count	%	Count	%	Count	%
Under 18 years	237	89	16	6	12	5
18 – 24 years	1,336	88	137	9	53	3
25 – 34 years	3,946	84	536	11	224	5
35 – 49 years	6,294	81	955	12	543	7
50 – 64 years	6,701	77	1,266	15	712	8
65 – 79 years	4,040	69	1,147	20	686	12
Over 80 years	479	64	177	24	90	12
Total	23,033	78	4,234	14	2,320	8

Submitters under the age of 24 years and aged 35 – 49 years were more likely to say that we should invest up to an additional \$150 million so the project can proceed as planned. Beyond here tends to decrease with age.

Submitters aged between 65 – 79 years and over 80 years were more likely to say that we should stop the project altogether or pause and re-evaluate the project.

Gender	Invest up to an additional \$150 million		Stop the project		Pause and re-evaluate	
	Count	%	Count	%	Count	%
As a man	13,745	80	2,242	13	1,267	7
As a woman	8,972	76	1,833	16	1,010	9
Non-binary / another gender	71	47	55	37	24	16
Total	22,788	78	4,130	14	2,301	8

Submitters who identified their gender as male were more likely to say that we should invest up to an additional \$150 million so the project can proceed as planned.

Submitters who identify as female or non-binary were more likely than males to say that we should stop the project altogether or pause and re-evaluate the project.

Demographic Breakdowns | Ethnicity

Ethnicity	Invest up to an additional \$150 million		Stop the project		Pause and re-evaluate	
	Count	%	Count	%	Count	%
NZ European	20,840	79	3,544	13	1,969	8
Māori	1,428	83	183	11	111	6
Pacific Peoples	277	83	28	8	27	8
Asian	346	65	134	25	56	10
Middle Eastern/Latin American/African	94	65	31	21	20	14
Other European	748	66	253	22	132	12
Other	581	66	184	21	122	14
Total	24,314	78	4,357	14	2,437	8

Submitters who identified their ethnicity as New Zealand European, Maori and Pacific peoples tended to be more supportive of investing up to an additional \$150 million to allow the project to continue as planned.

Those who identified their ethnicity as Asian, Middle Eastern/Latin American/African, Other European and Other were more likely than other ethnic groups to say that we should stop the project altogether or pause and re-evaluate the project.

Organisations

Category	Invest up to an additional \$150 million		Stop the project		Pause and re-evaluate	
	Count	%	Count	%	Count	%
Construction Industry	15	83	1	6	2	11
Hospitality, Events & Entertainment	40	95	1	2	1	2
Interest, Lobby & Community Groups	9	53	4	24	4	24
Investment Companies & Property Developers	17	89	2	11	0	0
Political Groups & Organisations	0	0	1	50	1	50
Retail	14	100	0	0	0	0
Sports	15	100	0	0	0	0
Other	48	86	7	13	1	2
Total	159	86%	16	9%	9	5%

The majority of organisations (86%) tended to support investing up to an additional \$150 million so that the project can continue as planned.

Position was particularly prevalent among organisations in the construction, hospitality, events and entertainment, investment and property developers, retail and sports categories.

Interest, lobby, industry and community groups tended to have more mixed views.

Submissions from political organisations and groups fell into the pause and stop categories.

Invest up to an additional
\$150 million to enable the
project to continue as
planned

Invest up to an additional \$150 million to allow the project to proceed as planned | 77% of Submitters

Key Themes | “Just get on with it”

- Just get on and get it built without any further delays
- Further delays will end up costing us more, it isn't going to get any less expensive to build
- We are New Zealand's second largest city, need a world class arena
- A sense that residents deserve this after the earthquakes and other disruptive events over the last decade
- Fed up with missing out on large events because of the shortcomings of the temporary stadium and the unpleasant spectator experience
- Some have stopped attending events because of the experience provided by the current stadium
- Believe that it would help attract people to live and stay in Christchurch, would bring employment and vibrancy to the city, and bring global exposure

Invest up to an additional \$150 million to allow the project to proceed as planned | 77% of Submitters

Key Themes | Financial Impacts & Funding Options

- Some recognise that the covered arena would come at a significant cost to the city, thought that we should proceed regardless
- Generally those who addressed the rates impact were prepared to shoulder a rates increase in order to fund the additional costs
- Suggestions to help mitigate the costs included selling the naming rights, asset sales, ticket surcharges, fundraising campaigns, other sponsorship opportunities
- Some thought that the government should be approached for a larger contribution, others suggested that certain sporting bodies should be contributing towards the build
- There were suggestions about either deferring or diverting money intended for other purposes, key areas included cycleways and the Cathedral
- Feel that the facility will be a regional asset, and that residents of the wider Greater Christchurch area were likely to be users and neighbouring TAs would benefit, so it would be appropriate for them to contribute to the build cost

Invest up to an additional \$150 million to allow the project to proceed as planned | 77% of Submitters

Key Themes | Benefits

- Sick of having to travel to other cities for events, would prefer to be able to spend their money locally
- Feel that it will bring employment opportunities and vibrancy to the city, benefits for many local businesses
- Currently missing out on the economic and social benefits that facilities like this bring
- Think that the facility will pay for itself over the long term, economic and social benefits outweigh any long term debt burden
- Feel that we should accept the costs of the project as we do with other council facilities which are not expected to make a profit (e.g. swimming pools, libraries)
- Some younger submitters pointed out that the arena would be a reason for them and their peers to stay in the city, and could be a drawcard for others to move here
- A small number pointed out that the arena will likely bring international exposure for the city.

