

Christchurch City Council EXTRAORDINARY AGENDA

Notice of Meeting:

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

Date: Thursday 22 July 2021
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 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

19 July 2021

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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.

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Developing Resilience in the 21st Century

Strategic Framework



Whiria ngā whenu o ngā papa,
honoa ki te maurua tāuiki

Bind together the strands of each mat and join
together with the seams of respect and reciprocity

Ōtautahi-Christchurch is a city of opportunity for all

Open to new ideas, new people and new ways of doing things – a city where anything is possible

Principles

Being open,
transparent and
democratically
accountable

Promoting
equity, valuing
diversity and
fostering inclusion

Taking an inter-generational approach
to sustainable development,
prioritising the social, economic
and cultural wellbeing of
people and communities
and the quality of the
environment, now
and into the
future

Building on the
relationship with
Te Rūnanga o Ngāi Tahu
and the Te Hononga-Council
Papatipu Rūnanga partnership,
reflecting mutual understanding
and respect

Actively collaborating and
co-operating with other
local, regional
and national
organisations

Ensuring
the diversity
and interests of
our communities
across the city and the
district are reflected in
decision-making

Community Outcomes

Resilient communities

Strong sense of community
Active participation in civic life
Safe and healthy communities
Celebration of our identity
through arts, culture, heritage,
sport and recreation
Valuing the voices of all cultures
and ages (including children)

Liveable city

Vibrant and thriving city centre
Sustainable suburban and
rural centres
A well connected and accessible
city promoting active and
public transport
Sufficient supply of, and
access to, a range of housing
21st century garden city
we are proud to live in

Healthy environment

Healthy water bodies
High quality drinking water
Unique landscapes and
indigenous biodiversity are
valued and stewardship
exercised
Sustainable use of resources
and minimising waste

Prosperous economy

Great place for people, business
and investment
An inclusive, equitable economy
with broad-based prosperity
for all
A productive, adaptive and
resilient economic base
Modern and robust city
infrastructure and community
facilities

Strategic Priorities

Enabling active
and connected
communities
to own their future

Meeting the challenge
of climate change
through every means
available

Ensuring a high quality
drinking water supply
that is safe and
sustainable

Accelerating the
momentum
the city needs

Ensuring rates are
affordable and
sustainable

Ensuring we get core business done while delivering on our Strategic Priorities and achieving our Community Outcomes

Engagement with
the community and
partners

Strategies, Plans and
Partnerships

Long Term Plan
and Annual Plan

Our service delivery
approach

Monitoring and
reporting on our
progress

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Karakia Whakamutunga

Karakia Timatanga

1. Apologies Ngā Whakapāha

At the close of the agenda no apologies had been received.

2. Declarations of Interest Ngā Whakapuaki Aronga

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

3. Design Direction for CMUA

Reference Te Tohutoro: 21/1013176

Report of Te Pou Matua: CMUA Affordability Response Team

General Manager Caroline Harvie-Teare - CE Venues Ōtautahi

Pouwhakarae: Mary Richardson - General Manager Citizens & Community

1. Purpose of the Report Te Pūtake Pūrongo

- 1.1 The purpose of this report is to seek Council's design direction for the preliminary design phase for the Canterbury Multi Use Arena (CMUA) project. This report recommends a modification to the CMUA design scope to allow the project to be delivered on budget, noting recommendations remain aligned with the fundamentals of the Investment Case and Funding Agreement
- 1.2 The instruction to move to Preliminary Design under the Pre Contract Services Agreement (PCSA) contract is delegated to officers. However, Council approval is sought because the instruction will involve a change to either the scope or the budget confirmed in Council resolution CNCL/2019/00205.
- 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 to build the CMUA was of high significance, however, the decision to modify the scope is not.

2. Officer Recommendations Ngā Tūtohu

That the Council:

1. Agrees that BESIX Watpac NZ (CMUA) Limited (Kōtūi) be instructed to develop a Preliminary Design:
 - a. within the agreed Maximum Design & Construct (D&C) Contract Price;
 - b. with design fundamentals, including an ethylene tetra fluoro ethylene (ETFE) roof, permanent in-situ natural turf, quality acoustics, level 1 concourse, and multi-purpose functionality.
 - c. which has a minimum sports mode seating capacity of 25,000 and large concert mode capacity of 36,000.
2. Agrees that BESIX Watpac NZ (CMUA) Limited (Kōtūi) be instructed to look for design refinements and efficiencies to enable additional seat capacity (greater than 25,000) within the Maximum D&C Contract Price without compromising the other fundamentals.
3. Notes that further design phases will give further clarity and certainty of costs and risk contingency.
4. Notes the proposed amendments to the budget breakdown to maximise that funding available for construction. These amendments do not impact on the overall Project budget.
5. Notes that the budget includes an estimated 3% escalation (across the remaining period of the PCSA) but there is a risk of additional unbudgeted escalation in the final Construction price. If the unbudgeted escalation materialised, additional funding would need to be identified before the Council resolved that the CMUA project should proceed to D&C Contract.

6. Notes that these modifications align with the design elements recommended in the Investment Case.
7. Note that the Council has requested a report to the September meeting of the Finance and Performance Committee regarding the future project structure and processes.

