



AGENDA

Ordinary Council meeting Monday, 24 July 2023

I hereby give notice that an Ordinary meeting of Council will be held on:

Date: Monday, 24 July 2023

Time: 10.30am

**Location: Bay of Plenty Regional Council Chambers
Regional House
1 Elizabeth 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**

Terms of reference – Council

Membership

Chairperson	Commission Chair Anne Tolley
Members	Commissioner Shadrach Rolleston Commissioner Stephen Selwood Commissioner Bill Wasley
Quorum	<u>Half</u> of the members physically present, where the number of members (including vacancies) is <u>even</u> ; and a <u>majority</u> of the members physically present, where the number of members (including vacancies) is <u>odd</u> .
Meeting frequency	As required

Role

1. To ensure the effective and efficient governance of the City
2. To enable leadership of the City including advocacy and facilitation on behalf of the community.

Scope

3. Oversee the work of all committees and subcommittees.
4. Exercise all non-delegable and non-delegated functions and powers of the Council.
5. The powers Council is legally prohibited from delegating include:
 - Power to make a rate.
 - Power to make a bylaw.
 - Power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan.
 - Power to adopt a long-term plan, annual plan, or annual report
 - Power to appoint a chief executive.
 - Power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
 - All final decisions required to be made by resolution of the territorial authority/Council pursuant to relevant legislation (for example: the approval of the City Plan or City Plan changes as per section 34A Resource Management Act 1991).
6. Council has chosen not to delegate the following:
 - Power to compulsorily acquire land under the Public Works Act 1981.
7. Make those decisions which are required by legislation to be made by resolution of the local authority.
8. Authorise all expenditure not delegated to officers, Committees or other subordinate decision-making bodies of Council.
9. Make appointments of members to the CCO Boards of Directors/Trustees and representatives of Council to external organisations.
10. Consider any matters referred from any of the Standing or Special Committees, Joint Committees, Chief Executive or General Managers.

Procedural matters

11. Delegation of Council powers to Council's committees and other subordinate decision-making bodies.
12. Adoption of Standing Orders.
13. Receipt of Joint Committee minutes.
14. Approval of Special Orders.
15. Employment of Chief Executive.
16. Other Delegations of Council's powers, duties and responsibilities.

Regulatory matters

Administration, monitoring and enforcement of all regulatory matters that have not otherwise been delegated or that are referred to Council for determination (by a committee, subordinate decision-making body, Chief Executive or relevant General Manager).

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- 1 OPENING KARAKIA**
- 2 APOLOGIES**
- 3 PUBLIC FORUM**
- 4 ACCEPTANCE OF LATE ITEMS**
- 5 CONFIDENTIAL BUSINESS TO BE TRANSFERRED INTO THE OPEN**
- 6 CHANGE TO THE ORDER OF BUSINESS**

7 CONFIRMATION OF MINUTES

7.1 Minutes of the Council meeting held on 3 July 2023

File Number: A14862970

Author: Anahera Dinsdale, Governance Advisor

Authoriser: Anahera Dinsdale, Governance Advisor

RECOMMENDATIONS

That the Minutes of the Council meeting held on 3 July 2023 be confirmed as a true and correct record.

ATTACHMENTS

1. Minutes of the Council meeting held on 3 July 2023



MINUTES

**Ordinary Council meeting
Monday, 3 July 2023**

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	Nil	
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**MINUTES OF TAURANGA CITY COUNCIL
ORDINARY COUNCIL MEETING
HELD AT THE BAY OF PLENTY REGIONAL COUNCIL CHAMBERS, REGIONAL HOUSE,
1 ELIZABETH STREET, TAURANGA
ON MONDAY, 3 JULY 2023 AT 9.30AM**

PRESENT: Commission Chair Anne Tolley, Commissioner Shadrach Rolleston (via Zoom), Commissioner Stephen Selwood, Commissioner Bill Wasley

IN ATTENDANCE: Marty Grenfell (Chief Executive), Paul Davidson (Chief Financial Officer), Manager: Strategy, Growth & Governance), Christine Jones (General Manager, Strategy, Growth and Governance), Anne Blakeway (Manager: City Partnerships), Brendan Bisley (Director of Transport), Coral Hair (Manager: Democracy & Governance Services), Anahera Dinsdale (Governance Advisor), Janie Storey (Governance Advisor)

1 OPENING KARAKIA

Anahera Dinsdale opened the meeting with a karakia.

2 APOLOGIES

Nil

3 PUBLIC FORUM

Nil

4 ACCEPTANCE OF LATE ITEMS

Nil

5 CONFIDENTIAL BUSINESS TO BE TRANSFERRED INTO THE OPEN

Nil

6 CHANGE TO THE ORDER OF BUSINESS

Nil

7 CONFIRMATION OF MINUTES

7.1 Minutes of the Council meeting held on 19 June 2023

RESOLUTION CO11/23/1

Moved: Commissioner Bill Wasley

Seconded: Commissioner Shadrach Rolleston

That the minutes of the Council meeting held on 19 June 2023 be confirmed as a true and correct record.

CARRIED

8 DECLARATION OF CONFLICTS OF INTEREST

Nil

9 DEPUTATIONS, PRESENTATIONS, PETITIONS

Nil

10 RECOMMENDATIONS FROM OTHER COMMITTEES

Nil

11 BUSINESS

11.1 Council-Controlled Organisation Board Remuneration Review, June 2023

Staff Anne Blakeway, Manager: City Partnerships

Key points

- Anne Blakeway noted that she had an interest in this item as her husband was a Member of the Tourism Bay of Plenty Board.
- Figures in recommendations (f), (g) and (h) were incorrect and had been amended in the resolution.

In response to questions

- The methodology used for the schedule was the same framework that had been used in the past.
- The remuneration was reviewed every three years in line with the Long Term Plan cycle.
- No remuneration was allocated to the Te Manawataki o Te Papa Charitable Trustees.

RESOLUTION CO11/23/2

Moved: Commissioner Bill Wasley

Seconded: Commissioner Stephen Selwood

That the Council:

- (a) Receives the report "Council-Controlled Organisation Board Remuneration Review, June 2023".
- (b) Agrees to increase the remuneration for trustees of the Tauranga Art Gallery, with the new base fee set at \$7,500 per annum.
- (c) Agrees to increase the remuneration for the Tauranga Art Gallery Trust Chair to \$15,000 per annum.
- (d) Agrees to increase the remuneration for the Tauranga Art Gallery Trust Deputy Chair to \$9,375 per annum.
- (e) Agrees to increase the funding grant for Tauranga Art Gallery by \$25,625 from the 2023-24 financial year onwards, to be funded through the existing City Partnerships council-controlled organisation budget (effective from 1 July 2023). Going forwards, this increase will be included in the Long-term Plan 2024-2034.
- (f) Agrees to increase the remuneration for trustees of Tourism Bay of Plenty, with the new base fee set at \$13,500 per annum.
- (g) Agrees to increase the remuneration for the Tourism Bay of Plenty Chair to \$27,000 per annum.
- (h) Agrees to increase the remuneration for the Tourism Bay of Plenty Deputy Chair to \$16,875 per annum.
- (i) Noting that Western Bay of Plenty District Council have agreed that \$10,000 of the increased total cost of trustee remuneration of \$10,875 will be funded out of their opex budget and the remaining \$875 would come from Council's existing City Partnerships council-controlled organisation budget (effective from 1 July 2023). Going forwards, this increase will be included in the Long-term Plan 2024-2034.
- (j) Agrees to increase the remuneration for the directors of Bay Venues Limited, with the new base fee set at \$35,000 per annum.
- (k) Agrees to increase the remuneration for the Bay Venues Limited Chair to \$70,000 per annum.
- (l) Agrees to increase the remuneration for the Bay Venues Limited Deputy Chair to \$43,750 per annum.
- (m) Agrees that the increased total cost of director remuneration of \$14,500 will be funded out of Bay Venues Limited's operational budgets, to be included in the Long-term Plan 2024-2034.
- (n) Agrees that the remuneration for the directors of Te Manawataki o Te Papa Limited is currently, and remains set at, \$40,000 per annum.
- (o) Agrees that the remuneration for the Chair of Te Manawataki o Te Papa Limited is currently, and remains set at, \$80,000 per annum.

CARRIED

11.2 Traffic & Parking Bylaw Amendment No.45

Staff Nic Johansson, General Manager: Infrastructure Services
Brendon Bisley, Director of Transport

Key points

- The amendment related to changes to loading spaces, taxi stands and parking spaces due to construction.
- The restriction was only for the period of the construction and was then revoked at the end of the works.

In response to questions

- The area included three construction sites which were being built to the boundary of their sites.
- Staff prioritised which corridors could take a parking reduction and which must stay open.
- Goods vehicles coming into the sites needed somewhere to pull up and a spot was required for the crane to be located.
- Robust conversations had been held with the development site managers to get the best compromise between all of the sites. Their building plans had been structured around the use of the carparks.
- The task force set up to co-ordinate the developments for the city centre were linked in with these proposals.
- Full payment of the per day rate was received for each carpark being used for the duration of the time.
- Completion dates had been provided with corridor access requests for each of the site applications which could be added to the amendments to the Traffic and Parking Bylaw.

Discussion points raised

- The inclusion of maps was requested in future reports of this nature.
- Members considered that as these were valuable parking spaces within the City Centre, a completion date needed to be added.

RESOLUTION CO11/23/3

Moved: Commissioner Bill Wasley

Seconded: Commissioner Stephen Selwood

That the Council:

- (a) Receives the report "Traffic & Parking Bylaw Amendment No.45".
- (b) Adopts the proposed amendments to the Traffic and Parking Bylaw (2012) Attachments as per Appendix A, relating to minor changes for general safety, operational or amenity purposes, to become effective on or after 4 July 2023 subject to appropriate signs and road markings being implemented.
- (c) Adds a maximum date for the changes to loading spaces, taxi stands and parking spaces in the amendments to the Traffic and Parking Bylaw.

CARRIED

11.3 Transport System Plan Transport System Operating Framework (TSOF)v2 Endorsement

Staff Nic Johansson, General Manager: Infrastructure Services
Brendan Bisley, Director of Transport

External Shaun Jones – Programme Manager Transport Systems Plan

Refer to the presentation as included in the agenda.

Key points

- The programme started with the Urban Form and Transport Initiative (UFTI), which was the

future state of city growth areas, connected centres concepts and transport. Under that sat the transport system operating framework (TSOF) that would deliver on the outcomes of UFTI.

- The transport model that underpinned that outlined what the level of service was today, the desired level of service of all modes into the future and created a gap analysis to generate the projects needed to implement and meet the future state.
- The timing was critical with the development of the Long Term Plan (LTP) and also the development of the new Regional Land Transport Plan (RLTP) which was to be locked in by March 2024.
- This was an update of the Transport System Plan (TSP) which had been provided two years ago.
- Our Journey was the tag line and purpose statements and key messages included connecting with sustainable, safe and smart journeys and was a collaborative approach with nine partners.
- Delivers on strategic outcomes with strategic alignment with SmartGrowth, UFTI and the TSP.
- The Governance of TSP included an Independent Chair, Dean Kimpton, and the tactical delivery of the outcomes with a governance group, partner management group and then the partners delivering on the infrastructure outcomes.
- Key pressures noted included the key policy changes, constraints enabling growth affecting land supply costs and housing affordability, affordability due to construction inflation, funding availability, scope changes and cost increases.
- Process included refreshed investment objectives, reviewed the programme so it was fit for purpose, refreshed modelling costs, mapping benefits and was packaged into the updated programme to be delivered in draft to each of the councils for use in their LTPs and to develop the regional plan. It would also be used by Waka Kotahi to develop their state highway improvement plan and vehicle kilometres travelled (VKT) reduction programme.
- Objectives included access, safety, sustainable urban growth, and emissions.
- It was a 30 year \$7.9B investment programme with 84 prioritised projects.
- The ten-year plan was \$2.8B, plus the public transport (PT) services investment programme and 13 committed projects of \$1.5B.
- The model brought in existing and future land use patterns and the programme consists of four key tables including committed projects, complementary projects, strategy, policy and studies and a proposed list of activities to be delivered and the list of plans to be collaborated with.
- Next steps included updating the TSP Executive Summary, endorsement from the governance group and combined councils' endorsements to feed into the funding process underway.

In response to questions

- Concern was raised as to what extent the priorities of the subregion were reflected strategically and whether the development of the western corridor (SH29) was included.
- While the process may be strong there did not seem to be alignment with the urban growth strategy which brought the prioritisation into question and it was queried whether sufficient weighting had been made of that change of direction, albeit on an informal basis, until it was embedded in the SmartGrowth Strategy.
- Mr Jones noted that the western corridor had been the subject of ongoing conversations and they were consistently testing for future proofing in an informal way, however the TSP was a tactical delivery partnership with signals taken from UFTI and SmartGrowth. When a formal decision was received from SmartGrowth around the western corridor it would be a priority and the TSP would be updated at that point. The same applied with the road pricing strategies and other initiatives in the process of being worked through. They were aware of them and looked at the implications from a risk perspective, but they could not be brought into the programme at this stage.
- The TSP was initiated by Tauranga City Council to fill the gap because of the government policy statement changes and the urgent need for a programme that met government requirements to get funding. Other partners came on board to make it a total network, including state highways. For Waka Kotahi this formed part of their national planning and funding programme, as these were inter-regional routes, however these networks also provided a local roading function. It was an ongoing journey and the points raised would be

picked up and incorporated into the TSP.

- The timeline for the Council was that the draft LTP budgets needed to be completed by mid-August, with the LTP consultation document adopted to go to audit on 11 September 2023.
- In response to a query on whether public transport services required land to be purchased and whether infrastructure costs would be included with the delivery of the service, it was noted that the public transport business case was being worked through at present with early indications being that this would be more of a through service. The working group had considered each of the bus facilities individually and the assumptions around the form and function of each hub location were used as a basis for the cost estimate. Detailed information could be provided for the workshop.

Discussion points raised

- Appreciation was noted for the work done to date on the plan as it provided a good base for conversations that needed to happen and to be reassured that the modelling was taking into account everything in relation to Tauranga.
- Commissioners requested that the item lie on the table and a governance workshop be held with the other entities to test the thinking around the plan and shape it for endorsement.
- A series of queries were raised to be considered at the combined councils' workshop that would provide for high level questioning of the TSP process
 - what was actually delivered and what would become better and by how much, when taking into account all the four outcomes e.g. how much of the city would be opened up for housing, how much of a carbon reduction would be gained
 - to what extent does the modelling test the strategy e.g. to what extent does the transport investment shape the land use?
 - how does variable road pricing link to the travel demand management component of the TSP and demonstrate the outcomes?
 - how does the investment in transport connect with the future development strategy?
 - does the sustainable urban growth modelling provide sufficient priority rating for multi-modal and alternative forms of transport?
- The upcoming workshop was to include decisions on housing and investigations into the wider growth area, as these formed part of the context and overall picture. It also needed to show clarity around the western corridor and the intensification of the Te Papa peninsula to provide clear guidance in those areas.
- Clarity was required around the scope of the future pipeline of projects including the SH29 corridor upgrade with Waka Kotahi and whether that was for all of SH29A, or the component from The Lakes to Barkes Corner, and ensuring that the business case work being undertaken was for all of that corridor.
- It was suggested that a joint submission be made to the RLTP rather than each council having a separate submission as this would provide influence sub regionally, regionally, and nationally.
- There was a need to line up the terminology of the TSP with the business cases so that everyone was clear on the subject matter.

RESOLUTION CO11/23/4

Moved: Commissioner Stephen Selwood

Seconded: Commissioner Bill Wasley

That the Council:

- Receives the report "Transport System Plan Transport System Operating Framework (TSOF)v2 Endorsement".
- Lays the report on the table and an urgent workshop be held through the SmartGrowth Leadership Group, with an invitation to be extended to elected members of the Western Bay of Plenty District Council and Bay of Plenty Regional Council to attend.

CARRIED

12 DISCUSSION OF LATE ITEMS

Nil

13 PUBLIC EXCLUDED SESSION

Resolution to exclude the public

RESOLUTION CO11/23/5

Moved: Commissioner Bill Wasley

Seconded: Commissioner Stephen Selwood

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
13.1 - Public Excluded Minutes of the Council meeting held on 19 June 2023	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied</p> <p>s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
13.2 - Appointment of Additional Urban Design Panel Members	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p>	<p>s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>

13.3 - Progression of the Dam 5 and Wetland 5 stormwater project	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
13.4 - Construction of Car Parks 160-176 Devonport Road	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

14 CLOSING KARAKIA

Commissioner Shadrach Rolleston closed the meeting with a karakia.

The meeting closed at 11.35 am.

The minutes of this meeting were confirmed as a true and correct record at the Ordinary Council meeting held on 24 July 2023.

.....
CHAIRPERSON

8 DECLARATION OF CONFLICTS OF INTEREST

9 DEPUTATIONS, PRESENTATIONS, PETITIONS

Nil

10 RECOMMENDATIONS FROM OTHER COMMITTEES

Nil

11 BUSINESS

11.1 Te Manawataki o Te Papa - Overview Report

File Number: A14855075

Author: Christine Jones, General Manager: Strategy, Growth & Governance
Gareth Wallis, General Manager: City Development & Partnerships

Authoriser: Christine Jones, General Manager: Strategy, Growth & Governance

PURPOSE OF THE REPORT

1. The purpose of this report is to provide an overview of the suite of reports included on this agenda. This includes providing the information that is pertinent to all of the reports, as well as an overview of how each report fits within the wider programme of works. This report provides context only and no decision is sought.

RECOMMENDATIONS

That the Council:

- (a) Receives the report "Te Manawataki o Te Papa - Overview Report".

BACKGROUND

2. In 2018, Council adopted the Civic Precinct Masterplan. The plan provided direction for the future development of the Council-owned site bounded by Willow, Hamilton, Wharf and Durham Streets (Site A); and the Council-owned site at 21-41 Durham Street (Site B), formerly known as the TV3 site. Extensive community consultation took place but for various reasons, the Civic Precinct Masterplan was not implemented at this time.
3. More recently, Council included a budget in the Long-term Plan (LTP) 2021-31 for the development of a new library and community hub on the civic precinct site. Following the adoption of the LTP 2021-31, Council issued a design brief to Willis Bond to prepare a Civic Masterplan Refresh, to reflect the strategic decisions the Council had made as part of the LTP process, including:
 - a decision to lease a new civic administration building at 90 Devonport Road;
 - to respond to public submissions in favour of a museum located on the civic precinct site; and
 - to reflect the history and cultural significance of the site to tangata whenua, and to tell the stories of Tauranga Moana.
4. Te Manawataki o Te Papa (Civic Precinct) Masterplan (Refreshed 2021) was prepared by Willis Bond in collaboration with mana whenua, including representatives from Ngai Tamarāwaho, Ngāti Tapu and Te Materāwaho, as represented by the Otamataha Trust. As part of the refresh, the Masterplan was expanded to include the waterfront reserve, between Hamilton and Wharf Streets, linking the moana with the civic precinct via Masonic Park.
5. Te Manawataki o Te Papa was formally adopted by the Commission at the Council meeting on 6 December 2021. At the same meeting, Council requested a further report to enable the Commission to make a decision on inclusion of the full Civic Masterplan in a Long-term Plan Amendment (LTPA), acknowledging that components of the Masterplan, to develop a new library and community hub, and associated urban space enhancements, had already been resolved through the LTP 2021-31, and work on these components was already commencing.

6. On 21 February 2022, Council approved the development of an LTPA for the implementation of Te Manawataki o Te Papa, including public consultation from 25 March to 26 April 2022. The focus of consultation was to gather an understanding of the community's views regarding the delivery and timeframes for the additional components of the Civic Precinct Masterplan, and did not revisit those components that had already been consulted on and agreed through the LTP 2021-31.
7. Community consultation on the LTPA was undertaken in conjunction with consultation on the draft Annual Plan 2022-23, and results were considered by Council on 24 May 2022. It was considered that the proposal to include the full Civic Masterplan as one programme of work (Option 1), would provide wide ranging social, economic, cultural, and environmental benefits that will have a positive impact on our communities, today and in the future.
8. This option included a capital cost of \$303.4 million, subject to achieving 50% of the required funding from sources other than rates-funded debt and therefore, an estimated net cost to ratepayers of \$151.5 million. At the 24 May 2022 Council meeting, Council resolved to include the full Civic Masterplan in the LTPA.
9. On 12 December 2022, the Council received the preliminary design and costs, which removed part of the project relating to the waterfront and indicated an increase in the total programme cost of \$4.5 million. This resulted in the total revised cost estimate for this portion of the project moving from \$270.4 million to \$274.95 million.
10. At that meeting, the Council authorised the Chief Executive to enter into a Development Commitment with Willis Bond to progress the developed and detailed designs, and noted that the detailed design would be brought back to Council for approval prior to entering into a Development Agreement.
11. On 20 March 2023, the Council approved an additional \$1.88 million of non-rate funded expenditure to increase the Tauranga Art Gallery project budget to \$3.38 million, bringing the total programme cost of Site A to \$276.83 million. (Refer Design and Cost Update Report on this agenda paragraph 16 for further details of the approved budgets and estimated costs).

LANDOWNERSHIP COUNCIL CONTROLLED ORGANISATION

12. As part of the pre-work for the development of Te Manawataki o Te Papa, Council worked closely with Iwi and Hapū to resolve historical grievances relating to the ownership of the Site A land. This work resulted in the creation of a new ownership structure. Site A is now owned by a Council Controlled Organisation (CCO) Charitable Trust and governed jointly by Tauranga City Council and mana whenua. This key move forms part of Council's overall intention for the site, which is to use it to build community cohesion and civic pride, recognise and honour our history, and to connect mana whenua and the people of Tauranga with the land and their stories.

REPORTS RELATED TO TE MANAWATAKI O TE PAPA ON COUNCIL AGENDA 24 JULY 2023

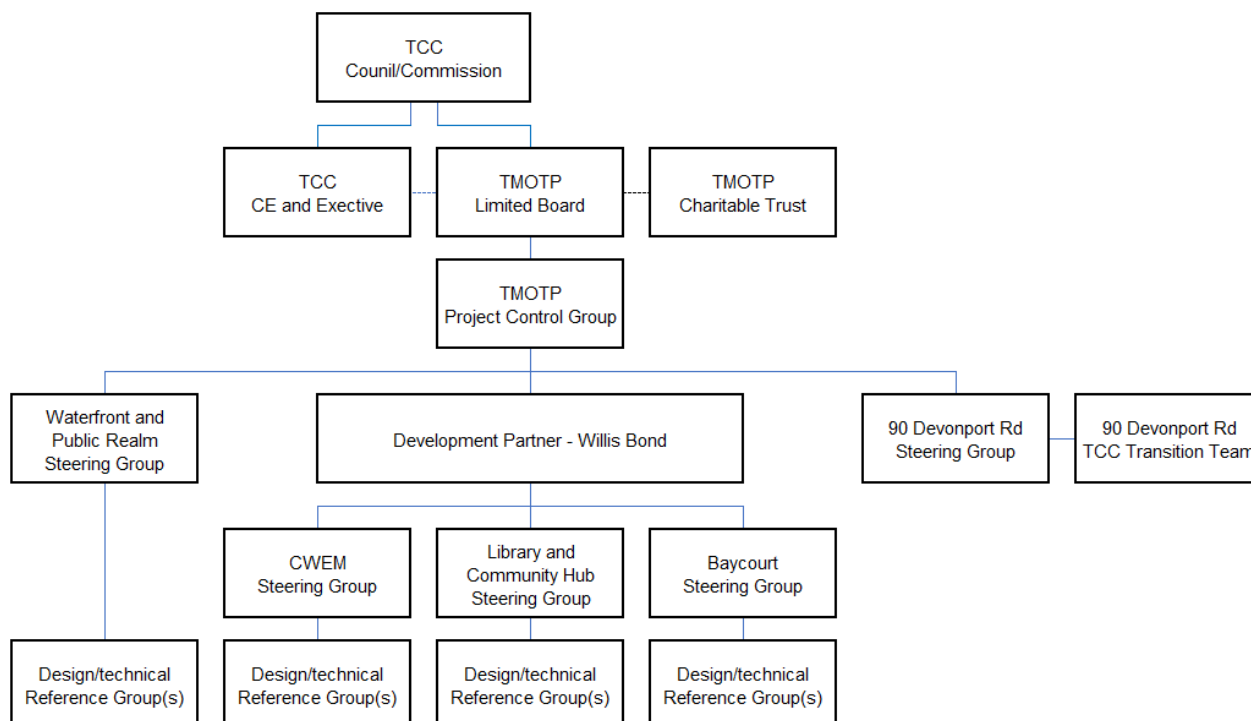
13. There are a number of reports on this 24 July 2023 Council agenda which consider a range of matters which are directly, or indirectly related to, Te Manawataki o Te Papa.
14. Below is a summary of the reports and the matters which they address:

Report Title	Purpose
Te Manawataki o Te Papa Design and Cost Update Report	Presents the updated Design and Cost Report Seeks delegated authority for the Chief Executive to enter contracts for the delivery of packages of works.
Te Manawataki o Te Papa Business Case	Presents the Te Manawataki o Te Papa Business Case for approval.

Te Manawataki o Te Papa Financial Strategy	Provides a financial strategy, which will deliver funding for the Te Manawataki o Te Papa budgeted capital works programme.
Asset Realisation Reserve	Seeks Council approval to create an Asset Realisation Reserve approach to be used to identify property and assets for divestment, and to hold resulting disposal proceeds. Council will be able to allocate funding from the Reserve to capital projects by way of Council resolution, including Te Manawataki o Te Papa.
Willis Bond – Development Management Agreement	Seeks delegated authority for the Chief Executive to enter into a Development Management Agreement (DMA) appointing Willis Bond as Council's Development Manager for delivery of the Te Manawataki o Te Papa (Site A) programme of works (Te Manawataki o Te Papa) pursuant to the Tauranga City Council / Willis Bond 2018 Partnering Agreement (PA).
Tauranga Moana Waterfront – Updated Masterplan	Presents the updated Masterplan for the Tauranga Moana Waterfront.

GOVERNANCE COUNCIL CONTROLLED ORGANISATION

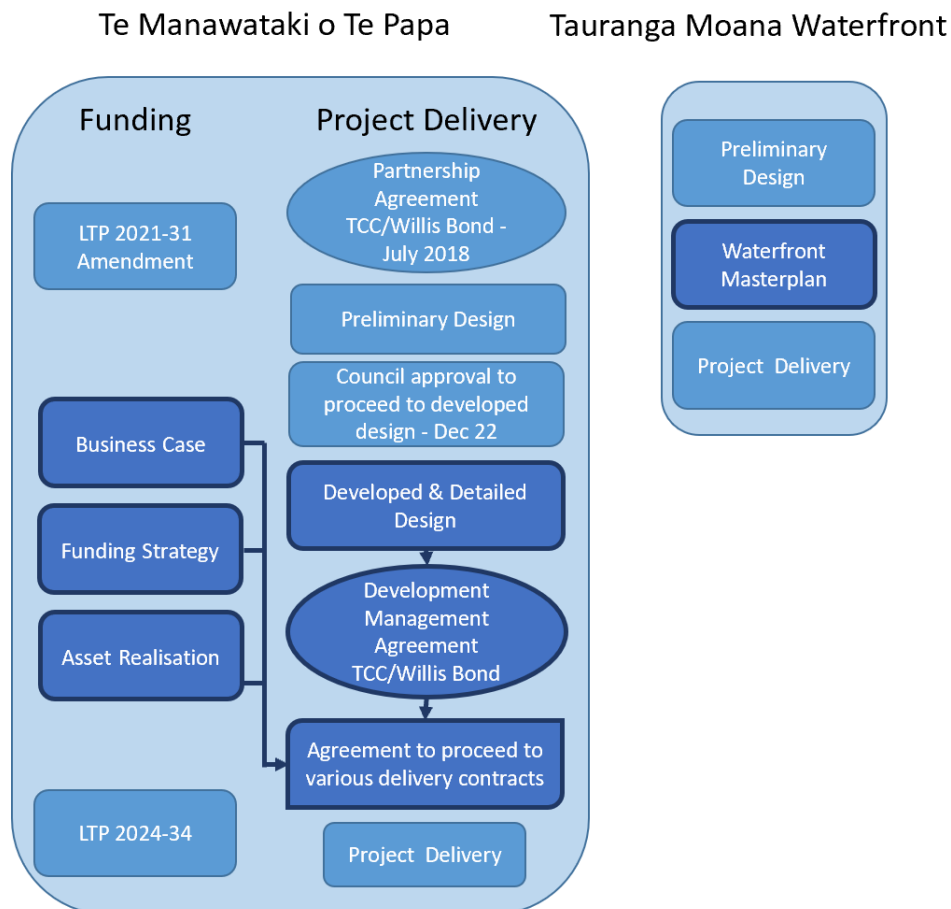
15. The Council has created a separate entity to govern project delivery, Te Manawataki o Te Papa Limited (CCO). In addition, oversight of the programme is also informed by a Project Control Group, steering groups, and design and technical reference group. Actual operational delivery is by way of resources either employed by or contracted to Council. Council is the principal to all project development contracts with suppliers and the employer of the project management team.



16. The Te Manawataki o Te Papa Board have reviewed the reports which are being considered on this agenda. The Board Chairperson will speak at the 24 July Council meeting to present the views of the Board on the matters contained within the report. It is expected that the Board Chairperson will table a short written paper on behalf of the Board.

PROGRAMME DELIVERY

17. This diagram shows an overview of the programme delivery, including those stages covered in reports on this agenda (depicted in dark blue):



STRATEGIC / STATUTORY CONTEXT

18. Council adopted a new vision for Tauranga City Council in June 2022, and also endorsed it as a shared Vision for Tauranga. The vision is based on three key themes clearly expressed by our communities as being important for a future Tauranga – environment, community and inclusivity, and vibrancy. These three themes form the basis of the vision statement:

Tauranga, together we can

Prioritise nature

Tauranga is a city where... we celebrate, protect and enhance our natural environment, integrating it into the city for all to enjoy

Lift each other up

Tauranga is a city where... we foster and grow our communities, celebrate our differences, and lift up those who are vulnerable

Fuel possibility

Tauranga is a city where... we foster creativity and innovation, celebrate our arts and culture, and empower our changemakers to create a vibrant city into the future

With everyone playing their part, together we can create the change our city needs.

Kei a tātou te pae tawhiti

The future is all of ours.

Because, Tauranga, together we can.

19. The delivery of Te Manawataki o Te Papa directly responds to the city vision, with each of the three pillars being embodied by the plans for the precinct. Our community has told us loud and clear that they want a vibrant, well-planned city centre that is inclusive, accessible, and diverse, with more activities and events for all to enjoy.
20. Te Manawataki o Te Papa has clear alignment with the city and Council's strategic direction, from the aspirational community vision to Council's action and investment plans.
21. One of six strategic priorities for Council is to drive delivery of the City Centre Masterplan – Te Manawataki o Te Papa, the broader City Centre Action and Investment Plan, and the Te Papa Peninsula Spatial Plan, to revitalise and reactivate the heart of the city.
22. Te Manawataki o Te Papa clearly seeks to strengthen Tauranga's city centre as the commercial, civic, and cultural heart of the Western Bay of Plenty sub region – the cultural and community focus of the city centre; a unique civic destination for the stories and decision making of Tauranga, and its people.
23. As Tauranga continues to grow, our city centre will continue to transform from a commercial business centre into a sub-regional destination, providing a wide range of activities and facilities that support our economy, strengthen our community, and celebrate who we are.

FINANCIAL CONSIDERATIONS

24. The budgets for Te Manawataki o Te Papa have been approved through the LTPA and subsequent Annual Plan processes. Specific financial considerations are addressed within each of the individual reports.

LEGAL IMPLICATIONS / RISKS

25. Legal considerations are addressed within each of the individual reports.

CONSULTATION / ENGAGEMENT

26. The proposal to implement Te Manawataki o Te Papa required an amendment to the Council's LTP 2021-31 under section 93(5) of the Local Government Act 2002. As such, a full consultation process has been undertaken from 25 March to 26 April 2022.

SIGNIFICANCE

27. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
28. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region;
 - (b) any persons who are likely to be particularly affected by, or interested in, the decision; and
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
29. This report is an overview report, and is for information only with no decision sought. In accordance with the criteria and thresholds in the policy, it is considered that the issue addressed in this report is of low significance.

ATTACHMENTS

Nil

11.2 Te Manawataki o Te Papa - Design and Cost Update Report**File Number:** A14828132**Author:** Mike Naude, Director of Civic Developments**Authoriser:** Gareth Wallis, General Manager: City Development & Partnerships**Please note that this report contains confidential attachments.**

Public Excluded Attachment	Reason why Public Excluded
Item 11.2 - Te Manawataki o Te Papa - Design and Cost Update Report - Attachment 2 - Confidential attachment - Delegation to Chief Executive	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

PURPOSE OF THE REPORT

1. The purpose of this report is to:
 - present the Design and Cost Update Report July 2023 for Te Manawataki o Te Papa for approval.
 - seek delegated authority for the Chief Executive to enter contracts on behalf of Council for the delivery of the Te Manawataki o Te Papa (Site A) programme in accordance with the Tauranga City Council / Willis Bond Partnering Agreement 2018 and Development Management Agreement 2023.