Stop the project altogether

Stop the project altogether | 15% of Submitters

Key Themes | Financial Impacts

- Main reason for wanting to stop the project altogether were concerns about the financial impacts
- Feel that the cost and debt burden associated with the project is too high to justify
- Questioned whether a period of financial and economic uncertainty was the right time to be embarking on such a large capital project
- Feel that low income households likely to be hit the hardest by the financial impacts, concerns that for many of these households attending events at the arena will be out of reach
- Concerns that this will not be the last cost blowout that we see for this project
- Some feel that the project is a waste of money and the city will end up with a white elephant that sits idle and empty for a lot of the time
- Concern from some that the project does not stack up in terms of return on investment and cost-benefit ratios
- Feel that if it was put through a rigorous cost-benefit analysis, the project would not survive the analysis process

Stop the project altogether | 15% of Submitters

Key Themes | Priorities

- A sense from many that this project should not be a priority at this point in time, and that there are other issues, challenges and needs that should be addressed first
 - Key areas included “the basics” – transport and water infrastructure, community wellbeing projects, health, education & housing
 - Expressed concerns about some of the ideas that have been floated to help fund the additional investment, generally did not want to see asset sales or funds from other projects deferred or diverted
 - Concern from some about the climate change and environmental impacts that this project would have, feel it is incompatible with our climate change goals and commitments
- Although highlighted as not being a feasible long term option, some would like to see us explore upgrading the current Orange Theory Stadium further.

Stop the project altogether | 15% of Submitters

Key Themes | Attendance, Capacity & Location

- Concerns about the ability to regularly fill an arena of 30,000 seats to full capacity
- Noted that we are already seeing declining attendance at events, which is likely to continue as people adjust to new ways of living and consuming entertainment
- Some feel that we will still struggle to attract major events, will still need to compete for them, and there is no value in building an arena of the current planned capacity for the sake of a few events each year
- Some acknowledge that the city does need an arena or stadium of some sort – just not the one that we have planned
- Want us to revisit the overarching purpose and what the city really needs as opposed to the one that we are building in light of public pressure
- Concerns that the central city location is not the most appropriate place for this development
- Worried that the structure will be dominant and overbearing – particularly in the context of the residential neighbourhood around it
- Worried about transport connections and links and congestion in the area around the planned site
- Highlighted that it may have a detrimental impact on activation in this area of the city when it is not being used, would not bring day-to-day activation and life to the central city

Pause and re-evaluate the
project

Pause and re-evaluate the project | 8% of Submitters

Key Themes | Funding & Financial Implications

- Concerns that the ongoing costs associated with the arena, both capital and operational, would represent a further increase in rates at a time when households are already under significant pressure, fears that cost of living in Christchurch could become unsustainable
- Many thought that the ongoing demands on ratepayers to fund projects such as this was unreasonable, and that the council needs to live within its means as ratepayers are required to
- Feel that ratepayers are being asked for significant contributions towards a facility that only a few will see the benefits from
- Concerns about the ongoing operational costs on top of increased capital costs & long term impacts of debt
- Worried about the opportunity cost of other projects that we may need to forgo to afford the costs associated with the arena
- Some raised concerns that funding the arena would lead to reduced levels of service in other areas and services that residents value
- Feel that Christchurch ratepayers and residents should not be solely responsible for funding the build of the arena, support investment from Greater Christchurch and the wider region
- Would also like to see contributions considered from certain sporting groups and organisations would ultimately get the most benefit from the arena, some support a user-pays approach

Pause and re-evaluate the project | 8% of Submitters

Key Themes | Benefits & Priorities

- Concerns about whether the city will see enough return on investment to make the project viable, particularly in the context of needing to invest up to an additional \$150 million in the project
- Want us to revisit the investment case, should be doing our homework and ensuring that there will be enough benefits (both economic and social) returned to the city and ratepayers to justify the additional investment
- Feel that there is mounting evidence that points towards arenas and stadia not being sound economic investments, and that it is common for them to lose more money than they make
- Suggest that the level of funding should be revisited, and that it should be funded in a way where the level of funding is proportional to the benefits that the city is likely to see
- Concerns that the investment case has not been reviewed in light of the cost going up
- Feel that there are other priorities that we would be better to spend up to an additional \$150 million on – primarily 'the basics'
- Some feel that the arena is a luxury item and there are more pressing issues, needs and challenges that the city is facing
- Concern from some that investing in the arena would come at the detriment of other projects, activities and services that residents value, noted that they would like to understand what the impacts may be on other projects

Pause and re-evaluate the project | 8% of Submitters

Key Themes | The design & design elements

- Desire from some submitters that we pause and take another look at what the overarching purpose of the facility is and ensure that we are going to invest in and deliver the facility that the city really needs
- Need to go back to basics and scale back anything that is a nice to have or non-essential
- Concerns that we were going to end up with a facility that is much bigger than the city needs
- Some noted that they feel that it is inappropriate to build an arena of this size for the sake of one or two events each year and that we should revisit what we actually need
- Some feel that building a smaller arena that is more likely to regularly be at capacity would lead to a better atmosphere at all events, not just the few big ones that we might get each year
- Questioned the value of having a full roof, feel that the facility could still be successful without this element
- Concerned about the additional costs associated with the roof, while others highlight that a lack of a roof is not a barrier to concerts at other similar facilities and stadia around the country

Pause and re-evaluate the project | 8% of Submitters

Key Themes | Uses, Timing & Location

- Concerns that by trying to provide a multi-use facility that ticks every box, we may end up with a facility that delivers a mediocre experience across a range of uses
- A sense from some that we are going to get a sports orientated facility that ends up having limited multi-use potential, so we should just focus on building an excellent facility for live sport
- Questions about the relationship that the arena would have with our other facilities, and whether adding another multi-use facility would essentially be “robbing Peter to pay Paul”
- Feel that needs and wants of rugby franchises and fans are being prioritised more than they would like to see, particularly when they will not be making any financial contribution to the development of the arena
- A desire from some that we re-evaluate whether now is the right time to be progressing with this project
- Could we stage the project? Suggested that we should focus on delivering what the city needs right now (essentially a live sports venue), and that aspects such as a roof and/or additional seating could be completed as future stages
- Some feel that we should reconsider the location of the arena, some feel that Lancaster Park would be a more appropriate location, while others thought that we should continue to utilise the land, and in some cases the existing stadium, at Addington
- Concerns about the ground conditions of the central city site, the visual impact that it would have, connections with transport links and potential conflicts with neighbours