3. Reason for Report Recommendations Ngā Take mō te Whakatau

- 3.1 BESIX Watpac NZ (CMUA) Limited (Kōtui), the Contractors, are engaged under a Pre Contract Services Agreement. It is critical that they are given design direction and instruction to move to Preliminary design as soon as possible. The CMUA Programme is currently being delayed, and we will not be able to determine the full impact of this until we have certainty on when Preliminary design can be progressed. Delays will impact on cost.
- 3.2 Preliminary design will give further clarity on costs. An instruction to move to Preliminary Design is not committing the Council to a D&C contract. On conclusion of the PCSA phase, BESIX Watpac NZ (CMUA) Limited will submit a Final Bid for a fixed price lump sum Design and Construct (D&C) phase. Under the PCSA, there is the option to not accept BESIX Watpac NZ (CMUA) Limited's final D&C bid, in which case we can go to market for a D&C contractor using the design documentation prepared during the PCSA phase.
- 3.3 Officers are seeking Council's approval because the instruction will involve a change to either the scope or the budget established by Council resolution CNCL/2019/00205.
- 3.4 The Investment Case proposed 25,000 permanent seats but CNCL/2019/00205 added an additional 5,000 temporary seats. The Investment Case and resolution CNCL/2019/00205 excluded a level 1 concourse but the CMUA Delivery Board approved the inclusion of the level 1 concourse. The level 1 concourse is included in the Base Case scheme and the preferred option (RT1) in this report.
- 3.5 The Council has been notified that there is a significant increase in the Contractor's D&C Contract Price estimate based on the current design and scope (Base Case scheme). The Price Verifier has confirmed that a D&C Contract Works Scope Change is necessary to come within (or reduce the exceedance of) the current Maximum D&C Contract Price, or an increase to the Maximum D&C Contract Works Price will be required.
- 3.6 These cost increases are largely due to a) the increased scale of the facility and b) the international escalation in construction costs, due to supply chain issues and the seeming "V-shaped" recovery related to COVID 19. For example, in the last year global steel prices have continued to rise due to a significant escalation in raw material costs. In addition, transport and logistics costs have also been under pressure leading to higher container, shipping and other freight charges.
- 3.7 The current design and scope (base scheme) also has unresolved issues regarding both large scale and reduced mode concerns for turf health, which would significantly impact on Opex/Whole of Life (WOL) costs. The turf report on this scheme concluded there are significant risks of turf failure and a turf farm would be required (involving \$1.2M Capex to establish turf farm and an annual operational expenditure of circa \$1.0M, depending on the number of non-sport events on the natural turf).
- 3.8 The PCSA was designed to ensure that any potential cost estimate increases and related scope issues are identified as early as possible in the design process. The PCSA was expressly structured to validate and align the scope of the D&C Contract Works and the Maximum D&C Contract Price (including by way of variation to one or the other (or both) in order to achieve such alignment). It was fully envisaged, as has indeed occurred, that a D&C Contract Works

Scope Change may be necessary to come within the current Maximum D&C Contract Price. This allows the Contractor and Principal to address the issue early on in the design process, and to avoid the delays and costs that would be incurred if such issues only became known later on, when the design was more fully progressed.

- 3.9 Council and Venues Ōtautahi officers have worked with BESIX Watpac NZ (CMUA) Limited (Kōtui) and project consultants to identify design alternatives which would minimise the impact on the Investment Case assumptions and fundamentals and the project budget. Options have been assessed against delivery/capital cost, stakeholder expectations, commercial viability/competitive advantage, operational functionality, guest experience and multi-use potential.
- 3.10 The report recommends that BESIX Watpac NZ (CMUA) Limited (Kōtui) be instructed to develop a Preliminary Design:
 - 3.10.1 within the agreed Maximum D&C Contract Price; and
 - 3.10.2 with design fundamentals, including ethylene tetra fluoro ethylene (ETFE) roof, permanent in-situ natural turf, quality acoustics, level 1 concourse and multi-purpose functionality.
 - 3.10.3 which has a minimum sports mode seating capacity of 25,000 and concert mode capacity of 36,000.
- 3.11 BESIX Watpac NZ (CMUA) Limited (Kōtui) would be instructed to look for design refinements and efficiencies to enable additional seat capacity (over 25,000) within the Maximum D&C Contract Price without compromising the other fundamentals. At this stage it is anticipated that this could potentially be 27,500 seats. The next design phases will clarify the mix of permanent, retractable and/or temporary seats. Further design phases will provide additional clarity and certainty of both capital and ongoing operational costs.
- 3.12 The requirements for sustainability and resilience will remain under this option, including the goal to reduce embodied carbon.

Rationale for Preferred Option (Option RT1)

- 3.13 The CMUA is one of the final symbols of post EQ recovery and is a critical piece of infrastructure for a city which thrives on the social and cultural connections that come from sports, arts and events.
- 3.14 **Capacity** - Considering construction budget constraints there is greater benefit in having a venue with sports mode seating capacity of at least 25,000 and large concert mode capacity of 36,000, with a concourse, maximum premium seating and corporate spaces and optimal seating comfort. These features would enhance the attendee experience, activate the space and provide additional revenue and alternative use opportunities to the CMUA. They would equip the venue with what is an expected standard in a modern arena.
- 3.15 The scale of the arena allows for the design to sit more comfortably on the site and be less intrusive on the city centre.
- 3.16 The Investment Case and the affordability review indicate that sporting bodies and event promoters have the expectation of a covered arena of 25,000+ seats.
- 3.17 The Investment Case identified that to be competitive and attract international and national content a multi-use arena in Christchurch would ideally include the following elements:
 - 3.17.1 Covered arena that allows for year-round events;
 - 3.17.2 Minimum of 25,00 person capacity to attract national and international content; and

3.17.3 Acoustic quality.

- 3.18 The Investment Case identified that event demand projections suggest that very few events (essentially only All Blacks tests) are likely to require the additional temporary seats. It also concluded that qualitative or quantitative assessments indicated that there was no indication that seating capacity over 25,000 would provide significantly greater returns to the city overall (Investment Case p23).
- 3.19 The Investment Case indicative event schedule for an average year assumed the following:

