

Property Council New Zealand

Submission on

Te Kaha multi-use arena budget

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For more information and further queries, please contact

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1. Summary

1.1 Property Council New Zealand South Island Region Branch (“Property Council”) welcomes the opportunity to provide feedback on the Te Kaha multi-use arena budget (“the arena”). We strongly support Council continuing to invest in the arena and delivering as planned.

2. Recommendations

2.1 We strongly recommend that Christchurch City Council (“Council”) accepts the cost increase and continues developing the arena as planned.

3. Introduction

3.1. Property Council is the leading not-for-profit advocate for New Zealand’s most significant industry, property. Our organisational purpose is, “Together, shaping cities where communities thrive”.

3.2. The property sector shapes New Zealand’s social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.

3.3. Property is the largest industry in Canterbury. There are around \$160.5 billion in property assets across Canterbury, with property providing a direct contribution to GDP of \$4.7 billion (14 percent) and employment for 31,380 Canterbury residents.

3.4. We connect property professionals and represent the interests of 146 Christchurch based member companies across the private, public and charitable sectors.

3.5. This document provides Property Council’s feedback on [Te Kaha multi use arena budget](#). Comments and recommendations are provided on issues relevant to Property Council’s members.

Option 1: Continue the project as planned and invest up to \$150 million

3.6. Property Council strongly supports this option.

3.7. A completed arena is critical to ensure that Christchurch’s future has the much-needed infrastructure for a world-class city, enhancing liveability and attracting tourism and ongoing economic activity. Council has a key role in leading and driving growth. The use of the arena will help significantly boost Christchurch’s economy and draw domestic and international visitors to help the city prosper.

3.8. The investment case sets out the strategic case for building a multi-use arena. We strongly supported the investment case and Council approved and endorsed it. The cost has changed, but the strategic case for the arena has not and it remains essential to the city. As we noted in our deputation in support of the decision to approve the investment case in 2019, “stadiums attract events, events attract people, people spend money and boost the local economy which serves to attract more businesses, more development and more jobs”.

3.9. The private sector has invested millions of dollars into the regeneration and recovery of the city and continues to do so. By forging ahead with Te Kaha and seeing it through to completion, Council can maintain private sector confidence and certainty which will enable continued investment in the city. Pausing or stopping the project altogether will have a chilling effect on other essential central city developments including the hotels proposed near the site and in the Square. This may then see Christchurch fail to unlock the full benefit of the existing public and private sector investment in the city.

Option 2: Stop the project altogether

3.10. We strongly oppose this option.

3.11. In addition to the case for proceeding outlined above, we also submit that Council needs to be consistent in its decision making. Relitigating another Council decision will impact on certainty and confidence in both the city and in Council decision making generally.

3.12. The difference between the East and West of the city centre is already stark, as was acknowledged in the arena's investment case. Council now has a decision which can either lock in that disparity or catalyse the regeneration of the East.

3.13. Orangetheory Stadium is beyond its intended life and is not a viable alternative to the proposed arena.

3.14. If Council decides not to proceed, then the Crown may then withdraw both its funding and the site. The land would then require an alternative use, and this would not be controlled by either Council or ratepayer.

3.15. We note the Council has recently approved a rating differential for vacant central city sites despite opposition from Property Council and others. As noted by the Mayor in approving this policy, "[m]any business owners have been respectful of their location at the heart of the city and tidied up their sites. Others have not." Abandoning this key anchor project in the heart of the city would be inconsistent with this policy and would not be respectful.

3.16. Legal advice should also be taken on potential claims arising from any decision to cancel the project. Beyond Council's contractual liabilities consideration should also be given to other parties who may have acted to their detriment in reliance on previous Council decisions and, potentially, the Central City Recovery Plan. This could include a building owner who lost an opportunity to relocate.

Option 3: Pause and re-evaluate the project

3.17. We strongly oppose this option.

3.18. Cost escalation is the result of delay; making a conscious decision to further delay the project would not be a rational or reasonable decision.