Pause and re-evaluate the project | 8% of Submitters

Key Themes | South Island Approach

- Taking a South Island focused approach and building a facility that would complement Forsyth Barr in Dunedin was discussed by some
- Feel that having two facilities of a similar size and functionality in such close proximity will lead to us competing for the same events and put the success of both facilities in jeopardy
- Support taking a South Island view and approach when deciding on the size, scale and functionality of the facility in Christchurch

Sub Group Analysis

Sub Groups | Greater Christchurch & Canterbury

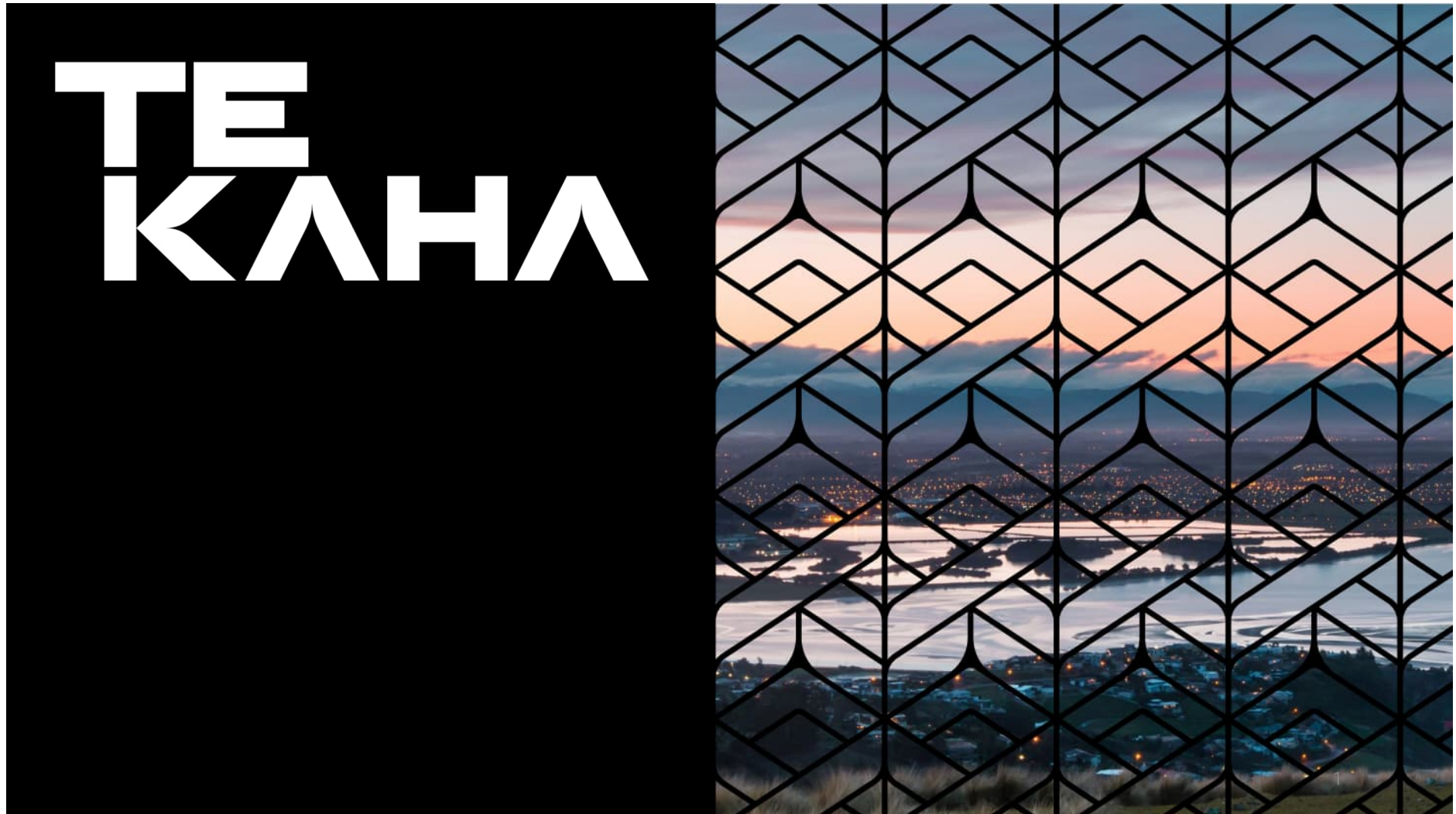
- Strong support for investing up to an addition \$150 million
- Share the feeling that we just need to “get on with it” and that the region deserves this facility
- Highlighted that the longer we leave it the more it will end up costing and highlighted that it will be an asset for not only the city but the wider region
- Some indicated that they feel it would be appropriate for the wider Canterbury region to contribute to the costs (approximately 11%).
- Around 36% of submitters from Selwyn and Waimakariri districts who did not signal that they think other areas should contribute reported living in Christchurch City.
- Those who wanted to stop the project tended to feel that we do not need an arena of the size and scale proposed, and that there would be better uses for both the land and money. Reluctance from some of these submitters to contribute financially
- Submitters who would like us to pause and re-evaluate the project provided a range of feedback which covered topics such as the financial impact and funding options, the type of facility the city and wider region really needs, the need to still pay bid fees to secure large events.
- Generally did not support contributions from outside of Christchurch

Sub Groups | Young People (Under 18 & 18 – 24 years)

- Generally young people were supportive of investing up to an additional \$150 million
- Submitters between the ages of 18 – 24 years were the most likely to support investing up to an additional \$150 million
- Feedback covered a range of opinions and issues, highlighted that they have missed out on experiencing the large events that venues like this bring to a city
- Think that it will contribute to the atmosphere of the city, making Christchurch a more vibrant and exciting place to live
- As with other submitters, strong message that we should just “get on with it”
- Those who thought that we should stop the project altogether generally felt that the benefits would not outweigh the financial impact
- Some signalling that young people will shoulder most of the financial burden from the debt required to fund the build.
- Feedback from young people who thought that we should pause and re-evaluate tended to focus on the design and design elements, including the roof and capacity.
- Those who provided feedback on the size and capacity of the arena tended to feel that we should be developing something even bigger than planned to cater for future population growth.