	Number of Events	Expected Average Attendance
Large concerts	3	28,000
Smaller concerts	3	10,000
Other events content (non-sporting)	1	10,000
Super Rugby (Crusaders)	6.5	15,000
Domestic Rugby (Canterbury)	4.5	7,000
Rugby Tests (All Blacks)	1	30,000
Other Rugby content	2	2,000
Football	1	15,000
Rugby League	1	18,000
Large-scale exhibitions	3	12,000
Mega events	0.17	30,000
Total	26.2	

- 3.20 The Investment Case noted the appeal of the new venue would attract particular interest and attention from event promoters, local organisations, and community groups enthusiastic to use the new facility. It was assumed this would lead to an increased event profile for the venue in the years immediately following its opening and stabilisation following a three-year build-up of events.
- 3.21 The Investment Case noted an arena with proposed capacity provides the potential opportunity to increase the number of events and average attendance at major concerts, cultural events and exhibitions. This represents a change in frequency for many events from being once every few years to multiple times in a year. It also represents a step-change in the scale of events Christchurch can comfortably host. Further, all events that were once held at Christchurch Stadium will now take place in the CBD, further supporting redevelopment of the core (Investment Case p 56).
- 3.22 The affordability review has concluded that a minimum sports mode seating capacity of 25,000 and large concert mode capacity of approximately 36,000 is appropriate for Canterbury's event market. However, the affordability review suggests that BESIX Watpac NZ (CMUA) Limited (Kōtui) be instructed to look for design refinements and efficiencies to enable additional seat capacity (greater than 25,000 and ideally closer to 27,500) within the Maximum D&C Contract Price without compromising the other fundamentals. The next design phases will clarify the mix of permanent, retractable and/or temporary seats.
- 3.23 Event content in ChristchurchNZ's and Venues Ōtautahi's pipeline includes international concerts and sporting events. For some of these events, the difference between 25,000 and 30,000 seats is negligible, as these organisations take into consideration other benefits which offset revenue, including social and community legacy outcomes and purpose led initiatives (ChristchurchNZ, Venues Ōtautahi).
- 3.24 For international concerts, seating comfort, acoustics and VIP hosting opportunities play a role. With Dunedin our closest competitor a minimum of 36,000 seats is critical to the success of the venue. Of note when considering capacity Christchurch also offers direct international

- flight connectivity, premium hotel accommodation, a metro public transport network, and a large urban population to drive ticket sales.
- 3.25 For international concerts, seating comfort, acoustics and VIP hosting opportunities are often (within reason) of equal importance to total ticket sales. Again, 25,000 seats (when compared with 30,000 seats) are unlikely to negatively impact the attraction of international concert content, particularly when a promoter considers the other benefits Christchurch offers including direct international flight connectivity, premium hotel accommodation, a metro public transport network, and a large urban population to drive ticket sales (ChristchurchNZ).
- 3.26 Capacity challenges can be mitigated by offering a premium arena experience, and with the provision of sufficient incentive funding made available to supplement the ticket revenue gap. This will help to ensure that Christchurch does not continue to miss out on hosting major events, as recently experienced with the upcoming 2023 FIFA Women's World Cup, and what is anticipated to be a 9-year absence of hosting All Blacks test matches in the city.
- 3.26.1 ChristchurchNZ has advised that direct feedback from New Zealand Rugby (NZR) is that Christchurch will be considered for hosting tournament style international rugby events once an arena, with more facilities and an enhanced spectator experience, is available.
- 3.26.2 NZR have also indicated the minimum viable number of seats is 25,000 for Tier 2 matches, with 25,000 being too small for Tier 1 matches (such as Australia, South Africa or Lions) unless a substantial incentive fee is provided.
- 3.27 Whilst a bid incentive fund will be required regardless of the arena's capacity, additional funding may be required to compensate for reduced capacity. The Council's LTP resolved that a bidding fund for events at the new Canterbury Multi Use Arena (CMUA) would be addressed as part of a future annual plan so further work can be undertaken to establish an appropriate amount and mechanism (C-LTP/2021/00110).
- 3.28 Venues Ōtautahi have undertaken an analysis of the CMUA Investment Case based on the Venues Ōtautahi operating model and current environment. Venues Ōtautahi confirmed RT1 delivers all the core fundamentals.
- 3.29 Venues Ōtautahi noted that if the future design phases can build in greater seating capacity the better the competitive advantage, particular for sporting codes such as All Blacks and other events such as Nitro Circus.
- 3.30 **Concourse** - The recommended option RT1 includes a level 1 concourse. Concourse connectivity enhances the event experience, providing options to support crowd management, improved access and egress, as well as ease of access to onsite amenities and hosting capability. It can be utilised as an activation space for sponsors and exhibitors, as a commercial space for advertising and as an alternate venue on non-game/event days, as has been successfully demonstrated at Sky Stadium in Wellington for Beervana, attracting around 20,000 patrons through the concourse each year.
- 3.31 Venues Ōtautahi forecasts the level 1 concourse would increase F&B spend per head (reflective of the food and beverage amenity on level 1 concourse) and therefore increase venue revenue.
- 3.32 **Multi-purpose functionality** - Corporate spaces for hosting are equally as important as they provide a high yield opportunity and an enhanced event experience for guests and fans. These spaces can also be activated for game days and used for VIP functions at concerts and events. On non-game/event days, these spaces can provide revenue opportunities, if the design capabilities enable them to be utilised as dedicated function spaces. In addition, corporate spaces, when designed with flexibility in mind, can be used for hosting business

events or gala dinners. This additional revenue and high yield tickets can offset some of the loss from reduced seating capacity.