RECOMMENDATIONS

That the Council:

- (a) Receives the report "Te Manawataki o Te Papa - Design and Cost Update Report".
 - (b) Receives the Library Community Hub Developed Design and approves the associated cost estimates.
 - (c) Receives the Civic Whare, Exhibition and Museum Preliminary Design and approves the associated cost estimates.
 - (d) Receives the Masonic Park Detailed Design and approves the associated cost estimates.
 - (e) Receives the Civic Precinct Landscaping 50% Developed Design and approves the associated cost estimates.
 - (f) Reallocates \$1.0 million unspent Civic Heart Demolition budget to Te Manawataki o Te Papa.
 - (g) Requires that the overall cost estimate will be further refined, including exploring value engineering opportunities during the detailed design phase of the programme, to within a revised budget of \$306.3 million (\$303.4 million approved in May 2022, \$1.88 million approved in March 2023 and \$1.0 million Civic Heart demolition underspend).
 - (h) Delegates to the Chief Executive authority to enter contracts on behalf of Council for the delivery of the Te Manawataki o Te Papa (Site A) programme of works as further outlined within the Te Manawataki o Te Papa Design and Cost Update Report – July 2023 (attachment 1), subject to:
 - (i) Endorsement by the Te Manawataki o Te Papa Board (Ltd.); and
 - (ii) Sufficient funds being available in accordance with the Te Manawataki o Te Papa Financial Strategy Report resolutions approved by Council at this 24 July 2023 meeting; and
 - (iii) Condition of commercial sensitivity (as per attachment 2 confidential resolution).
 - (i) Transfers **Attachment 2** into the open when contract negotiations are complete.
-

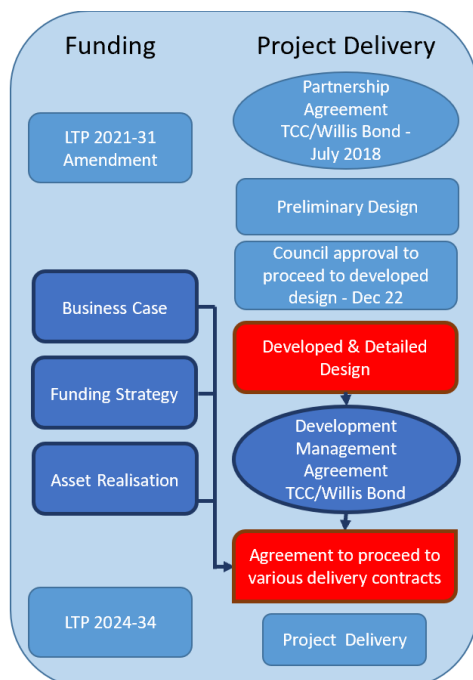
EXECUTIVE SUMMARY

- 2. The Council adopted the Civic Precinct Masterplan on 6 December 2021. The new civic precinct, to be called Te Manawataki o Te Papa – the heartbeat of Te Papa, is envisaged as a vibrant space which includes a library and community hub, civic whare (public meeting house), exhibition gallery, museum, upgrade of Baycourt Theatre, upgrade of Masonic Park, the landscaping of the wider precinct, and a section of the Tauranga Moana Waterfront.
- 3. Following community consultation, at the 24 May 2022 Council meeting, Council resolved to include the full Civic Masterplan in the Long-term Plan. Council approved a capital cost of \$303.4 million, subject to achieving 50% of the required funding from sources other than rates-funded debt and therefore, an estimated net cost on rates of \$151.5 million.
- 4. On 12 December 2022, the Council received the preliminary design and costs, which removed part of the project relating to the waterfront and indicated an increase in the total programme cost of \$4.5 million. This resulted in the total revised cost estimate for this portion of the project moving from \$270.4 million to \$274.95 million. At that meeting, the Council authorised the Chief Executive to enter into a Development Commitment with Willis Bond to progress the developed and detailed designs, and noted that the detailed design would be brought back to Council for approval, prior to entering into a Development Agreement.
- 5. On 20 March 2023, the Council approved an additional \$1.88 million of non-rate funded expenditure to increase the Tauranga Art Gallery budget to \$3.38 million, bringing the total programme cost to \$276.83 million.
- 6. This report is the next key gateway stage built into the programme structure to ensure prudent Council governance and oversight.

7. It provides the Council the design and cost estimates for various developments within Te Manawataki o Te Papa Site A and seeks approval from Council to authorise the Chief Executive to enter contracts on behalf of Council for the delivery of the Te Manawataki o Te Papa (Site A) programme of works as further outlined within the Te Manawataki o Te Papa Design and Cost Update Report – July 2023 (Appendix 1).
8. Further enhanced costings have been undertaken to reflect the progression from preliminary design to detailed design. These costings have resulted in a number of changes to various components of the programme, with increases in some components being largely offset by decreases in other areas.
9. The overall change is a \$5.78 million increase in Te Manawataki o Te Papa (Site A) costs, resulting in the total revised cost estimate for this portion of the project moving from \$276.83 million to \$282.61 million, which represents a 2.08% increase from the December report. The driving factor for this cost change is attributed to the increased cost relating to the Exhibition Gallery and Museum.
10. It is important to note that included in the above cost estimates is a 10% contingency, and 7.5% average escalation costs across the programme.
11. The Willis Bond Report identifies a potential value engineering target of \$2.6 million resulting a predicted shortfall of \$3.17 million which represents a 1.15% increase from the December report.
12. The approved budget of \$306.3 million takes the base approved budget of \$303.4 million from the LTPA, adds the Art Gallery additional budget approved in March 2023 of \$1.88 million and \$1.0 million reallocated from an underspend in the demolition budget. It is expected that value engineering to the tune of \$1.9 million will be achieved to bring the approved budget to \$306.3 million.
13. The designs and cost estimates will be further refined through the developed design, and tendering and procurement processes with the view to deliver the programme within the overall project budget of \$306.3 million.

STAGE IN THE PROJECT

14. This diagram summarises the key Te Manawataki o Te Papa project delivery approval processes, as well as the suite of reports being considered on this agenda. The red shapes identify where this report fits into the wider process:



15. This report is one of the gateways identified in the above diagram and seeks approval to proceed to various delivery contracts. In progressing, Council is committing to delivering the project, with a cost estimate of \$276.83 million.
16. The updated Tauranga Moana Waterfront Masterplan is the subject of an additional paper on this agenda.

PROJECT COSTS

17. Table 1 (below) outlines project costs for key elements of the Te Manawataki o Te Papa programme. Costs included in the LTPA are included, as well as updated project costs resulting from the preliminary design process and latest costs resulting from detailed designs. Project costs (including cost escalation) have increased from \$303.4 million in the LTPA to a total of \$308.2 million, and are delivered over the 2022-28 timeframe.

Project	Proposed Completion Date	Approved in LTPA Document – May 2022 (\$mil)	Revised costs from Enhanced Concept Plan – November 2022 (\$mil)	Revised costs from Enhanced Concept Plan – July 2023 (\$mil)
Site A establishment	Jan-24	\$7.0	\$7.0	\$7.2
Art Gallery*	Jul-24	-	\$1.5	\$3.4
Masonic Park upgrade	Aug-24	\$10.9	\$9.0	\$9.1
The Strand Road Reserve and adjacent reserve upgrade**	Jun-25	\$7.5	\$7.5	\$1.4
Baycourt upgrade	Dec-25	\$11.0	\$11.0	\$11.0
Library and Community Hub	Jan-26	\$88.2	\$91.5	\$93.3
Durham/Hamilton/Wharf Street footpath upgrade	Jun-28	\$9.2	\$3.4	\$3.5
Museum and Exhibition Gallery	May-28	\$104.2	\$110.5	\$114.0
Civic Whare	May-28	\$15.4	\$15.5	\$15.5
Wharf and Central Strand Plaza**	Jun-28	\$25.4	\$25.4	\$24.2
Willow Street shared space	Jul-26 & Aug-28	\$8.9	\$8.3	\$8.0
Public amenity space – staged	Jul-26 & Sept-28	\$15.7	\$17.3	\$17.6
TOTAL ESTIMATED COSTS		\$303.4	\$307.9	\$308.2

*Art Gallery costs are included within the individual project cost items in the LTPA Document. These have been separated into their own project line for the Enhanced Costs presented. An increase in budget of ~\$1.9m was further approved by the Council on 20 March 2023 to cover an approved change in scope.

** Following approval of the \$303.4m a number of scope changes made to the programme. For example, the Strand Road Reserve and Central Plaza and Wharf are being delivered separately as part of the Waterfront Masterplan programme.

Table 1: Project costs for Te Manawataki o Te Papa¹P

¹ Note: The 'Performance Arts and Conference Centre, and Hotel' is not included in the project cost table. A feasibility exercise is currently underway to better understand the opportunity for this site to house a conference centre, hotel and new performance venue. Council will need to consider the feasibility report and alternate development models. If appropriate, development options for Site B could be consulted on through the upcoming Long-term Plan consultation process.

18. Once developed, the precinct will be operated as a campus operating model, resulting in efficiencies in service delivery and cost. It is currently expected that the average annual operating costs will be ~\$26 million, once construction is complete. Further information regarding operating costs can be found in the Business Case, included as a separate report on this agenda. These operating costs are continually being refined and updated as the programme progresses. The LTP 2024-34 will include updated and more detailed ongoing operating costs.
19. Of the \$303.4 million LTP budget adopted for Te Manawataki o Te Papa, \$32.9 million was allocated for Site C, waterfront and The Strand, leaving a budget of \$270.5 million for Site A. The preliminary designs in December 2022 suggested a \$4.5 million budget increase for Site A to a total of \$274.95 million. In March, the Council approved an increase in the budget for the Art Gallery of \$1.88 million, reflecting an increase in scope. The updated design and costings provided through this report include an additional \$1.88 million in respect of the Art Gallery.

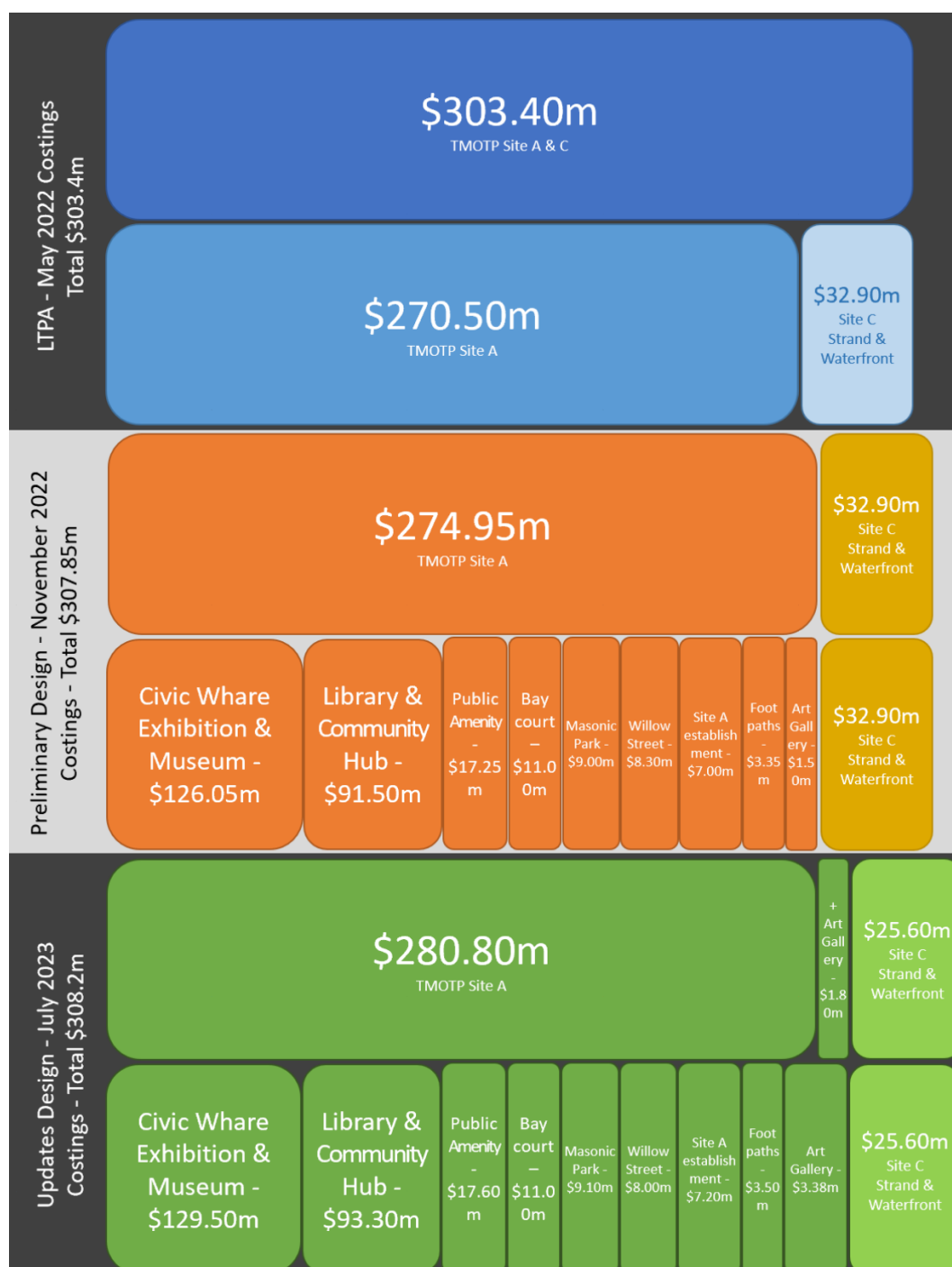


Figure 1 – Funding changes from May 2022 to July 2023

20. Further enhanced costings have been undertaken to reflect the progression of the detailed design from preliminary design (attached as Appendix 1). These costings have resulted in a number of changes to various components of the programme, with increases in some components being largely offset by decreases in other areas (see Table 1 in section 16).
21. Figures are based on the costings provided in the Preliminary Design and Costings Report, and have been developed by Rider Levett Bucknall (quantity surveyors) and reviewed by LT McGuinness (construction partner). These costs are based on the following conservative assumptions:
- Cost escalation of 7.5% of construction costs across the five years, totalling \$21.33 million (down from \$21.52 million in December 2022 budgets).
 - Contingency of 10% of total cost across five years, resulting in \$29.63 million total contingency (up from \$29.35 million in December 2022 budgets).
 - Programme of works commencing with construction staged over the following five years.
 - Programme completion by September 2028.
22. Included within the capital project costs are costs associated with the museum and exhibition gallery fitout. These costs are currently under review and any changes in costs will be managed within the constraints of the current budget, or considered through the established approval processes and gateways for this project.

OPTIONS ANALYSIS

23. The decision to progress with Te Manawataki o Te Papa to its current state was previously made through the LTPA. This report seeks approval to enter into a Development Agreement for the delivery of the packages of works within the Te Manawataki o Te papa (Site A) programme. The Council has two options for consideration:
- (a) Option 1: Delegates authority to the Chief Executive to enter into contracts to progress with delivery of the packages of works within the Te Manawataki o Te papa (Site A) programme; or
 - (b) Option 2: Decide not to progress with the Te Manawataki o Te Papa programme of works.
24. Key benefits and disadvantages for each option are outlined below.

Option 1: Authorises the Chief Executive to enter into contracts to progress with delivery of the packages of works within the Te Manawataki o Te papa (Site A) programme – RECOMMENDED

Advantages

25. In delegating authority to the Chief Executive to enter into contracts to progress the delivery of the packages of works within the Te Manawataki o Te papa (Site A) programme, the programme can proceed at the pace and quality planned.
26. In progressing to the delivery stage, Council will be making progress towards delivering on the broad community benefits of the Te Manawataki o Te Papa programme, as detailed further in the Te Manawataki o Te Papa Business Case.
27. Approving Option 1 is consistent with the Council's LTPA and delivers on the commitment set through that process.
28. Council has set an expectation with the community that the city centre will be revitalised, and enhanced community facilities such as a museum, library, exhibition gallery and civic whare will be developed over the next five years and be available for the community to use and enjoy. By progressing to the next stage of the programme, Council is delivering on that community expectation.

29. As a flagship community development, the project is proposed to attract significant external funding that is expected to significantly enhance community outcomes.
30. As the project progresses through the developed and detailed design phases to the tendering stage, costs will continue to be refined. There are potential opportunities to bring the costs back within the total programme budget. This may include amending the design, without negatively impacting the project deliverables. Therefore, this report does not look to increase the budget, at this stage, as future savings may mean that additional budget doesn't eventuate as being necessary.

Disadvantages

31. In authorising delivery of the next phase of the project, Council is committing to the next portion of project investment. This includes an estimated \$276.83 million to complete the delivery of the packages of works within the Te Manawataki o Te papa (Site A) programme.
32. The current costings show an increase of \$5.78 million from already approved budgets. The Willis Bond Report identifies a potential value engineering target of \$2.6 million resulting a predicted shortfall of \$3.17 million. There is a reputational risk that the community will see the current projected increase as a sign that the overall programme cost will increase over time. This is why the Financial Strategy report recommends a separate resolution to reconfirm that the ratepayer funded loan shall be a maximum of \$151.5 million.

Option Two: Decide not to progress with Te Manawataki o Te Papa – NOT RECOMMENDED.

Advantages

33. By not continuing to the delivery phases of the programme, Council would limit further expenditure on design and construction.
34. Not delivering Te Manawataki o Te Papa will see financial savings for ratepayers and reduced loan funding, which may present an opportunity cost for alternative project delivery.

Disadvantages

35. The Council has already committed costs to get to this stage of the programme. By deciding not to continue the programme at this stage, those costs will be sunk with no discernible community outcome to show for it.
36. Extensive community consultation and partner collaboration has set an expectation that Te Manawataki o Te Papa will deliver great outcomes for the Tauranga community. Not continuing with the project means that those outcomes will not be realised, including revitalising the city centre, and enhancing mana whenua's relationship with the land. This poses a reputational risk for the Council with mana whenua, with Council's key partners, and with the broader community.
37. Extensive external funding is proposed for this programme. If the programme does not continue, the investment into Tauranga from other sources will not be realised.
38. Discontinuing the programme at this stage will see Council break its Partnering Agreement with Willis Bond.
39. If Te Manawataki o Te Papa is not built, further work would be required to determine an alternative use for the land where the civic precinct is currently planned.

FINANCIAL CONSIDERATIONS

40. This report outlines the updated cost estimates for the Te Manawataki o Te Papa (Site A) Programme of works. The Financial Strategy Report on this agenda outlines the funding implications of this programme. Operational costs are covered in more detail in the Te Manawataki o Te Papa Business Case.

LEGAL IMPLICATIONS

41. The legal implications of entering into contracts for the delivery of Te Manawataki o Te Papa are covered off in more detail in the Development Management Agreement report included on this agenda.

RISKS

Key project risks

42. The different projects are at various stages of design development and therefore may risk being stalled due to various factors e.g. lack of external funds and/or project cost escalation. This risk is further amplified by the interconnected nature of this programme of works, with many projects co-dependent on another through the sharing of spaces and/or facilities. The governance structure that has been developed to oversee the programme and several key gateway decisions points, will ensure appropriate Council oversight is provided throughout the programme.
43. Funding arrangements will need to be investigated and secured. If adequate funding is not secured, this will put the overall benefits to be realised through Te Manawataki o Te Papa at risk. As above, this risk is further amplified by the interconnected nature of the programme of works, with many projects co-dependent on another through the sharing of spaces and/or facilities. Depending on the success or otherwise of potential funding streams, this may require a level of flexibility in the timing and phasing of civic precinct projects. A multi-pronged funding strategy has been developed to help alleviate this risk.
44. For a detailed description of key project risks, please refer to Section 12 of the Te Manawataki o Te Papa Design and Cost Update Report – July 2023.

Key financial risks

45. The projects that make up this programme of works, includes assumptions regarding the level of project contingencies and cost escalation. However, there is always a risk that significant unplanned events may have an impact on overall and eventual project costs.
46. Several of the key projects include a level of external funding. An update on the likelihood of achieving this level of external funding is included in the Funding Strategy Report on this agenda.

Key reputational risk

47. Council has consulted on a total project budget of \$303.4 million. If that budget changes at this stage of the programme, or if there is cost creep and overspend later in the project, that could have a detrimental impact on the community perception of the Council.

SIGNIFICANCE

48. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
49. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region;
 - (b) any persons who are likely to be particularly affected by, or interested in, the decision; and

- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
50. This report is part of a wider process for the development of Te Manawataki o Te Papa. In accordance with the considerations above, and criteria and thresholds in the policy, it is considered that the decision to deliver Te Manawataki o Te Papa is of high significance. As a result, the Council undertook a thorough decision-making process to approve the programme of work, including developing an LTPA and corresponding community consultation using the Special Consultative Procedure.
51. The decision made through this report is materially consistent with the decisions made by Council on 24 May 2022 and 12 December 2022. The extensive community feedback received through the LTPA process has been incorporated throughout the design phase of this project, and Council has a thorough understanding of the views of the community and has approved a clear plan for the delivery of the project.
52. Option 1 of this report is considered to be of low significance, in accordance with the considerations above, and criteria and thresholds in the policy, as the decision has a strong and logical flow from a prior decision of Council, and approves expenditure that is within existing budget.

ENGAGEMENT

53. The proposal to implement Te Manawataki o Te Papa required an amendment to the Council's LTP 2021-31 under section 93(5) of the Local Government Act 2002. As such, a full consultation process has been undertaken from 25 March to 26 April 2022.
54. Taking into consideration the above information, if Council approves Option 1, further community consultation is assessed as not being required at this stage of the project.

NEXT STEPS

55. This report seeks approval to progress the Te Manawataki o Te Papa project to delivery stage. In addition to this report, separate reports on this agenda also seek approval to enter into a Development Management Agreement and approval of the funding strategy for Te Manawataki o Te Papa. Subject to approval by Council of all of these reports, the delivery of Te Manawataki o Te Papa will commence as approved.

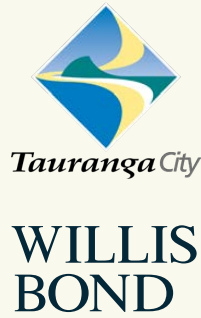
ATTACHMENTS

1. **TMOTP design and cost update report - 13 July 2023 - final - A14862960**  
2. **Confidential attachment - Delegation to Chief Executive - A14862967 - Public Excluded**



TE MANAWATAKI O TE PAPA DESIGN AND COST UPDATE REPORT

13 JULY 2023



CONTENTS

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1.

EXECUTIVE SUMMARY



Willis Bond, in partnership with Tauranga City Council (TCC), is pleased to present the Te Manawataki o Te Papa Design and Cost update report dated 13 July 2023.

Following the issue of the December 2022 Preliminary Design and Cost Report, the design teams have been working closely with key stakeholders to progress design across the Te Manawataki o Te Papa precinct. Input has been received from mana whenua, council steering groups, subject matter experts, TCC directors and end users to curate a precinct that is consistent with the masterplan adopted by TCC in May 2022. One that the city will be proud of and will revitalise the Tauranga CBD.

The Preliminary Design and Cost Report delivered in December 2022 presented a precinct-wide cost of \$274.95 million. This report sought to identify savings within the precinct to afford several Council approved enhancements such as mass timber buildings with a targeted 6 Green Star sustainability rating, premium façade finishings and a canopy along the southern edge of Masonic Park.

Since December, the teams have worked hard to incorporate these enhancements into the design and achieve efficiencies and savings across the precinct. TCC has also approved an increase to the Art Gallery budget of \$1.88m bringing the revised December 2022 total to \$276.83 million. The focus of this report is to present a snapshot in time of the projects across the precinct, detailing changes to design and cost. It is largely assumed that the previous Preliminary Design and Cost report and Enhanced Enhanced Costing report are to be taken as read.

DESIGN PROCESS

Sustainability is at the forefront of design progression. The Library and Community Hub,

and Civic Whare, Exhibition and Museum (CWEM) buildings are targeting 6 Green Star. To achieve these aspirations, both have adopted a mass timber hybrid structure for both buildings. The use of timber in construction has very low embedded carbon and plays a key role in creating a better built environment for our future. The precinct buildings are also aiming for WELL gold certification. WELL is a certification system that promotes human health and wellness within new and existing buildings.

Mana whenua consultation and input has shaped the site-wide cultural narrative. The cultural advisory group will advise on the design of key cultural elements across the precinct. Further structure to this process was included during the recent design phases with the introduction of the Te Kahui Toi (artist collective).

Te Kahui Toi are being engaged to lead the design of key cultural elements across the precinct for each project.

PRECINCT STATUS

The individual projects are currently at different design stages. Masonic Park and Willow Street have been accelerated into detailed design, with Masonic Park currently entering the tender process. The Art Gallery has also been accelerated to tie into the development programme of Masonic Park, although is currently in preliminary design.

The Library & Community Hub has recently completed developed design, while the Site A Landscaping and CWEM building are at roughly 50% developed design. Given the different stages of each project and partial design phases, the costs presented represent a point in time only, there are several items to work through and further design development required before entering a construction contract.

PROGRAMME

To date, each project has been reported on individually, the team has now identified 'packages' of work that will be delivered across the precinct. This report generally still presents the projects individually, however, the programme has been updated to reflect the construction methodology and delivery of 'packages' as defined within this report.

While programme has largely been maintained across the precinct, the previously presented option of an accelerated CWEM programme has been disproven.

The building provides some complex buildability challenges on site. Its proximity to Hamilton Street and stepping basement / ground floor drives the construction methodology which defines our overall delivery strategy of these buildings.

The team has worked through challenges including (but not limited to) site access, road closures, laydown areas, retaining wall sequencing and crane locations to produce a staging plan for the precinct that is achievable given the market condition and underlying capacity restraints that the region is facing.

Item	Completion date	Total cost less VE targets (millions)	GFA (sqm)
Site A establishment <i>hoardings, earthworks & HV transformer</i>	2024	\$7.29 m	
Durham Street footpath	2024	\$0.15 m	
Masonic Park	2024	\$9.08 m	
Art Gallery	2024	\$3.38 m	
Library and Community Hub	2026	\$91.74 m	6,001
Wharf Street footpath	2026	\$1.73 m	
Baycourt	2025	\$11.00 m	
Willow Street	2026 – 28	\$7.95 m	
Site A landscaping	2026 – 28	\$17.30m	
Exhibition + Museum	2028	\$113.28 m	5,619
Civic Whare	2028	\$15.47 m	581
Hamilton Street Footpath	2028	\$1.65 m	
Total		\$280.00 m	
% increase from December 2022		1.15%	

2. PRECINCT UPDATE

Since the December 2022 Council report, the Te Manawataki o Te Papa precinct has progressed through many key moves influenced by mana whenua engagement, sustainability initiatives and the introduction of key TCC Directors.

MANA WHENUA ENGAGEMENT

Throughout recent design phases, TCC has led the engagement process with mana whenua. Further structure to design input was created with a Cultural Advisory Group acting as the conduit between TCC (and the design teams) and the Te Kahui Toi (artist collective).

Te Kahui Toi are engaged to lead the design of key cultural elements across the precinct for each project.

SUSTAINABILITY

NDY (sustainability consultant) advise that both the Library & Community Hub and CWEM buildings are on track to achieve the targeted 6-star Green Star and WELL Gold certifications.

There are still several credits that are considered medium or high risk, but it is expected that a significant number of the points associated with these credits will shift to low risk following Energy and Life Cycle Assessment (LCA) modelling that is due to commence following the developed design documentation issues for both projects.

Whilst best efforts will be made to de-risk all credits, risk is inherent during construction with some credits (such as materials) reliant on supply chains, availability, and cost. It is common for a few points to be lost throughout design and construction because of supply chain, value management or supplier issues. For this reason, NDY builds in a buffer to the Green Star and WELL scorecards to maximise the success of projects achieving desired certifications.

EXHIBITION AND MUSEUM

TCC appointed a Museum Director post the partial preliminary design report in December 2022. The Director, along with Workshop E (experience consultant) have worked to maximise the efficiency and functionality of the design to ensure that the purpose-built museum and exhibition spaces are completed to a high standard that attracts and houses taonga from places such as the Te Papa Museum.

The design team has worked closely with the new Director and advisors to incorporate feedback and progress the developed design phase of work.

LIBRARY & COMMUNITY HUB

Design of the Library & Community Hub building has advanced since the December 2022 drop. Façade performance has been a focus with the appointment of a façade engineer to further develop the existing design from a technical specifications point of view. Recently the interiors package has been developed and refined to enhance visitor and staff experience, optimise efficiency and respond to revised and more detailed briefing inputs.

ART GALLERY

The December 2022 Council approval for Te Manawataki o Te Papa included a total refurbishment budget of \$1.5 million. TCC has worked with the Art Gallery team to secure additional funding to a total budget of \$3.38 million.

The objective of this project is to improve the function of the Art Gallery through the orientation and placement of entries and functions that relate

to the building's façade. Integrating the Art Gallery into the wider precinct will enhance the value of this community asset.

PROJECT PACKAGES

Through the recent design phases, LT McGuinness has worked with Willis Bond, TCC and industry experts to further design the delivery sequence / staging of the precinct.

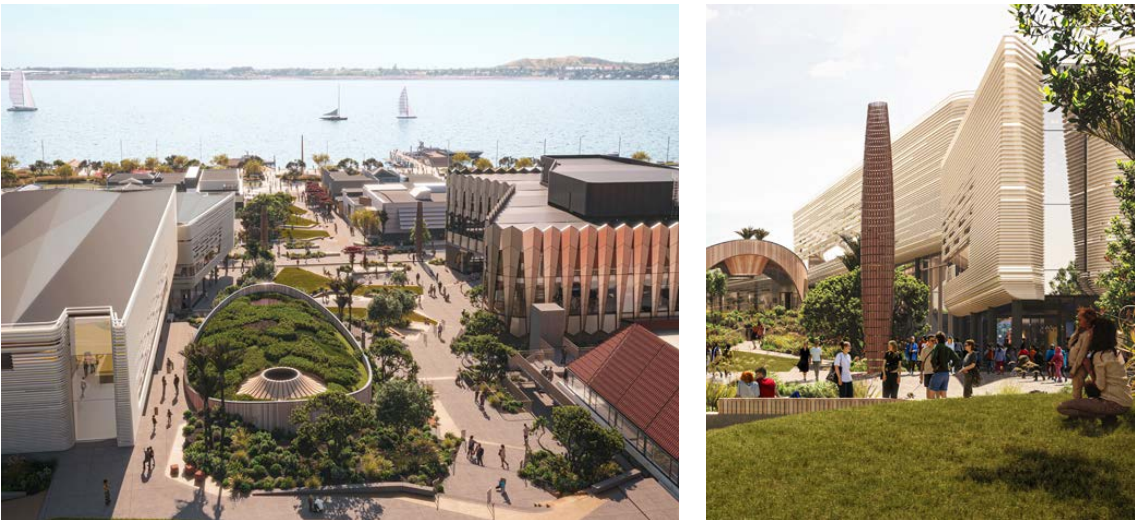
To date, each project has been reported on individually, the team has now identified packages of work that will be delivered across the precinct.

The team has worked through challenges including (but not limited to) site access, road closures, laydown areas, retaining wall sequencing and crane locations to produce a staging plan for the precinct.

LOOK AHEAD

Masonic Park will be the first project to enter construction in late 2023, shortly followed by the Art Gallery refurbishment. The Library & Community Hub, CWEM and Site A Landscaping are entering detailed design. Te Kahui Toi design elements will be further defined, to be weaved into the architectural design and finished built forms.

View across the precinct (left), and of the CWEM building (right) *indicative render*





3.
LIBRARY &
COMMUNITY HUB

WILLIS BOND

3. LIBRARY & COMMUNITY HUB

DESIGN UPDATE

The developed design stage of the Library and Community Hub advanced the design of the facade, sustainability targets, engineering requirements and saw the development of an interiors package. Warm, textural, natural materials with sustainable credentials have been selected from New Zealand sourced products (where practicable) inspired by the Tauranga region.

ARCHITECTURE PROGRESSION

Studio Pacific Architects (SPA) has progressed the Library & Community Hub from the preliminary design completed in 2022 to capture value engineering opportunities, stakeholder briefing inputs, interior design progression and consultant coordination processes. This recent design phase has upheld the positive design language, narratives and principles established to date while optimising and enhancing the functional, experiential, technical and cost effectiveness of the proposal.

Changes to design following the updated cost report in December 2022:

Entry alignments shifted
Pātaka experience improved
Increased visibility into ground floor and activities
Facade performance and efficiencies
Meeting room strategy updated
Spatial efficiencies and development to mezzanine and staff spaces

During the developed design phase, SPA completed functional briefings, spatial reviews and testing with input from key staff members, including facilitating conversations with mana whenua and Te Kahui Toi regarding cultural narratives and co-design opportunities.