Sub Groups | International Submitters

- Echoed what we heard from other submitters who support investing up to an additional \$150 million so the project can proceed as planned
- Questions about why it has taken so long for work to begin on the arena, with some indicating that they moved away from the city because of how long the rebuild has taken.
- A number mentioned that Christchurch is their home, and they wanted to see the Council make bold decisions and have a strong vision for the future of the city.
- A small number indicated that they are looking at returning Christchurch, and that they would like to see the arena proceed.
- It was not clear whether the decision on the arena would have any bearing on their decision to move back to Christchurch, but they did agree that the arena was required to make Christchurch an attractive place to live.



TE KAHA PROJECT DELIVERY LIMITED

RECOMMENDATION

2



3

TE KAHA PROJECT DELIVERY LIMITED

RECAP

- Project Delivery Strategy
- Developed Design Reconciliation to Design Fundamentals

TE KAHA DESIGN & CONSTRUCT (D&C) CONTRACT

- Summary
- Project Programme
- Assurance
- Total Project Budget

RECOMMENDATIONS

- Lump Sum D&C Contract
- Delegations
- 15 July 2022 Letter of Acceptance

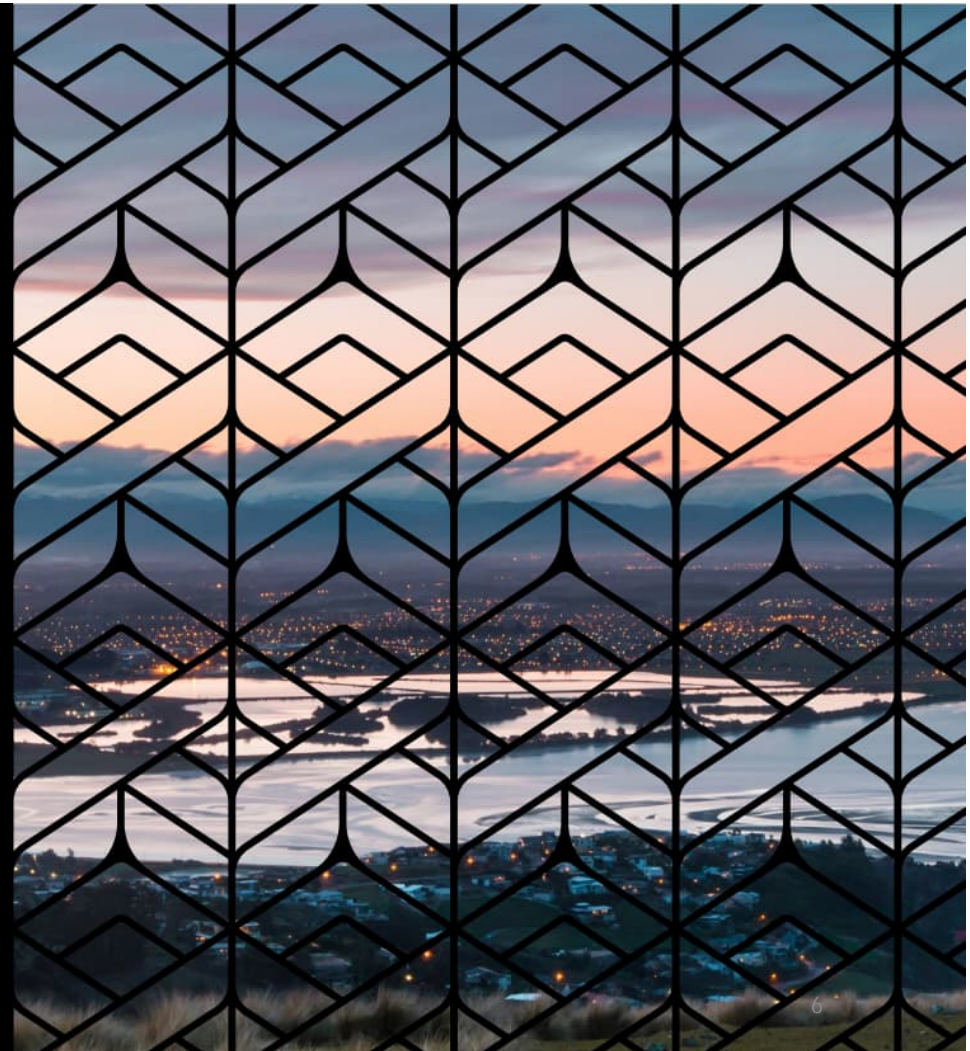
TE KAHA PROJECT DELIVERY STRATEGY

- Three Way Partnership: Te Kaha Project Delivery Limited, Venues Ōtautahi (VŌ) and Council
- Contracting Strategy: In 2020 a RFP issued to enter Pre Contract Services Agreement from Concept Design to Developed Design to deliver a Final Bid and Lump Sum Design and Construct (D&C) Contract:
 - Venues Ōtautahi and Te Kaha Project Delivery Limited to verify the Concept Designs, Preliminary Designs and Developed Designs submitted by the Contractor against the Design Fundamentals – set the specification
 - Contractor has sole responsibility for Detailed Design and construction to deliver the specification
 - Lump Sum with Contractor responsible for cost escalations for materials and labour
 - Contractor responsible for programme risk
 - Very few Council retained risks during the D&C stage and with sufficient Contingency to take care of those risks should they eventuate
 - Te Kaha Project Delivery Limited confident they can deliver the project within the Total Project Budget
- March 2021: Te Kaha Project Delivery Board Limited recommended the appointment of BESIX Watpac and Council approved executing the Pre-Contract Services Agreement
- August 2021: Council reset the budget and design fundamentals
- August 2021 to May 2022: Te Kaha Project Delivery Limited and VŌ have approved the Concept Design, Preliminary Design and Developed Design
- 27 May 2022: Te Kaha Project Delivery Limited received a non-compliant final bid D&C Contract proposal from BESIX Watpac, expiring 15 July 2022
- 8 July 2022: Te Kaha Project Delivery Limited and BESIX Watpac agreed a D&C Contract compliant with the Council contracting strategy