- 3.33 Major events often have extensive requirements for ancillary spaces within the competition or event venue to cover media, medical, technical and administration needs, as well as the traditional corporate hospitality and VIP management. Ensuring this infrastructure is prioritised, will ensure the CMUA can be competitive with other stadia around the country and meet the level required for hosting major events. Option RT1 provides options below the level 1 concourse by way of additional spatial allocations to add value.
- 3.34 **Turf** - Appropriate turf health will be maintained as Option RT1 presents an option whereby staging for concerts can be achieved off the turf in a stage pocket. The stage pocket would be located directly on a concrete slab off the field of play. This option significantly reduces the risk of turf damage, unbudgeted capital cost associated with establishing a large replacement turf farm and subsequent unbudgeted Opex costs for turf repair, therefore removing significant and ongoing year on year Opex risk.
- 3.35 This mode also offers the venue operator a more competitive commercial advantage both through minimising cost risk to the venue operator and promoters and also with the increased ease of pack in and pack out.
- 3.36 A workshop with sporting stakeholders on the 8th July reconfirmed the importance of a great experience at the CMUA. The inclusion of a level one concourse and the associated benefits was prioritised as being more important than having additional seating capacity from 25,000 to 30,000, if budget constraints did not allow for both. 25,000 seats will cater for most sporting events with the exception of Super Rugby finals, All Black fixtures, and one off major sporting events. The importance of seat size, leg space and line of sight was reconfirmed along with the benefits of being able to host supporters at the CMUA.
- 3.37 Ideally the Preliminary Design should examine options to include a small format 'cut-down' concert mode. The expected capacity for these 'cut-down' events is 15,000 spectators, of which around 4000 would be seated on the turf temporarily covered with turf protection mats.

Disadvantage of Option RT1

- 3.38 To achieve greater seating capacity > 25000 at no additional costs would require identification of design refinement and efficiencies and potentially reduction of quality of experience.
- 3.39 Additional bid funding likely in some years.
- 3.40 Some members of the public have an expectation of 25,000 to 30,000 seating capacity created by the Central City Recovery Plan and Council resolution in December 2019.

4. Alternative Options Considered Ētahi atu Kōwhiringa

- 4.1 Two alternative options were identified:
 - 4.1.1 **Base Case scheme** - 30,000 sports mode seating capacity; 36,000 large concert mode capacity and all the concert staging on the field of play. It has a level 1 concourse and three functional lounges.
 - 4.1.2 **Option RT2** - 30,000 sports mode seating capacity; 40,000 large concert mode capacity. No level 1 concourse.
- 4.2 It is important to recognise (for all options) that the quantum of permanent seats drives the size of the facility, circulation space, toilet facilities, food and beverage amenities etc. are based on this number.

Base Case scheme

- 4.3 30,000 sports mode seating capacity: 36,000 large concert mode capacity and all the concert staging on the field of play. This option has a level 1 concourse and three functional lounges.
- 4.4 \$131.4M over budget (prior to VM). \$88.8M over budget (post Value Management).
- 4.5 This option would involve commencing the Preliminary Design and accepting the budget overrun.

Advantages

- No change to Super Rugby, National Provincial Championship (NPC), football and non-sporting event numbers.
- Provides greater capacity - All Blacks attendance forecast attendance 30,000. Potentially one test match a year, but this cannot be guaranteed (noting bid incentive fund still required).
- Could generate more revenue when operating at capacity.

Disadvantages & Risk

- D&C price over budget and there is no additional funding identified in the Long Term Plan or from alternative sources.
- Scale and additional cost may be viewed as 'extravagant' given the economic environment and the regeneration and recovery challenges in the city and elsewhere in Canterbury
- The risks of turf failure and associated costs of maintaining turf are too great.
- The turf report on this scheme concluded that the concert staging on the field would impact on the turf viability and would require turf farm costs of circa \$1m per annum and an increase in turf grow light requirements. It would also restrict the multi-use functionality of the venue.
- The high cost required to repair the turf after each concert event would either be passed on to a promoter, who would then find it uneconomic to stage the event or would be reflected in increased operational costs if covered by the operator.
- It may not be possible to repair the turf satisfactorily for a high profile sporting event that follows immediately after a concert, given the likely frequency of concerts that will occur over the year.
- The arena needs to be designed to:
 - maximise efficiency when setting up staging for an event and for dismantling staging after an event, and
 - minimise the costs for building and maintaining the natural turf pitch as much as possible.
- Investment Case event demand projections suggest that very few events are likely to require this seating capacity, with 90% plus of sporting events having crowds less than 20,000.

Option RT2

- 4.6 Sports seating mode capacity of 30,000; large concert mode capacity of 41,000; a north-end stage pocket and no level 1 concourse.
- 4.7 Total Project cost \$7M over budget.

Advantages

- No change to Super Rugby, National Provincial Championships (NPC), Soccer and non-sporting event numbers.
- Provides greater capacity - All Blacks attendance forecast attendance 30,000. Potentially one test match a year, but this cannot be guaranteed (bid incentive fund still required).
- Could generate more revenue when operating at capacity.
- Ground Admission (GA) bowl has efficiencies from a seismic perspective with direct load path to ground.
- Would be marginally quicker to build, however the programme on both schemes will initially be driven by procurement lead time items, such as structural steel, and the duration to construct the west stand.

