



AGENDA

Late Reports

Ordinary Council Meeting

Thursday, 24 June 2021

Date: Thursday, 24 June 2021

Time: 9.30am and Friday, 25 June 2021 at 9am

**Location: Tauranga City Council
Council Chambers
91 Willow Street
Tauranga**

Please note that this meeting will be livestreamed and the recording will be publicly available on Tauranga City Council's website: www.tauranga.govt.nz.

**Marty Grenfell
Chief Executive**


Order of Business

1	Business.....	4
11.6	Deliberations Report - Options for the accelerated delivery of the Papamoa East Interchange - Tabled item	4
11.7	Submissions to the Draft 2021/22 Development Contributions Policy - Attachment C - Details regarding Waiari Water Supply Scheme	7

1 BUSINESS

- 11.6 Deliberations Report - Options for the accelerated delivery of the Papamoa East Interchange - Tabled item

ATTACHMENTS

1. Options for the accelerated delivery of the Papamoa East Interchange - Tabled item - A12650866 [↓](#) 

Tabled Item – Council meeting 24 June and 25 June 2021**1. 11.6****RECOMMENDATIONS**

That the Council:

- (a) Notes that the 2018 Housing Infrastructure Fund arrangement between Tauranga City Council, Waka Kotahi (NZTA) and Ministry of Business Innovation and Employment has not been finalised and expires June 2021 (funding was agreed to enable infrastructure to support Te Tumu Urban Growth Area, including delivery of the Pāpāmoa East Interchange);
- (b) Provides in the LTP for the delivery of the PEI by 2024 (accelerated timing) and continues to actively explore alternative funding and financing options with central government partners (noting that Staff will report back to Council with funding and financing options for decision before proceeding past the preloading and design stage) as outlined in Option 4; and
- (c) Approves **\$4M** to be brought forward in the LTP to cover Pāpāmoa East Interchange preloading and design costs in the 2021/22 financial year to allow for delivery in 2024 if appropriate funding and financing is determined.

FINANCIAL CONSIDERATIONS (refer to page 8, replaces paragraph 42)

2. An amended HIF bid to deliver the PEI and associated key connecting corridors required for the Town Centre, together with the associated waters infrastructure required to be constructed within those transport corridors, would total \$94.0M. This would include \$49.7M of Waka Kotahi funding as FAR subsidy. This is a key assumption contained in the LTP, and if that is not the case, an additional \$49.7M will be added to Council's balance sheet.
3. There are other costs associated with enabling the town centre to proceed outside of the PEI and staff are exploring the option of including some of these costs within the HIF bid. While this impacts on the HIF it does not impact on the PEI decision. The total approved HIF envelope is \$96.1 million.
4. Option Four commits Council to \$11.8M for preloading and design costs in the 2021/22 financial year (noting that some of this may be used in the 2022/23 financial year). Currently the LTP contains \$7.8M in the 2021/22 financial year with a shortfall of \$4.0M for preloading and design work. If Council decides to approve Option Four, this will require \$4.0M being brought forward in the LTP for this purpose.
5. As outlined in Option Four, a further report back to Council for a decision on funding and financing will occur prior to further work occurring on the PEI.

Funding and financing options

6. As discussed, Tauranga City Council is in ongoing discussions with Treasury, Ministry of Housing and Urban Development, and Waka Kotahi to actively explore all viable funding and financing options.
7. Securing Waka Kotahi funding through an amendment of the HIF application is paramount for this key transport infrastructure to progress as Waka Kotahi has no available funding in the next ten years.
8. In addition, discussions with Waka Kotahi and the Crown are occurring in relation to toll funding to fund part of the construction costs. It is possible an additional toll gantry will be installed to the west of the PEI.

9. Taking into account the discussion above, a preferred funding and financing package for the PEI has been developed as follows:
 - Waka Kotahi share financed by the HIF and repaid in the future from the NLTF;
 - Growth share financed by the HIF, debt remains with the Crown and is repaid by tolling;
 - Alternative funding tools progressed for the small proportion which represents the city-wide transport network benefit.
10. While the above is an ideal proposition, it is possible that the growth proportion will not be able to be covered by the toll. To the extent that tolling is not available the alternative is to utilise development contributions to address the funding gap. This has the disadvantage of retaining the debt on the Council balance sheet and is therefore the least preferred option.