5

TE KAWA

DEVELOPED DESIGN
PRESENTATION



INVESTMENT CASE DESIGN FUNDAMENTALS

- Multi Use Arena
- Covered –for year-round events
- Rectangle field of play
- Natural turf
- Minimum 30,000 seated capacity (25k perm, 5k temp)
- Northern Stage Pocket
- Minimum 36,000 capacity in concert mode
- Acoustic Quality
- Level One U- Shaped Concourse



7

STRATEGIC DESIGN FUNDAMENTALS

COMMERCIAL VIABILITY

- Competitive and able to attract multi-faceted and large-scale events
- Design considers the future of events and will be ahead of the game
- Design enables the attraction of commercial partnerships

OPERATIONAL FUNCTIONALITY

- Design delivers excellent operational functionality
- Smooth ingress and egress for clients and guests
- Good number of well located amenities

GUEST EXPERIENCE

- Design delivers enhanced guest and client experience
- Quality acoustics, industry best practice comfort and sightlines
- Quality, variety and consistency of food and beverage offering

ACCESSIBILITY

- Design enables access to the same experience for all

MULTI USE

- Genuinely multi-use maximising the opportunity for the region
- Competitive point of difference and future proofed venue

SUSTAINABILITY

- Sustainability inherent in design and enables a sustainable operation



ESTIMATED ECONOMIC BENEFITS

INVESTMENT CASE

- Incremental economic impact - Canterbury region
- \$462.2m over 25 years*

HIGHLIGHTS

- \$3.6m per annum large sporting events
- \$10m per annum large international concerts
- \$5m per annum from other events

ADDITIONAL ECONOMIC BENEFIT

- \$3.5m per annum local food and beverage VŌ
- VŌ will employ 600 – 800 casual event day staff

* 2019 estimates (Te Kaha/CMUA Investment Case)



DEVELOPED DESIGN VENUE HIGHLIGHTS

Public Realm

- Fan zone
- Community events
- Activations outside event day
- Digital billboards
- Boneyard for large concerts
 - Storage for production equipment
- Urban forest
- Scooter and bike parking
- Cultural narrative reflected in design
- Design underpinned by OPTED principles (Crime Prevention through Environmental Design)



10

DEVELOPED DESIGN VENUE HIGHLIGHTS

Accessibility and Inclusivity

- Design enables same experience for all members of the community
- 39 accessible car parks - greatly exceeds minimum of 2
- 5 accessible routes
- Close proximity accessible drop off
- 140 accessible seats, 40% beyond minimum across all areas
- Event overlay designed to enable ease of access for accessible patrons
- Assisted emergency evacuation process for accessible patrons
- 3 Parenting Rooms
- More than double the minimum standard of accessible amenities
- 25 accessible all gender toilets
- Changing Places standard toilet
- All corporate toilets gender neutral
- Gender neutral toilets in GA to be worked through in detailed design
- All F+B counters and 2 of 3 self service shelves at accessible level
- 3 passenger lifts all within 20–30m of main entrances
- Accessible turnstiles positioned closest to lift access
- Signage best practice Blind + Low Vision NZ guidelines
- All stairs including fire escape designed with accessible step profile



11

DEVELOPED DESIGN VENUE HIGHLIGHTS

Corporate Events

- Diverse high-quality corporate experience
- DAS and WiFi enabled
- 1150m2 function lounge
 - 690 seated banquet style
 - 1000 classroom style
 - 1000 standing cocktail
 - 2 satellite kitchens
 - 514m2 terrace
 - Operable wall to divide the space
 - 150-200 events per year
- Field of Play
 - Gala Dinners
- Ground and L1 Concourse
 - Expos
 - Tradeshows
- 23 Corporate Suites
 - Break out spaces
 - Meetings
 - Small events
- Add to local portfolio of venue offering



12

DEVELOPED DESIGN VENUE HIGHLIGHTS

Entertainment Events

- Covered arena
- 36,800 large concert capacity
- 13,800 reduced mode concert capacity
- 3 large concerts
- 4 reduced mode concerts
- Mega event every 6 years
- Northern stage pocket
- Mothergrid for production rigging
- Ease of pack in and out
- Flexible use
 - Boxing
 - Tennis
 - E-Sports
 - Motor sports e.g. Nitro Circus
- Competitive with NZ + Australian venues
- Turf protection assures turf health



13

DEVELOPED DESIGN VENUE HIGHLIGHTS

Sustainability

- Project aims to support measurable action in climate change
- Reduction of whole of life and embodied carbon
- VŌ Toitū carbon mark and environ-mark certification
- All electric venue with no gas on site
- High efficiency LED sport lighting
- Natural daylight to offset grow lights
- Energy efficient replay screens and ribbon boards
- Zero ODP and low GHG emission refrigerants
- F+B strategy enable system shut down between events
- Heat recovery to change rooms, function rooms, suites and L4
- VŌ target 80% operational diversion rate
- Minimisation of hard landscaping to reduce concrete
- Increased biodiversity with native urban forest in public realm
- Excess of 20,000 sqm2 of vegetation across the site
- Cycle parking and storage on site
- Scooter parking
- Bus interchange 400m from venue
- EV charging stations,
- VŌ hybrid and electric vehicle strategy
- Solar panels



14

DEVELOPED DESIGN VENUE HIGHLIGHTS

Sporting Events

- Covered arena
- 25,000 permanent capacity
- 5,000 temporary seats
- Annual all blacks test match
- 7 Super Rugby matches
- 5 Domestic Rugby
- 2 Other Rugby Content
- 1 Soccer
- 1 Rugby League
- Mega event every 6 years
- Natural turf



15

DEVELOPED DESIGN VENUE HIGHLIGHTS

Food and Beverage

- 32 food and beverage outlets
- Local food and beverage offering
- Diverse range
- 3 feature bars
- Ground floor and level one concourse
- Level 3 premium offering
- Kids corner
- Student wedge
- All units at accessible height