Disadvantages & Risk

- Investment Case event demand projections suggest that very few events are likely to require this seating capacity.
- Reduced patron flow around the arena due to removal of the second concourse (at level 1) which could affect patron experience at events e.g. entry and exit to venue, access to food and beverage outlets.
- Additional consultant design work will be required with both schemes, with more being required with RT2 (Preliminary Design needs to commence as soon as possible to mitigate costs).
- May take longer to resolve concept design type aspects as it is less developed than RT1.
- Marginally more expensive and less defined than RT1, hence there is a risk that design development may realise some additional cost risk.
- Ground conditions and contamination risks would be similar in all options, although RT2 and Base Case would require a larger footprint area, hence could increase the risk of encountering bad ground conditions.
- Appropriate turf health will be maintained in RT1 and RT2 options, however more testing of ventilation aspects will be required, especially with Option RT2. May include reduced natural ventilation, which may necessitate a mechanical fan system to assist the ventilation of the pitch area.
- Potentially reduced accessibility for disabled patrons due to removal of the second concourse.
- There is limited future expansion possibilities with RT2.
- May require “out-buildings” for the groundsman etc. due to lost opportunity under the concourse.

Options ruled out

- 4.8 **A scope of less than 20,000** - was not considered as it would mean that Christchurch could not attract larger international concerts, and could not host major rugby tests. The Investment Case identified that Venues smaller than 20,000 would mean that Christchurch could not attract larger international concerts. The venue would not be competitive with covered venues in the South Island for events, concerts, and sporting content. Event promoters have also reported that at this scale, Christchurch would not be attractive as a destination (Investment Case. p74).

- 4.9 **Venue larger than 30,000 seats** - was not considered as the Investment Case identified that it was not seen as feasible due to space constraints on the site and the event demand projections undertaken by international events experts suggested that very few events (with the possible exception of large one-off events that occur approximately once every 3-6 years, and major rugby tests) would fill the arena. This would create a poor event experience, leaving the arena under-utilised for much of the time. The international trend toward smaller cultural and concert events also implies that an arena of this scale would be inappropriate, and an over-capacity arena would struggle to maintain high ticket yields (Investment Case. p74).
- 4.10 **Uncovered or drip-line roof options** – were not considered as these were ruled out in the Investment Case and a roof is a core fundamental in the Funding Agreement. The Investment Case identified that event promoters have indicated that the weather risks mean that covered venues for major events (e.g. 20,000+) would be preferred for South Island locations. Generally, only one South Island location is selected for top-tier events, and promoters and NZ Rugby reported that Forsyth Barr would be preferable to Christchurch if the arena is not covered.
- 4.11 **Variations to the Base Case scheme** - The Project developed a range of options which were not considered as these were over budget and did not address the turf health issue and therefore had significant Opex implications:
- 25,000 Permanent Only;
 - 23,700 Permanent Only (in accordance with project Brief with deletion of West Stand L3 Premium GA);
 - 22,500 Permanent + 2,500 future proof / temporary (in accordance with project Brief with future proof / temp North Stand upper tier);
 - 25,000 Permanent + 5,000 Temp 4 Stand Stadium (Forsyth Barr).
- 4.12 Two on budget options were identified which were not considered as these did not address the turf health issue and therefore had significant Opex implications. These also impacted on other key fundamentals and impacted revenue and Opex:
- 20,000 Permanent + 2,500 future proof / temporary (deletion of West Stand Lounges and L3 Premium GA);
 - 20,000 Permanent + 2,500 future proof / temporary (deletion of West Stand L3 Premium GA).
- 4.13 **Relocation to Lancaster Park** - The CCRP identified a six hectare site (the three blocks bounded by Hereford, Barbadoes, Tuam and Madras Streets) as the location for a new permanent facility. On 31 July 2012 the site was designated by the Earthquake Recovery Minister. The site is designated under the CCRP and Christchurch District Plan for the purpose of a Stadium.
- 4.14 **Terminate the Project and PCSA contract and all other project contracts** - Was not considered as Council has an obligation to attempt to find a workable option. Council would be liable for payment of Services performed up to the date of termination: there would be no liability to pay for any loss of profit or opportunity.

5. Detail Te Whakamahuki

Background

- 5.1 Following the Canterbury Earthquake Sequence in 2011-2012, the Christchurch Central Recovery Plan (CCRP) in 2012 identified the development of a multi-purpose sports and

entertainment venue/stadium as a replacement for the earthquake damaged AMI Stadium at Lancaster Park.

- 5.2 The CCRP identified a six-hectare site as the location for the new permanent facility within the vision for a new city CBD. This site comprises most of the three city blocks bounded by Hereford, Barbadoes, Tuam and Madras Streets. The site was designated, and the Crown, through LINZ, acquired property within the Designation.
- 5.3 Funding of the Project is confirmed within Council's 2015-2025; 2018-2028 and 2022-2032 Long Term Plans. An agreement between Council and the Crown has been finalised that confirms the Crown's funding commitment to the Project.

Investment Case

- 5.4 The Investment Case identified that to be competitive and attract international and national content a multi-use arena in Christchurch would ideally include the following fundamental design elements:
 - 5.4.1 Covered arena - that allows for year-round events;
 - 5.4.2 Minimum 25,000 person capacity - to attract national and international content; and
 - 5.4.3 Acoustic quality - a key to providing a viable facility. It must host premium events on a regular basis and must be designed to manage the acoustic quality.
- 5.5 The initial options assessment prepared for the draft Investment Case identified a preferred option of a covered arena with an ETFE roof, permanent in-situ natural turf and a capacity of 25,000 permanent seats plus a terrace for 500 safe standing.
- 5.6 The final recommended option was a Covered arena with an ETFE roof in-situ natural turf and 25,000 capacity.
- 5.7 This option had the highest net benefit. This option fell within the affordability threshold using a P85 quantitative risk analysis threshold.

Funding Agreement

- 5.8 The Funding Agreement with the Crown identified the key deliverables as "a roof that covers the entire arena, a minimum of 22,500 permanent seating capacity, and multi-use with the predominant "mode" is an indoor arena."
- 5.9 If the design is consistent with this it is not a Crown approval matter under the Funding Agreement. However, officers have advised Crown officials of the current situation and will continue to keep them informed.