11.7 Submissions to the Draft 2021/22 Development Contributions Policy - Attachment C - Details regarding Waiari Water Supply Scheme

ATTACHMENTS

- 1. Development Contributions Policy - Attachment C - Details regarding Waiari Water Supply Scheme - A12641841**  

Attachment C: Memo regarding citywide contributions for the water activity

Introduction

1. This memo forms an attachment to the *Submissions to the Draft 2021/2022 Development Contributions Policy* report provided to Council on Monday, 21 June 2021. The memo provides further information regarding the Waiari Water Supply Scheme (WWSS) to supplement details already provided within the report.

2. This memo contains:
 - a. background information regarding the need for a new water treatment plant in Tauranga;
 - b. how WWSS meets this need and benefits the city as a whole;
 - c. how the WWSS has been developed and costed;
 - d. the rationale for funding the trunk mains from Mangatawa to Mount Maunganui over the same funding period as the WWSS project; and
 - e. the 2021/22 development contributions and how they've changed over the last year.

Background

3. Citywide development contributions for the water activity are used to fund water treatment plants, trunk mains and reservoirs. Together as a network, these assets service the entire reticulated part of the city.

4. Tauranga requires the WWSS to create sufficient capacity in the water network to support anticipated growth. The plant (at least initially) will only supply water to the Mount and Papamoa catchments. But the project will benefit developments across the city as it will replace the water supply for existing households from the Oropi and Joyce treatment plants thereby enabling growth on the Western peninsula areas of Tauranga.

5. The scope of works being funded over the period 2022-2052 include the core WWSS projects, some historical projects required to enable the delivery of the WWSS and the trunk mains which will extend the water supply from Mangatawa to the Mount Maunganui Peninsula (often referred to as Stage 3 trunk mains project).

6. The increase in the citywide development contribution (CDC) between the amounts signalled in 2020 and the amount proposed in the Draft 2021/22 Development Contributions Policy is due to cost increases in the WWSS and the inclusion of the Stage 3 trunk mains project in the funding period of 2022-2052. These two elements are discussed below to provide background regarding the increase in the CDC. For completeness, we note the other projects that also make up part of the CDC have not changed.

7. We have included a breakdown of the WWSS costs, and proposed increases between 2020 and 2021 in an Annex at the end of this memo.

Waiari Water Supply Scheme

8. The current iteration of WWSS began in earnest in 2016 when a concept cost estimate of \$116m was adopted by Council. The cost since then has increased due to three primary factors:
- the cost of delivering infrastructure has risen due to high demand for infrastructure development nationwide driving up the cost of materials and limiting supplier capacity;
 - developing the project plan from concept through to detailed design resulted in increases in costs as elements of the project were more clearly defined and, in some cases, resized; and
 - discovery of significant geotechnical issues within the project areas, namely the intake works and pipeline sections.

9. The table below shows how our forecast final costs for WWSS have risen from 2016 to April 2021.

Element	Concept Estimate	April '19 Forecast	Feb '20 Forecast	April '21 Forecast
Professional Fees	\$ 8,625,956	\$ 13,561,140	\$ 17,440,014	\$ 28,151,799
Physical works	\$ 96,847,686	\$ 109,187,245	\$ 121,987,658	\$ 142,674,275
Other fees (TCC/Leg/Cult)	\$ 10,615,164	\$ 10,615,164	\$ 7,111,804	\$ 7,704,751
	\$ 116,088,806	\$ 133,363,549	\$ 146,539,477	\$ 178,530,825
Contingencies P50			\$ 31,207,623	\$ 4,070,498
	\$ 116,088,806	\$ 133,363,549	\$ 177,747,100	\$ 182,601,323
Risk Funding P95		\$ 10,925,273	\$ 19,045,600	\$ 3,661,655
Forecast total	\$ 116,088,806	\$ 144,288,822	\$ 196,792,700	\$ 186,262,978

10. The current costs have been subject to robust analysis and risk modelling. External consultants utilised specialist software to model the impact of both risk and uncertainty to forecast costs. This analysis determined the P50 (the value at which it is considered there is a 50% chance the project cost will fall below) and the P95 (the value at which it is considered there is a 95% chance the project cost will fall below).
11. We continue to undertake risk analysis as the project progresses and key risk milestones pass. The most recent of these, in April 2021, showed only a small deviation from the costings forecast in Feb 2020 (with a slightly higher P50 and slightly lower P95, shown above).
12. The project has also been subject to an independent cost review by Bond CM which was commissioned by the Crown as part of the Housing Infrastructure Fund detailed business case review process.