SPA worked closely with the wider design team to develop building-wide strategies such as structural, services and fire to ensure these alongside acoustics, façade performance and sustainability were coordinated into a cohesive and functional design response.

Key focus areas for SPA were:

Design reference group briefing and testing
Interior design strategy, materials and colours
Sustainability, WELL and Greenstar targets
Ongoing mana whenua engagement
Façade engineer coordination and performance
Services integration
Fire design and strategy

Interior strategy

'Home fire'  Ahi Kaa Warmth, presence, sustenance Feature floor, ceiling and furniture	Base palette  Core & structure Support, hosting, strength Timber, natural materials, warm timber tones, complementing CLT structure, texture	Activity spaces  Pūriri tree Growth, nurture, activity Berry, flower, leaves
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INTERIOR PLANNING

The interior planning was refined to enhance visitor and staff experience, optimise efficiency and respond to revised and more detailed briefing inputs. Further engagement workshops with stakeholders and specialist groups informed the development of specific design areas including staff workspaces, central 'homefire' configurations, collections capacity, and equipment and storage testing. All briefing adjustments were balanced and considered alongside review with key engineers to improve rationalisation of structure, services and spatial opportunities for the project.

Key metrics (GFA to exterior walls):

Location	m²
Level 0	1,410
Mezzanine	510
Level 1	1,680
Level 2	1,680
Rooftop	723
Total	6,000

Homefire - Level 00 (Ground)

indicative render

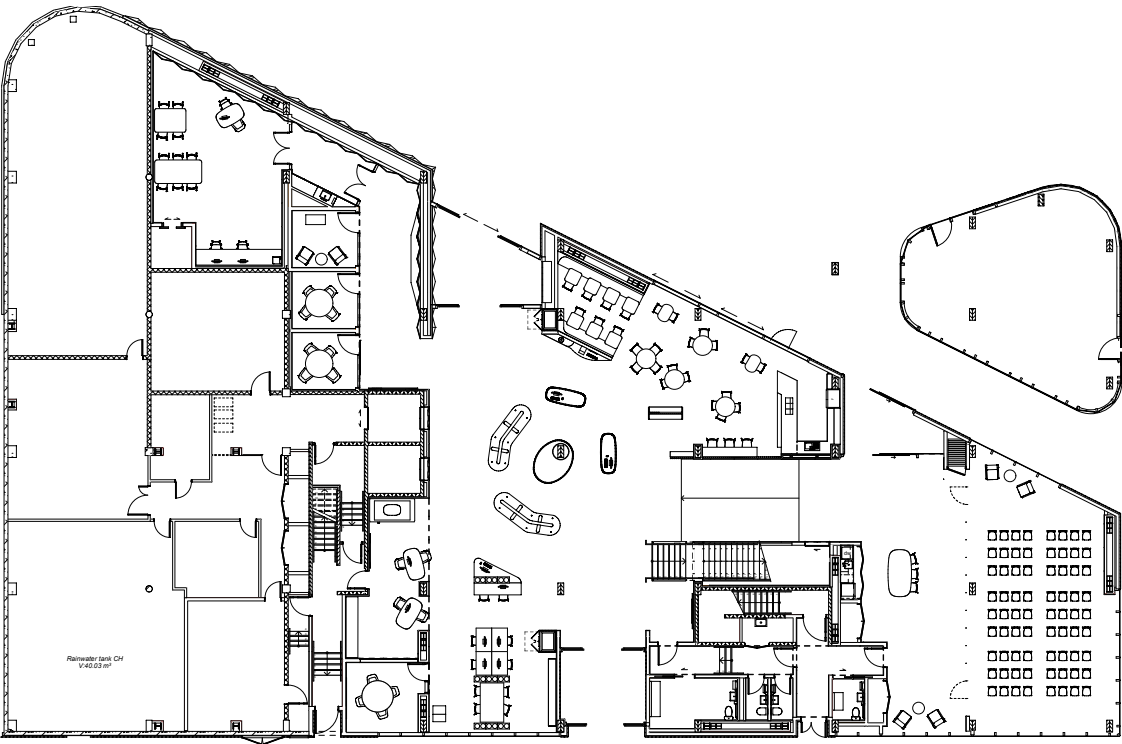


3. LIBRARY & COMMUNITY HUB

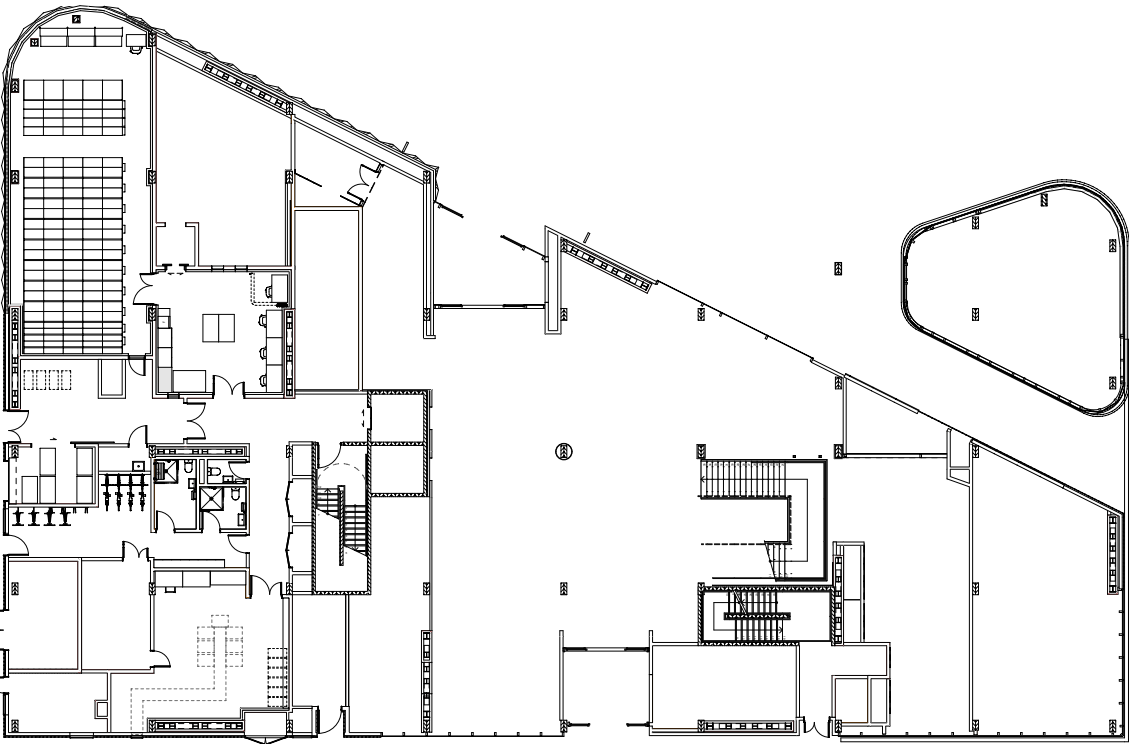
FLOOR PLANS

LOCATION	M ² (inside of exterior walls)
Level 0 (excludes kiosk)	1,208
Back of house	384
Public space	801
Other	23
Mezzanine	458
Back of house	439
Other	19

Ground



Mezzanine



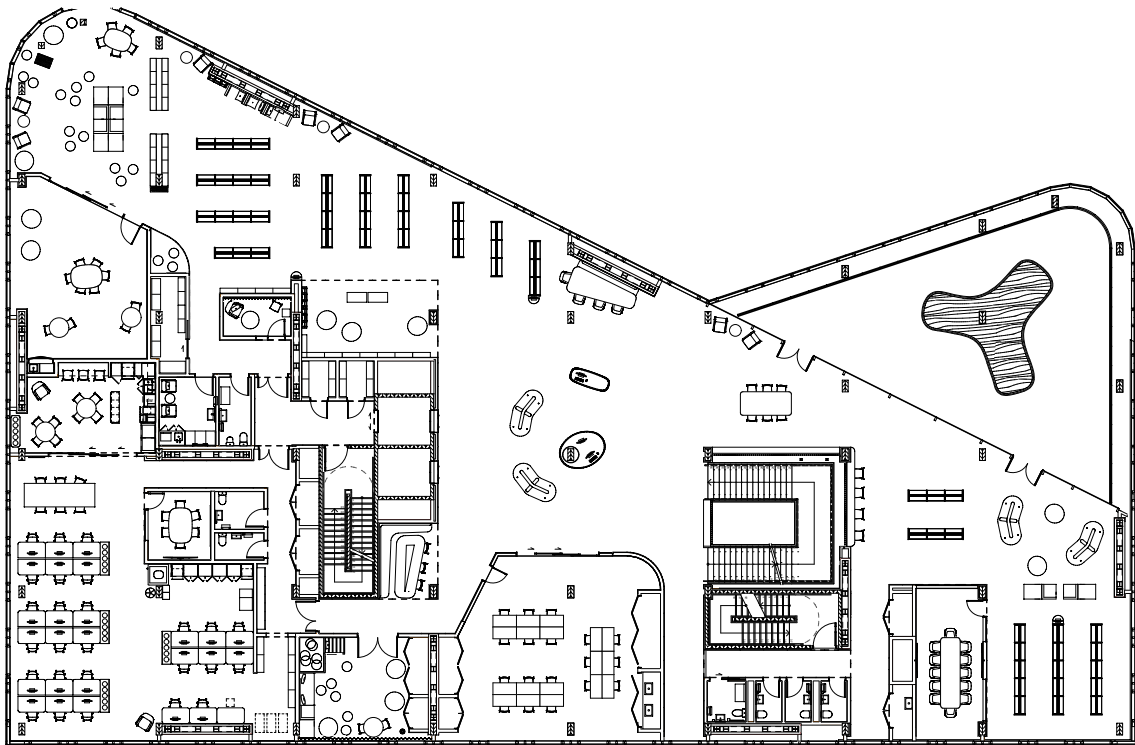
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3. LIBRARY & COMMUNITY HUB

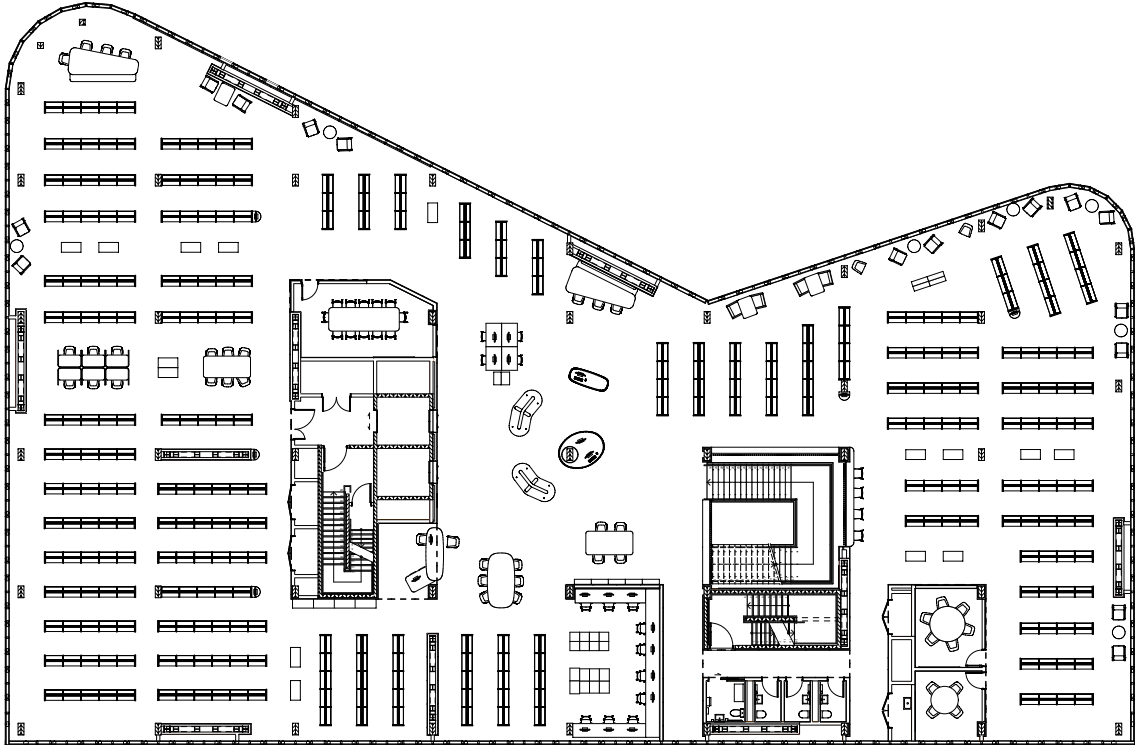
FLOOR PLANS

LOCATION	M ² <i>(inside of exterior walls)</i>
Level 1	1,368
Back of house	323
Public space	1,018
Other	27
Level 2	1,585
Back of house	76
Public space	1,481
Other	28

Level 1



Level 2



WILLIS BOND

3. LIBRARY & COMMUNITY HUB

COST

LIBRARY & COMMUNITY HUB COST COMPARISON

The December 2022 Preliminary Design and Cost Report presented a total cost of \$91.50 million for the Library & Community Hub building. The updated RLB cost estimate dated July 2023 is \$93.25 million. This represents a difference of \$1.75 million or 1.91% to the December 2022 Preliminary Design and Cost figure.

It is important to note that there are items within the costed design that are yet to be resolved, including (but not limited to), the fire encapsulation requirements, façade performance specification, interior finishes detailing and cultural design elements. The design team will continue to work on additional value engineering options during the developed design phase to target further savings.

There is a value engineering target of \$1.51 million attributed to the Library & Community hub building. If achieved, this would bring the total difference to the December 2022 numbers to \$240,000. Although not yet identified as a variation target in this report, it may be possible to achieve the remaining \$240,000 through further investigation and coordination across the design team.

Location	Dec 2022 Estimate	July 2023 Estimate	% change to Dec
Library & Community Hub	\$91.50 m	\$93.25 m	
Difference		\$1.75 m	1.91%
VE targeted reduction		\$1.51 m	
Remaining variance		\$0.24 m	0.26%

The previous RLB cost estimate was completed at the end of preliminary design, with the current estimate at the end of developed design. There have been several design changes / developments over the developed design phase such as façade progression and lighting which were largely unresolved at the preliminary design phase. New fire engineering regulations are also being established for mass timber buildings, leading to a material increase in cost for intumescent coatings and encapsulation.

Design changes since December 2022 report:

- Façade development led to increased curtain wall area by 12% and general design progression
 - Market escalation increases for façade cost, above and beyond standard inflation measures for the period
- GFA increase by 121m² - fitout to void for store space (40m²) and façade pushed out
 - Tension Piles and deep plinths to braced bays omitted
 - Intumescent lacquer and encapsulation generally to meet changes in fire engineering compliance methods
- Plant rooms now outside the thermal envelope
 - Internal wall finishes and internal walls (timber veneer, feature hardwood, aluminium cladding, art wall etc)
 - General lighting specification; significant feature lighting and track lighting
- Increased AHU's, dehumidifiers, air curtains – exposed ductwork/internally lined (HVAC)
 - Flushing water (rainwater) system, storm water pipework sizing and number of sanitaryware fixtures

VALUE ENGINEERING TARGETS

The design team will endeavor to achieve the described value engineering targets items where practicable and will seek to find efficiency in design across all aspects of the project including items that have not been specifically mentioned in the table below. This list has been created as part of the RLB cost estimate / Council reporting process and is yet to be further investigated and worked through by all members of the design team.

Item	\$ Target (000's)
Rainwater tank to concrete	50
Removal of hearing loop system	130
Removal of hoist	200
Reduction in louvres to rooftop plant	125
Target savings to interior wall finishes	200
Target saving for lighting	500
HVAC - reduce control to workroom	60
HVAC – standby AHU could be removed for workroom and archive	35
HVAC – change archive room to no redundancy on the desiccant dehumidifiers	45
HVAC – remove one of the archive chillers and connect to main chiller	25
HVAC – remove air curtain to café doors	25
Ground floor, entry, café, lobbies to carpet tiles from stone look	85
Level 1 terrace reduced paver specification	30
Total (excl GST)	\$1,510

3. LIBRARY & COMMUNITY HUB

COST

ESCALATION AND CONTINGENCY

Contingency of \$8.55 million, or 10% of total cost, is allowed for. This is a conservative allowance to account for future design progression and discoveries. An escalation allowance of \$4.69 million, or 7.5% of construction cost, is provided based on the estimated construction commencement date and durations presented later in this report. The Library & Community Hub building is estimated to complete construction in Q1 2026.

Item	Contingency %	Contingency \$	Escalation %	Escalation \$
Library & Community Hub	10	8.55m	7.5	4.69m

The current estimate includes actual construction cost inflation incurred over the last 7.5 months from November 2022 of 3.6%. However, some key trades are seeing significantly more escalation in their current market rates. These include mass timber supply (CLT and LVL), which is high demand across the industry. Recent Community Hub tender pricing is circa 8% over net cost plan provisions. As previously noted there has also been significant escalation in façade systems.

Mechanical, electrical and hydraulic services are also seeing continued price pressure driven by a strong health sector, education sector and data centre projects in the Upper North Island. Services trade escalation continues to run at over 10% per annum.

The current cost plan therefore has increased cost provisions for these trades over and above general national average escalation. The size and complexity of these civic projects will need to tender to both local and Auckland key subs to ensure capability, capacity and a level of competitiveness in the pricing.

FF&E

There is a \$3.5 million FF&E allowance held for the Library & Community Hub project. This budget has not changed from the December 2022 report. We note that interrogation of the FF&E budget is currently outside the Willis Bond scope of works. Development of the FF&E design is ongoing, with the timing of design development / information drop is out of sync with the current RLB cost estimate and Council reporting. The design team is currently working through the interiors package and including briefing information on the AV / IT strategy that was provided through TCC and its external experts.

The existing budget has been benchmarked against similar projects including university type campus hub buildings. All fixed furniture, fixed seating, signage and waharoa costs sit outside the FF&E budget and are included within the separate construction cost estimates. It is noted the supply of significant artwork or sculptures are excluded from cost estimates.

Image: Artist's impression of the Library & Community Hub



WILLIS BOND

4.
**CIVIC WHARE,
EXHIBITION & MUSEUM**



WILLIS BOND

4. CWEM

DESIGN
UPDATE

WaM has now completed the preliminary design phase and entered developed design for the CWEM building. The mass timber hybrid structure aims to achieve a 6 Green Star rating and is targeting a Gold WELL certification. A key aperture has been designed to draw visitors into the museum volume and provide a visual connection to Masonic Park and down to the Moana.

ARCHITECTURE PROGRESSION

Warren and Mahoney (WaM) has now completed the preliminary design phase of the CWEM building. This process was completed in February 2023, with the team now into developed design. During the recent design phases WaM has advanced the building design through:

- Refinement of the building general arrangement and grid set out.
- Incorporating comments from the Museum director, key stakeholders, subject matter experts, and client groups.
- Internal studies to develop and illustrate spatial sequences with an initial focus on connectivity, circulation, and public spaces.
- Increasing efficiency of functional spaces to optimize project GFA.
- Coordination with key disciplines to refine design details in line with the cost plan.
- Development of key structural details that inform building set-out, and clear heights.
- Development of servicing strategy to enable roof-top plant to be incorporated within building massing and finalising service routes.
- Developing sustainability targets for Greenstar 6.
- Developing cladding design to optimize set-out window opening location zones and fixing requirements.

MUSEUM AND EXHIBITION

Museum and Exhibition functional advice, review, and approval has been provided by TCC's external subject matter expert and the recently appointed museum director. The design team has worked closely with these stakeholders to present, review, and discuss key functional spaces during the preliminary design phase.

Key design moves:

- Flexible ground floor space that utilizes furniture to denote café, retail and reception uses.
- The museum structure to be hybrid steel and timber.
- Open plant previously on the Exhibition rooftop relocated within the museum volume on a mezzanine.
- Natural light introduced to the museum workspace through window openings to the through site link.
- A single large sub-dividable space for community and education-use accessed off ground floor lobby.
- The upper-level community space use to be museum use for permanent exhibitions that are not light-sensitive.
- An enhanced public space journey incorporating space for seating, gathering, and meeting amongst exhibits.
- Enhanced detail to exhibition spaces enabling total blackout and large surfaces for displaying.
- Introduction of a single entry portal to the exhibition level.

Key metrics

Location	Gross Floor Area (m2)
Level 0	1,304
Level 1	2,665
Level 1 plant	497
Level 2	1,382
Level 2 plant	359
Total	6,207

Exhibition and museum building

indicative render



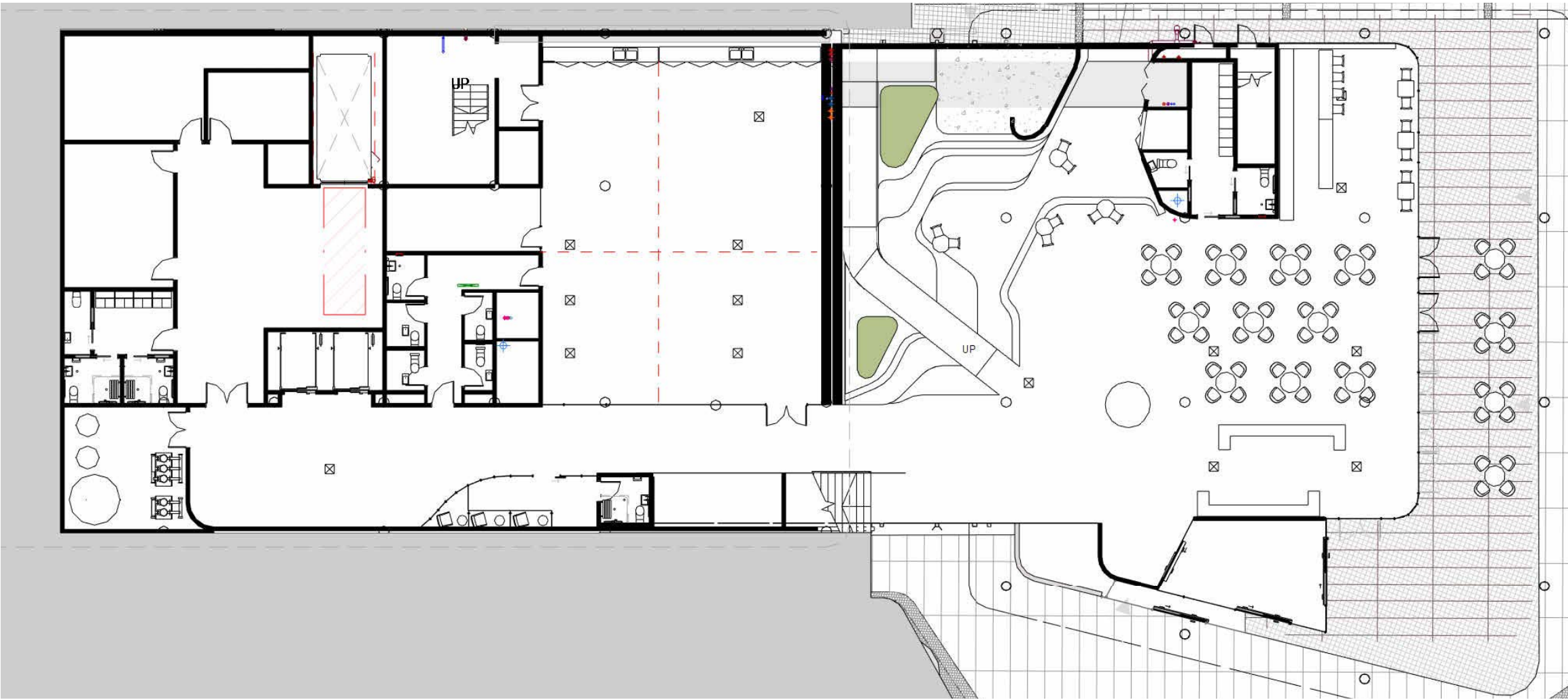
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4. CWEM

FLOOR PLANS

LOCATION	m ²
Ground Floor	1,092
Back of house / services	279
Front of house / circulation	418
Museum	395

Ground Floor



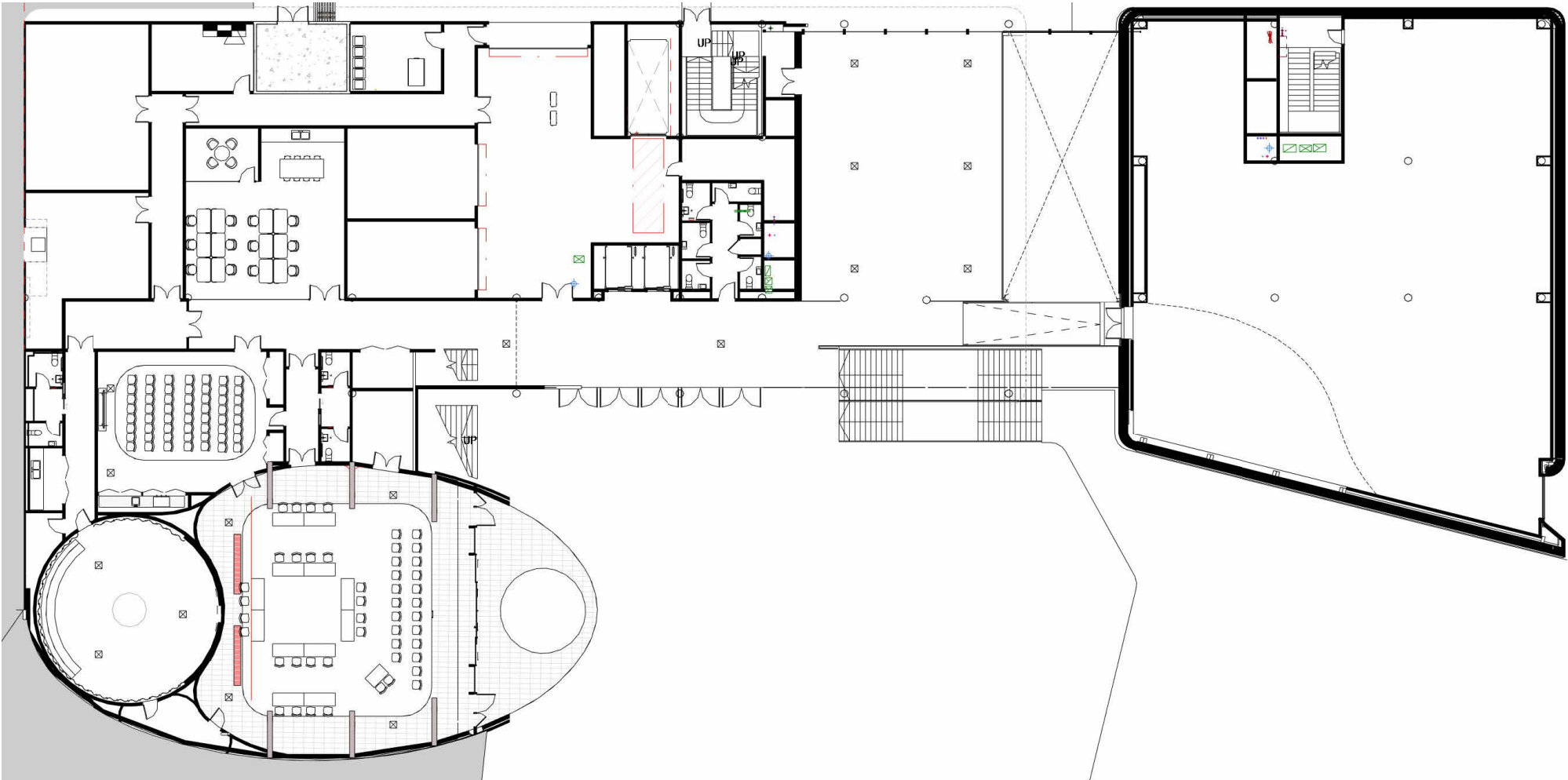
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4. CWEM

FLOOR PLANS

LOCATION	m²
Level 1 + mezzanine plant	2,645
Back of house / services	899
Front of house / circulation	427
Museum	893
Civic Whare	426

Level 1



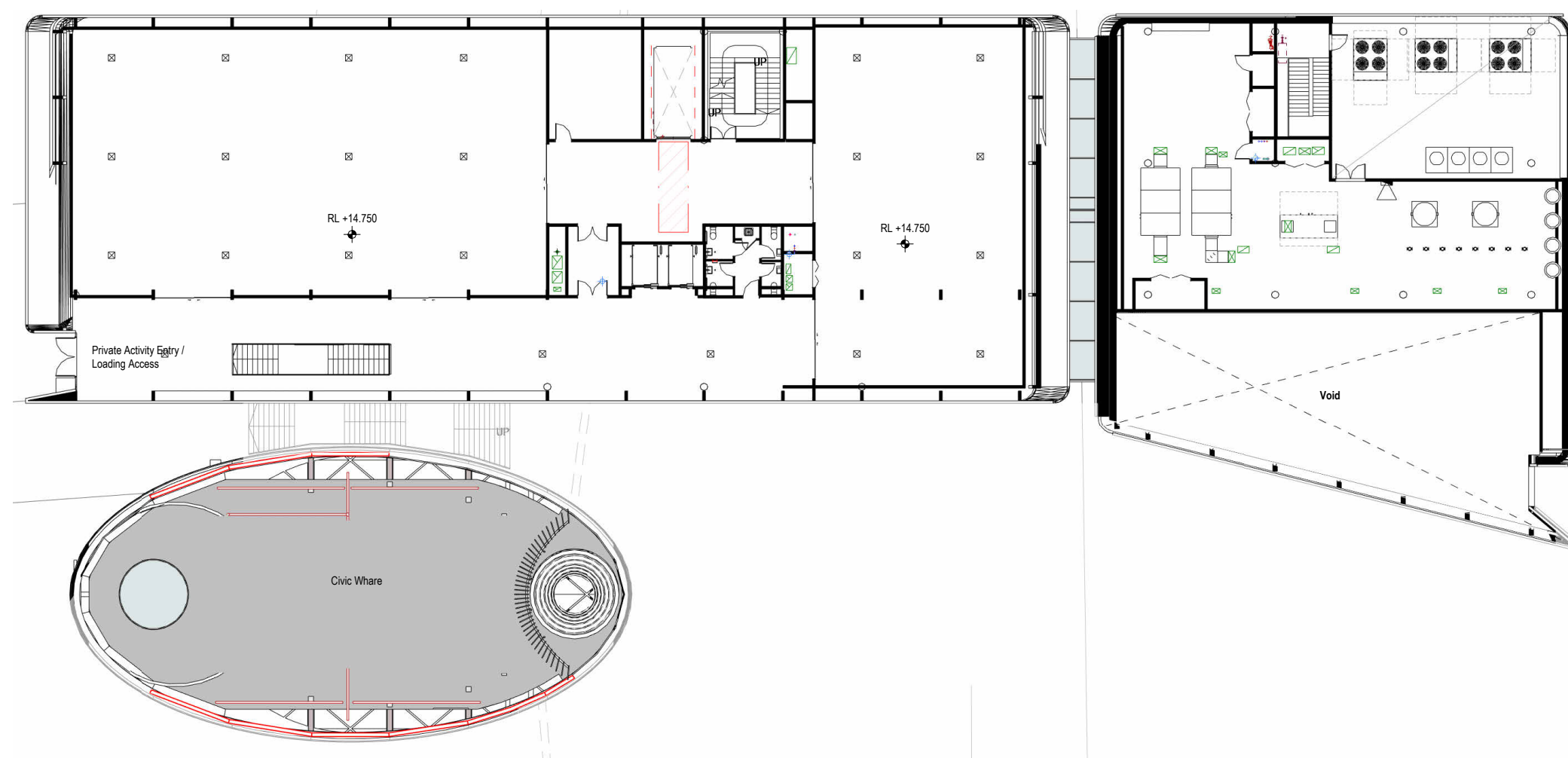
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4. CWEM

FLOOR PLANS

LOCATION	m²
Level 2 + plant	1,628
Back of house / services	462
Front of house / circulation	338
Exhibition	828

Level 2



WILLIS BOND

4. CWEM

CIVIC WHARE

DESIGN UPDATE

Inspired by mana whenua, the Civic Whare showcases a modern architectural form that incorporates and respects elements of a traditional wharenui (meeting house). This design approach blends modern elements with a contemporary aesthetic, resulting in a distinctive structure that pays homage to the rich cultural heritage of the region.

CIVIC WHARE

The purpose of the Civic Whare is to create a versatile venue that caters to Council meetings, formal ceremonies, and informal gatherings. By providing shared facilities with the Exhibition, Events, and Museum space, it ensures that the space meets the requirements of hosting council meetings while fostering active participation of all residents in local government decision-making and civic life. The Civic Whare aims to be a welcoming and inclusive environment, encouraging engagement and participation from Tauranga residents of all cultures and backgrounds.