PCSA Contract

- 5.10 Following a robust procurement process, a preferred contracting partner, BESIX Watpac NZ (CMUA) Limited (Kōtui), was identified for the design and build of the CMUA.
- 5.11 The Pre Contract Services Agreement (PCSA) contract has an estimated timeframe of around 12 months. On conclusion of the PCSA phase, BESIX Watpac NZ (CMUA) Limited (Kōtui) will submit a Final Bid for a fixed price lump sum Design and Construct (D&C) phase. Under the PCSA, there is the option to not accept BESIX Watpac NZ (CMUA) Limited's final D&C bid, in which case the Council can go to market for a D&C contractor using the design documentation prepared during the PCSA phase.

Current Affordability Review

- 5.12 The Project Director notified the Board of a significant increase in the Contractor's D&C Contract Price estimate based on the current design and scope (Base Case scheme) on 22 June 2021. The Board advised Council that it should undertake a review of the Project Brief,

budget, commercial viability and funding. The Board advised there should be an independent financial analysis of the option that is agreed as part of this review process (29 June 2021).

- 5.13 A Response Team (Council and Venues Ōtautahi officers) was established to lead this review. The Response Team worked with BESIX Watpac NZ (CMUA) Limited (Kōtui) and project consultants to identify design alternatives which would minimise the impact on the Investment Case assumptions and fundamentals and the project budget. Options have been assessed against delivery/capital cost, stakeholder expectations, commercial viability/competitive advantage, operational functionality, guest experience and multi-use potential.
- 5.14 Advice has been provided by ChristchurchNZ, Christchurch Foundation, sporting bodies and promoters and Treasury officials.

6. Policy Framework Implications Ngā Hiraunga ā- Kaupapa here

Strategic Alignment Te Rautaki Tīaroaro

- 6.1 This report supports the Council's Long Term Plan (2021 - 2031):
- 6.1.1 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
- 6.2 From the Council's Strategic Framework and the Local Government (Community Wellbeing) Amendment Bill 2019, the Strategic Priorities most relevant to the proposed Arena are:
- Enabling active citizenship and connected communities.
 - Maximising opportunities to develop a vibrant, prosperous and sustainable 21st century city.

Policy Consistency Te Whai Kaupapa here

- 6.3 The decision is consistent with Council's Plans and Policies. In particular:
- 6.3.1 Council's Procurement Policy and Framework.
- 6.3.2 Council's 30 year Infrastructure Strategy 2016 – The CMUA will improve the provision of civic facilities within the city.
- 6.3.3 Christchurch Economic Development Strategy 2017 – The CMUA will enhance city amenities, attracting people, business, investment and visitors to the city and accelerating the regeneration of the CBD.
- 6.3.4 Christchurch Major Events Strategy 2018 – The CMUA will attract high-quality events that are recognised worldwide and make a positive contribution to the communities' perception of their quality of life (civic pride).
- 6.4 The city's Major Events Strategy notes major events deliver the following benefits:
- 6.4.1 Generate significant immediate and long-term economic, social and/or cultural benefit to Christchurch; and/or,
- 6.4.2 Attract significant numbers of international, as well as national, participants and spectators; and/or,

- 6.4.3 Are pivotal in building the Christchurch brand because it has a national profile outside of the Canterbury region and generates media coverage in markets of interest for tourism and business opportunities.
- 6.5 Christchurch's Major Events Strategy is designed to address Christchurch's structural disadvantage in relation to the national events landscape which occurred as a consequence of the disruption of the 2010 and 2011 earthquakes. A return of major events to Christchurch to stimulate further economic activity is an important factor in the city's ongoing regeneration.

Impact on Mana Whenua Ngā Whai Take Mana Whenua

- 6.6 The decision does not involve a significant decision in relation to ancestral land or a body of water or other elements of intrinsic value, therefore this decision does not specifically impact Mana Whenua, their culture and traditions.
- 6.7 The CCRP identified the six-hectare site as the location for the new permanent CMUA facility. This site comprises most of the three city blocks bounded by Hereford, Barbadoes, Tuam and Madras Streets. Any impact on Mana Whenua would have been addressed and resolved when the site was designated.
- 6.8 Council staff have consulted Matapopore about the Investment Case and work will continue through the design process to involve Mana Whenua. A Cultural Design Framework has been prepared by Matapopore to help inform the design principles for the arena.
- 6.9 Mana Whenua have been involved in the project and there is a Mana Whenua appointment to the Board.

Climate Change Impact Considerations Ngā Whai Whakaaro mā te Āhuarangi

- 6.10 The construction and operation of any large building, such as the arena, will have an impact on global energy use and energy-related carbon dioxide emissions.
- 6.11 The design stage of the project will provide opportunities to further investigate and demonstrate climate change leadership and resilience.
- 6.12 Environmental and Sustainability outcomes formed part of BESIX Watpac NZ (CMUA) Limited's proposal and they included a Sustainability/Environment Manager under their Key Personnel for the PCSA phase. They also have an international ESD consultant Mott MacDonald and have carried a Sustainability Strategy report.
- 6.13 Environmentally Sustainable Design (ESD) and social responsibility is a Functional & Design Requirement under the CMUA Project Brief and will be taken into account throughout the design stages, including the goal to reduce embodied carbon.
- 6.14 The project will report back to the Council on options to assess the embodied carbon of the proposed CMUA (including construction, physical structure and operational energy use) and actively lower it during the design and build phases.