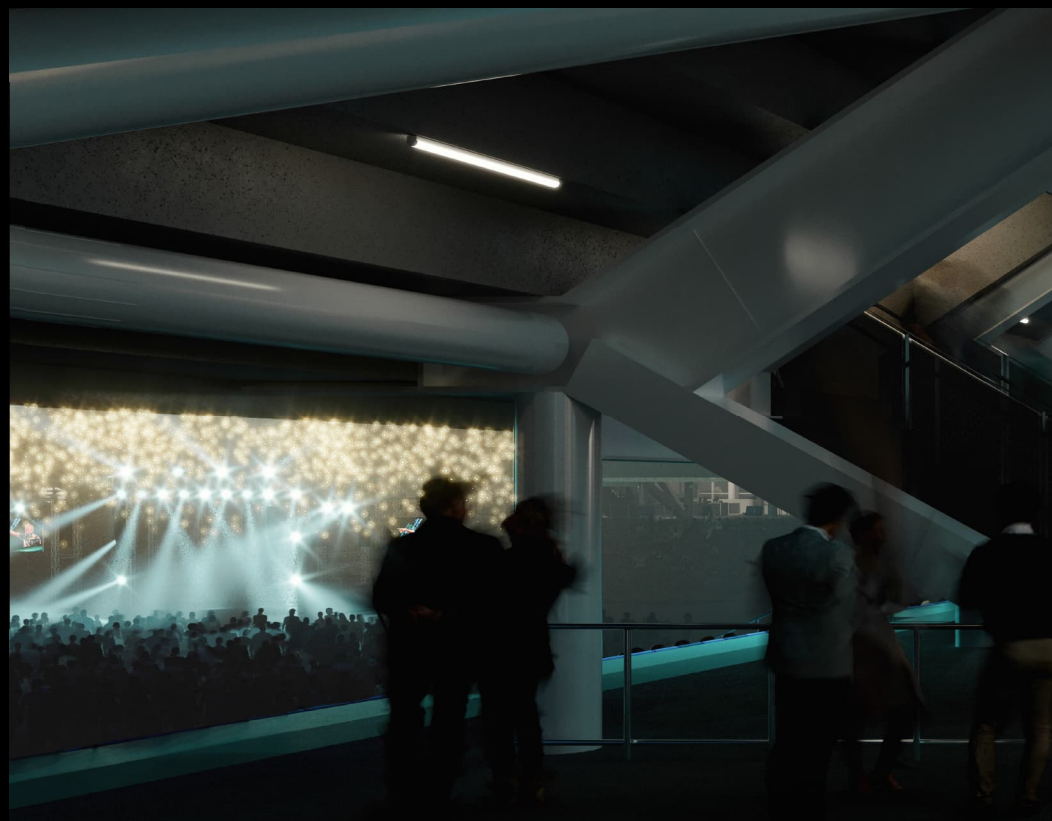
16



DEVELOPED DESIGN VENUE HIGHLIGHTS

Guest Experience

- Quality acoustics
- Industry best practice seat size
- Majority of seats premium sight line standard
- 3 Parenting Rooms
- Wifi and DAS capability
- 110% of NZBC number of suitably located amenities
- Smooth ingress and egress for guests
- 3 passenger lifts
- 2 escalators
- Covered arena protected from the elements
- Closely located public transport



18

DEVELOPED DESIGN VENUE HIGHLIGHTS

Commercial Opportunities + Revenue Streams

- Commercial naming rights
- Commercial ticketing partnership
- Commercial pourage partnerships
- Membership sales
- Open corporate reserves (88)
- Commercial digital signage
 - 300 digital screens
 - Dual level fixed ribbon boards
 - Public realm digital billboards
- Retail tenancies
- Precinct activation
- Corporate and retail food and beverage
- Venue hire for all event types
- Unique and competitive venue
- Other sponsorship opportunities



19



ENDURING STRENGTH

20

TE KAHA D&C CONTRACT SUMMARY

- Christchurch City Council as Principal – Te Kaha Project Delivery Limited support this approach
 - Council owns the land and will own the asset
 - Council is a known entity for the contractor to contract with
 - Council will need to guarantee performance of the D&C Contract
 - Delivery delegated to Te Kaha Project Delivery Limited (Te Kaha)
- Scope is locked in by approval of Developed Design
- Lump Sum Contract
- No cost escalations
- Single point responsibility on contractor for Design and Construction
- Fitness for Purpose delivery of the scope a key contract clause
- Detailed Design presented for Principal approval (expected by end of 2022)
- Very few risks sitting with the Principal – expert advice on Contingency level to be held by the Principal
- Liquidated Damages as Council's redress for programme delays
- COVID 19 risk with contractor except for unforeseeable and critical path impacts that cannot be mitigated
- **Considered a very favourable contract in the current market circumstances**

TE KAHA D&C PROGRAMME

- Ground Works (underway)
- Foundations
- Erect the bowl
- Ocular roof structure
- Completion 20 April 2026

TE KAHA D&C CONTRACT ASSURANCE

Te Kaha Project Delivery Limited and Council have taken expert advice on the contract terms and conditions, and the price

- Simpson Grierson have overseen and negotiated the D&C Contract
- Peter Neven (Independent Expert and Risk Assurance and construction expert)
- Price Verification and Cost Consultant
- Project Management and Programming
- VŌ Operational Expertise on design, whole of life, operational delivery

Te Kaha Project Delivery Limited has a capable and experienced Project Delivery Team to oversee:

- Health and Safety
- Environmental
- Sustainability
- Quality with support from VŌ
- Overall Risk Management and Compliance with support from VŌ

TE KAHA TOTAL PROJECT BUDGET

- Project Total Budget \$683,165,830
- Price has been verified by experts
- Te Kaha Board are confident of delivering within the Total Project Budget
- Expert advice received on appropriate Contingency Sum, to manage the few Council retained risks during the D&C contract delivery
- Contingency Sums to be held by Te Kaha Project Delivery Limited (CE & Board), and Council
- Contingency is within the Total Project Budget

TE KAHA PROJECT DELIVERY LIMITED RECOMMENDATIONS

That the Council:

1. Appoint BESIX Watpac NZ (CMUA) Limited to carry out the Design and Construct Contract for the Te Kaha project for the Contract sum and details as set out in Detailed Project Costings (Attachment D (Confidential)).
2. Delegate authority to the Christchurch City Council Chief Executive to execute a Letter of Acceptance to BESIX Watpac to enable work to proceed and to execute the Design and Construct Contract once all the Contract documentation has been completed.
3. Approve the overall Total Project Cost of \$683,165,830 including the BESIX Watpac D&C Contract and other project costs, including Governance, Project Team, Insurance, Enabling Works, PCSA Phase Consent Fees, Other Works outside BESIX Watpac's Contract, Design & Construct Contingency (P85 QRA) and Council Project Contingency, as set out in Detailed Project Costings (Attachment D (Confidential)).