DESIGN PROGRESSION

Through the design process WaM investigated three potential design moves being he tāhuhu, he hue and he waka. Through mana whenua engagement and commissioner feedback a hybrid approach was created that represents a contemporary and natural form within the precinct.

A key design feature of the Civic Whare is the oculus or skylight that provides natural light and the curved form of the structure that opens to the ātea and provides a direct line of sight down to the moana.

The recent design phases have refined the building flow and access, including the introduction of a separate BOH route for councillors to access the Atea a Ronga through an access-doorway on Hamilton street.

Key focus areas for SPA were:

- Layout refined to have clear separation between public and councillors.
- Private kitchenette and toilets introduced for councillors.
- Layout of Ātea a Tu refined to accommodate flexible meeting types and event styles.

View looking up to the Civic Whare

indicative render

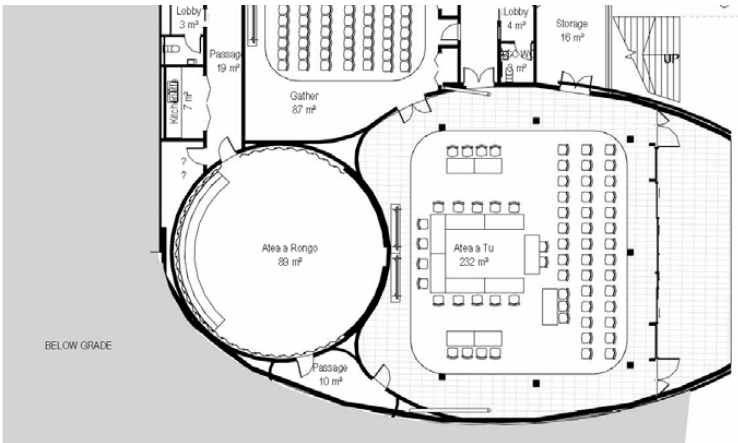


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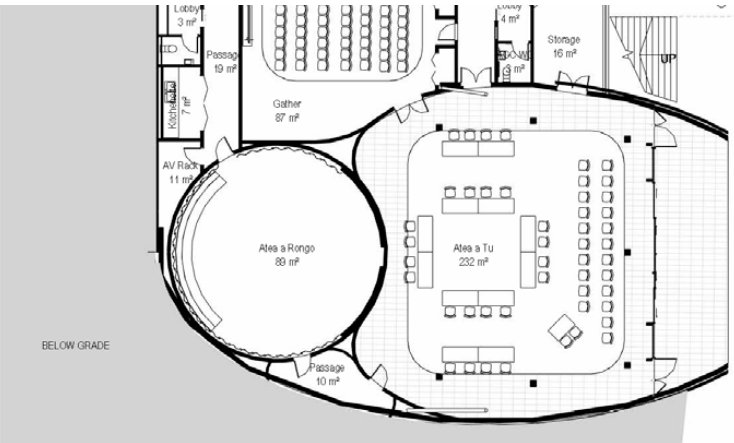
4. CWEM

CIVIC WHARE FORMATS

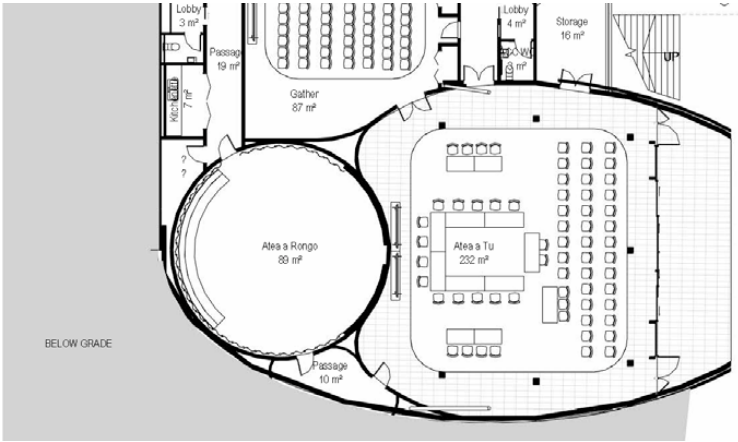
Council Chambers Format | 67 Pax (+56 Pax in Gather space)



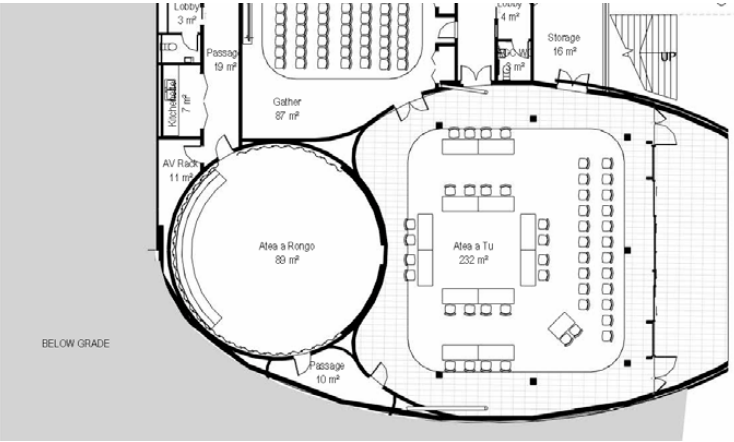
Hearings Format | 48 Pax (+56 Pax in Gather space)



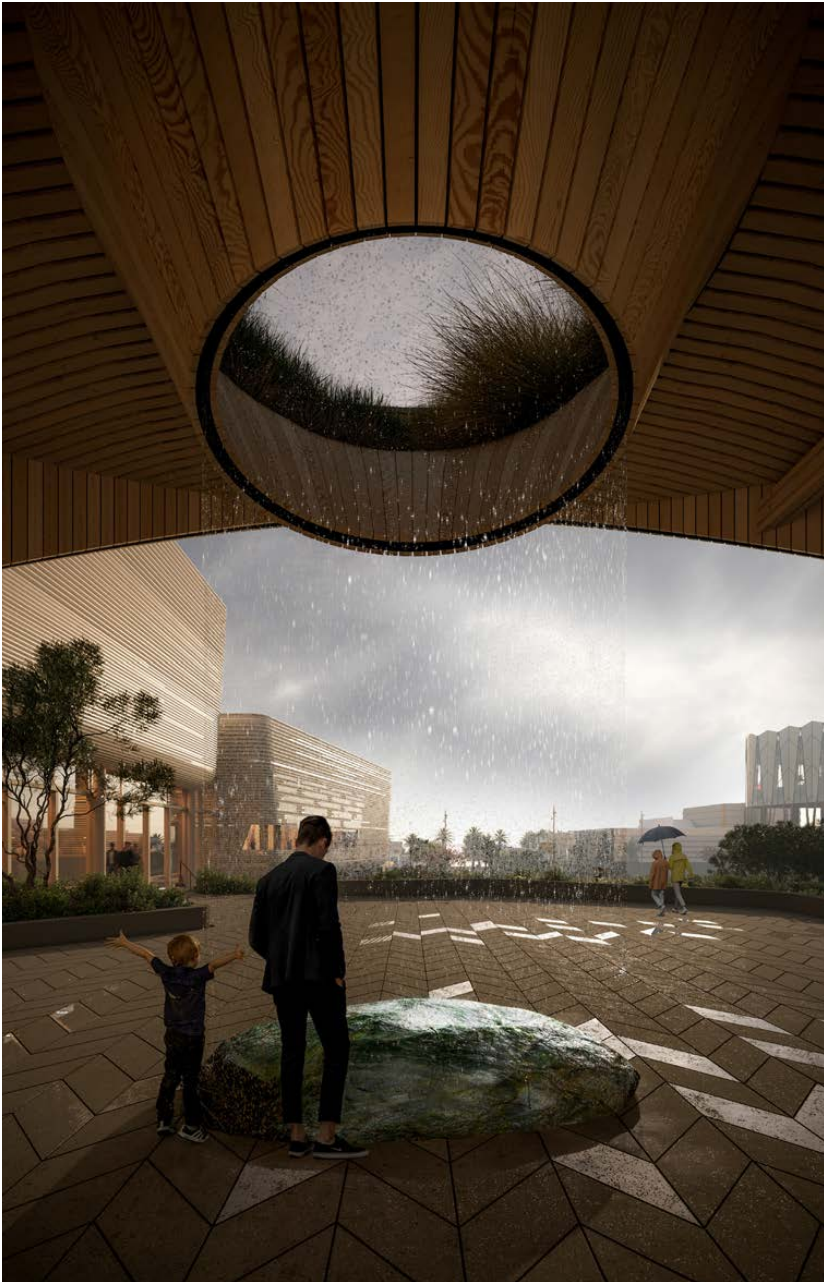
Presentation Format | 108 Pax (+56 Pax in Gather space)



Gathering Format | 62 Pax



View looking out from the Civic Whare | indicative render



PROGRAMME UPDATE

[illegible]

Following the issuance of the December 2022 Preliminary Design and Cost report, there has been updates to the CWEM programme. The updated programme presents a completion date of Q2 2028. As further detailed later in this report, LT McGuinness has worked with TCC, Willis Bond and industry experts to further develop the staging plan and packages across the entire precinct.

The option for an accelerated programme provided significant risk to local market capacity and the ability to move across the precinct in a logical manner. The construction programme presented above shows an elongated period which allows for progression of certain construction elements to move across from the Library and Community Hub efficiently. Several early works will be completed in parallel with the Library and Community Hub such as retaining walls down Hamilton Street and piling and concrete slabs of the museum structure.

- Hamilton Street retaining including services diversions
- Bulk earthworks to follow temporary retaining, noting likely seasonal constraint around carrying out bulk earthworks in winter
- Extent of retaining work required – temporary and permanent
- Stepping foundations and ground floor
- Tanking and interface with ground water
- Hybrid superstructure
- Building geometry

The enabling scope of works will commence in advance of the main CWEM construction phase. This will follow on from sub-structure works from the Community Hub and include:

- Site establishment – site wide hoardings and site office compound
- Completion of all demolition
- Service isolations and diversions where applicable
- Museum – ground improvement (RAP's), piles, and foundations targeted

4. CWEM COST

CWEM COST COMPARISON

The December 2022 Preliminary Design and Cost Report presented a CWEM total cost of \$126.05 million. At that date the CWEM building was part way through preliminary design. This figure included a further value engineering target of \$1.75 million to be achieve by the design team. On completion of preliminary design in March 2023, \$1.35 million of this target was achieved with \$0.4 million outstanding to be found during developed design.

Efficiencies have been achieved through additional steel in the hybrid building structure, timber framed external walls and a change to the plant room location from the rooftop to within the Museum space.

CWEM is currently partway through developed design. The updated RLB cost estimate dated July 2023 is \$129.55 million. This represents a difference of \$3.50 million to the December 2022 Preliminary Design and Cost figure. There is a value engineering target of \$0.8 million that has been identified, along with a further list of items to investigate as the project progresses through the developed design stage. The design team will continue to work on additional value engineering options during the developed design phase to target reducing this difference further.

Location	Dec 2022 Estimate*	July 2023 Estimate	% change to Dec
Exhibition and Museum	\$110.55 m	\$114.00 m	
Civic Whare	\$15.50 m	\$15.55 m	
Total	\$126.05 m	\$129.55m	
Difference		\$3.50 m	2.77%
VE Targeted reduction		\$0.80 m	
Remaining variance		\$2.70 m	2.14%

* Includes Value engineering savings target of \$1.75m

The previous RLB cost estimate was completed partway through preliminary design, the current estimate is now partway through developed design phase. There have been several design changes / developments over the developed design phase such as façade progression, window development, internal layout changes and programme updates.

Design changes since December 2022 report:

- Internal layout changes
 - Flexible retail / café within open front of house
 - Re arrangement of back of house to maximise staff facilities and workspaces
 - Increased flexibility of the community / education hub
 - Vertical interior walls inside external tapered walls for 'black box' space
 - Façade and window design development
- Enhanced detail to exhibition spaces enabling total blackout and large surfaces for displaying
 - 2 additional WC"s added to front of house core
 - Access for services space to front lobby for catering function requirements
 - Reduction in basement size
 - Escalation on programme update

VALUE ENGINEERING TARGETS

The design team will endeavor to achieve the described value engineering items specifically tabled below. Several TBC items have been listed (but not yet investigated or costed). The CWEM building has only recently entered developed design, meaning there are unresolved items to be worked through and further potential mopportunities to be found. Where practicable, the design team will seek to find efficiency in design across all aspects of the project throughout developed design.

Item	\$ Target (000's)
Canopy risk to Hamilton Street (unlikely Resource Consent requirement)	130
Ceiling finishes target reduction	60
Exhibition space changed from timber to carpet tile flooring	480
Community space on ground floor covering from rubber to carpet tiles	50
Civic Whare flat skylight without articulation above roof	80
Façade simplification – reduction to wide cantilevers and reduced curves	TBC
Alternative to timber structural support to full height frameless glass system	TBC
Reduced finish to back of house / utilities areas	TBC
Reduced extent of mass timber	TBC
Total Costed VE	\$800

4. CWEM COST

ESCALATION AND CONTINGENCY

A contingency of \$12.01 million, or 10% of total cost, is allowed for. This is a conservative allowance to account for future design progression and discoveries. An escalation allowance of \$12.51 million, or 16.24% of total construction cost, is provided based on the estimated programme previously described. It is estimated that the CWEM building will complete construction in Q2 2028.

Item	Contingency %	Contingency \$	Escalation %	Escalation \$
Exhibition and Museum	10	\$10.54m	16.3%	\$11.10m
Civic Whare	10	\$1.47m	14.8%	\$1.40m
Total		\$12.01m		\$12.51m

The current estimate includes actual construction cost inflation incurred over the last 7.5 months from November 2022 of 3.6%. However, some key trades are seeing significantly more escalation in their current market rates. These include mass timber supply (CLT and LVL), which is high demand across the industry, and recent Community Hub tender pricing is circa 8% over net cost plan provisions.

Mechanical, Electrical and Hydraulic Services are also seeing continued price pressure driven by a strong Health sector, Education sector and Data Centre projects in the Upper North Island. Services trade escalation continues to run at over 10% per annum.

The current cost plan therefore has increased cost provisions for these trades over and above general national average escalation. The size and complexity of these civic projects will need to tender to both local and Auckland key subs for these trades to ensure capability, capacity and a level of competitiveness in the pricing.

Forward escalation has been recalculated based on RLB Forecast 104 and the current programme and staging plan out to Q3 2028. Whilst the escalation incurred to date and the forward percentages combined are not significantly higher than the Nov 2022 provisions, the impact of the later staging of CWEM (Feb 2027 completion had been previously targeted), combined with a larger proportion of Site A Plaza and Willow Street delivered in 2028, means a greater allowance for forward escalation on these stages is required on top of the present-day cost allowances.

FF&E

There is a \$5.8 million FF&E allowance held for the exhibition and museum and \$0.75 million allowance held for the Civic Whare (totaling \$6.55 million). This budget has not changed from the December 2022 report. Development of the FF&E design is ongoing. We note that interrogation the FF&E budget is currently outside of the Willis Bond scope of works. The design team is currently working through the interiors package and including briefing information on the AV / IT strategy to be provided by TCC and its external experts.

The FF&E budget has been benchmarked against similar projects including exhibition, conference and university type campus “hub” buildings. All fixed furniture, fixed seating, signage, and site wide waharoa costs are included within the separate construction cost estimates. It is noted the supply of significant artwork, sculptures, or exhibition specific fit out requirements are excluded from cost estimates.

View of the Civic Whare, Exhibition and Museum buildings *indicative render*



WILLIS BOND



WILLIS BOND

5. SITE A LANDSCAPING

DESIGN
UPDATE

The Site A Landscape, led by Studio Pacific Architecture (SPA), has built upon the language and conceptual approach of the refreshed masterplan. Taking cues from the flow of wai (water) from puna (spring) to moana (sea), this movement shapes spaces to dwell and move through. The design re-establishes the green corridor from ngahere (forest) to moana (sea) that once existed, nurturing ecosystems and connecting the people of Tauranga with nature.

SPA has progressed Site A Landscaping from the preliminary design completed in 2022 through to c. 50% developed design at the date of this report. This recent design phase has upheld the conceptual approach of the refreshed masterplan and cultural narrative established through coordination with the cultural advisory group and Te Kahui Toi presentations.

Progression of the Site A Landscaping scope is somewhat reliant on the surrounding buildings. The scope of works is now largely following the CWEM design phase programme. This ensures that all levels and tie ins to the buildings are coordinated, creating a seamless precinct.

KEY CHANGES SINCE THE DECEMBER 2022 DESIGN UPDATE ARE:

- Revised Sculpture Garden design to create more usable space and provide better integration with Exhibition and Baycourt buildings
- Revised design of shade structure over the stage to be more sculptural and provide better lines of sight to the Community Hub and Civic Whare entries
- Rationalisation of terraces to create a better balance of green/paving and more areas for respite
- Inclusion of play-trail through Lower-terrace and Mid-terrace

- Amphitheatre rationalisation helping to frame the lower terrace, provide a focal point to the stage/canopy, and maximise usable space
- Refined geometries of stairs to create a sense of arrival to the Ātea and more occupiable edges throughout
- Confirmed paving strategy as 70/30 split between decorative concrete and stone pavers
- Further developed planting palette to include balance of native and exotic species
- Revised tree strategy to reinforce key sight lines and provide shade within the terraces
- Development of integrated linear seating/ wall elements to express the narrative across the wider site
- Co-ordinated lighting design to emphasise key spaces and provide safe thoroughfare
- Extension of dedicated café seating area for the Community Hub

SITE LEVELS

Creating a civic space that is inviting and accessible to all users has been a key driver for the project. To achieve this, a series of ramps at both 1:12 grade (with handrails) and 1:20 grade have been designed to allow people to get from Willow St to the Civic Whare level.

An external lift then allows access from the Civic Whare to Baycourt and Durham St where a final

ramp provides access to the upper floor of the Exhibition building and Sculpture Garden.

AMPHITHEATRE

The amphitheatre is the primary civic space within Site A and has a strong relationship with Willow Street and the east-west connection through Masonic Park to the waterfront. The terraced steps and gently sloped lawn frame the central stage area allowing for larger events to take place and provides multiple areas to meet with friends or relax during the day.

SCULPTURE GARDEN

The sculpture garden provides a more contemplative and passive setting. It takes cues from the conceptual theme of ngahere (forest) - creating an outdoor room that is framed by trees. This space is seen as a key educational opportunity

for school groups etc. highlighting plants used for rongoā (medicinal plants), raranga (weaving), kai (food), and their inherent links with maramataka (lunar calendar).

PLANTING

The planting palette will be developed further in the upcoming stages to reflect the transect that once existed within the wider site, from coastal edge to inland coastal forest. The mix will be primarily native and be supplemented with exotic species to provide colour and textural change through the seasons.

THROUGH-SITE LINK

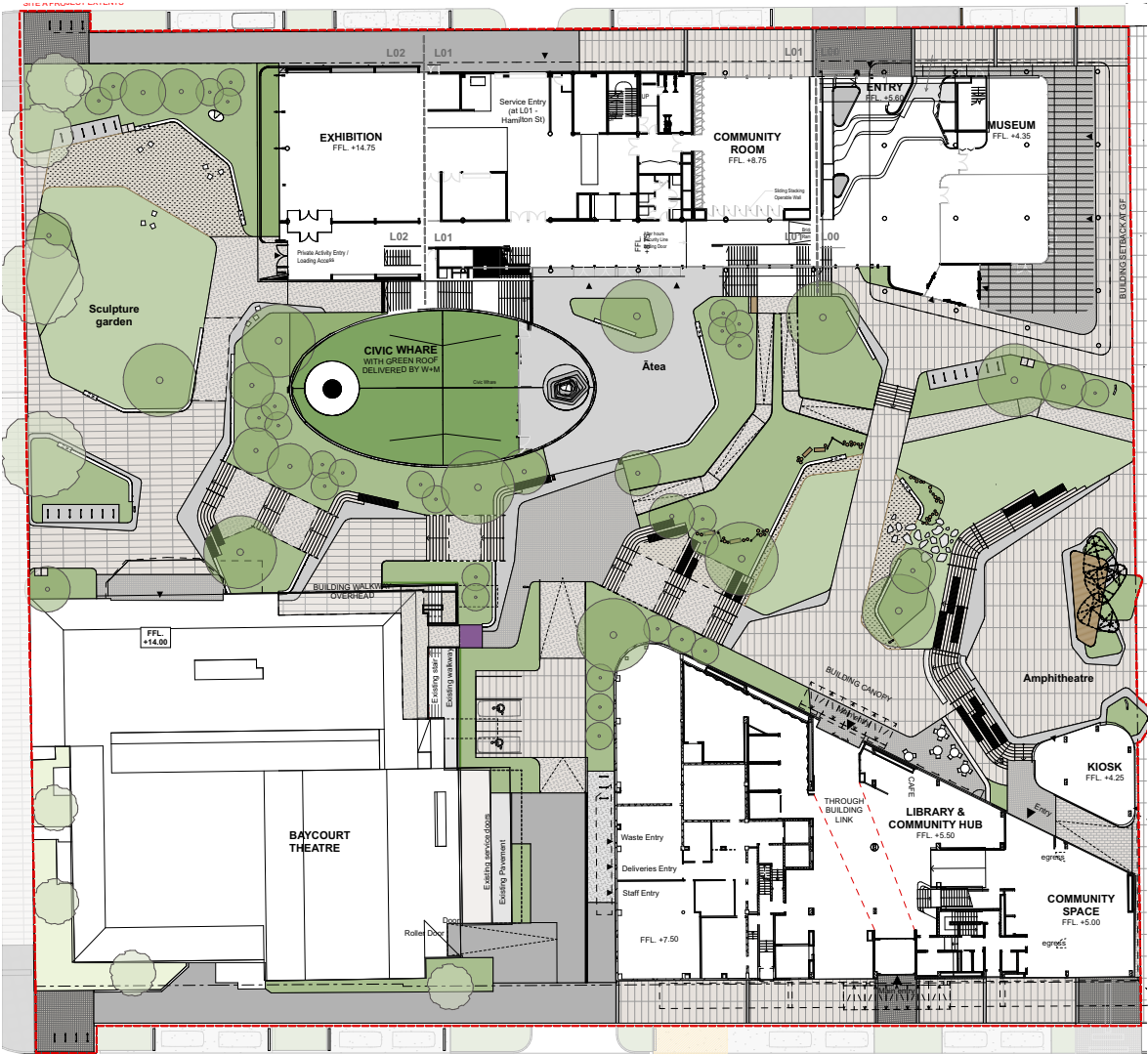
A secondary through-site-link remains at the mid-level terrace between the CWEM and Community Hub buildings. This link provides north-south connectivity between Hamilton and Wharf Streets, continuing through to Waihirere Lane.

Views of the middle terrace (left) and amphitheatre (right) *indicative renders*



5. SITE A LANDSCAPING

PLANS



Softscape		Hardscape	
	Garden bed - GB		P01 - 300x150 stone pavers
	Garden bed on podium - GBP		P02 - 150x150 flamed stone setts
	Rain garden		P03 - 100x100 cropped face stone setts
	Lawn		P04 - 450x200 @ 45° cut stone pavers
	Green roof		P05 - 2.4m x 0.7m grid in-situ concrete
	Existing tree - to be protected		P06 - In-situ concrete sandblast finish
	Proposed tree		P07 - Asphalt
	Existing tree - to be removed		P08 - Hoggin
			Paving on podium

Views of the landscaping leading towards the Civic Whare

indicative render



5. SITE A LANDSCAPING COST

SITE A LANDSCAPING COST COMPARISON

The December 2022 Preliminary Design and Cost Report presented a total cost of \$17.25 million for the Site A Landscaping / Civic Plaza. The updated RLB cost estimate dated July 2023 is \$17.60 million. This represents an increase of \$0.35 million or 2.02% to the December 2022 Preliminary Design and Cost figure.

There is a value engineering target of \$0.3 million attributed to the Site A Landscaping. If achieved, this would bring the total difference to the December 2022 numbers down to \$50,000. Although not yet identified as a variation target in this report, it is likely possible to achieve this through further investigation and coordination across the design team.

Location	December 2022 Estimate	July 2023 Estimate	% change to Dec
Site A Landscaping	\$17.25 m	\$17.60 m	
Difference		\$0.35 m	2.02%
VE Targeted reduction		\$0.30 m	
Remaining variance		\$0.05 m	0.29%

The previous RLB cost estimate was completed at the end of the preliminary design phase, the current estimate is at c. 50% of the developed design phase. There have been several design changes / developments over the developed design phase such as the introduction of external lighting design and drainage development across the site.

Design changes since December 2022 report:

- External lighting consultant engaged, and design progressed.
- Development in the drainage strategy across the site through changes in building levels and general design progression.
- Increased thickness in base layer concrete to trafficable surfaces
- Inclusion of two pouwhenua (gateway) at the entrance to the ātea space in addition to the pouwhenua/ waharoa situated along Willow Street.

VALUE ENGINEERING TARGETS

The design team will endeavor to achieve the described VE items where practicable and will seek to find efficiency in design across all aspects of the project including items that have not been specifically mentioned in the table below. This list has been created as part of the RLB cost estimate / Council reporting process and is yet to be further investigated and worked through by all members of the design team.

Item	\$ Target (000's)
External lighting savings target	200
Target reduction of concrete thickness	100
Total	\$300

VALUE ENGINEERING TARGETS

A contingency figure of \$3.01 million, or 21% of total cost, is allowed for. This is a conservative allowance to account for future design progression and discoveries. While there is largely a 10% project contingency across the building projects, the civils and landscaping projects are c. 20% – 22%. Typically, these projects are exposed to higher ground risks and the risk of remeasures for ground conditions, obstructions, staged traffic management plans and newly discovered in-ground services. An escalation allowance of \$1.63 million, or 15.3% of construction cost, is provided based on the estimated construction commencement date and durations presented in this report. The Site A Landscaping is being delivered within different packages, it is estimated that initial portions of the landscaping will be complete in 2026 with later portions complete in 2028.

Item	Contingency %	Contingency \$	Escalation %	Escalation \$
Site A Landscaping	21	3.01	10% - 16%	1.63m

Forward escalation has been recalculated based on RLB Forecast 104 and the current programme and staging plan out to Q3 2028. Whilst the escalation incurred to date and the forward percentages combined are not significantly higher than the Nov 2022 provisions, the impact of the later staging of CWEM (Feb 2027 completion had been previously targeted), combined with a larger proportion of Site A Plaza and Willow Street delivered in 2028, means a greater allowance for forward escalation is required.



6.
**MASONIC PARK &
WILLOW STREET**

WILLIS BOND

6. MASONIC PARK & WILLOW ST

DESIGN

PROGRESSION

Masonic Park has progressed through developed design and detailed design by LandLAB. The coordinated detailed design set is currently being prepared for tender in preparation of construction starting late 2023.

LandLAB has completed detailed design for Masonic Park. The coordinated design is currently being packaged for tender with construction to start late 2023. The recent design phase has seen a refinement to existing elements across the site including a more in-depth lighting design and further engagement with the cultural advisory group and Te Kahui Toi.

CANOPY

The canopy is referred to as an ‘arbor’, being constructed of steel posts with a timber roof structure featuring a wire system for plants to climb and grow throughout. The arbor has been reduced in size by approximately 50% and separated into three islands, which provide for occupation zones featuring gardens and furniture beneath. The rationalisation of design has meant the arbor meets value engineering targets set in December 2022 and allows unrestricted access to the Art Gallery delivery space. Each arbor is constructed from steel and painted. They feature a slatted timber ceiling to provide shade, and above this are wires creating a climbing structure for vines. The arbors are stepped to follow the natural ground plane and allow for a continued through site link connecting the wider Te Manawataki o Te Papa precinct to the moana.

WATER FEATURE ‘SPRINGS’

Masonic Park will feature several small springs that are awill also be articulated across the road on the waterfront. They may interact with the surrounding environment in ways such as filling

up / emptying of water depending on the current rainfall or tidal pattern.

The water features will be present in three locations, each with three water nozzles and feature lighting.

The water feature zones are machined stone pieces which fit within the surrounding paving to create a contoured surface which retains and reticulates the water. The pump room was moved above ground and located within the garden of mound 01, to reduce ongoing maintenance costs for TCC.

ARCHAEOLOGICAL SITE

Ken Phillips, an independent archaeologist, is currently working with LandLAB and Heritage New Zealand (HNZ) on the final design of the bakery site. An update of the design which brings more focus and significance to the site will be presented to HNZ for consideration.

LIGHTING

The lighting design comprises of three main poles, each featuring typically one large and two smaller spotlights that allow light to be focused on key spaces and ensure a safe environment at any time of day. Downlights are integrated into the canopy, and linear strip lighting in the furniture surrounding the gardens and lawns. The Bronco’s wall which has a large, commissioned mural, is illuminated by projector lights mounted to the light pole in the adjacent mound.

UPDATED DESIGN ELEMENTS

- Canopy – size and scale reduced, material changed to painted steel
- Water feature - springs design integrated into paving treatment
- Archaeological site – landmark showing the edge orientation and paving details to highlight its size / location

Masonic Park renders

indicative renders



6. MASONIC PARK & WILLOW ST

WILLOW STREET

Detailed design of Willow Street is now complete. The shared street will prioritise pedestrian use, while allowing for authorised vehicles and increased traffic movement when required.

STREET DESIGN

- LandLAB has completed the detailed design phase for Willow Street. The coordinated design saw refinements during the recent phase to allow for an efficient pedestrian street that meets the traffic engineer requirements. Bollards were removed from previous design, as other measures could be used for the occasions when the street is used for events.
- Raingarden pedestrian bridges also removed from most recent revision and the paving layout has been moved to an 80/20 split between concrete and stone. The efficiencies across Willow Street have resulted in cost savings compared to December 2022. The centre of Willow Street adjacent to Masonic Park was maintained at 5m width, however, the balance was widened to 5.8m as per the traffic engineer's request.
- DESIGN ELEMENTS:**
- Updates to furniture from the Tauranga Design Guidelines document.

Tweaks to the geometry of the gardens to make Willow Street feel more like part of the park

Paving design layout changed to 80/20 split between concrete and stone

Carriageway 5.8m with a 5m crossing zone in the middle

Large furniture platforms design updated

Pedestrian access bridges removed from raingardens

TRAFFIC MANAGEMENT STRATEGY

TCC is working through a city-wide traffic management strategy that currently assumes Willow Street will provide for authorised vehicles only in its typical mode. Pick up and drop off locations including bus stops around the precinct are yet to be defined.

Indictive perspective of Willow Street

indicative render



6. MASONIC PARK & WILLOW ST

COST UPDATE

MASONIC PARK AND WILLOW STREET COST COMPARISON

The December 2022 Preliminary Design and Cost Report presented a total cost of \$17.30 million for Masonic Park and Willow Street. The updated RLB cost estimate dated July 2023 is \$17.03 million. This represents a saving of \$0.28 million or 1.59% to the December 2022 preliminary design and cost figure.

While there is no specific value engineering allocated to these projects due to the saving, the design team will continue to seek efficiencies within the design.

ESCALATION AND CONTINGENCY

A contingency figure of \$3.04 million, or 17% of total cost, is allowed. As detailed in the Site A Landscaping commentary, a larger allowance has been made for landscaping projects that building projects. An escalation allowance of \$1.05 million, or 9.47% of construction cost, is provided based on the estimated construction commencement date and durations presented in this report. Masonic Park is estimated to complete construction in 2024. Willow Street is being delivered within different packages, it is estimated to that the initial portion of the Street will be complete in 2026, with the balance being used during the construction of CWEM for site access and completion in 2028.

Item	Contingency %	Contingency \$	Escalation %	Escalation \$
Masonic Park	20%	\$1.61m	6.5%	\$0.26m
Willow Street	21%	\$1.43m	10% - 16%	\$0.79m
Total		\$3.04m		\$1.05m

Masonic Park

indicative renders



7. BAYCOURT

Warren and Mahoney is undertaking early design investigations into a Baycourt refurbishment. The design is being considered alongside Site B, comprising a potential performance venue, convention centre and hotel.