Accessibility Considerations Ngā Whai Whakaaro mā te Hunga Hauā

- 6.15 The design stage of the project will provide opportunities to further investigate and demonstrate accessibility considerations.
- 6.16 Strawbridge Accessibility forms part of BESIX Watpac NZ (CMUA) Limited's team to ensure accessibility is properly assessed and addressed during the PCSA phase.
- 6.17 Design standards & guidelines, including accessibility is a Functional & Design Requirement under the CMUA Project Brief and will be taken into account throughout the design stages.

7. Resource Implications Ngā Hīraunga Rauemi

7.1 Under separate cover

8. Legal Implications Ngā Hīraunga ā-Ture

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

8.1 Project management activity as set out in the PCSA is comprehensive and clear. During the tender period, BESIX Watpac NZ (CMUA) Limited (Kōtūi) benchmarked against other stadia projects, they carried out affordability estimates and reviewed the current design information. They were clear that the Maximum D&C Contract Price was achievable but to achieve the budget they stated that there needs to be stringent cost control throughout the Stage 2 PCSA contract. Any scope creep approved and requested by the Council would have to be offset against savings generated from value management workshops. This Contractor's 10 step estimating methodology and the PCSA contract agreement has been designed to manage this process. The PCSA is a valid tool to help achieve this, however collaborative and effective Project Management through each stage of the design is critical for a positive outcome.

Other Legal Implications Ētahi atu Hīraunga-ā-Ture

8.2 The Council has the legal ability to enter into contracts for the procurement of services, however to do so it needs to act in accordance with Section 14 of the Local Government Act 2002 (LGA) 2002. The LGA 2002 (Section 14) details the principles relating to local authorities. The principles most relevant to the Council's procurement activity are:

- conduct its business in an open, transparent, and democratically accountable manner; and
- give effect to its identified priorities and desired outcomes in an efficient and effective manner.
- a local authority should undertake any commercial transactions in accordance with sound business practices and;
- a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and
- in taking a sustainable development approach, a local authority should take into account
 - the social, economic, and cultural interests of people and communities;
 - the need to maintain and enhance the quality of the environment; and
 - the reasonably foreseeable needs of future development.

9. Risk Management Implications Ngā Hīraunga Tūraru

9.1 This section examine the comparative risk between the options.

Escalation Costs

9.2 The risk of additional price escalation will be similar with all schemes, although Base Scheme would have more structural steel than Options RT1 & RT2, hence would be exposed to increases (and decreases) in steel prices.

- 9.3 The AECOM and BesixWatpac Design Estimates include a 3% escalation allowance. This would be a typical expected escalation range considering that the official Statistics NZ Non-residential buildings escalation was only 1.9% from Dec 2019 - Dec 2020. However, a significant risk remains that this is not sufficient, which is currently not provided for.
- 9.4 Over the last year global steel prices have continued to rise due to a significant escalation in raw material costs. In addition, transport and logistics costs have also been under pressure leading to higher container, shipping and other freight charges.
- 9.5 The ongoing impact of COVID-19 outbreaks and the resulting emergency measures on international trade are unknown.
- 9.6 Some reports suggest that upward momentum in international steel prices appears to be slowing (Steel Market Update 2021). Others suggest that steel demand, and prices, will taper in the coming months as more production comes online. However, others predict year-end 2022 as a possibility for starting to see demand settle and supplies catching up, with a corresponding reduction in steel prices.
- 9.7 New Zealand data available:
 - 9.7.1 The Treasury Budget Economic and Fiscal Update 2021 (BEFU) noted: “Some of the drivers of rising inflation are likely to be temporary, however, and spare capacity in the economy is expected to remain for some time. CPI inflation is forecast to fall back below 2.0% in 2022, as capacity constraints in construction ease and global supply chains normalise.” (This statement was specific to the Consumer Price Index). The Treasury BEFU forecast inflation to peak at 2.4% in 2021, so currently trending above forecasts.
 - 9.7.2 Statistics NZ data indicates that ready-mixed concrete was up 3.4% at March 2021 compared to March 2020; and construction was up 1.7% in March 2021 compared to March 2020. StatsNZ’s most up to date inflation figures released 16 July 2021 indicate 3.3% inflation in the Consumer Price Index. “Stats NZ prices manager Aaron Beck said the biggest contributor to quarterly and annual inflation had been an increase in the cost of building new housing. The cost of building a new house leapt 4.6 per cent during the three months to the end of June and 7.4 per cent over the year. Beck said that reflected both supply-chain problems”
 - 9.7.3 In April 2021, Steel and Tube posted a Price Increase Notification on its website notifying the following increase in Reinforcing bar & mesh +5%, Structural sections +10%, Pipe + Hollow sections +12-16% and Merchant bar +7% (Steel and Tube April 2021).
- 9.8 The following mitigations for this risk have been identified:
 - 9.8.1 Early procurement and subcontract package tendering; and
 - 9.8.2 Leverage BESIX Group international supply chains.
- 9.9 Further advice on mitigation strategies is being sort from other parties.
- 9.10 If greater escalation occurs additional funding may need to be sought to cover the shortfall.

PCSA Cost increase

- 9.11 The PCSA expressly provides that the Contractor must carry out all necessary re-design work to ensure its updated D&C Contract Price Estimates are no more than the Maximum D&C Contract Price. However, this obligation does not extend to design required to implement a D&C Contract Works Scope Change, which could entitle the Contractor to a variation to the PCSA Fee.

9.12 Mitigations for this risk:

- 9.12.1 Early identification of disparity between scope and brief;
- 9.12.2 Monitor scope creep via live linking cost plan estimate with developing design using BIM; and
- 9.12.3 Collaborative and open book approach with Price and Design Verifiers.

Contingency

- 9.13 The current P85 risk assessment indicates that 85% of the time the contingency will be sufficient for the known risks. However, at this stage of the project there will be significant unknown risks that will need careful consideration.