TE KAHA PROJECT DELIVERY LIMITED RECOMMENDATIONS (Contd)

4. Approve the Delegations to the Board and Contingencies as set out in Detailed Project Costings (Attachment D (Confidential)).
5. Acknowledge confirmation from the Crown via The Treasury Te Tai Ōhanga that the Project Assurance Points 2 & 3 as set out in the Funding Agreement with the Crown have been satisfied, subject to Council approving the additional funding required for the project and providing the required Delegations and Contingency to the Board as noted above.



ENDURING STRENGTH

27

Te Kaha Capital Project Finance Report

Brief Summary

- The purpose of this report is to provide information regarding the financial implications for Council in relation to the decision whether or not to progress with the Te Kaha Project.
- 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 has increased by up to \$150 million.
- The decision whether to proceed with this project is of high significance in relation to the Christchurch City Council's Significance and Engagement Policy, and as such this report is included to inform along with expert advice and follows public consultation which sought the views of the community on the increase to the budget.

Reason for report

Receive the information in the Finance Report on implications on the Council's financial position to inform the decision to either:

- Accept the cost increase and increase the budget up to \$150 million.
- Stop the project.
- Delay and redesign the arena.

Reason for report

- In the Long Term Plan FY2021-2031 (LTP), the Council approved the inclusion of \$483m on budget to construct a multi-use arena in conjunction with Crown funding of \$230m.
- 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 added to the Long Term Plan financial modelling for payment in FY24/25.
- 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 will increase up to \$150 million to a total project cost of \$683 million. The opening date has also moved out to April 2026.
- Due to the significant change in the financial cost, the Council consulted with the public to seek their input prior to a decision being required to commit to the new cost.
- The financial models that follow reflect the impact on Council's budgets by increasing the project cost by an additional \$150m to reflect the total project cost of \$683m.

Key Strategic Financial Goals

- *Build long-term financial resilience* - the financial impacts on the Council from the 2010/11 earthquakes, and lately the COVID-19 pandemic, have reconfirmed the need for the Council to be in a financial position to respond to unexpected events. Maintaining a balanced budget and a minimum debt headroom are ways we restore and maintain this resilience.
- *Provide cost-effective infrastructure and facilities* – this requires the Council to balance the quality and reliability of infrastructure and facilities with what the Council can afford. This goal ensures the Council maintains and renews its existing assets effectively whilst providing infrastructure and facilities that support the expected growth, but limiting the investment to what is needed, what is deliverable and what is affordable.
- *Ensure rates are affordable and sustainable* –this requires the Council to always consider the effects its decisions will have on rates requirement to fund investment.

Financial Implications on Council's Budget

- Council prepares a LTP every three years, which includes a 10 year financial forecast including proposed rates increases. Every year we also prepare and consult on an annual plan which details changes to the LTP forecast for the following year.
- The Council's next LTP will be effective from 1 July 2024, during the next 18 months discussions will be held around priorities for new and existing capital projects. Considerations around the impact of delays caused by supply chain and COVID-19, global and economic impacts like inflation, interest rates and the Ukraine war, and the impact of the three waters reform on the Council's financial position will inform those discussions.
- Due to the significant capital programme undertaken by the Council each year, it is not unusual for the financial forecasts to change each year, generally due to timing issues caused by matters outside the Council's control. This does not mean the capital programme or funding requirements necessarily change, but the timing of when that funding is required does. This is why an annual plan that might not change significantly on what is included in the capital programme, or levels of service, may change: the financial forecasts, tracking against financial benchmarks, and proposed rates increases.

Financial Implications on Council's Budget

- Debt is a key funding tool for the Council as it enables capital investment in infrastructure to be paid for by both today's ratepayers and those of the future. This approach provides intergenerational equity, a key principle that underpins the Council's Revenue and Financing Policy.
- While the Council use debt as a beneficial tool to promote equity, there needs to be a balance between what the Council would like and what the Council can afford. This ensures balance is in place in both the short and the longer term.

Option 1 - Accept the Cost Increase

- Rates impact:*

Rates Increase %	2022/23 Annual Plan	Additional Cost plus revised cost profile	Proposed Increase - \$150m more	2021/31 LTP
2022/23	4.66%	0.00%	4.66%	4.97%
2023/24	4.96%	0.00%	4.96%	5.42%
2024/25	5.79%	0.05%	5.84%	5.37%
2025/26	8.06%	0.42%	8.48%	5.45%
2026/27	4.93%	0.75%	5.68%	5.03%
2027/28	3.82%	0.02%	3.84%	3.62%

Option 1 - Accept the Cost Increase

- *Rates impact:*
 - Assuming our current assumptions on interest rates, inflation and rating base growth, and that this is funded from the general rate, the approx. increase to the average residential property for the additional \$150 million would be \$39 per annum in today's dollars, based on a 1.24% rates requirement increase. This increase would occur progressively over the period 2025 - 2027.
 - The total Council contribution (cost) for Te Kaha, including an additional \$150 million and operational costs, translates to \$144 per annum per average residential property occurring progressively between 2025 and 2027. These amounts would decline slowly over 30 years as debt was repaid.

Option 1 - Accept the Cost Increase

- *Debt Headroom:*
 - Carrying a relatively high level of debt means that we must focus on retaining our financial resilience and having access to funds at short notice in order to respond to unexpected events. A key feature of the Financial Strategy is to keep minimum available borrowing (headroom) to \$400 million to provide for this. The purpose of the debt headroom is to have the ability to borrow in the event of an emergency and remain within debt covenant limits.