SCOPE OF WORKS

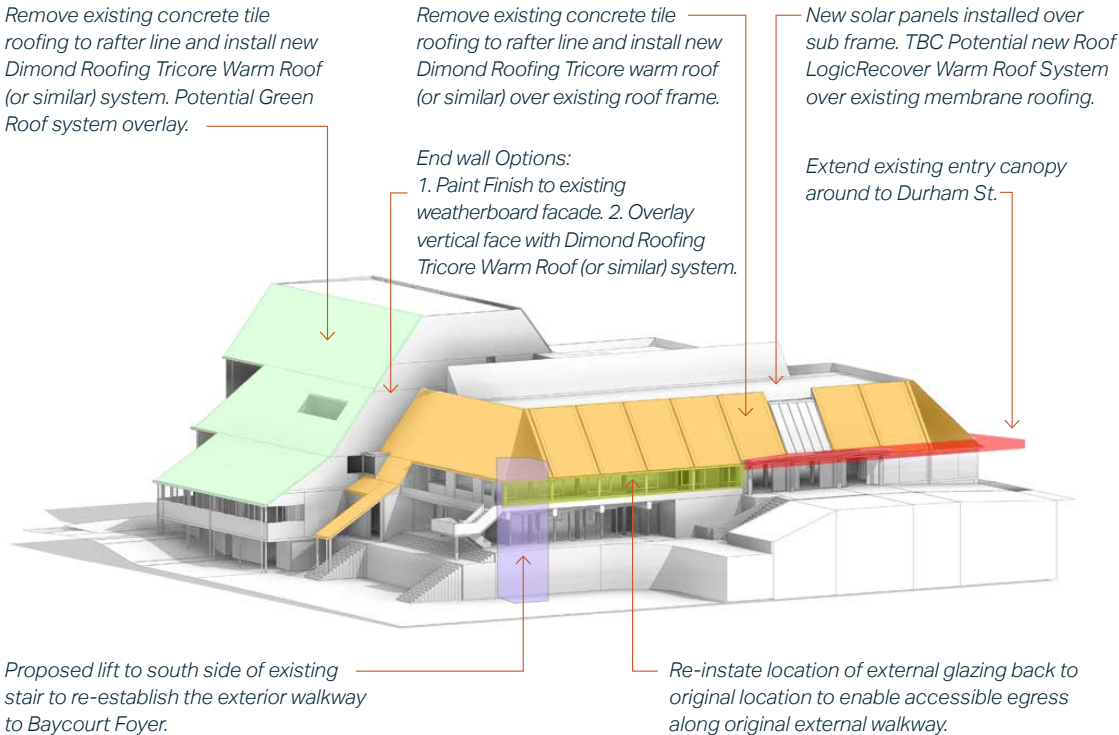
The below diagrams consider potential refurbishment works, however, the scope of works are yet to be confirmed and will be considered alongside Site B design progression. Potential works include:

- A new exterior lift and walkway to provide accessibility up the site. This may involve reinstatement of an external walkway.
- Exterior façade upgrades that are complementary to the future precinct development.

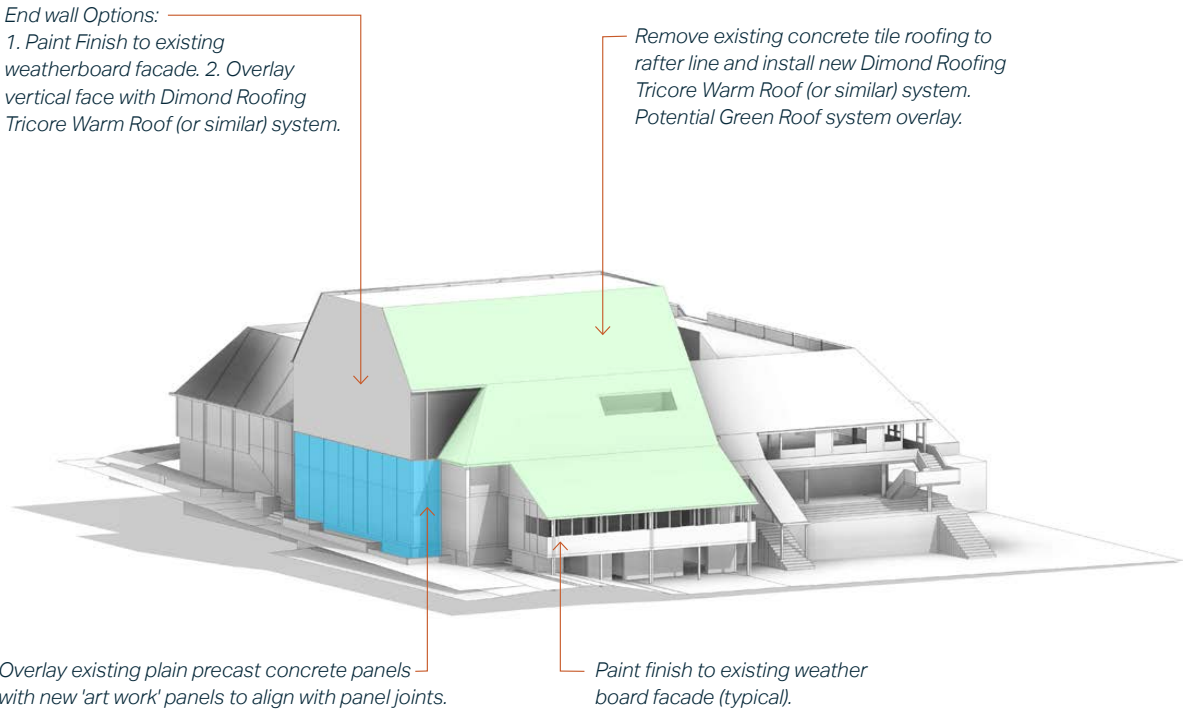
- Potential upgrade to interior lobbies, toilets and acoustic treatments.
- Canopy extension.
- Potential for roofing upgrades and added insulation.

Initial investigations support no structural seismic building upgrades being required. The total budget for Baycourt upgrade works is currently \$11 million.

North elevation - proposed



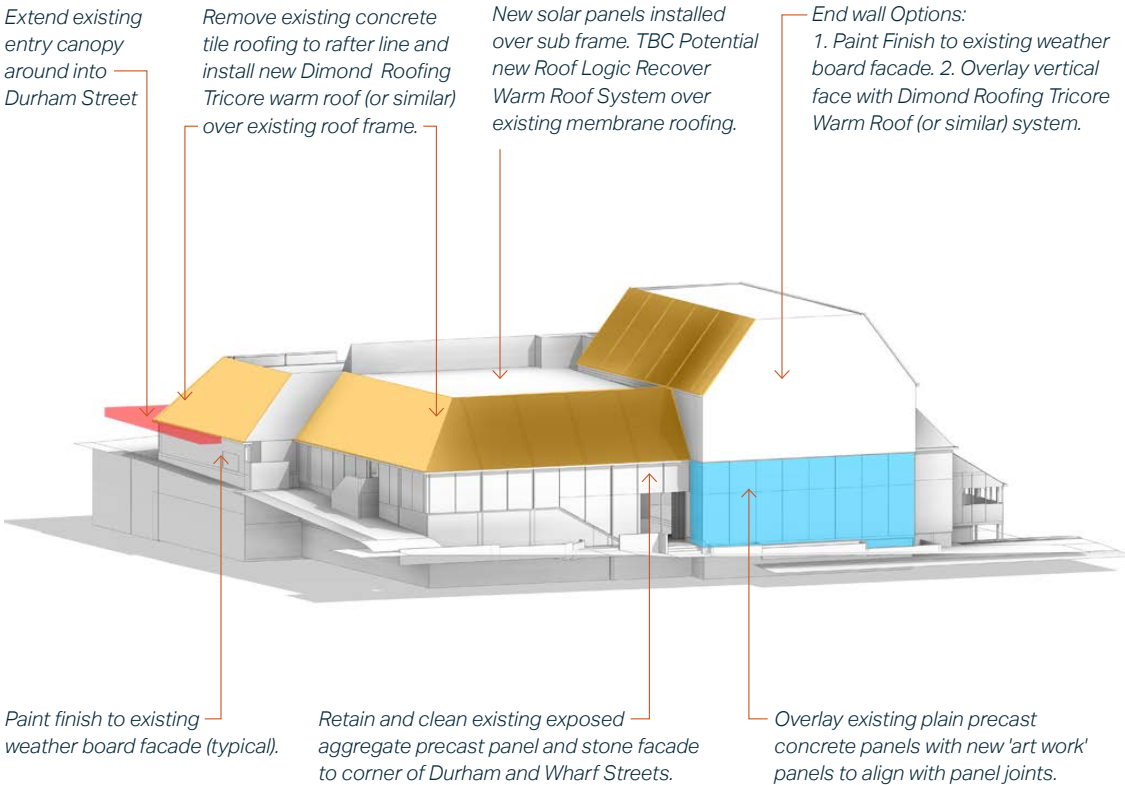
East elevation - proposed



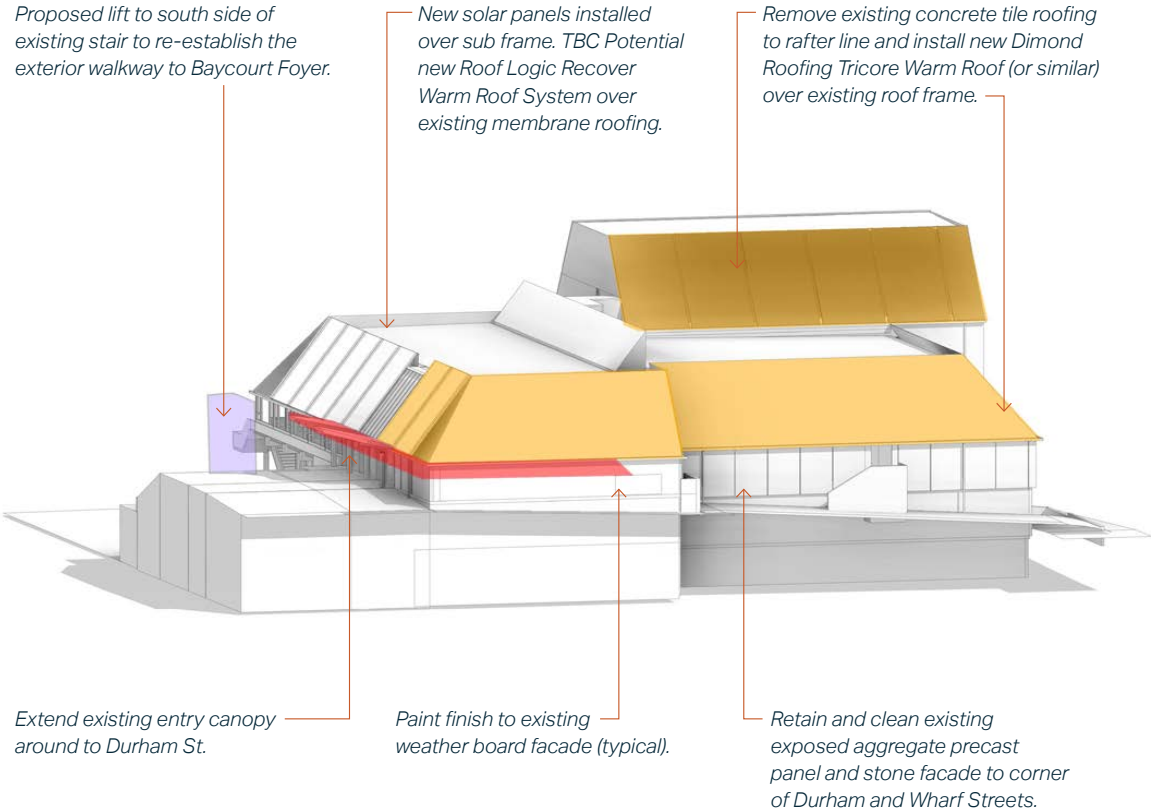
7. BAYCOURT

PROPOSED UPGRADES

South elevation - proposed



West elevation - proposed



8.

ART GALLERY

PROJECT UPDATE

In order to investigate how the Art Gallery can better engage with Masonic Park and the wider precinct Warren and Mahoney undertook a feasibility design for the Tauranga Art Gallery Trust (TAGT).

The study proposed a baseline scheme that responded to the key needs outlined below:

- Relocating the entrance to the Masonic Park side of the building
- Investigating where a café retail and education space could be located
- Investigating the best approach for placing a second stair for access to / from the upper level

In March 2023 Warren and Mahoney was engaged to develop the baseline scheme (from feasibility) into a concept design.

The concept design scope was to cater primarily to the feasibility baseline scheme brief. Items that are out-of-scope have been investigated as high-level feasibility studies. These areas include the following:

- Re-arrangement of the BOH workspace
- Expanded education space

The building has had a series of structural interventions over its lifetime. Warren and Mahoney have proceeded on the basis of not significantly altering the main structure to avoid triggering a seismic upgrade of the building.

CONCEPT

- Improving the function of the Gallery through the orientation and placement of entries and functions that relate to the building's façade.
- Integrating the Gallery into the wider Te Manawataki o Te Papa precinct to exploit the marriage value of this community asset to the precinct.

The initial budget estimate of \$1.5 million presented in December 2022 was increased to \$3.38 million to ensure the full base case scheme could be completed. The key moves seek to increase prominence and visibility of the main entry, improve connectivity to Masonic Park, and continue the education offering currently available.

BASE CASE SCHEME

- Demolition of building fabric described in the enclosed and preparation of demolition documentation to support construction and consenting
- Creation of pop out glazed lantern to Masonic Park with a new entrance, retail, cafe and connection to the atrium. Design to include façade glazing, membrane roof, automatic sliding glass doors, and associated services.
- Creation of education space to occupy existing entrance.
- Creation of new openings including new supporting structure and coordination with same, including new extents of foundation where extending beyond existing building line

Warren and Mahoney has now completed concept design for the Art Gallery, identifying potential redevelopment options that could be undertaken. The Art Gallery team is working closely with TCC and Warren and Mahoney to establish the right mix of alterations to be included with the budget allowance.

- Make good to external fabric
- Either of the following options (all of which would include make-good as required):
 - removal of the existing atrium feature stair altogether and upgrade of existing BOH stair for public fire egress
 - removal of the existing atrium feature stair and replacement with a new design for public access and fire egress
- Design of new reception counter
- Shell and finishes for the education space and retail
- Interior finishes specification to new scope excluding FF&E
- We note that the exact brief / baseline scheme is still being refined, however, is to be delivered within the \$3.38 million budget allowance

Baseline Scheme - Key Moves

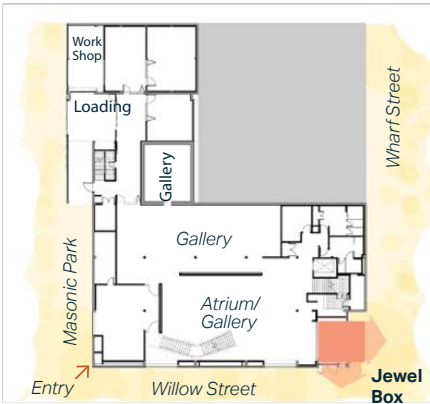
Ground Floor Plans



KEY MOVE 1
Move centre of gravity
Re-orientate building entry to connect to Masonic Park and the civic precinct



KEY MOVE 2
Entrance activates Masonic Park
Blur the threshold



KEY MOVE 3
Jewel Box
Pop out jewel box amplification

9.

PROJECT DEFINITION

Moving forward, the individual projects across the precinct will be allocated into 'packages' which will form the basis for future construction contracts and cost / programme reporting.

PACKAGE CONCEPT

TCC, Willis Bond, LT McGuinness and other industry experts have worked together to progress the construction methodology across the precinct.

The packages are defined as follows:

1.

Masonic Park
2.

Library & Community Hub, including:

The southern portion of Willow Street

A portion of Site A Landscaping (circa 25%) wrapping around the building and the amphitheater space

Wharf Street footpath
3.

Civic Whare Exhibition and Museum, including:

All remaining Site A Landscape (circa 75%)

The sculpture garden

The northern portion of Willow Street

Hamilton Street footpath

4.

Art Gallery redevelopment

5.

Baycourt redevelopment
- Development of the entire precinct creates efficiencies, with site establishment (hoardings and site office compound) only needing to be set up once which will benefit the future packages.
- Demolition, site clearance and services isolations and diversions can be undertaken as a single scope of works. Piling rigs for the ground improvement (RAP's) piles can roll from the Library & Community Hub building and over to the CWEM site.
- The construction methodology across the precinct considers construction loading and logistics zones, temporary retaining walls, hoarding lines, crane locations and road closures which influence the sequencing that can be achieved.
- While there are general efficiencies gained in developing the precinct, the intricacies of site-specific details require a carefully considered staging plan and construction methodology to provide TCC and the wider community a sense of confidence in the delivery of the Te Manawataki o Te Papa precinct.
- INDICATIVE PACKAGE VALUES
- This report is based on the 2023 cost estimate provided by RLB allocating costs in the same categories as the December 2022 report.
- Allocating these project costs to each package described adjacent will require several of the elements being spit or apportioned. For example, Willow Street will be partly delivered with package 2 and the balance to be delivered in package 3. Future reporting will allocate costs by package.
- To provide TCC with an indication of what this may look like, Willis Bond has allocated the project costs to each package based on the staging plans provided by LT McGuinness.
- The below table represents these estimates, however, should not be relied upon in any capacity. RLB will prepare a cost estimate by package in the coming weeks following issuance of this report.
- We note that the figures below represent total cost less the value engineering targets identified for each project.
- | Packages | 1 | 2 | 3 | 4 | 5 | Total |
|----------------------------|---------|---------|---------|---------|---------|---------|
| Start Date | Q4 2023 | Q3 2023 | Q3 2023 | Q4 2023 | Q1 2025 | |
| Construction Completion | Q3 2024 | Q3 2026 | Q2 2028 | Q3 2024 | Q4 2025 | |
| Site A Civil Establishment | - | 3,645 | 3,645 | - | - | 7,290 |
| Masonic Park | 9,075 | - | - | - | - | 9,075 |
| Durham St footpath | - | 150 | - | - | - | 150 |
| Library and Community Hub | - | 91,735 | - | - | - | 91,735 |
| Willow Street | - | 5,168 | 2,783 | - | - | 7,950 |
| Wharf St footpath | - | 1,725 | - | - | - | 1,725 |
| Civic Plaza | - | 6,920 | 10,380 | - | - | 17,300 |
| Exhibition and Musuem | - | - | 113,280 | - | - | 113,280 |
| Civic Whare | - | - | 15,465 | - | - | 15,465 |
| Hamilton St footpath | - | - | 1,650 | - | - | 1,650 |
| Art Gallery | - | - | - | 3,380 | - | 3,380 |
| Baycourt | - | - | - | - | 11,000 | 11,000 |
| Total package value | 9,075 | 109,343 | 147,203 | 3,380 | 11,000 | 280,000 |
- WILLIS BOND
- Te Manawataki o Te Papa

Design and Cost Update Report, July 2023

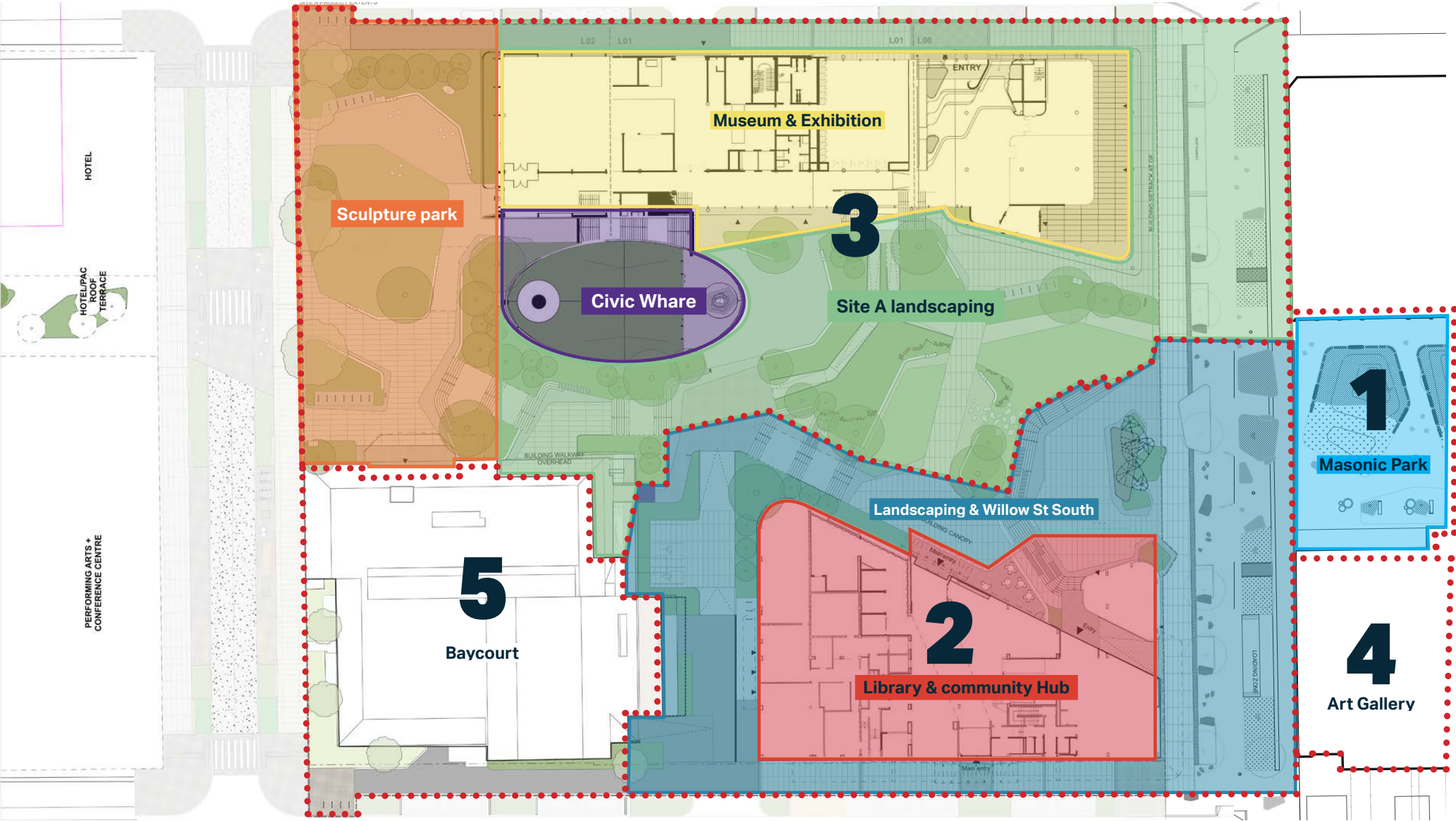
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- Item 11.2 - Attachment 1

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9.PROJECT DEFINITION

PROJECT PACKAGES

Te Manawataki o Te Papa will be delivered as a series of packages, staged in a way that maximises efficiency and practicality across the precinct.



10. UPDATED PROGRAMME

[illegible]

11.

COST OVERVIEW

* Note GFA values include plant area is included

NZD in thousands	Site A Civil Establishment	Durham St footpath	Masonic Park	Art Gallery	Library & Community Hub	Wharf St footpath	Baycourt	Willow Street	Civic Plaza	Exhibition & Musuem	Civic Whare	Hamilton St footpath	Total
Construction and infrastructure	4,855	100	5,940	1,890	62,505	1,100	6,565	4,675	10,650	69,220	9,525	970	177,995
Escalation	280	10	255	115	4,690	120	810	750	1,630	11,110	1,400	155	21,325
Total construction cost	5,135	110	6,195	2,005	67,195	1,220	7,375	5,425	12,280	80,330	10,925	1,125	199,320
Direct costs	870	25	1,240	835	14,000	192	1,575	1,155	2,310	17,580	2,400	225	42,407
FF&E	-	-	100	100	3,500	-	1,000	-	-	5,800	750	-	11,250
Contingency	1,285	15	1,540	440	8,550	313	1,050	1,370	3,010	10,290	1,470	300	29,633
Total cost	7,290	150	9,075	3,380	93,245	1,725	11,000	7,950	17,600	114,000	15,545	1,650	282,610
GFA*	-	-	-	-	6,001	-	-	-	-	5,619	581	-	
construction cost (\$ / m2)	-	-	-	-	10,257	-	-	-	-	12,048	16,084	-	
Estimated completion date	2024	2024	2024	2024	2026	2026	2025	2026 - 2028	2026 - 2028	2028	2028	2028	2028
Contingency (%)	21%	11%	20%	15%	10%	22%	11%	21%	21%	10%	10%	22%	10%
Escalation (%)	6%	6%	6.5%	8%	7.5%	10%	12.5%	10 - 16%	10% - 16%	16.3%	14.8%	16%	7.5%
December 2022 cost	7,000	150	9,000	1,500	91,500	1,550	11,000	8,300	17,250	110,550	15,500	1,650	274,950
July 2023 Variance	290	-	75	1,880	1,745	175	-	-350	350	3,450	45	-	7,660
TCC approved budget re allocations		-	-	1,880	-	-	-	-	-	-	-	-	
Net variance to December 2022	290	-	75	-	1,745	175	-	-350	350	3,450	45	-	5,780
Value Engineering Targets	-	-	-	-	(1,510)	-	-	-	(300)	(720)	(80)	-	(2,610)
Remaining Variance	290	-	75	-	235	175	-	-350	50	2,730	-35	-	3,170
Total % variance													1.15%

11. COST OVERVIEW

COST NOTES

VALUE ENGINEERING (VE) SAVINGS

Within the current cost summary, 'Value Engineering Targets' total \$3.01 million of savings across the precinct. The CWEM building design is at an earlier stage than the Library and Community Hub and presents further opportunities to reduce the construction cost of the building and seek efficiencies within the current design.

The targets shown represent largely achievable VE that has been noted by the quantity survey or and from initial reviews with the design team. The team will work through the following design phases to achieve these targets along with identifying any further efficiencies.

Should a further material reduction in cost be required, there are many options outside of achievable VE to reduce overall project costs. These items would likely result in material changes to previously agreed scopes / materiality and may include things such as a reduction of mass timber, or changes to existing facade concepts.

PROGRAMME

The current costs are based on the CWEM and associated landscaping completing construction 15 months later than previously programmed. During the preliminary design stage, an accelerated programme was presented as a hopeful option to deliver the CWEM earlier than the initial construction programme provided by the contractor. In the December 2022 report as the 'Conservative CWEM programme'. As previously noted, through further planning work, information on the ground conditions and the construction approach being adopted, the accelerated programme was deemed to not be feasible. LT McGuinness will continue to review this programme assumption in relation to market capacity and sequencing with the balance of the precinct.

CONTINGENCY AND ESCALATION

A contingency figure of \$29.63 million, or 10.49% of total cost, is allowed for. This is a conservative allowance to account for future design progression and discoveries. The contingency allowance will decrease as design progresses and key assumptions are firmed. While there is largely a 10% project contingency across the building projects, the civils and landscaping projects are c. 20% – 22%. Typically, these projects are exposed to higher ground risks and the risk of remeasures for ground conditions, obstructions, staged traffic management plans and newly discovered in-ground services.

An escalation allowance of \$21.33 million, or 7.5% of construction cost, is provided. The allowance per project varies based on estimated construction commencement date and duration.

The significant escalation in the construction industry seen in 2021 and 2022, has now stabilised although some pricing pressure remains across certain key trades. The escalation forecast used is produced by RLB directors across New Zealand in conjunction with economists from the (New Zealand Institute for Economic Research). RLB Forecast 104 (issued in May 2023) has been used for the forward escalation.

It is important to note that the forecast does not differentiate between regions or building types, and some local market price pressure is anticipated in Tauranga through 2024 and 2025 given the forward workload and local market capacity.

Non-residential construction cost inflation in the last 6 months rose 3% and a total of 3.6% has been incurred since the Nov 2022 Preliminary Design RLB Cost Estimate. The residential market remains in decline which is assisting labour resource capacity and material availability in non-residential construction, although the pipeline of work is strong in the Upper North Island which is means ongoing inflationary pressure remains.

Item	Completion date	Contingency %	Contingency \$	Escalation %	Escalation \$
Site A establishment <i>hoardings, earthworks & HV transformer</i>	2024	21%	\$1.29 m	6%	\$0.28 m
Durham Street footpath	2024	11%	\$0.15 m	6%	\$0.01 m
Masonic Park	2024	20%	\$1.54 m	6.50%	\$0.26 m
Art Gallery	2024	15%	\$0.44 m	8%	\$0.12 m
Community Hub	2026	10%	\$8.55 m	7.50%	\$4.69 m
Wharf Street footpath	2026	22%	\$0.31 m	10%	\$0.12 m
Baycourt	2025	11%	\$1.05 m	12.50%	\$0.81 m
Willow Street	2026 – 28	21%	\$1.37 m	10% - 16%	\$0.79 m
Site A landscaping	2026 – 28	21%	\$3.01 m	10% - 16%	\$1.63 m
Exhibition + Museum	2028	10%	\$10.29 m	16%	\$11.11 m
Civic Whare	2028	10%	\$1.47 m	15%	\$1.40 m
Hamilton Street Footpath	2028	22%	\$0.30 m	16%	\$0.15 m
Total			\$29.63 m		\$21.33 m

FF&E

\$11.25 million FF&E allowance is held across the site and has not been updated since the December 2022 report. We note that Interrogation of the FF&E budget is currently outside Willis Bond scope of works. This budget has been benchmarked against similar projects including exhibition, conference and university type campus hub buildings. All fixed furniture, fixed seating, signage, and site wide waharoa costs are outside FF&E scope and are included within the separate construction cost estimates. It is noted the supply of significant artwork, sculptures, or exhibition specific fitout requirements are excluded from cost estimates.

11. COST OVERVIEW

COST NOTES

COST DIFFERENCE FROM DECEMBER 2022

The Preliminary Design and Cost Report delivered in December 2022 presented a precinct-wide cost of \$274.95 million. This report sought to identify savings within the precinct to afford several Council approved enhancements such as mass timber buildings with a targeted 6 Green Star sustainability rating, premium façade finishings and a canopy along the southern edge of Masonic Park.

Since December, the teams have worked hard to incorporate these enhancements into the design and achieve efficiencies and savings across the precinct. TCC also approve an increase to the Art Gallery budget of \$1.88m bringing the revised December 2022 total to \$276.83 million. The focus of this report is to present a 'snapshot' in time of the projects across the precinct, detailing changes to design and cost. It is assumed that the previous Preliminary Design and Cost report and Enhanced Costing report are taken as read.

The July 2023 RLB cost estimate is \$282.61 million, with specified value engineering targets of \$2.61 million bringing the total to \$280.00 million. This represents a cost increase of \$3.17 million.

Given the different design stages of each project, and in certain cases the pricing mid design phase, such as CWEM, the costs presented represent a point in time only. There are several items to work through and significant further design development (as well as risk mitigation) required before entering construction contracts. As such there is ample time to reduce cost as we progress.

Further, market pricing for Masonic Park will be available in the coming months following the tender. On the Community Hub, LTM has commenced its developed design estimate and are engaging the market for approximately 60% - 70% of the required trades. This will give us further certainty on the cost. LTM will also undertake an in-depth review of the documentation, reviewing buildability, co-ordination, and areas of risk.

We have identified an initial c. \$2.6m of value engineering options with input from the design teams and RLB. This includes items such as a reduced lighting budget and more economical choices for interior finishes. The remaining \$3.17m likely falls into a category where either escalation falls further than currently modelled and/or decisions are made that could drive cost out of the design. There is considerable contingency and escalation allowances within the cost plan, that though one could argue are conservative estimates, though we believe it is too early to reduce them. Active management of these risks could mean they decrease as the projects progress. A 1% reduction to the escalation assumption would result in a c. \$2.95m saving on total project cost and would negate the need for any material changes to the existing designs.

COST STRATEGIES

Below are several options or strategies of how we can work through the remaining design phases to achieve the required savings. This is not an exhaustive list and we note not all of these items are required to make up the \$3.17m. They are a list of options and strategies available to the project team to work through, quantify and agree.

July 2023 RLB Cost Estimate Assumptions

Escalation across the entire project is sitting at an average of 7.7%, this is arguably a conservative estimate. Should this assumption be reduced by 1% to 6.5%, there would be a \$2.95m reduction in total project cost.

Contingency assumptions are 10% for buildings and 20% – 22% for civil and landscaping projects . This is due to these projects being exposed to higher ground risks and the risk of remeasure for ground conditions, obstructions, staged traffic management plans and newly discovered in-ground services. Across the precinct this averages to a contingency assumption of 10.5%. Should this reduce by 1%, there would be a \$2.8m saving to total project cost.

Procurement Strategy

Early procurement across the projects could lead to a reduction in the current assumed escalation cost. Early procurement options are structural steel, mass timber, façade elements, lifts and plant and storage such as large mechanical kit.

Further Value Engineering Potential

Note, the list is purely to table for discussion at this stage. The potential savings themselves as well as what is ultimately achievable vs the brief will need to be worked through with the team.

<u>Exhibition and Museum</u> <ul style="list-style-type: none">– Façade simplification– Alternative to the current south elevation, timber structural support to full height frameless glass system.– Reduced finish to back of house / utilities areas	<u>Library & Community Hub</u> <ul style="list-style-type: none">– Revise cores and fire stairs to lightweight construction vs timber.– Simplify zig zag entry canopies which are structurally complex– Remove the canopy from the Baycourt laneway– Refinement of the interiors specification to further meet budget expectations
<u>Civic Whare</u> <ul style="list-style-type: none">– Design development to date on the Civic Whare has had little reduction, there is likely material savings to be made through reducing the interior specification.– Simplification to the geometry of the building (a more traditional shape while retaining the curved Atea facade)– Flat roof with skylights in place of one or both 'vortex oculi'.	<u>Site A</u> <ul style="list-style-type: none">– Simplification of landscaping extent– Reduction in the current linear meters of seating / precast benches.
<u>Masonic Park</u> <ul style="list-style-type: none">– Omission of water features from the design (or partial)– Reduction of linear meters of precast seating elements– Further reduction in the arbor extent	<u>Willow Street</u> <ul style="list-style-type: none">– Simplification of the design, reduce the extent of concrete paving and detailed portions and keep asphalt– Extent of rain gardens reduced

12. RISKS

COMMERCIAL

Client scope creep - potential for cost and programme implications if the scope expands to include items outside of the current scope of work in this report.