Mangatawa – Mount Maunganui Trunk Mains (Stage 3 Trunk Mains)

13. The other key driver for the increase in the citywide contribution since 2020 is related to the Mount Maunganui trunk mains project.
14. This project was not previously included within the CDC signalled in April 2020 as it was expected to be delivered outside the upcoming LTP period. On 29 March 2021 Council decided to bring this project forward into the LTP 21/31. This timeframe reflects the need to create capacity at the Joyce Road Treatment Plant so it can service growth in the western corridor.
15. This also enables us to fund this project collectively with the WWSS works. In doing so, both projects can be funded over a much longer capacity life (and therefore funded by more development). This imposes the CDC more equitably by sharing the cost across all those who benefit.
16. The total cost for this project is currently forecast to be approximately \$52m (see table in Annex for full details). This costing estimate has been developed using the TCC LTP Cost Estimate Guidelines. We note, as this project is currently at the concept stage of the TCC Project Lifecycle Process, the estimate is less detailed than those discussed above for the core WWSS project which is at the Physical Delivery stage. As such, this portion of the project will continue to be revised as the project nears delivery.

Development contributions impact

17. In February 2020 the forecast cost for WWSS was predicted to be between \$144m and \$197m (depending on the probability factors discussed above). This cost range formed the basis for the signalled citywide development contribution between \$5,000 - \$9,000 per household. This was shared with the market in April 2020.
18. As discussed above, since that time costs for WWSS have increased for a number of reasons and we have proposed commencing collection of development contributions for the Stage 3 trunk mains project in the 2021/22 year.
19. Together, these changes formed the basis for the draft CDC increase of approximately \$16,000 published in April 2021.

Annex: The following table shows a list of the citywide water projects funded over 2022-2052 and a comparison of the capital expenditure budgets published in the 2020/21 Draft DCP compared to budgets published in the 2021/22 Draft DCP.¹

List of Citywide Water Projects funded over the 2022-2052 capacity life				
		\$ Draft 2020/21 DCP	\$ Draft 2021/22 DCP	Change
Waiari Water Supply Scheme (core projects in physical delivery now)				
1604	Waiari Reservoir	340,164	340,164	
1597 / 123179	Waiari intake and water treatment plant	76,655,459	95,953,859	19,298,400
247 / 123339	Welcome Bay Road Main (Eastern Res to SH2)	6,000,000	5,306,042	(693,958)
253 / 122313	Poplar Lane Inlet Main (SH2 - Poplar Lane Res)	2,000,000	3,885,420	1,885,420
1614 / 123183	Trunk main - Wairai to Poplar Lane	39,043,199	61,084,095	22,040,896
1942 / 122693	SH2 Main- From Poplar Lane to Domain Road	20,000,000	19,058,862	(941,138)
Subtotal 1		\$ 144,038,822	\$ 185,628,442	\$ 41,589,620
Other citywide water projects (enable delivery of water from Waiari)				
280171	Land purchase for Waiari Water Treatment Plant	2,078,480	2,078,480	
242	SH2 Main - Mangatawa Lane to Domain Road	1,884,729	1,884,729	
272	Tara Road Main (Domain to Parton Road)	1,574,459	1,574,459	
870	Subregional water resource agreement	200,000	200,000	
876	Waiari water project - planning and consents	619,641	619,641	
2221	Eastern Reservoir Inlet and Outlet Mains	5,721,802	5,721,802	
3601 /122063	No 1 Road Reservoir Land Purchase	1,000,000	1,000,000	
3366 / 123290	Water Lane Pump Station to supply Welcome Bay	840,000	2,778,280	1,938,280
3782 / 123182	Waiari Stage 3 375mm Watermain - Mangatawa to		51,722,152	51,722,152
Subtotal 2		\$ 13,919,111	\$ 67,579,543	\$ 53,660,432
Total		\$ 157,957,933	\$ 253,207,985	\$ 95,250,052

¹ We noting there is a difference between the table at paragraph 9 above and the table in this Annex for some equivalent figures. This is because of a difference in timing when the respective figures were generated. The figures published in the Draft 2020/21 Development Contributions Policy (below) are based on Council's adopted budget at the date the policy was published. The figures at paragraph 9 are our best estimate at the time the costing analysis was undertaken.