Option 1 - Accept the Cost Increase

- Debt Headroom:*

Debt Headroom (\$m)	2022/23 Annual Plan	Additional Cost \$150m	2021/31 LTP
2023/24	1,271	1,271	627
2024/25	646	622	502
2025/26	563	436	451
2026/27	565	446	491
2027/28	562	450	500
2028/29	610	502	532

Option 1 - Accept the Cost Increase

- *Net Debt to Revenue:*
- The debt to revenue ratio is an indicator of debt affordability. The Council maintains several covenants with lenders which set specific limits on borrowing – most importantly, that total net debt may not exceed 295 per cent of total operating revenue in FY23, then dropping 5 per cent a year before settling at a new longer term limit of 280 per cent from 2026.
- The debt affordability ratio is only one of the ratios that Standard and Poor's (S&P) consider as part of their annual review of the Council credit rating.
- The Council debt programme over the term of the LTP has not changed significantly, however the timing of that funding requirement has due to delays in the capital programme. In addition, financial surpluses has allowed the Council to not borrow all of the planned COVID-19 borrowing and allowed for the early repayment of the debt borrowed. The Council had planned to borrow approx. \$72m (repayable over 5 years), ended up borrowing \$26m and will have repaid all actual COVID-19 borrowing within 2 years. This has allowed the Council to manage the impact of the additional \$50m added into the budget last year for the increase to the seating for Te Kaha as can be seen in the below table when comparing the LTP to Annual Plan.

Option 1 - Accept the Cost Increase

- *Net Debt to Revenue:*

Debt Headroom (\$m)	2022/23 Annual Plan	Additional Cost \$150m	2021/31 LTP
2023/24	170%	170%	224%
2024/25	221%	223%	234%
2025/26	227%	239%	237%
2026/27	229%	240%	235%
2027/28	232%	242%	236%
2028/29	229%	238%	235%

Option 2 – Stop the Project

- If the Council discontinues the project it would avoid the financial impact, including potential rate increase and the impact on Council's debt headroom. The 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.
- 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, and it is likely the Crown would seek to recover some of these costs, as to date it is their funding that we have used.
- The temporary stadium at Addington 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.

Option 2 – Stop the Project

- 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.
- The Crown investment would be withdrawn. In addition, the Crown could seek to recover the land that it has given us for the arena site. This currently has a carrying value of \$55.8 million.

Option 2 – Stop the Project

- Compared to the projections in Option 1 the rates impact of cancelling the project is a net 3.1% reduction over the next six years. The increase in the next two years is a result of the assumed refunding of 50% of Crown contributions.

Rates Increase %	2022/23 Annual Plan	Project Cancelled	Revised Annual Plan projected rates	2021/31 LTP
2022/23	4.66%	0.09%	4.75%	4.97%
2023/24	4.96%	0.10%	5.06%	5.42%
2024/25	5.79%	-1.05%	4.74%	5.37%
2025/26	8.06%	-1.95%	6.11%	5.45%
2026/27	4.93%	-0.43%	4.50%	5.03%
2027/28	3.82%	0.14%	3.96%	3.62%

Option 2 – Stop the Project

- The minor increase in 2023/24 is a result of the assumed refunding of 50% of Crown contributions received to date.
The resulting impact on debt headroom is summarised in the following table:

Debt Headroom (\$m)	2022/23 Annual Plan	Project Cancelled	2021/31 LTP
2023/24	1,271	1,055	627
2024/25	646	877	502
2025/26	563	801	451
2026/27	565	782	491
2027/28	562	769	500
2028/29	610	808	532

Option 3 – Pause and re-evaluate the arena project

- The Council could pause and re-evaluate the key fundamentals and the priorities for the project, along with the associated costs and benefits. These were last fully assessed in the Investment Case in 2019 and the context and expectations may have changed along with the affordability issues.
- There is a possibility that the re-evaluation could identify an option which reduces the quantum of the cost overrun and still delivers the identified priorities. At this stage it is not possible to anticipate what this could be.
- An estimated \$30 million would be spent on review and redesign. 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.

Option 3 – Pause and re-evaluate the arena project

- 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.
- If an option compromised the key deliverables in the Funding Agreement, the Council would need to attempt to renegotiate the Funding Agreement with the Crown. If the Crown did not agree to this change and withdrew its funding, the Council would be unable to proceed with the project.
- Without understanding the fundamentals of what a rescope/redesign option would look like we have not provided financials options for this. If a reduced scope could be agreed with the Government and retain their funding, it is likely that the financial implications would be less than Option 1 and would delay the financial impacts on the LTP.

Risks and uncertainty

- Whilst the above financial models provide the impact of a decision today on the future budget, it is only based on the information known today, and that may change tomorrow. The following are things that are impacting the Council now, and will continue to influence the decision making abilities on the whole capital programme over the next few years.
- The global policy response to COVID-19 has successfully supported economic activity and minimised job losses, but it has also created inflationary pressures that are greater and less transitory than originally expected.
- The shift in inflation perceptions from “transitory” to “entrenched” has led to a fundamental recalibration of global monetary policy, resulting in the sharpest increase in global interest rates since at least 1994

Risks and uncertainty

- Interest rates will very likely peak below the levels implied by current market prices, but inflation may be slower than expected to return to “mid-point” targets due to longer-lasting wage pressures (in a New Zealand context, this means inflation getting stuck around 3% rather than the targeted 2%).
- The impact of all this on the Te Kaha project has been to significantly increase construction costs compared with original (and even quite recent) budgets – in part due to currently elevated input prices, but also because of the increased uncertainty around future input prices as the facility is actually built.
- These risks are challenges Council will need to manage across its wider capital programme over the next few years, of which Te Kaha is only one.

Risks and uncertainty

- Reform programme – Three Waters reform is currently expected to impact our financial year beginning 1 July 2024. That means it will be the first year of the new LTP. At this stage there is no detail around what will be transferred, and how much in relation of the Council debt will be transferred to the new Entity. If the forecast 3W debt is transferred in full this will likely improve the key financial ratios, however getting significantly less could be problematic.
- Future for Local Government Reform, RMA, and Climate Change will all likely to have significant impacts on the next LTP.