Client briefing changes - to the current plans would be subject to potential cost and time implications to incorporate either via construction costs or consultant variations.

Funding – risks around obtaining the required level of funding for the entire Te Manawataki o Te Papa precinct.

Geotech & building structure requirements,if sizing and extent of ground improvements differs from geotechnical advice to date this could have significant cost and time implications.

Façade design & interface with structure still being worked through and costed on a design intent basis. Cost risk should RLB’s estimate not be sufficient.

Earthworks – Cut/fill presents a risk should additional quantities be required above those estimated from investigations to date.

Civil mains / network upgrades – mains repair / improvement not anticipated as local network considered sufficient.

H1 compliance – thermal requirements changing / modelling of thermal comfort may drive changes to façade design.

Plan provision / sizing may increase due to the design development or changes in brief / requirements.

Tenant fitouts (exclusions from current scope), additional structure/loading capacity for displays outside of the current preliminary design and cost update documentation.

Main Contractor Hard Fitout – any fitout changes / base build modifications as a result of tenant fitout requirements.

Design development from the enhanced costings milestone could result in cost over runs that both increase cost and programme risk for value engineering and subsequent TCC approval.

Consultant budget allowance – Consultant fee budget is carried within the RLB pricing estimate benchmarked against other civic projects, however, civic projects are unique and additional consultant input may be required.

Escalation has been forecasted but is at risk to market conditions, any potential changes in programme will have an impact on escalation.

Internal fitout scope – further work required to understand the internal fitout requirements of these specialist buildings, potential cost risk associated.

DESIGN

Sustainability – 6 Greenstar rating was considered for the design and cost update pricing, TCC has since indicated an investigation also into the WELL certification. Any additional initiatives carry potential implications on cost and programme.

Fire engineering requirements – Changes to the encapsulation methodology for mass timber buildings presents programme and cost risk to the projects given the current uncertainty of direction in the industry.

PROGRAMME

PowerCo's HV line relocation and builders power supply is a programme risk. LT McGuinness requires temporary power prior to September 2023

Consultant resource capacity to design in parallel across the precinct and resource capacity possibly stretched during construction phase leading to slow response to RFI's. Low capacity could result in overall delays to the programme.

Sub contractor market - Significant amount of large-scale projects currently underway within the Tauranga market resulting in subcontractor pressures (cost, time implications).

Mana Whenua engagement - Additional requests and requirements from Mana Whenua being captured within design and cost.

Construction durations have been benchmarked where possible, however, as design progresses more is known with respect to site specific challenges and constraints.

Client approvals – there is no allowance within the programme for 'pens down' periods beyond the design and cost update for further design or cost approval milestones.

Discovery of soil contamination (asbestos, metals etc.) would result in programme delays and additional costs to the project beyond current allowances in project cost estimate and programme.

Archaeological findings would result in programme delays and additional costs to the project beyond current allowances in project cost estimate and programme.

COMPLIANCE

Outline Plan of Works (OPW) – Community Hub and CWEM buildings are subject to OPW approval.

Resource Consent – Masonic Park and Willow Street are subject to a Resource Consent, additional risk of how to approach Willow Street from a traffic perspective.

PROCUREMENT

Programme provides tight deadlines for agreeing contracts between stages. Potential for delays should this not be an efficient process

Mass timber procurement strategy for Community Hub (critical path - with commencement Jan-24) to be agreed to mitigate potential programme implications (long leads / no availability etc).

Structure / plant / materials procurement – delays caused by procurement have programme and cost implications.

Early procurement - TCC would need to approve costs / spend money ahead of full / final pricing being known for the Community Hub building to commence works in 2023. Potential for delays should pricing not be approved in timely manner.

COVID 19

Global environment - Covid-19 and ongoing unknown impacts in 2023 and beyond, geo-political impacts on NZ / construction industry / supply chain.

CONSTRUCTION

Projects in parallel – potential for surrounding works to impact TMOTP construction through works on the waterfront, traffic network or utilities upgrades.

Traffic congestion around site – neighbour delivery disruption, site loading zone disruptions and potential for complaints from neighbours.

11.3 Te Manawataki o Te Papa Business Case

File Number: A14655033

Author: Sarah Stewart, Principal Strategic Advisor

Authoriser: Christine Jones, General Manager: Strategy, Growth & Governance

PURPOSE OF THE REPORT

1. This report presents the Te Manawataki o Te Papa Business Case (the Business Case) for adoption (Attachment 1). The Business Case supports the case for investing \$309.8 million in capital that will transform the city centre site into a vibrant community, civic and cultural focal point that meets our people's needs and aspirations now and in the future.
2. This report is one in a suite of reports presented to Council today to progress Te Manawataki o Te Papa – refer to 'Te Manawataki o Te Papa – Overview Report' for detail of the overall report package and interactions between reports.
3. Completion of the Business Case is one of the key gateways and approval processes outlined in the Tauranga City Council / Willis Bond Partnering Agreement.

RECOMMENDATIONS

That the Council:

- (a) Receives the report "Te Manawataki o Te Papa Business Case"; and
- (b) Adopts Te Manawataki o Te Papa Business Case that recommends proceeding with the delivery of the programme of works.

OVERVIEW OF BUSINESS CASE

4. The Business Case recommends proceeding with the delivery of the programme of works over the next six years. The suite of Te Manawataki o Te Papa projects will transform the co-owned site in the heart of the city centre, delivering social, cultural and economic benefits for the city.
5. With plans for Te Manawataki o Te Papa well-advanced, the Business Case re-confirms the validity of the programme of works to ensure the best value for our communities is delivered. Promoting social cohesion and economic stimulus for the city centre will result in local, subregional, and national benefits being realised. An adaptive funding pathway is recommended as the best way of managing funding challenges, thereby providing confidence that Council can deliver.
6. The Business Case is guided by The Treasury's five case model – strategic, economic, commercial, financial and management cases.

Investment objectives

7. Three investment objectives underpin the Business Case and specify the desired outcomes for the proposed investment. Each investment objective is based on demand forecasting modelling by Rationale (2023) and/or GHD's (2023) assessment of wider benefits that Te Manawataki o Te Papa could contribute to the city:
 - To improve central city vibrancy and liveability by attracting 2,000,000 visits per annum to Te Manawataki o Te Papa by 2035.

- To increase the present value of local and regional economic output by \$500 million and wider economic benefits by \$500 million over the life of the buildings.
- To enhance inclusiveness, sense of belonging and cultural identity by attracting greater than 300,000 annual museum visits and greater than 800,000 annual community hub visits, with 60 percent of residents being prepared to recommend Tauranga as a visitor destination by 2035.

Single-stage Te Manawataki o Te Papa is the preferred approach




8. The Business Case provides structured and comprehensive analysis to evaluate a range of approaches, alongside the **Single-stage Te Manawataki o Te Papa** option that Council is progressing.
9. This option is assessed in the Business Case using multi-criteria analysis (MCA) against a mix of five other options. These included the option considered previously by Council (stand-alone library and community hub) and new options that represent 'book-ends' or 'do minimum' (high amenity green space) and 'do maximum' (selling the land for commercial purposes) approaches to assess value for money to the community.
10. Through the MCA process, the Single-stage Te Manawataki o Te Papa is reconfirmed as the preferred option, ranking first against the other five options. As well as contributing fully to all three investment objectives, it is assessed as making a high contribution of benefits with a medium risk profile. Although relatively costly, with total costs amounting to \$703 million over 60 years (including \$309.8 million of capital cost over the next six years), this option does have a positive cost benefit assessment of 1.17 when considering all monetary and non-monetary benefits that are able to be quantified). It also:
 - recognises the need for an integrated programme of investment that will help transform the civic heart of the city centre
 - has a focus on connection between projects in relation to shared spaces, shared facilities and sharing of costs
 - is developed in partnership with mana whenua and is steeped in cultural design, providing connection with our past and with our environment, particularly Te Awanui (Tauranga harbour)
 - clearly aligns with current strategy and policy and will provide wide-ranging social, economic, cultural, and environmental benefits ensuring the project will have a positive impact on our communities today and in the future
 - has community support, as shown through the Long-Term Plan Amendment consultation process.

Wide-ranging benefits for our communities

11. The benefits Te Manawataki o Te Papa will bring are widespread, reaching out to the region and providing a site that captures and reflects Tauranga's unique cultural heritage. Te Manawataki o Te Papa will significantly contribute to city centre GDP and deliver wider economic benefits, generating an additional \$788.4 million to \$1,370.5 million in estimated quantified benefits in net present terms over the next 60 years (assuming a 4% discount rate)².
12. With a focus on creating connected, cohesive, and inclusive communities and a vibrant and thriving city centre, the benefits that will flow from the investment are anticipated to fast-track social, economic, and cultural outcomes. Key benefits and key performance indicators (KPIs) outlined in the Business Case are reproduced in the following table.

² GHD (2023): Wider Benefits for the Civic Precinct.

Table 2: Key benefits and key performance indicators for the investment proposal

Benefits	KPIs
Improved central city vibrancy & liveability 	<i>Utilisation</i>
	<i>Increased tourism</i>
	<i>Increased inner city housing</i>
Increased local & regional sustainable economic development 	<i>Increased business & employment (GDP)</i>
	<i>Increased events</i>
	<i>Increased bed nights</i>
Enhanced inclusiveness, sense of belonging & cultural identity 	<i>Participation</i>
	<i>Reputation /Brand</i>
	<i>Educational opportunities</i>

Ensuring successful delivery

13. The Management Case demonstrates that robust arrangements are in place for the delivery, monitoring and evaluation of Te Manawataki o Te Papa. It sets out that the external Te Manawataki o Te Papa Board govern the design and construction phase, with the preferred approach for the on-going management and operation of Te Manawataki o Te Papa once built being brought back in-house and governed by Council.
14. Programming of works is also outlined in the Management Case. The draft programme indicates the completion of the project in January 2028.
15. Effective benefit management is about giving investments the greatest possibility of delivering in a way that optimises benefits. A benefits map in the Business Case illustrates alignment with Council's strategic direction and how benefits will be measured (key performance indicators, measures, and targets). The approach to benefits management largely aligns with Council's Long-Term Plan and annual reporting processes, in that they share KPIs and measures. This ensures those responsible for relevant Council activities (and associated benefits) can actively monitor, respond, and report on benefits with ease.

STRATEGIC / STATUTORY CONTEXT

16. The proposed delivery of Te Manawataki o Te Papa has clear alignment with the city and Council's strategic direction, from the aspirational community vision and primary strategies, through to Council's action and investment plans, including:
 - Our Direction – Tauranga 2050 (including the City Vision)
 - Tauranga City Council Community Outcomes
 - Te Papa Spatial Plan 2020
 - City Centre Action and Investment Plan 2022-2032
 - Tauranga Events Action and Investment Plan 2022-2032
17. It also aligns with sub-regional, regional and national strategies, most notably the Urban Form and Transport Initiative, and SmartGrowth. At a national level, Te Manawataki o Te Papa will contribute to a range of central government policy initiatives, including The Treasury's 'Living Standards framework', Ministry of Social Development's 'Social Cohesion

Strategic Framework', the Ministry of Education's 'Aotearoa New Zealand's Histories and Te Takanga o Te Wā' and Creative New Zealand's 'Te Whakaputa Hua Ki Te Hunga o Aotearoa'.

OPTION ANALYSIS

18. The Council has two options for consideration:

- (a) Option 1: Adopt Te Manawataki o Te Papa business case. (Recommended)
- (b) Option 2: Do not adopt Te Manawataki o Te Papa business case. (Not Recommended)

19. Key benefits and disadvantages for each option are outlined in the table below.

OPTION ONE: Adopt Te Manawataki o Te Papa business case	
Benefits	Disadvantages
<ul style="list-style-type: none"> • Delivers significant community, city and subregional benefits and leads to a significant change to the level of service that Council provides to the community. • Provides communities with a revitalised civic and cultural city centre (including a new museum, library and civic whare) that is commensurate with being the fifth largest city in New Zealand. • Delivery in accordance with the adopted masterplan provides a coherent and integrated plan forward for the civic site and removes the need for decisions on a staged project by project basis. • Achieves wide-ranging social, cultural, economic, and environmental benefits. • Campus precinct approach encourages connection between the different sites and the environment. It enables the sharing of activities and facilities, such as meeting and function spaces, and 'back of house' facilities such as kitchens and toilets – all providing better connection, efficiencies, and cost savings. • Campus approach provides 'economies of scale' in design, procurement and construction, and greater utilisation opportunities. • Commitment to deliver a programme of works acts as a catalyst for further private investment in the city centre as it improves investor confidence. • Aligns with strategies and policies relating to the city centre and helps achieve the 'connected centres' approach outlined in UFTI. • Delivers a suite of community projects (e.g. museum, new library) that align with community perceptions about what is needed in the city centre. 	<ul style="list-style-type: none"> • An increase in debt and rating levels to invest in these facilities (noting that the potential increase in debt is partially offset by asset realisations and government grants). • Prevents the funds from land disposal being used for an alternative purpose.
Key risks	
<ul style="list-style-type: none"> • Funding still needs to be secured from external sources. Depending on the success or otherwise of potential external funding streams, this may require a level of flexibility in the method for funding and financing Te Manawataki o Te Papa (refer to the 	

accompanying 'Financial Strategy - Te Manawataki o Te Papa' report for further information).

- Reputational risk is high with a high level of public expectation that this project will provide the catalyst to revitalise the heart of the city centre.

OPTION 2: Do not adopt Te Manawataki o Te Papa business case.

Benefits

- Adoption of the Business Case is a key gateway for the successful delivery of Te Manawataki o Te Papa. Not adopting the Business Case may delay works and/or halt delivery. If further works on Te Manawataki o Te Papa do not progress this will see financial savings for ratepayers and reduced loan funding, which may present an opportunity cost for alternative project delivery.

Disadvantages

- Council has already committed substantial costs to progress Te Manawataki o Te Papa. At this stage, deciding not to continue with the programme of works will result in sunk costs with no discernible community outcomes.
- Extensive community consultation and partner collaboration has set an expectation that Te Manawataki o Te Papa will deliver substantial social, economic, and cultural outcomes for the Tauranga community and the sub-region. Not continuing with the project means that outcomes will not be realised, therefore posing a reputational risk for Council with mana whenua, other key partners, and with the broader community.

Key risks

Council recently consulted on Te Manawataki o Te Papa with the community through the Long-Term Plan Amendment process during 25 March to 26 April 2022. Community feedback illustrated a high level of support for the project. Choosing not to progress delivery of Te Manawataki o Te Papa is likely to have a detrimental impact on the community perception of Council.

FINANCIAL CONSIDERATIONS

20. Due to the Business Case being prepared in parallel with planning of the project, the Business Case does not fully align with the updated programme of works or the updated costs presented today in the 'Te Manawataki o Te Papa – design and cost update' report. Total capital costs differ by \$1.6 million (\$308.2 million compared with \$309.8 million in the Business Case). From a Business Case perspective, this financial difference is considered minor and does not impact on the validity of the Business Case and its recommendations.
21. The business case addresses the project costs, funding pathways, likely funding sources and financial impact on both Council and ratepayers. As noted in paragraph 20 above, costs have been updated in parallel with the development of the business case and this in turn impacts on the funding quantum. Refer to the 'Design and Cost Update Report' and 'Financial Strategy - Te Manawataki o Te Papa' report on this agenda for further information.
22. In terms of operating costs, the total net cost to fund Te Manawataki o Te Papa is forecast to be \$26 million per annum when it is fully-functioning, with all the facilities and levels of service in operation for the community and visitors. The current proposal is for Council to fund this net cost from general rates or potentially through a targeted rate across the city.

23. There are number of funding pathways which could be considered for Te Manawataki o Te Papa and these each have their own funding risks and uncertainties. The Business Case outlines that the pathways can be adaptive as Te Manawataki o Te Papa progresses to completion, and a certain amount of flexibility can be employed to ensure the project's cashflow demands are able to be met and risks can be managed.
24. Although the Business Case acknowledges that funding and financing is challenging, it also recommends that there is enough evidence to proceed with investing in Te Manawataki o Te Papa.

LEGAL IMPLICATIONS / RISKS

25. Funding and reputational risks are outlined in the options table above. Also refer to the 'Financial Strategy - Te Manawataki o Te Papa' report.

SIGNIFICANCE

26. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
27. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be particularly affected by, or interested in, the decision.
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
28. This report is part of a wider process for the development of Te Manawataki o Te Papa. In accordance with the considerations above, and criteria and thresholds in the policy, it is considered that the decision to deliver Te Manawataki o Te Papa is of high significance. As a result, the Council undertook a thorough decision-making process to approve the programme of work, including developing an LTPA and corresponding community consultation using the Special Consultative Procedure.
29. The decision made through this report is materially consistent with previous decisions made by Council, including those made on 24 May 2022 and 12 December 2022. The extensive community feedback received through the LTPA process has been incorporated throughout the design phase of this project, and Council has a thorough understanding of the views of the community and has approved a clear plan for the delivery of the project.

ENGAGEMENT

30. The proposal to implement Te Manawataki o Te Papa required an amendment to the Council's LTP 2021-31 under section 93(5) of the Local Government Act 2002. As such, a full consultation process has been undertaken from 25 March to 26 April 2022.
31. Taking into consideration the above information, if Council adopts the Business Case (option one) further community consultation is assessed as not required.

ATTACHMENTS

1. **Attachment 1: Te Manawataki o Te Papa Business Case - A14869361 (Separate Attachments 1)** 

11.4 Financial Strategy - Te Manawataki o Te Papa**File Number:** A14836658**Author:** Frazer Smith, Manager: Strategic Finance & Growth
Anne Blakeway, Manager: City Partnerships**Authoriser:** Christine Jones, General Manager: Strategy, Growth & Governance**Please note that this report contains confidential attachments.**

Public Excluded Attachment	Reason why Public Excluded
Item 11.4 - Financial Strategy - Te Manawataki o Te Papa - Attachment 1 - Confidential Attachment to TMoTP Financial Strategy Report - Airport Funds Legal Advice and Associated Analysis	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.
Item 11.4 - Financial Strategy - Te Manawataki o Te Papa - Attachment 2 - Legal Advice re Airport Authority	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege.
Item 11.4 - Financial Strategy - Te Manawataki o Te Papa - Attachment 3 - Assessment of Airport Surplus Allocation to Te Manawataki o Te Papa	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities. s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

PURPOSE OF THE REPORT

1. This report provides a financial strategy, which will deliver the sufficient funding for the Te Manawataki o Te Papa budgeted capital works programme.

RECOMMENDATIONS

That the Council:

- a) Receives the report "Financial Strategy - Te Manawataki o Te Papa".
 - b) Approves the Financial Strategy – Te Manawataki o Te Papa with the following key elements:
 - i) Reconfirmation that the ratepayer funded loan shall be a maximum of \$151.5 million; and
 - ii) Council will seek to maximise external funding sources, including grants and development contributions; and
 - iii) To the extent that the funding sources (b)(i) and (b)(ii) are insufficient to fund the full capital costs, the balance will be funded by:
 - Airport Activity funding up to \$13 million; and/or
 - Asset Realisation Reserve.
 - c) Notes that the decision on the quantum of airport activity and/or Asset Realisation Reserve funding to be applied to Te Manawataki o Te Papa will be made by way of subsequent resolutions of Council after consideration of what is appropriate, further legal advice on the application of the airport activity funding, the outcome of any required consultation processes, and assessment of compliance with any relevant legal requirements.
 - d) Confirms that Council considers that sufficient funding will be available to proceed with the Te Manawataki o Te Papa investment within the approved budget.
 - e) Retains Attachments 1 and 2 in confidential to maintain legal professional privilege and to enable Council to carry out, without prejudice or disadvantage, commercial activities.
 - f) Transfers Attachment 3 into open when consultation and any associated negotiation with direct stakeholders is complete.
-

EXECUTIVE SUMMARY

2. This report proposes a financial strategy for Te Manawataki o Te Papa, which provides sufficient funding for the approved project budget and delivers on the publicly consulted commitment to have a ratepayer funded loan no greater than \$151.5 million.
3. The financial strategy confirms the non-ratepayer funding will be utilised in the following priority order:
 - First Priority - External non-rates funding
 - Second Priority – Funding from airport activity and/or Asset Realisation Reserve.

BACKGROUND

4. The Te Manawataki o Te Papa -Overview Report on this 24 July Council agenda outlines the background, strategic context and previous consultation associated with the Te Manawataki o Te Papa project. That information is not repeated in this report. The Overview Report also outlines a number of inter-related reports on this agenda.
5. The LTPA consultation document asked whether Council should implement the full Te Manawataki O Te Papa (Civic Precinct) Masterplan (Refreshed 2021). The consultation document included the following statements:

- *Half of the estimated capital investment of \$303 million would be debt-funded and financed through rates, with the balance coming from other sources, such as government grants and the sale of non-core council assets*
 - *Potential funding sources include Government grants; sponsorships; philanthropic grants; Government's three waters reform 'better off' grant; and proceeds from the sale of noncore council assets. The amount of grant funding is uncertain, as we will not be in a position to seek funding support until we have approved plans in place*
 - *Further investigation of assets sales is required, but potentially, this could include Council's two central city parking buildings and the Marine Precinct. If these investigations prove favourable, it's likely that further consultation would be undertaken with key stakeholders.*
 - *If the full transformation goes ahead, we'll firm up our funding options and check in at key project milestones to confirm we have the investment we need before we proceed.*
6. The adopted LTPA included Te Manawataki o Te Papa (Civic Precinct) Masterplan (Refreshed 2021) at an estimated capital cost of about \$303 million, subject to achieving 50% of the required funding from sources other than rates-funded debt. The estimated net cost to ratepayers in the adopted LTPA is \$151.5 million.
 7. Council remains committed to limiting rates-funded debt for the Te Manawataki o Te Papa capital works project to \$151.5 million. However, the project costs have been updated since June 2022 and the approved budget (subject to resolutions as per the Design and Cost Update Report on this agenda) will be \$306.3 million, leaving \$154.8 million to be funded via alternative sources (non-rates funding). In addition, some anticipated sources of external funding have been reduced, most notably the Waters Reform Funding ("Better Off" funding).
 8. The LTPA consultation document stated that Te Manawataki o Te Papa funding packages and business case would be considered to enable Council to confirm whether the investment should proceed.
 9. This report details a financial strategy for the Te Manawataki o Te Papa capital works which, in conjunction with Council's asset realisation programme and the completed business case for Te Manawataki o Te Papa, provides the surety needed for the project to progress.

FUNDING SOURCES

10. The current project cost estimates and previous funding decisions has resulted in Council exploring alternative funding streams for the \$154.8 million of capital funding needed for the project, with two main avenues being considered.
 - i. **External funding** – this refers to funding provided to Council by other organisations. It includes the Waters Reform Funding ("Better Off" funding) and other government and community grants, as well as growth funding (developer contributions).
 - ii. **Airport activity and / or Asset Realisation Reserve funding** – this refers to non-ratepayer debt funding which is only applied where there is insufficient external funding to meet the full \$154.8 million. It includes funding from the Airport activity, i.e., non-ratepayer funded debt, and funds raised by selling of Council assets as outlined in the LTPA consultation document.
11. Increases to the amount of external funding will reduce the amount of debt sourced from the Airport activity and/or will allow Council to apply any proceeds from its Asset Realisation Reserve to other initiatives.

PROPOSED FUNDING SOURCES FOR TE MANAWATAKI O TE PAPA

12. Table 1 summarises the changes in the projected external funding from that consulted upon in the LTPA through to the current budgets and finally to an updated risk weighted estimate.

13. This highlights that there is currently an estimated \$91.6 million funding gap to be met by other funding. The need for other funding was anticipated in the LTPA which referred to the sale of non-core council assets.

Table 1: Comparison of the funding sources as per the LTPA with current estimates

Funding Source	LTPA Estimate (\$M)	Current Estimate (\$M)	Current Risk Weighted ³ Estimated (\$M)
External Non-Rates Funding			
Waters Reform Funding ("Better Off" funding)	\$33.2M	\$12.1M*	\$12.1M*
Other Government Grants	\$49.1M	\$23.6M	\$14.2M
TECT Partnership	\$27.0M	\$27.0M	\$21.0M
Local and Community Grants	\$31.7M	\$15.5M	\$4.5M
Growth Funding (Developer Contributions)	\$10.9M	\$10.8M	\$11.4M ⁴
Total External Funding	\$151.9M	\$89.0M	\$63.2M
Total Remaining Funding Required	\$0	\$65.8M	\$91.6M
Total Non-Rates Funding	\$151.9M	\$154.8M	\$154.8M
Rates Funded Debt (including Renewals)	\$151.5M	\$151.5M	\$151.5M
Total Approved Budget for Programme of Works	\$303.4M	\$306.3M⁵	\$306.3M

*Already received.

External Funding Sources

14. External funding sources are anticipated to include charitable community trusts, corporate partnerships, central government, and philanthropic grants.
15. The \$12.1M "Better Off" funding payment received from government as part of the water reforms will also be allocated to Te Manawataki o Te Papa.

Tauranga Energy Community Trust (TECT)

16. TECT have now formally confirmed their 'Founding Funder' contribution of \$21 million towards Te Manawataki o Te Papa, the largest amount of funding that TECT has ever contributed to any project of regional significance. TECT has indicated that this is the beginning of a long-term strategic relationship with Council to fund community facilities and amenities.

Other government grants

17. An expression of interest has been submitted to the Associate Minister for Arts, Culture and Heritage for significant funding from the Regional Culture and Heritage Fund, with a view to submitting a formal funding application closer to the construction date. This will be the first time that Tauranga has ever applied to this fund, which has provided significant funding towards similar projects in neighbouring councils, e.g., Rotorua.

³ Refer Table 2 for detail on Current Risk Weighted Estimate

⁴ Further work is required to determine the quantum of development contributions. This quantum is considered to be a conservative estimate.

⁵ Refer Design and Cost Update Report recommended resolution (g) (per Council agenda 24 July 2023)

18. We are also working closely with staff at the Department of Internal Affairs to determine which aspects of Te Manawataki o Te Papa would be of interest for grant funding from the Community Facilities fund.

Local and community grants

19. Staff have been working closely with various trusts, including the Gaming Trusts, to determine which particular projects, or aspects of projects, might fit their respective criteria and eligibility thresholds. Funding applications will be submitted closer to the date of construction, as per their requirements.

Corporate sponsorship and individual donor programmes

20. A detailed corporate sponsorship and individual philanthropic donor programme has been developed and staff are in early conversations with potential corporates and high net worth individuals that are keen to support the Te Manawataki o Te Papa civic development programme. Subject to receiving the 'licence to proceed', more specific conversations will commence and continue over the next three years.

Potential impacts on the funding environment

21. It should be noted that external funding is provided by organisations who have a range of competing priorities and is vulnerable to changes in political focus, and other community and environmental factors. Two pertinent examples of this include the recent flooding events across New Zealand, which required a cash injection from government, reducing funding available for other initiatives, and the Water Reform alterations (which resulted in the "Better Off" funding package for Tauranga being cut by \$36.3 million).
22. As detailed above, Council is proactively applying for several grants to contribute to the external funding available for the Te Manawataki o Te Papa capital works project, as well as considering other future grant funding opportunities. Given the uncertainty that exists in the grant funding sector, a risk assessment has been undertaken for current and potential grant applications.
23. After adjusting for 'known' impacts a risk weighting was applied to the remaining grants. These were reviewed based on the following scale (Table 2) to determine a 'likely' outcome based on the current environment. It is acknowledged that this may change over the construction of projects and more external funding will be sought where possible.

Table 2: Criteria for reviewing potential grants

Criteria	Confidence	Confidence Level	Financial Impact
Funds Received/ Contract in Place	Very High	1	100%
Applied for and positive reaction. Not yet confirmed	High	2	80%
Applied for , no response. External feedback that positive reponse likely.	Moderate	3	50%
Not applied for. No information or feedback.	Low	4	20%
Received negative response/ feedback	Very Low	5	0%

24. While this set of criteria has been used for determining the potential outcome of the external funding, this does not reduce the focus on collecting all the potential external funding. Council staff will continue to work on maximising these and other external funding opportunities.

Other Funding Sources

25. Although external funding is the priority funding source for the Te Manawataki o Te Papa capital works project, it is likely that Council will still require a level of other non-rates funding (other funding), to proceed with the project. It is anticipated that this will consist of:

- Divestment of business interests and Council properties (refer Asset Realisation Reserve report on this 24 July Council agenda).
- Funding from the Airport activity.

26. The Asset Realisation Reserve and Airport Activity Funding for Te Manawataki o Te Papa is not required immediately and may form part of funding over the life of the project. It will only be utilised once the rate-payer funding and external funding have been fully spent. Based on the current estimated external funding (risk weighted), this is currently projected to be, at the earliest, in year 3 of the delivery programme.

27. Table 3: Potential other funding sources

Funding Source	Estimated Realisable Value Gross \$'s million's	Estimated Realisable Value Net of Debt Repayment \$'s million's
Asset Realisation Reserve	\$146.3	\$97.7
Airport Activity Funding	\$13.0	\$13.0
Other Funding Options	Nil *	Nil *
Total Other Funding Identified	\$159.3	\$110.7
Total Other Non-Rates Funding Required (Table 1)	\$91.6	\$91.6

* This is nil for the purpose of inclusion in this report but note that further opportunities will be available in the future. These opportunities need considerable work to realise and understand true value.

28. Table 3 above details the estimated realisable value both gross and net of debt repayment for the associated assets. This matter is addressed in the Asset Realisation Reserve Report.
29. Council staff have deliberately identified a greater amount of other funding for Te Manawataki o Te Papa than is currently required. This creates a funding buffer in the event of one or more of the following:
- **Asset Realisation Reserve:** Some of the assets identified for realisation require further analysis and market testing. It is possible that Council may subsequently decide not to dispose of the asset or may attach conditions to the disposal that reduces the realisable value.
 - **External funding shortfalls:** This funding buffer could be used if Council is unable to secure further External funding within the required timeframe.
 - **Overruns:** Council may decide to utilise the buffer if unforeseen/unbudgeted project costs (due to inflationary pressures, supply-chain uncertainties etc) occur.

Other Funding - Utilisation of non-ratepayer funded surpluses

30. While most of Council's activities are funded by the ratepayers, there are several activities that are funded directly by user fees. For these activities we have undertaken a three-step process to determine what funding might be available for the Te Manawataki o Te Papa project.

Step1: Link to City Centre activity

31. Step 1 is to assess the linkage to the city centre both in terms of impact that the activity has on the city centre and the geographic proximity. Results are summarised in Table 4 below.

Table 4: Link to City Centre for user fee funded activities.

User Fee Funded Activity	Link to increased city centre activity	Geographic Proximity to City Centre	Activity has sufficient surplus	Overall
Airport	✓✓✓	✓✓✓	✓✓✓	✓✓✓
Marine Facilities	✓✓✓	✓✓✓	×	×
Animal Services	×	×	×	×
Building Services	×	×	×	×
Marine Precinct	✓	✓✓✓	×	×
Parking Management	✓✓✓	✓✓✓	✓	✓
Cemetaries	×	×	×	×
Beachside	✓	✓	×	×

This was based on the following criteria

Key	
✓✓✓	Strong Link
✓	Weak Link
×	No discernable link/ Unaffordable

Step 2: Identify the maximum funds available

32. A review was completed of the ongoing cash surpluses for key activities, as identified above. This includes all the activities related to the sale of business interests. Cash surpluses were reduced by 20% to ensure the activity could survive future funding shocks (reduced revenues) (e.g., short term shutdowns from covid).
33. On this basis it was determined that the airport activity could potentially fund up to \$45 million of the Te Manawataki o Te Papa project. This could be done by way of an annual transfer.

Step 3: Specifically identify the level of funding which would be appropriate to apply to Te Manawataki o Te Papa

34. The airport is the only activity identified that has both strong links with the city centre combined with available surpluses.
35. An assessment has been undertaken (refer confidential attachment) to determine whether it is appropriate, and if so at what level, funding from the airport activity could be applied to the Te Manawataki o Te Papa project. Key factors in that assessment include:
- Requirements of the Airport Authorities Act 1966
 - Level of airport patronage from international and domestic tourism visitors
 - Level of international and domestic (excluding local and regional domestic) visitors to the individual Te Manawataki o Te Papa facilities.
 - Expected benefit to the airport measured in terms of increased visitor numbers.
36. In performing the assessment, it was also noted that Visitor I-Site will be housed within the community hub and that capital cost of that I-Site facility is currently estimated at \$972,000.
37. Based on the assessment undertaken it has been concluded that \$13m could be appropriately funded from the Airport Activity. It is proposed that this would be achieved by way of an airport activity loan repaid from the Airport Activity over an appropriate period. It is important to note that this is subject to consultation with direct airport stakeholders and further legal advice.