3.19. Pausing in an attempt to value engineer the project would be counterproductive as already indicated by Council's reports. Potential savings will be eroded by redesign fees and further escalation and, in addition, the benefits from the stadium (as detailed at taxpayer expense in the investment case) would be reduced which would then undermine the value proposition of the arena.

- 3.20. Council notes that an estimated \$30 million would be spent on the review and redesign from the contemplated value engineering. This would see the project further delayed by 9-12 months to 2027 (a staggering 16 years after the earthquakes). At current rates of construction inflation, this delay could see a further \$60 million added to the cost of the arena.
- 3.21. A reduction in scope, capacity or functionality would impact on the viability of the arena. There was a reason the investment case recommended a roofed 25,000 seat stadium; it provided the maximum benefit for the expenditure. Any reduction will see events such as concerts and sports games moved to more viable stadiums in other major cities, losing significant income and attraction for the city.
- 3.22. In addition, if the arena no longer meets the key deliverables in the funding agreement, then the Crown may withdraw its funding. Impacts on viability will also impact on operating cost and increase any ongoing subsidy required for the arena. Delay could also see Council losing the Kōtui consortium which would require Council to retender which would cost more time and money.
- 3.23. Finally, we note there is also the opportunity cost of delay. Another year of delay would be another year without an arena and the economic and cultural activity that would bring.

4. Additional funding mechanisms

- 4.1. The decision in front of Council is whether or not to proceed with the arena. There is an obvious financial impact from the decision but the issue of how to fund that financial impact is one that can follow the decision to proceed. It does not need to delay the decision itself. Council's own analysis shows the impact of the decision can be managed through debt, rates and a reprioritisation of its capital programme. While this is sufficient for now, we recommend that the Council explore further funding opportunities once the decision is made to proceed.
- 4.2. We recommend that Council expand the branding of the arena to include the wider Canterbury region. After all, a Canterbury Arena will benefit the wider region, not just those living within Christchurch City. We have long supported rating systems that acknowledge that those who benefit or use the service, contribute towards it. If the Council was to expand the branding of the arena to include not only those in Christchurch, but the wider Canterbury region, this would widen the scope for funding options to include other local and regional authorities. This would be similar to the way the Wellington Regional Stadium and Forsyth Barr Stadium were funded.
- 4.3. We recommend that Council investigate a targeted rate which ringfences the finances to the project. Our members support targeted rates as they are ringfenced and clear as to what the rate is funding.
- 4.4. We recommend that Council investigate selling non-strategic and redundant assets to assist with funding. For example, Council needed to provide parking to support the retail precinct. Council does not still need to own the resultant asset.
- 4.5. We recommend Council reconsiders its risk allocations in its proposed contract with the Kōtui consortium, particularly where those allocations impact on pricing. Putting the risk of price fluctuations on your contractor does not mean you do not pay for that risk, rather it guarantees that you do whether or not the risk eventuates. It will also ensure you pay margin on that risk. We suggest that you consider allowing cost fluctuations on key materials. Rather than forcing

your contractor to assume the most pessimistic of price escalation projections, instead you could set a base price now and then agree to pay any increases on that price on the basis of actualities (Net Cost in NZS3916 terms) and, importantly, without paying margin or profit on that uplift. Council could also consider taking on responsibility for some supplies either as free issue items or client supply. Be rational on risk allocation and consider the impacts of such allocations on pricing.

5. Conclusion

- 5.1. We strongly support Council investing the additional money into the arena and continuing to build as planned as long identified as a key demand generating, anchor project in the Central City Recovery Plan. The arena will allow Christchurch to attract events, visitors and investment which will help unlock the benefit of the existing private and public sector investment in Christchurch's recovery and will allow Christchurch to continue to thrive.
- 5.2. Property Council members invest, own, and develop property in Christchurch. We wish to thank Council for the opportunity to submit on Te Kaha multi-use arena budget consultation as this gives our members a chance to have their say in the future of our city.
- 5.3. Any further enquires do not hesitate to contact Sandamali Gunawardena, Advocacy Advisor, via email: sandamali@propertynz.co.nz or cell: 0210459871.

Yours Sincerely,



James Riddoch
South Island Committee Chair
Property Council New Zealand