Exchange rate fluctuation

- 9.14 This risk will be similar with all schemes. To mitigate this, early procurement of core materials and subcontractors needs to be investigated in order that price and quantities can be locked in. Other mitigation strategies include selection of materials that avoid fluctuations, including local material selection and leverage of BESIX Group international supply chains

Supply Chain

- 9.15 This risk will be similar with all schemes.
- 9.16 In the tender the Contractor gave the following mitigations for this risk:
- Identify other projects and timings to understand impact on market so this can be mitigated;
 - Introduce design phases early that suit competitive markets;
 - Tailor trade packages early to suit local market;
 - Invest early procurement of critical materials to build a buffer for critical materials;
 - Encourage local participation;
 - Identify material not impacted by Covid; and
 - Leverage BESIX Group international supply chains.

Material delays to the project

- 9.17 Preliminary Design needs to commence as soon as possible to mitigate costs.
- 9.18 Delays to the project will reduce the budget available for physical works (cause scope reduction). To address this an accelerated programme has been adopted (single stage instead of a traditional two stage process).

Ground condition and contamination risks

- 9.19 This risk would be similar in all options, although the Base Case scheme and Option RT2 would require a larger footprint area, hence could increase the risk of encountering bad ground. A smaller foot print with RT1 could provide more options for stockpiling some spoil on site.
- 9.20 Approximately 56% of the construction cost is attributed to: Ground Improvement; Event Arena Structure; Event Arena Roof and Event Arena Façade. Mitigations for ground condition and contamination risks include optimising foundation design together with ground improvement options, including integrating rammed aggregate piers as an alternative ground improvement solution to the Proof of Concept options.

Lack of skilled resources

- 9.21 This risk is similar with all schemes. This could reduce the competitive price tension. To mitigate this the Contractor has partnered with local contractors and suppliers. The Contractors also intends to identify subcontractors and suppliers who will need immediate training and upskilling to complete works packages larger than they currently handle

Programme Delays

- 9.22 Programme is currently being delayed – we will not be able to determine the full impact until we have certainty on when Preliminary Design can be progressed - could be in the range of four to eight weeks. Contractor gave the following mitigations for this risk:
- Early appointment of Price Verifier and Design Verifier – (already done);
 - Stakeholder engagement in all design meetings, particularly the concept design ratification period;
 - Formal sign off value engineering decisions in VM register;
 - 10 step estimating methodology – progressive agreement with Principal and open book with Price Verifier & Design Verifier;
 - Early procurement of trade packages; and
 - Commence ground improvements in Jan/Feb 22.

Design Risks

- 9.23 **Additional consultant design work** - will be required with both Options RT 1 and RT2 schemes, with more being required with RT2. Preliminary Design needs to commence as soon as possible to mitigate costs.
- 9.24 **Turf** – A healthy viable turf has been identified as a critical success factor by the Kōtui team. The ability to control climate within the arena to promote sustainable turf growing and playing conditions is a significant challenge. This is mitigated by the engagement of an experienced turf designer and engineers who have undertaken modelling of daylight, ventilation and temperature for the proposed schemes. Achieving the appropriate turf environment is the number one design consideration. Appropriate turf health will be maintained in Options RT1 & RT2 options. The Base Case scheme would require as turf farm (costs circa \$1m per annum unbudgeted).
- 9.25 **Seismic Hazard** – varying ground conditions can lead to differential settlement after a seismic event. This is mitigated by site specific investigations, and engineering design that will include ‘readily repairable’ options that can be adopted over and above basic compliant ‘life safety’ engineering solutions.

Public and Political Risks

- 9.26 **Public Expectations** - Some members of the public have an expectation of 25,000 to 30,000 seating capacity created by the Central City Recovery Plan and Council resolution in December 2019. To mitigate this it is recommended that BESIX Watpac NZ (CMUA) Limited (Kōtui) be instructed to look for design refinements and efficiencies to enable additional seat capacity (greater 25,000 and ideally closer to 27,500+) within the Maximum D&C Contract Price without compromising the other fundamentals.
- 9.27 RT1 fundamentals aligns with stakeholder expectations (players, spectators and event promoters) in terms of other key fundamentals.
- 9.28 Some stakeholders will expect Council to reduce expenditure and could perceive a large arena to be out of touch with the post-Covid era. Some have suggested that the global response to

the Coronavirus will potentially re-direct the world economies from globalism to regionalism and could impact on global tourism.

- 9.29 **Governance** – a complicated governance structure (one with multiple sponsors and a CCO) has confused roles and added cost to administer. Establishing a simplified structure will mitigate this risk to an extent.

Attachments Ngā Tāpirihanga

There are no attachments for this report.

Additional background information may be noted in the below table:

Document Name	Location / File Link

Confirmation of Statutory Compliance Te Whakatūturutanga 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

Author	Mary Richardson - General Manager Citizens & Community
Approved By	Jane O'Toole - Head of Procurement & Contracts Alistair Pearson - Manager Capital Delivery Major Facilities Andrew Rutledge - Head of Parks Nigel Cox - Head of Recreation, Sports & Events Mary Richardson - General Manager Citizens & Community

4. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7.

Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

“(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

- (a) Shall be available to any member of the public who is present; and
- (b) Shall form part of the minutes of the local authority.”

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
5.	CMUA DESIGN DIRECTIONS FINANCIALS	S7(2)(B)(II), S7(2)(H)	PREJUDICE COMMERCIAL POSITION, COMMERCIAL ACTIVITIES	PREJUDICE COMMERCIAL POSITION	18 JUNE 2022 ONCE D&C CONTRACT IS SIGNED