38. While operating costs are not within the scope of this report, and subject to further legal advice, it is noted that Council could also consider covering some of the ongoing operational costs of Te Manawataki o Te Papa from airport funding.
39. Utilising funding from the airport has a disproportional impact on Council's debt to revenue ratio (which limits Council's total borrowing). This is because the debt is new, but there is no corresponding increase in revenue (as the revenue is already accounted for in budget forecasts).

Possibility of Using the Infrastructure Funding and Financing Legislation to Raise Ratepayer Funds

40. Approximately half of the funding needed for the Te Manawataki o Te Papa capital works project, \$151.5 million, will be met via ratepayer funded debt. The recently introduced Infrastructure Funding and Financing (IFF) legislation has already been used by Council to fund several transport related programmes and provides a potential avenue for Council to use to raise funds for Te Manawataki o Te Papa.
41. IFF legislation allows local governments to raise funds via a ratepayer levy and has the advantage of removing associated debt from local governments' balance sheets.
42. Council has commenced discussions with Crown Infrastructure Partners (CIP) to determine whether the ratepayer funded portion of Te Manawataki o Te Papa could be sourced via an IFF levy. Initial conversations with CIP and other partners have been positive.
43. Two pieces of work are currently underway:
- A beneficiary analysis is being completed by Council staff and external consultants, Insight Economics. This work identifies and assesses the expected beneficiaries/users of Te Manawataki o Te Papa. It is anticipated that some of the beneficiaries will come from beyond the Tauranga city (Council) boundaries.
 - The second piece of work is a more detailed analysis of the projects within the Te Manawataki o Te Papa programme to determine if they are eligible for funding under this legislation.
44. The initial findings from both pieces of work are positive, with a wide range of beneficiaries being identified and most of the expenditure falling within the definitions of the IFF Act. Once complete, this work will be taken to the Crown Infrastructure Partners board to seek endorsement of this project.
45. Amongst other things the major benefits of an IFF levy for this project are:
- A transparent separate charge for Te Manawataki o Te Papa;
 - A long-term charge established over a 30-year period which may attract further external funding certainty; and
 - A further \$150+ million of funding removed from Council's constrained balance sheet, which will assist Council to manage its financial programme as it develops its upcoming Long-Term Plan.
46. A detailed programme is currently being developed to align with the Long-Term Plan process.

OPTIONS ANALYSIS

Option One (recommended)

47. **Council approves the financial strategy for the Te Manawataki o Te Papa capital works project as set out in this report, the key elements of which are:**
- **A maximum of \$151.5 million of project costs to be met by rate-payer funding.**

- **The remaining capital costs to be met by a combination of external funding and other funding, with the priority funding source to be external funding and other funding to only be utilised once ratepayer funding and external funding has been fully spent.**

48. Key risk: that Council is not able to achieve the projected levels of external funding, resulting in the need to increase other funding beyond the amount that this report anticipates.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Aligns with Council's commitment to limit ratepayer funding for the project to \$151.5 million. • Provides a financial strategy that allows the project to proceed. • Commits to maximising external funds as a priority, ideally lessening the requirement to utilise other funding sources. 	<ul style="list-style-type: none"> • Remaining work is required to secure the full amount of external funding anticipated by this report. • Remaining work is also required to secure some of the funds envisaged to contribute other funding (refer to the Asset Realisation Programme report).

Option Two (not recommended)

49. **Alternative option – Council reduces the requirements for external funding and other funding by increasing the amount of ratepayer funding for the Te Manawataki o Te Papa capital works project above \$151.5 million, noting that if Council wished to proceed with this option, it would require further community consultation via the 2024-2034 Long Term Plan process before a decision could be made.**

50. Key risks: that project delays caused by the need to reconsult place the viability of the project at risk and decrease investor confidence, and that the community is unsupportive of any proposal to increase the ratepayer funding for the project.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Decreases the amount of external funding and other funding required (both of which require further work before funds can be realised). 	<ul style="list-style-type: none"> • Project delays place the viability of the project at risk and decrease investor confidence. • Ratepayer costs are increased. • Council's overall balance sheet is negatively impacted by increasing ratepayer debt levels. • Requires further community consultation, in addition to that which already occurred as part of the recent Long Term Plan Amendment. This would need to occur via upcoming 2024-2034 Long Term Plan process.

LEGAL AND POLICY IMPLICATIONS / RISKS

51. Legal and policy considerations have been addressed as follows:

- Use of airport activity funds (refer confidential attachment).
- Asset realisation reserve (refer Asset Realisation Report on this 24 July Council agenda).

CONSULTATION / ENGAGEMENT

52. The civic precinct, Te Manawataki o Te Papa, was consulted on as part of the 2021-2031 Long Term Plan Amendment in 2022, at which point Council decided to move forward with the project conditional upon:

- Rates-funded debt for Te Manawataki o Te Papa being limited to \$151.5 million.
- Funding packages and business cases being confirmed before making the final decision to proceed with Te Manawataki o Te Papa.

53. Further consultation is anticipated for elements of the other funding, for example the proposed sale of properties and assets (such as the carparking buildings) will likely need to be consulted on individually in accordance with the Significance and Engagement Policy, Property Acquisitions and Disposals Policy and the requirements of the Local Government Act 2002.
54. Further consultation will also be likely required with direct airport stakeholders over the use of airport funds to contribute to the Te Manawataki o Te Papa costs.

SIGNIFICANCE

55. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy (the Policy). Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
56. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region
 - (b) any persons who are likely to be particularly affected by, or interested in, the decisions.
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
57. In accordance with the considerations above, and criteria and thresholds in the Policy, it is considered that the decisions proposed by this report are of medium significance, as they follow the direction set by previous decisions made which were of high significance and consulted on as per the requirements of the Policy and the Local Government Act 2002.

ENGAGEMENT

58. Taking into consideration the above assessment, that the decisions are of medium significance, that the significant matters have either already been consulted on, or will be consulted on in future (for some asset disposals and airport funding issues), officers are of the opinion that no further engagement is required prior to Council making the decisions recommended by this report.

NEXT STEPS

59. If the recommendations of this report are adopted, the next steps will be to progress further work required to implement the financial strategy for the Te Manawataki o Te Papa project as outlined by this report.

ATTACHMENTS

1. **Confidential Attachment to TMoTP Financial Strategy Report - Airport Funds Legal Advice and Associated Analysis - A14860084 - Public Excluded**
2. **Legal Advice re Airport Authority - A14860929 - Public Excluded**
3. **Assessment of Airport Surplus Allocation to Te Manawataki o Te Papa - A14866032 - Public Excluded**

11.5 Asset Realisation Reserve**File Number: A14836606****Author: Simon Collett, Manager Commercial Property****Authoriser: Marty Grenfell, Chief Executive****Please note that this report contains confidential attachments.**

Public Excluded Attachment	Reason why Public Excluded
Item 11.5 - Asset Realisation Reserve - Attachment 2 - Potential Sale Properties and Estimated Values - Confidential - 24 July 2023	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
Item 11.5 - Asset Realisation Reserve - Attachment 3 - KPMG Report - Asset Realisation Reserve (12 July)	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

PURPOSE OF THE REPORT

1. This report seeks Council approval to create an Asset Realisation Reserve (the Reserve) approach. The Reserve approach will be used to identify, manage property and assets pending divestment, and to hold resulting disposal proceeds. Council will be able to by resolution allocate funds held in the reserve to capital projects, with Te Manawataki o Te Papa identified as the first capital project to receive funds from the Reserve.

RECOMMENDATIONS

That the Council:

- (a) Receives the report "Asset Realisation Reserve".
 - (b) Approves the creation of an Asset Realisation Reserve approach which will be used to:
 - i) Manage Council properties and assets, initially acquired from sources other than the Strategic Acquisitions Fund, which have been assessed as:
 - No longer needed for operational or strategic purposes, or
 - Identified as available for disposal (externally or to a Tauranga City Council activity) to achieve a strategic purpose and a defined trigger or timeframe for that disposal has been determined; and
 - Includes, for avoidance of doubt, assets associated with commercial activities that Council no longer wishes to own or operate.
 - ii) Hold the resulting sale proceeds from Council properties and assets.
 - iii) Fund Council capital projects, with the decision to fund capital projects from the Asset Realisation Reserve to be made via Council resolution.
 - (c) Approves that on sale of assets managed through the Asset Realisation Reserve approach, any debt associated with that asset will be not repaid unless Council, by further resolution, determines full or partial debt repayment shall occur.
 - (d) Notes that property or an asset identified to be managed through the Asset Realisation Reserve approach is not necessarily a decision to sell that property or asset, but a recognition that the property/asset is no longer required by Council for operational purposes or is available for strategic disposal.
 - (e) Notes that an annual review of Council's property holdings will be undertaken, with those properties which are identified as no longer required by Council for operational purposes or are available for strategic disposal managed through the Asset Realisation Reserve approach.
 - (f) Notes that the potential sale of any Council properties or assets held by the Asset Realisation Reserve will be assessed and managed on a case-by-case basis and in accordance with Council's legislative requirements and policies, including the Property Acquisitions and Disposals Policy and Significance and Engagement Policy.
 - (g) Approves all the properties listed in Attachment 1, subject to not being required for any alternate operational purpose, being managed through the Asset Realisation Reserve approach and approve staff to progress the sale or potential sale of those properties.
 - (h) Approves the Asset Realisation Reserve to be used as a source of funding for the Te Manawataki o Te Papa project in the first instance.
 - (i) In accordance with section 80 of the Local Government Act notes that, with respect to the decision to hold sale proceeds in the newly established Asset Realisation Reserve:
 - i) The decision is inconsistent with the Property Acquisitions and Disposals Policy (section 5.8.5) which states that proceeds from the disposal of surplus property will be returned to the council activity that funded the purchase; and
 - ii) The reasons for the decision are addressed in this Asset Realisation Reserve Report; and
 - iii) Council intends to amend the Property Acquisitions and Disposals Policy to accommodate the decision.
 - (j) Retains the information contained within Attachments 2 and 3 in public excluded until the respective property sale has been completed. Details associated with unsold properties will
-

remain confidential and are to be redacted from any public release.

EXECUTIVE SUMMARY

2. This report proposes the establishment of an Asset Realisation Reserve approach by Council to facilitate the funding and sale of non-core Council assets as outlined in the 2021-2031 Long Term Plan Amendment (LTPA). The reserve will transparently manage the sale of Council properties and assets and hold the resulting proceeds, which will be allocated to capital projects based on highest need.
3. The proposal aligns with Council's commitment to strategic and coordinated property management and will be supported by an annual property review process. The management of properties through the Asset Realisation Reserve approach does not imply an immediate decision to dispose of them, as disposal decisions will be made on a case-by-case basis following the transfer.
4. This report presents three issues for consideration and decision.
 - i. The proposal to establish an Asset Realisation Reserve approach and the criteria for identifying properties to be managed through that approach.
 - ii. The treatment of debt associated with properties in the reserve.
 - iii. The list of properties proposed for management through the Asset Realisation Reserve approach, which includes the Marine Precinct, central city carparking buildings, "Smiths Farm", "Pōteriwahi" (Parau Farms), and various other Council properties. The total estimated gross value of these properties is \$146.3 million (and \$97.7 million net of debt).
5. This report emphasizes that property values are influenced by wider economic performance and interest rates. It recommends considering future revenue assumptions and developing a parking strategy to maximise the value of the carpark buildings and inform any subsequent divestment. Further work will also be completed to develop a divestment strategy for the Marine Precinct.
6. The report highlights the financial considerations, legal implications, risks, and the need for consultation and engagement on individual property sales as required.
7. Any future sale processes will be managed on a case-by-case basis and in accordance with Council's legislative requirements and policies, including the Property Acquisitions and Disposals Policy and Significance and Engagement Policy.

BACKGROUND

8. Through the 2021-2031 Long Term Plan Amendment (LTPA) Council noted the following:
 - Council needs to explore new ways of funding; and
 - With respect to Te Manawataki o Te Papa the sale of non-core Council assets was identified as a potential funding source. The consultation document stated "*Further investigation of assets sales is required, but potentially, this could include Council's two central city parking buildings and the Marine Precinct. If these investigations prove favourable, it's likely that further consultation would be undertaken with key stakeholders.*"
9. This report proposes the establishment of an Asset Realisation Reserve (the **Reserve**) approach by Council to create a vehicle to achieve the funding and asset disposals outlined in the LTPA.

PROPOSAL TO ESTABLISH AN ASSET REALISATION RESERVE

10. Council acquires property to support the demands of growth and enable the timely provision of infrastructure and services, with the overall objective of enhancing the lifestyle, amenity and liveability of the City and delivering improved wellbeing for the City's residents.
11. Over time, as the needs of the City change and infrastructure projects are completed, some of Council's property portfolio is no longer required. When this occurs, there is an opportunity for Council to sell its surplus property.
12. Council may also choose to dispose of property to achieve a strategic outcome for the City. An example of this is the sale of Council's elder housing portfolio to Kāinga Ora: Homes and Communities, which ensured these sites will be used to increase the quantity and quality of public housing for the city.
13. This report proposes establishing the Reserve, which will be used as a vehicle to transparently manage the sale of Council properties and assets, and to hold any resulting proceeds. Council would then allocate funds from the Reserve to capital projects.
14. Establishing the Reserve will form part of Council's ongoing commitment to acquire, hold and dispose of property and assets in a strategic and coordinated manner, and would be established alongside an annual property review process. Holding net sale proceeds in the Reserve allows Council to transparently allocate funding and the benefits of capital gains from the Reserve to projects based on highest and best need.
15. The identification of a property or asset to be managed through the Reserve approach may not necessarily be a decision to dispose of that property or asset. Disposal decisions will be made on a case-by-case basis and managed in accordance with then current Council policy.

CURRENT COUNCIL POLICY

16. There is some guidance within Council policy as to how sale proceeds and associated debt is to be treated.
17. The Property Acquisitions & Disposals Policy provides:
 - 2.1 *"This policy relates to the acquisition and disposal of council property; except for acquisition of stormwater- affected property."*
 - 5.5.4; *"When the Strategic Acquisitions Fund is used to purchase property, which is later used for operational purposes, the relevant council activity will then account internally for the purchase of the property. The notional purchase amount will be based on the amount the property was originally purchased for, including any legal and valuation costs incurred at the time of purchase, plus holding costs. The monies will be reimbursed to the Strategic Acquisitions Fund. Consideration may be given to the current market value and the original reason for purchase."*
 - 5.8.5 *The proceeds from the disposal of surplus property will be returned to:*
 - *the council activity that funded the purchase, or;*
 - *the Strategic Acquisitions Fund if the purchase was funded by the Strategic Acquisitions Fund.*
 - 5.5.5 to 5.5.7:
 - *Budget is allocated to the Strategic Acquisitions Fund per annum.*
 - *Unspent funds and proceeds reimbursed to the Strategic Acquisitions Fund will be carried over into the following financial year.*
 - *The Strategic Acquisitions Fund will be capped once the amount contained in the fund equals or exceeds the total amount of budget allocated over the previous three years. Future annual budget allocations will resume once the amount in the Strategic Acquisitions Fund is less than the total amount of budget allocated over the previous three years.*
18. The Treasury Policy provides in 5.1.4:

“Council will repay borrowings from general funds, proceeds from the sale of investments and assets unless the Council specifically directs that the funds will be put to another use.”

19. Policies are created by Council resolution and the Local Government Act 2002 (section 80) address the matter of situations where Council subsequently makes a decision which is inconsistent with adopted policy:

“If a decision of a local authority is significantly inconsistent with, or is anticipated to have consequences that will be significantly inconsistent with, any policy adopted by the local authority or any plan required by this Act or any other enactment, the local authority must, when making the decision, clearly identify:

- *The inconsistency; and*
- *The reasons for the inconsistency; and*
- *Any intention of the local authority to amend the policy or plan to accommodate the decision.”*

20. Legal advice has confirmed that if Council sells an asset, and it otherwise still meets its debt covenants, Council can choose whether to use the proceeds to repay debt, or to use the proceeds for another purpose.

21. In summary the above guidance and legal framework generally provides that:

- With respect to property funded from the Strategic Acquisitions Fund:
 - Proceeds of disposal will return to the Strategic Acquisition Fund; and
 - Proceeds will reduce the required annual budget allocation to the Fund.
- With respect to property funded from an activity:
 - Proceeds from the property sales will return to that activity (except that there is no similar requirement for stormwater affected properties); and
 - Proceeds will be used to repay debt.
- Council, can by resolution:
 - Direct proceeds from sale of assets to a use other than debt repayment; and
 - Decide not to act in accordance with an adopted policy provided that decision is transparently made, and specific Local Government Act 2002 requirements are complied with.

ISSUE 1 – DECISION ON ESTABLISHING AN ASSET REALISATION RESERVE

22. Property owned by Council is currently funded and held in either:

- The Strategic Acquisitions Fund; or
- An activity of Council.

23. It is proposed that the Reserve is established, with property managed through the Reserve where it is identified that:

- Either the property is no longer required for operational purposes, or it is available for disposal to achieve a strategic objective; and
- There is a defined trigger or timeline for the disposal to occur.

24. It is also proposed that there be an annual (or more frequently as appropriate from time to time) review of properties both within the Reserve and within activities to ensure that they are proactively managed, and that any property no longer required or available for strategic disposal is actively identified. Identification of property to be managed through the Reserve approach would be via Council resolution.

25. Proceeds from the divestment of property would be held in the Reserve and distributed in accordance with Council resolutions.

26. Issue 1 – Option 1

Establish an Asset Realisation Reserve including property funded from the Strategic Acquisition Fund and Council Activities

Advantages	Disadvantages
<ul style="list-style-type: none"> Requires an annual (at minimum) review of all property and identify property available for disposal through the reserve for active management. Captures property value and enables Council to make a transparent decision on how that value should be applied. Enables property not required for operational purposes to be removed from the activity and managed by a dedicated team with property expertise. Increases transparency regarding Council's programme of potential property sales. 	<ul style="list-style-type: none"> The Strategic Acquisitions Fund would require additional debt to be raised as proceeds would not be reinvested in the fund and therefore less funds would be available for strategic acquisitions. Activities do not benefit from any capital gains resulting from property held by their activity being sold.

27. Issue 1 – Option 2

Establish an Asset Realisation Reserve for property funded from Council Activities

Advantages	Disadvantages
<ul style="list-style-type: none"> Advantages same as option 1 Strategic Acquisitions Fund can continue to operate as it currently does. 	<ul style="list-style-type: none"> Activities do not benefit from any capital gains resulting from property held by their activity being sold.

28. Issue 1 – Option 3

Do not establish an Asset Realisation Reserve

Advantages	Disadvantages
<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> Does not enable Council to make a transparent decision on how capital gains realised by sale of property are applied (as capital gains from sale proceeds are automatically allocated to the activity which held that property). Does not enable property not required for operational purposes to be removed from the activity and managed by a dedicated team with property expertise. Provides less transparency regarding Council property which may at a future point be available for sale.

29. Recommendation

It is recommended that **Option 2** be approved.

ISSUE 2 – TREATMENT OF DEBT ASSOCIATED WITH PROPERTIES IN THE ASSET REALISATION RESERVE

30. Council records debt associated properties against the activity for which the property is acquired.
31. The Treasury Policy provides, as noted in paragraph 18 above, that proceeds from sale of assets will be used to repay debt unless the Council specifically directs that the funds be put to another use.
32. The following options can be considered:
- Option 1: Upon selling a property, repay any associated debt.
 - Option 2: Upon selling a property retain debt in an activity of Council to the extent that there is an available non-rate funding source to repay that debt and repay the balance of the debt.
 - Option 3: Upon selling a property all debt retained within the activity associated with that property.
33. The rationale underpinning Option 3 is that there is no additional debt and Council is recycling or exchanging one asset for another by applying the gross proceeds to an alternative asset.
34. Option 3 results in the most funds being available for investment by way of Council resolution.
35. Options 2 & 3 result in higher debt levels than option 1.
36. Option 3, for assets from rate funded activities, Council may require rate funded debt in future years.
- 37. Recommendation**

It is recommended that **Option 3** be approved.

PROPERTIES AND ASSETS IDENTIFIED FOR TRANSFER TO THE ASSET REALISATION RESERVE

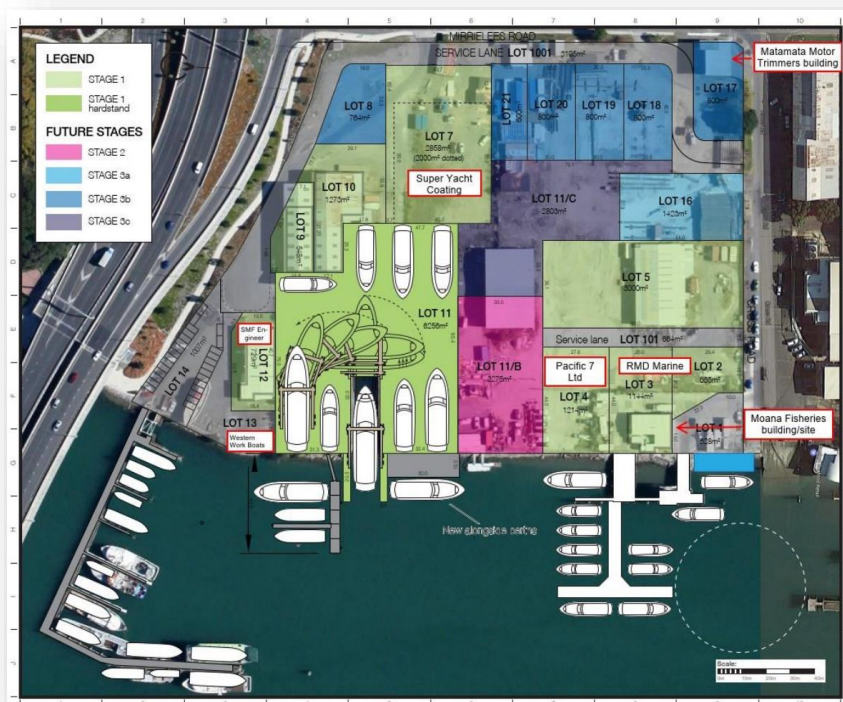
38. Should Council decide to establish the Reserve, a list of Council properties to be managed through the Reserve approach are identified in Attachment 1. Confidential attachment 2 provides a breakdown of the estimated values at an individual property level.
39. As noted above, management through the Reserve approach is not necessarily a decision to divest/sell these properties. It is that Council has completed an initial assessment that the properties are:
- Not required to deliver core business; or
 - Should be disposed of (either externally or internally) to achieve a strategic objective; and
 - Are in the first stage of any resulting disposal process.
40. Properties recommended to be managed through the Reserve approach include the Marine Precinct, central city carparking buildings, “Smiths Farm”, “Poteriwhi” (also known as Parau Farms) and a range of other Council properties. The total estimated gross value of these properties is \$146.3 million (and \$97.7 million net of debt).

41. It is intended that over time the Reserve will be used to providing funding for a range of Council's capital projects, with Te Manawataki o Te Papa being the first of these, as is recommended by the Financial Strategy for Te Manawataki o Te Papa report.
42. If Council decides to proceed with the properties listed in Attachment 1, any resulting sale processes will be managed at the individual property level with reports to Council as needed.
43. Sale processes will be managed in accordance with the disposal requirements outlined in Council's Property Acquisitions and Disposals policy and with consultation as required by Council's Significance and Engagement Policy.

The Marine Precinct

44. The Marine Precinct (also known as Vessel Works) is a marine servicing hub located at the Sulphur Point Marine Precinct. It offers a wide range of marine services and facilities for commercial and recreational vessels, including haul-out, launch, berthage, fuelling, and unloading. The initial development included a 6,300m² hardstand, deep water marina berths, and a large travel lift capable of hauling 350T vessels. Further development stages, such as expanding the hardstand space and adding additional buildings, are still being considered.
45. The Marine Precinct was initially funded by the Council and the Bay of Plenty Regional Council (BOPRC) through land sales and the Regional Infrastructure Fund (RIF), respectively.
46. The Precinct is currently owned and operated by the Council and holds approved Ministry for Primary Industries transitional facility status. It caters to a range of recreational users, from fishermen to boat owners, while also providing a base for boat building and refit businesses in Tauranga. The Marine Precinct's strategic location and direct connection to the transport network make it an ideal spot for marine businesses.

Figure 1: Scheme Plan for Marine Precinct



47. The vision for the Marine Precinct, shared by Council and BOPRC, is to support the growth of the region's commercial marine sectors, thereby benefiting the local community. It is proposed to achieve this by developing the site as a marine refit hub for commercial working fleets and super yachts, and to provide related support facilities for commercial vessels.

Requirement to Operate as a Marine Precinct

48. The obligation to develop and operate the site as a Marine Precinct is established through covenants registered against the property and a 2014 Heads of Agreement (HoA) between the Council and BOPRC.
49. The covenants, in favour of the Council and Port of Tauranga, state that activities on the site must be "Marine Related Activities," defined as operations or activities that provide goods and/or services to the marine industry. The Council is responsible for enforcing the covenants, with the option to seek Port approval if needed.
50. The HoA outlines various conditions, including restrictions on transferring the Marine Precinct land without BOPRC's approval and a repayment clause for the grant provided by BOPRC.

TwentyTwo Report

51. The Council engaged TwentyTwo consultants to assess future development and leveraging options for the Marine Precinct. The resulting report compares different development and operating models for the precinct.
52. This TwentyTwo report recommends that the Council considers selling the land to a third party, relying on the land covenants and the purchaser's reputation in the relevant market. Regional Council consent would be necessary for any divestment, with the wharves likely excluded from the divestment process.

Next steps

53. This Council report recommends managing the Marine Precinct through the Reserve approach. This would only be the first step moving towards divestment of the Marine Precinct and further work would occur to develop a divestment strategy for the Precinct, with any future disposal occurring in accordance with Council policy.

Carparking Buildings – Spring Street and Elizabeth Street

54. Council owns two carparking buildings located in central Tauranga, the Spring Street carparking building (453 carparks) and the Elizabeth Street carparking building (620 carparks). Council has recently reintroduced parking charges for on-street (berm) parking in the city centre, and as a result the fee-based carparking buildings are now a more attractive option than previously (when people could park for free on the street).
55. Council's long-term strategy for carparking management in the city is to reduce on-street carparking and implement carparking restrictions. Additionally, the *Draft Tauranga City Centre Parking Assessment (TCCPA) – Stantec Report Dated 17 November 2022* highlights significant growth projections for the CBD in terms of housing units, jobs, and students and makes the following conclusions:
 - Carparking supply in the city centre is expected to decrease by 2025, in part due pending developments.
 - There is a strong desire to drive and park close to destinations.
 - The assessed access gap indicates a potential shortage of parking spaces.
56. In December 2022 KMPG completed a market sounding on Council's behalf, assessing the sale potential of the two carparking buildings. This report concluded that:
 - Interested parties suggested the buildings should continue as car parks.
 - Redevelopment of the sites is unlikely.
 - The seismic ratings of the buildings may impact their value.
 - Cashflows, rather than land or building values, would determine the sale price.
57. This report seeks approval to manage the carpark buildings through the Reserve approach. The next step would be to begin the potential sale process, as per Council's Property

Acquisitions and Disposals Policy. Any sale process would address consultation requirements, as required under Council's Significance and Engagement policy.

58. If Council decides to divest of the carpark buildings, it can consider a number of matters including (but not limited to):

- (a) whether to sell to a carpark operation or to an investor with a lease-back arrangement; and
- (b) whether any conditions such as ongoing availability of public carparks would be appropriate.

59. The values of the carparks are largely dependent on their future revenue assumptions which will be further developed in coming months along with the parking strategy to support Te Manawataki o Te Papa and the city centre.

60. The carpark building issues and sale approaches will be explored in detail in a subsequent report to Council focused solely on the potential sale of the carpark buildings. Any future disposal/s will occur in accordance with Council policy.

Smith's Farm

61. The land known as "Smiths Farm" at 10 Richards Way, Bethlehem provides approximately 13-14ha of developable land and is zoned as medium density residential under Plan Change 33. Council is progressing development of this greenfield site via an open market disposal process.

62. In addition to the mandated minimum of 255 new dwellings and the option for 20% of the social / affordable housing land within the development to be made available for the Housing Trust arrangement which Council is currently exploring, Council is also seeking to achieve a blend of the following outcomes alongside optimised commercial return:

- Enabling housing supply.
- Encouraging improved housing affordability including affordable rentals, mixed tenure, shared equity, or other such innovative schemes.
- Encouraging quality density by the integrated and comprehensive design of a master planned medium density development.
- Community and cultural collaboration, employment and social initiatives.

63. Council has completed an Expressions of Interest process for Smiths Farm and shortlisted four responses. The next step in the process is a Request for Proposal with the aim of securing an unconditional sale and purchase agreement in 2024. However, the settlement date for this property will be 18 months+ from the date of sale due to siteworks. This disposal has been assessed under Council's Property Acquisitions and Disposals policy, and was classified as a strategic disposal

Pōteriwahi (Parau Farms)

64. This is a Council owned site of approximately 22 hectares in Bethlehem and was purchased by Council in 2000 for sports fields. The land is well placed for housing, close to shops, schools and other amenities, including public transport.

65. Council has engaged with Ngati Kahu and has undertaken public consultation on the utilisation of this site.

66. At the 19 June 2023 Council meeting, Council:

- Approved the Pōteriwahi land use change to include retention of land for sports fields, passive reserves, stormwater and river access, with the remainder of land being disposed for housing purposes
- Endorsed in principle the updated concept plan for Pōteriwahi which included 11 hectares of housing land.

67. Sale of this site is expected to occur in the medium term (i.e., 3-6 years). It is proposed that the housing land area be managed through the Reserve approach. Council policy will be considered prior to any disposal approach being approved.

Other Council properties

68. Council owns a range of other properties across the City and Western Bay which have been identified as potentially suitable for sale in the short or medium term (refer Attachment 1.)
69. Some of these properties can be sold within the short term (1-3 years), whilst others would take longer to sell (3-6 years). This report recommends managing these properties through the Reserve approach. Some of these properties may be subject to consultation before a sale can be affected. Relevant Council policy will apply.

Economic considerations

70. Property values are closely correlated to wider economic performance. The current high interest rates are negatively impacting property values and it is not expected for property values to increase until interest rates fall, and the economy moves out of its downward cycle. A sensitivity test has been applied to estimated values to account for this (refer confidential Attachment 2).

ISSUE 3 – MANAGEMENT OF PROPERTIES AND ASSETS THROUGH THE ASSET REALISATION RESERVE APPROACH

71. Issue 3 – Option 1

Manage all the properties listed in Attachment 1 through the Asset Realisation Reserve approach.

Advantages	Disadvantages
<ul style="list-style-type: none"> Property which is not required for operational purposes will be managed by a dedicated team with property expertise. There is a high level of transparency regarding Council's potential property disposal programme. There is increased certainty regarding Council's commitment to the proposed funding strategy for Te Manawataki o Te Papa. 	<ul style="list-style-type: none"> May result in properties being managed through the Reserve approach which Council then decides not to sell (although this is potentially a risk with all options).

72. Issue 3 - Option 2

Manage through the Reserve approach only those properties categorised in Attachment 1 as a short-term priority for potential sale.

Advantages	Disadvantages
<ul style="list-style-type: none"> Allows for further work to occur regarding those properties identified as medium-term sale prospects, meaning that when Council comes to decide whether to manage those properties through the Reserve approach, there is greater certainty regarding future sale timeframes, proceeds and processes. 	<ul style="list-style-type: none"> Does not provide as much certainty regarding Council's potential disposal plans as managing properties through the Reserve approach would. May make the funding strategy for Te Manawataki o Te Papa appear less certain.

73. Issue 3 - Option 3

Do not identify any properties for management through the Reserve approach at this time. Proceed on a case-by-case basis as recommended by subsequent reports to Council.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Allows for greater in-depth consideration of each property/asset prior to managing it through the Reserve approach. 	<ul style="list-style-type: none"> • Does not provide as much certainty regarding Council's potential disposal plans as identifying properties now would. • Does not allow for 'bundling' of potential sale properties in Council reports, creating extra work for both Council staff and Commissioners. • May lengthen sale times, impacting on potential cashflow for Te Manawataki o Te Papa. • May make the funding strategy for Te Manawataki o Te Papa appear less certain.

74. Recommendation – Issue 3

It is recommended that **Option 1** be approved.

STRATEGIC / STATUTORY CONTEXT

75. The Local Government Act 2002 requires councils to promote the social, economic, environmental, and cultural well-being of their communities in a balanced and sustainable manner.
76. The creation of the Reserve will assist Council to meet its responsibilities to promote overall community wellbeing, as it assists Council to manage its divestment programme strategically and transparently and facilitates a considered approach to the reinvestment of sale proceeds into capital projects rather than sale proceeds automatically returning to Council activities or to the general fund.

FINANCIAL CONSIDERATIONS

77. Many of the assets generate income for Council. This income will be forfeit as a result of any divestment. The loss of income will need to be considered with respect to any sale, although this report notes the financial return on capital is generally low (setting aside any community or other non-financial benefits the assets provide).
78. The sale of non-core Council assets and strategic disposal of assets such as the central city carparking buildings was anticipated as a revenue stream for the Te Manawataki o Te Papa capital project by the LTPA consultation document. This report provides more detail regarding potential achievable proceeds and together with the Financial Strategy – Te Manawataki o Te Papa report, delivers certainty regarding Council's ability to fund the civic precinct development.

LEGAL IMPLICATIONS / RISKS

79. Each property/asset will have its own set of legal risks attached to it. These will be considered on a case-by-case basis. General legal considerations, which may apply to a number of properties, are discussed below. These will also be considered specific to each property as it is assessed for potential disposal.

Section 40 Public Works Act 1981 (PWA)

80. Section 40 of the PWA requires Council, when selling land that is no longer required for a public work, to offer that land back at current market value to its previous owner (or their successor).

81. There are exceptions to this. That is, where:

- Council considers that it would be impracticable, unreasonable, or unfair to do so; or
- There has been a significant change in the character of the land in connection with the public work.

82. Whilst Section 40 of the PWA does not prevent sale of land by Council, it can lengthen the sale process.

State-Owned Enterprises Act 1986 (SOE Act)

83. Some of Council's central city properties (the Spring Street carpark for instance) have a Section 27A SOE Act memorial on them.

84. Where any land is transferred to or vested in a State Enterprise, the record of title will include the words "*Subject to section 27B of the State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation)*".

85. This means the Waitangi Tribunal may require that the land be returned to Manu Whenua.

86. In practice this is not possible/achievable, as the relevant properties are part of a larger block containing several titles with a substantial structure over them. An example of this is the Spring Street carpark building. It is much more likely that the Tribunal would order a monetary compensation from the Crown with respect to such properties.

KPMG Summary of Findings

87. KPMG conducted a review of this report and its appendices, focusing on several key areas (see Summary of Findings - Attachment 3). In the Summary of Findings, KPMG:

- (a) Comments on the overall robustness of the conclusions and supporting analysis presented in this report.
- (b) Conducts a specific review and provides comments on the saleability assessment for the priority properties. They also provide high-level comments on the sensitivities applied to sale prices.
- (c) Offers more detailed comments on the saleability of the car parking buildings and outlines the necessary steps that need to be taken before divesting these assets.

88. The Summary of Findings does not include an examination of the internal structuring and process related to setting up the Reserve. They also do not comment on the debt position of individual properties or the overall debt situation of Council.

89. Furthermore, the Summary of Findings does not cover certain factors such as zoning, iwi engagement, or Public Works Act status.

90. Whilst generally supportive of the methodology and sensitivities applied, KPMG's Summary of Findings (Attachment 3) makes several recommendations and highlights material issues regarding the saleability and pricing of certain properties.

91. KPMG suggests that the Council, in the next phase of its work, assesses if there will be any significant impacts on borrowing capacity resulting from the foregone revenue caused by prioritised divestments. Alternatively, Council can create a plan to reduce existing debt using the proceeds from the divestments.

92. KPMG also recommends identifying any asset-specific issues that may affect the speed of bringing the assets to sale in the upcoming divestment work.

CONSULTATION / ENGAGEMENT

93. No consultation has occurred in relation to the proposal to create the Reserve and none is required. Consultation will occur for individual property/asset sales as appropriate.

SIGNIFICANCE

94. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
95. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region;
 - (b) any persons who are likely to be particularly affected by, or interested in, the decisions proposed by this report; and
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
96. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decisions proposed by this report are of low significance.
97. The assessment of low significance reflects that adopting the recommendations made by this report does not necessarily equate to a decision to divest of any Council property. Any property divestment will be dealt with its individual merits in accordance with the relevant policies (including Council's Significance and Engagement Policy), requirements and legislation.



ENGAGEMENT

98. Taking into consideration the above assessment, that the decisions proposed by this report are of low significance, officers are of the opinion that no further engagement is required prior to Council adopting the recommendations.

NEXT STEPS

99. If Council approves the creation of the Reserve, and the list of properties/assets to be managed through the Reserve approach as recommended by this report, the next steps would be to develop an individualised divestment plan for each property/asset, with subsequent reports to Council and community engagement/consultation as required.

ATTACHMENTS

1. **Property List - Public - 24 July 2023 - A14858964**  
2. **Potential Sale Properties and Estimated Values - Confidential - 24 July 2023 - A14858965 - Public Excluded**
3. **KPMG Report - Asset Realisation Reserve (12 July) - A14860024 - Public Excluded**

ATTACHMENT 1 : Property List		
Priority	Site Address	Notes
Short Term	Elizabeth Street Car Park	
Short Term	Spring Street Car Park	
Short Term	Marine Precinct	
Short Term	96B Sherwood street	Flood risk and major overland flow path
Short Term	53D Esmeralda	Flood plain
Short Term	149 Second Avenue	Flood risk (partial)/perpetual lease
Short Term	31 Glasgow Street	Flood risk and major overland flow path/perpetual lease
Short Term	33 Glasgow Street	Flood risk and major overland flow path/perpetual lease
Short Term	35 Glasgow Street	Flood risk/perpetual lease
Short Term	65-73 Cross Road	Major overland flow path/strategic/long term leases - currently used to provide private boat parking with some community use. If sold, community use (e.g. waka ama storage) to be relocated and consideration given to covenants requiring use of site for marine related purposes.
Short Term	85 Cross Road	Major overland flow path/strategic/bare industrial land - currently used to provide private boat parking with some community use. If sold, community use (e.g. waka ama storage) to be relocated and consideration given to covenants requiring use of site for marine related purposes.
Short Term	59C Esmeralda	Major overland flow path/bare land
Short Term	Glasgow Second Ave Road	Flood risk/road reserve/industrial bare land/strategic CBD fringe
Short Term	41 Durham Street	Strategic/existing improvements of value
Short Term	20 - 24 May Street	Covenants to provide car parks/strategic/closely held market
Short Term	2014L Kairua Road	Culturally sensitive
Short Term	32 Keilor Road	Partial minor overland flow path
Short Term	134 - 136 Greerton Road	Minor overland flow path/commercial zone - currently used for carparking purposes.
Medium Term	247B Ngatai Road	Major overland flow path
Medium Term	30-32 Fifteenth Avenue	Major overland flow path/commercial zone/short term lease/development opportunity
Medium Term	34-36 Fifteenth Avenue	Major overland flow path - awaiting finalisation of 15th Ave / Turret Rd roading solution before sale
Medium Term	26 Fifteenth Avenue	Major overland flow path- awaiting finalisation of 15th Ave / Turret Rd roading solution before sale
Medium Term	28 Fifteenth Avenue	Major overland flow path- awaiting finalisation of 15th Ave / Turret Rd roading solution before sale
Medium Term	15 Herald Way	Residential zoned 4.8ha
Medium Term	140 Grange Road	Developable bare land - requires reserve revocation prior to sale.
Medium Term	2 Eighteenth Ave	Bare land with views. Buildable. Subdivide prior to sale to enable retention of foreshore esplanade.
Medium Term	376 No1 Road (Orchard)	Gold kiwifruit orchard, no longer required by core waters business
Medium Term	11 Strange Grove	Major overland flow path/waterfront high demand/premium location
Medium Term	A & B 35 Third Avenue	Flood prone/development potential consolidated with 43 Third/CBD fringe
Medium Term	1-3 43 Third Avenue	Flood prone/development potential consolidated with 35 Third/CBD fringe
Medium Term	202 Rowsdale Drive	
Medium Term	206 Rowsdale Drive	
Medium Term	354 No 1 Road	Residential property, no longer required by core waters business
Medium Term	Smiths Farm	255 minimum sites
Medium Term	Poteriwhi	Potential for 280 homes

Note: Major and minor are technical terms used to descibe overland flowpaths, as per the natural hazard mapping work completed by Council. Properties with overland flowpaths may be developed, as long as engineering solutions to accommodate flowpaths are implemented as required.

11.6 Te Manawataki o Te Papa - Willis Bond - Development Management Agreement**File Number: A14845846****Author: Graeme Frith, Team Leader: Legal & Business Support
Mike Naude, Director of Civic Developments****Authoriser: Gareth Wallis, General Manager: City Development & Partnerships****PURPOSE OF THE REPORT**

1. The purpose of this report is to seek delegated authority for the Chief Executive to enter into a Development Management Agreement (DMA) appointing Willis Bond as Council's Development Manager for delivery of the Te Manawataki o Te Papa (Site A) programme of works (TMOTP) pursuant to the Tauranga City Council / Willis Bond 2018 Partnering Agreement (PA).

RECOMMENDATIONS

That the Council:

- (a) Receives the report "Te Manawataki o Te Papa - Willis Bond - Development Management Agreement".
- (b) Delegates to the Chief Executive authority to enter into a Development Management Agreement on behalf of Council with Willis Bond for delivery of the Te Manawataki o Te Papa (Site A) programme of works as further outlined within the Te Manawataki o Te Papa Design and Cost Update Report July 2023.

EXECUTIVE SUMMARY

2. Subsequent to approval of the Preliminary Design Cost Report in December 2022, Council was authorised to enter contracts for the developed and detailed design phase of TMOTP with Willis Bond and other consultants. In parallel and consistent with the intent of the PA, Council have been negotiating an agreement for Willis Bond to provide development management services in relation to completion of the design, construction, and delivery of TMOTP.
3. The TMOTP Design and Cost Update Report has been presented to Council earlier on today's agenda, seeking approval to complete the design process and enter contracts for the delivery of the packages of works within TMOTP.
4. Subject to Council approving the recommendations contained within the TMOTP Design and Cost Update Report, this report recommends that Council enters a DMA with Willis Bond to provide development management services to progress delivery of TMOTP, as detailed within the TMOTP Design and Cost Update Report.
5. The Te Manawataki o Te Papa Limited Board (Board) have had input into negotiations of the DMA and, should Council approve the recommendations contained in this report, endorsement will be obtained from the Board prior to signature of the DMA. The Board will oversee and monitor Willis Bond's performance under the DMA.

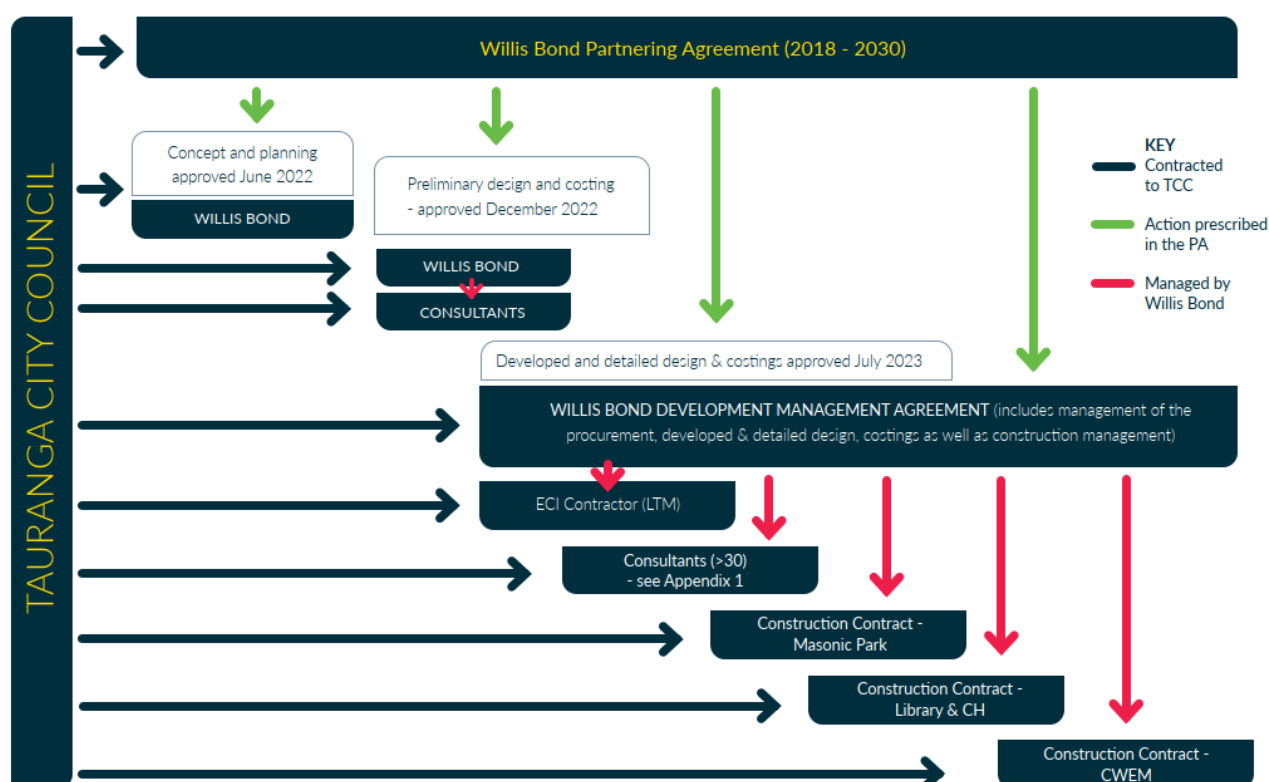
BACKGROUND

6. In 2017-18, Council carried out a comprehensive and competitive procurement process to engage a development partner to undertake and deliver various developments within the Tauranga city centre. Willis Bond was selected by Council as its preferred development partner and entered into the PA. The PA covers the period 2018-2030 and sets out the parties' contractual framework for the programming, identification, selection, and activation of

individual developments within the Tauranga city centre. Willis Bond submitted a very strong Request for Proposal (RFP) response that clearly demonstrated the following key attributes:

- (a) evidence of their experience and ability to deliver long-term development projects for significant sites (working with public and private sector);
 - (b) willingness and ability to act flexibly in terms of the commercial framework;
 - (c) innovative design response in the master plan; and
 - (d) elements of innovation across their proposal.
7. Consistent with the principles of the PA, the DMA will formalise Willis Bond's role as Council's Development Manager for TMOTP. The DMA will utilise Willis Bond's experience and knowledge in the development and construction industries, to advise and recommend to Council the acquisition of specialist consultants and contractors to support the delivery of TMOTP.
 8. The DMA will cover Willis Bond's advice, oversight, and management of:
 - (a) consultants carrying out the design and revised costings;
 - (b) negotiation and pricing of each construction package; and
 - (c) construction management once each work package and construction contract has been entered into by Council.
 9. The DMA is consistent with the key principles set out in the PA, including:
 - (a) open book transparency;
 - (b) Willis Bond secures sufficient commercial return;
 - (c) buy local philosophy adopted where practicable; and
 - (d) quality matches original RFP standards.
 10. The diagram below provides an overview of the contractual framework for TMOTP.

Te Manawataki o Te Papa Contract Overview



11. The table below summaries key provisions within the DMA:

Provision	Summary
Connection to the PA	The DMA ensures that the visions and principles outlined in the PA continue to apply to, and be a core focus for TMOTP.
Nature of the DMA	The DMA is a master agreement, which will apply to services supplied by Willis Bond in relation to TMOTP as a whole, and services provided by Willis Bond in respect to specific packages of work within TMOTP, once construction contracts have been finalised.
Obligations	<p>The DMA outlines Willis Bond's performance obligations, including but not limited to:</p> <ul style="list-style-type: none"> • Ensuring performance is in accordance with good industry practice, with due expedition and without unnecessary or unreasonable delay, in accordance with all applicable laws (including the H&S Laws), consents, standards, codes, and specifications. • An obligation to always act in the best interests of Council. • A requirement for Willis Bond to seek and obtain Council's prior consent to all significant decisions, which need to be made in relation to TMOTP.
Master Pre-Construction Services Agreement, Construction Contracts, and Consultants	<p>The DMA ensures that, when assisting Council in negotiating each construction contract, Willis Bond will endeavour to negotiate an outcome for Council as principal that:</p> <ol style="list-style-type: none"> i. will reflect value-for-money; ii. ensure overall project efficiencies and cost-savings, including in relation to P&G pricing, and overall site staging and efficiencies; iii. adopt a "buy local" approach in relation to relevant subcontractors and suppliers; and iv. otherwise, be consistent with other requirements of the PA. <p>The DMA provides that all contracts, including consultant contracts, must be in a form finally approved by Council in all respects.</p>
Budgeting and Variation Control	<p>The DMA requires Willis Bond to perform its services so as to enable Council to complete TMOTP in accordance with the Master Budget.</p> <p>Variations under a construction contract will be managed by Willis Bond in accordance with the relevant contract and an agreed Construction Variation Protocol.</p>
Suspension and Termination	Council may elect to terminate the DMA as to a works package prior to the applicable construction contract being entered into for that package of work.

OPTIONS ANALYSIS

12. The Council has two options for consideration:
 - (a) Option 1: Council could authorise the Chief Executive to enter into a DMA with Willis Bond consistent with the PA and party's intentions thereunder.
 - (b) Option 2: Decide not to enter into a DMA with Willis Bond, which would result in TMOTP being unable to progress as outlined in the TMOTP Design and Cost Update Report.
13. The key benefits and disadvantages for each option are outlined the TMOTP Design and Cost Update Report.

FINANCIAL CONSIDERATIONS

14. The costs associated with the DMA and Willis Bond's services for TMOTP are included in the total overall costs of TMOTP, as reported in the TMOTP Design and Cost Update Report.
15. Council has benchmarked the fee against prevailing industry standard rates for similar project management and delivery services. Based on this assessment, Council is satisfied that the fees charged are reasonable for the nature of the services provided. The fee structure has also been endorsed by the Board.

LEGAL IMPLICATIONS / RISKS

16. Council and Willis Bond have had legal representation and advice during the negotiation and drafting of the DMA.
17. Willis Bond's appointment to the role of development manager for TMOTP is consistent with the parties' intentions and obligations under the PA. It is one of several commercial and legal structures that are within the contemplation of the framework provided by the PA.
18. Council continues to have a discretionary right to enter the relevant consultant and construction contracts for TMOTP so whilst the DMA, and Willis Bond's appointment thereunder is a key part of the procured solution, Council is not required to enter contract at any cost. This helps ensure that Council achieves public value in the engagement of consultants and contractors. Similarly, to further ensure public value, Council can require that any subcontractors or subconsultants are subject to a competitive procurement process before being engaged.

CONSULTATION / ENGAGEMENT

19. The proposal to implement TMOTP required an amendment to the Council's Long-term Plan 2021-31 under section 93(5) of the Local Government Act 2002. As such, a full consultation process has been undertaken from 25 March to 26 April 2022.
20. Taking into consideration the above information, if Council approves the recommendations contained in this report, further community consultation is assessed as not being required.

SIGNIFICANCE

21. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals, and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
22. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural well-being of the district or region;

- (b) any persons who are likely to be particularly affected by, or interested in, the decision; and
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
23. This report is part of a wider process for the development of TMOTP. In accordance with the considerations above, and criteria and thresholds in the policy, it is considered that the decision to deliver TMOTP is of high significance. As a result, the Council undertook a thorough decision-making process to approve the programme of work, including developing a Long-term Plan Amendment and corresponding community consultation using the Special Consultative Procedure.
24. The decision made through this report is materially consistent with the decisions made by Council on 24 May 2022 and 12 December 2022. The extensive community feedback received through the Long-term Plan Amendment process has been incorporated throughout the design phase of this project, and Council has a thorough understanding of the views of the community and has approved a clear plan for the delivery of the project.
25. The recommendation contained in this report is considered to be of low significance, in accordance with the considerations above, and criteria and thresholds in the policy, as the decision has a strong and logical flow from a prior decision of Council and approves expenditure that is within existing budget.

NEXT STEPS

26. If Council approves the recommendation outlined in this report, and those contained in the TMOTP Design and Costings Update Report, the DMA will be finalised, provided to the Board for endorsement, and then under Chief Executive delegation, entered into with Willis Bond.

ATTACHMENTS

Nil

11.7 Tauranga Moana Waterfront - Masterplan Update

File Number: A14618965

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PURPOSE OF THE REPORT

1. The purpose of this report is to present the updated Tauranga Moana Waterfront Masterplan.

RECOMMENDATIONS

That the Council:

- (a) Receives the report "Tauranga Moana Waterfront - Masterplan Update".
- (b) Receives the updated Masterplan and acknowledges the location of the Whare Waka, and the additional pavilion/public convenience on the Strand South Reserve.

EXECUTIVE SUMMARY

2. In September 2022, the Council adopted the refreshed Tauranga Moana Waterfront Masterplan.
3. This report presents the updated Tauranga Moana Masterplan, including the proposed relocation of the Whare Waka from the Central Plaza to the Strand South Reserve and the inclusion of an additional pavilion/public convenience.

TAURANGA MOANA WATERFRONT PROGRAMME OVERVIEW

Relationship of the Tauranga Moana Waterfront Masterplan with Te Manawataki o Te Papa.

4. The Council is currently progressing a programme to redevelop the Civic Precinct. This programme of work included upgrades to a section of the waterfront and The Strand road-corridor (between Masonic Park and the railway corridor) to the East of the Civic Precinct, to ensure a strong connection to the moana.
5. The waterfront (defined as Site C below) was originally considered part of Te Manawataki o Te Papa. However, in 2022, it was decided that it would be more efficient to develop Site C as a combined waterfront development rather than as part of the Te Manawataki o Te Papa project. The effect of this decision is that Site A and Site C will be progressed concurrently, but separately, with slightly different delivery timeframes.
6. Of the total original budget for Te Manawataki o Te Papa of \$303.4 million, \$32.90 million was for Site C; the waterfront and Strand. This has now been allocated to the Tauranga Moana Waterfront Programme.



Figure 2 – Site A and Site C definition

UPDATED TAURANGA MOANA WATERFRONT MASTERPLAN

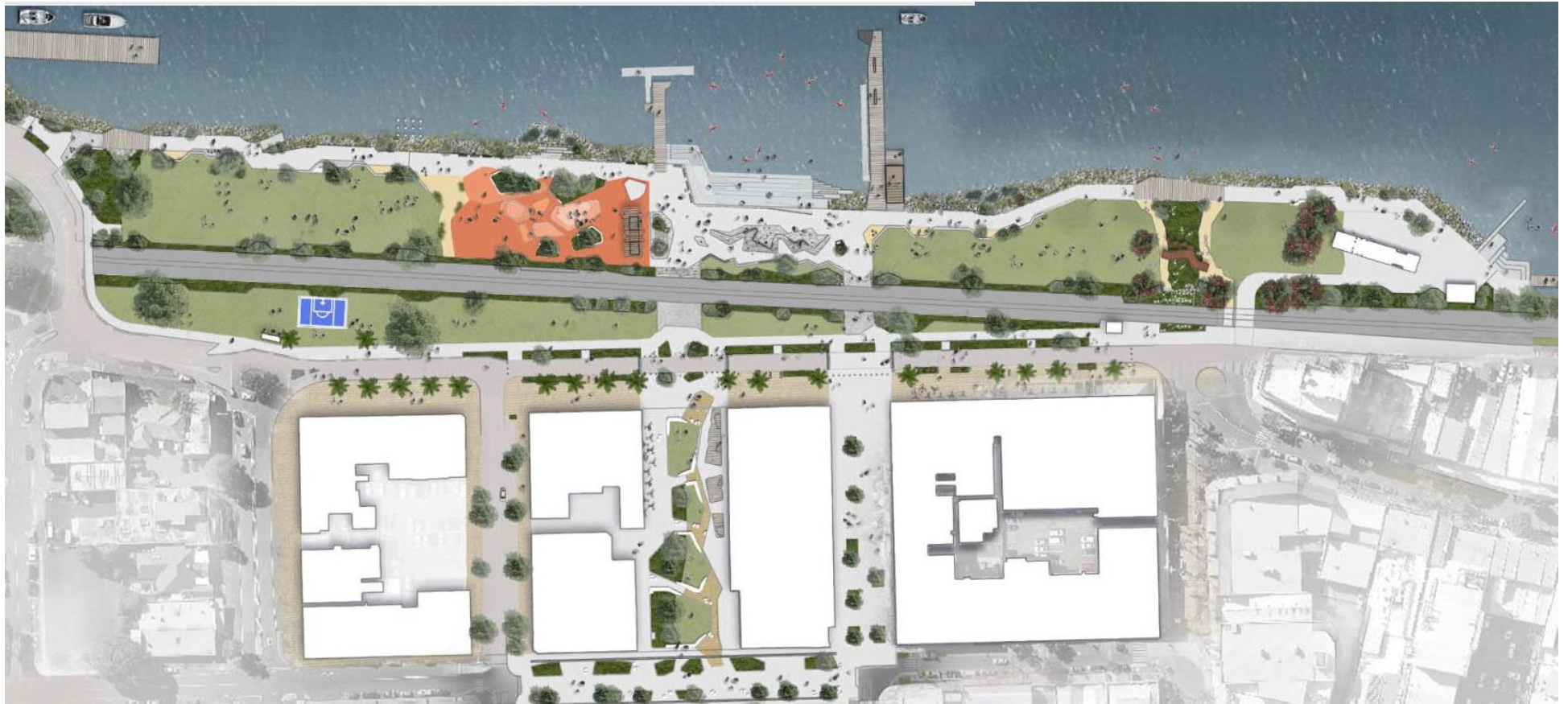
The Tauranga Moana Waterfront Masterplan

7. The Tauranga Moana Waterfront Masterplan includes the area of waterfront from the Dive Crescent car park to the Matapihi rail bridge, including Stage 1 of the Memorial Park to city centre coastal connection.

Updated Tauranga Moana Waterfront Masterplan



Updated Tauranga Moana Waterfront Masterplan – Waterfront and Masonic Park



The Strand North Reserve

8. The Strand North Reserve is the area along the waterfront from Fisherman's Wharf to the existing tidal stairs, between the harbour and railway line. This area is being redeveloped to provide a large, flat, and accessible area for future events. The Tauranga City Council Events team have provided input on their requirements for inclusion in the design.
9. The redevelopment includes the following landscape criteria:
 - *Seawall – due for renewal in 2024 and designed as a “Living Seawall”*

The construction of the new seawall is being achieved with an overlay of quarried rock and includes a number of seawall “eco-pods” embedded in the rock armour to promote habitation by a variety of sea organisms endemic to the harbour. These units are being placed to enable viewing access by the public.
 - *Promenade*

The promenade along this section is being replaced with new, horizontally aligned, feature promenade adjacent to and integrated into the new seawall.
 - *Landscape Features*

Other features include increased seating areas, improved lighting to activate the area at night, planting of trees and shrubs to contribute to the greening of our city, and to provide shade and screening along the rail corridor; an extensive, flat area of lawn will be created for hosting events and other recreational activities.
 - *Rail crossing*

A new pedestrian rail crossing is planned to align with Harrington Street to provide an access point to the reserve, and service exit and entry for larger numbers of people during events.
 - *Accessible Parking*

Accessible parking and drop-off bays along Dive Crescent in close proximity to the reserve are included in the design.

The Strand South Reserve

10. The Strand South Reserve is the area along the waterfront from in-line with Wharf Street and the boat-ramp at the mooring holder's car park, between the harbour and railway line. This area is being developed as a passive reserve area and will include a greater number of trees in a contoured landscape. It also includes the site of the new Whare Waka (originally planned for the Central Plaza) located adjacent to the boardwalk and underpass. The seawall, promenade, pavilion, lighting, and furniture will complement the design.
 - *Whare Waka*

In consultation with the Otamataha Trust, the new Whare Waka has been relocated from the central waterfront area to the southern end of the waterfront at the site of the mooring holder's car park. Concept plans have been completed for the new facility and will be progressed, subject to external funding. This report seeks approval for the new location for the Whare Waka.
 - *Rail crossing*

A new vehicular rail crossing is planned to align with Spring Street to provide an access to the Whare Waka and for maintenance purposes.

The Central Plaza

11. The Central Plaza is the area along the waterfront adjacent to Masonic Park and in line with Wharf Street between the tidal stairs and the railway line. This area is being developed to link the harbour with Masonic Park.

12. The redevelopment of this area includes:

- *Pouwhenua*
Installation of a Pouwhenua connecting and complementing the waharoa in Masonic Park and the Te Manawataki o Te Papa site.
- *Pavilion*
A pavilion with public conveniences and amenities, including accessible facilities, adjacent to the playground, water feature, and a proposed Wharf and associated facilities (in the location of Coronation Wharf). The design of the wharf and associated amenities will be further developed on completion of a bathymetric survey and geotech investigations.
- *Rail crossings*
The existing vehicular rail crossing in line with Wharf Street is planned to be reconstructed as a wide pedestrian crossing as part of the overall link from the waterfront to Te Manawataki o Te Papa, through Masonic Park. A new, pedestrian rail crossing is planned between Masonic Park and the waterfront providing a continuous access corridor from the waterfront, through Masonic Park to the Civic Precinct

Destination playground

13. A new accessible playground is currently in concept design, to be located between The Strand North Reserve and the Central Plaza. Water play is a significant design element of this playground, reflecting the original springs that used to flow from the ridge through Te Manawataki o Te Papa site and Masonic Park, to the moana.

The Strand

This area of redevelopment is the section of the carriageway, footpaths, and reserve between Masonic Park and Wharf Street, connecting Masonic Park to the waterfront. Memorial Park Link – Stage 1

14. The Memorial Link – Stage 1 includes the access link between the Strand South Reserve and Tunks Reserve. The two parts to this development include:
- *The Rail Underpass*
The rail underpass was successfully installed in early April 2023 during three days of railway line closure. Construction work was completed in June 2023 and the remaining finishes include the installation of a Corten steel ceiling screen that flares out either side of the underpass. The ceiling screen includes a contemporary pattern, which will be backlit providing an engaging experience.
 - *Boardwalk*
The boardwalk design is 80% complete and a contractor has been engaged to input into the final design of the new structure.

Beacon Wharf

15. Beacon wharf is an historic wharf situated between the Cargo Shed and Trinity Wharf. The upgrade includes a viewing area on Dive Crescent providing access to the moana by way of a gantry connected to pontoons.
16. This option provides temporary berthage for some of the smaller fishing fleet during the renewal of Fisherman's Wharf.

Fisherman's Wharf

17. The existing wharf is no longer fit-for-purpose for berthage for the smaller fishing fleet and is subject to increasing maintenance costs to address ongoing safety issues. This project has not yet commenced and further geotechnical investigations are scheduled to inform the design and costs, which may be subject to consideration through a future annual plan or long-term plan process.

Cargo Shed Wharf

18. A wharf on the harbourside of the Cargo Shed is included in the Tauranga Moana Waterfront Masterplan. The proposed wharf is proposed to function as a recreational facility.
19. The addition of this wharf will complete a waterfront connection from Trinity Wharf, all the way through to Tunks Reserve.
20. This project is not yet scoped, designed or included in current budgets.

OPTIONS ANALYSIS

22. This report provides an updated Tauranga Moana Waterfront Masterplan to the Council, with no material decision sought, therefore no options have been identified. It is noted that some components of delivering the Masterplan are already underway.

LEGAL IMPLICATIONS / RISKS

23. The implementation of the Tauranga Moana Waterfront Masterplan relies on stakeholders, key city partners, and the community supporting the transformation of the waterfront through project execution. Ensuring we all work together will be key to the ongoing success and revitalisation of our city's waterfront.
24. Certain areas of our waterfront are zoned according to the Bay of Plenty Regional Council's Regional Coastal and Environment Plan, which promotes sustainable management of the natural and physical resources of the Bay of Plenty's coastal environment. The city centre waterfront falls within the Harbour Development Zone. It will be important to continue to work closely on waterfront projects with our Regional Council partners.
25. Legal implications and risks for individual projects will be identified through the detailed project planning phases, and as projects are implemented. These will be regularly reported to the Waterfront and Public Realm Steering Group.

CONSULTATION / ENGAGEMENT

26. As discussed above, the Tauranga Moana Waterfront Masterplan is not a new document and has been refreshed to ensure alignment with current thinking and plans. Significant consultation and engagement with key stakeholders was undertaken throughout the refresh process to ensure alignment and integrated planning across organisations. Key stakeholders included mana whenua representatives, Bay of Plenty Regional Council, Vessel Works, and Kiwi Rail. The Waterfront and Public Realm Steering Group has provided oversight to the programme and a Design Reference Group has met regularly to consider and review design details, and provide feedback from the groups that they represent.
27. Consultation with the community has occurred for several of the waterfront projects throughout Council's Long-term Plan Amendment 2021-31, and annual planning processes.
28. A Cultural Advisory Group for Te Manawataki o Te Papa has been actively involved in the Tauranga Moana Waterfront Masterplan development. In addition, the Cultural Advisory Group and Otamataha Trust have been fully engaged in specific culturally significant waterfront projects, including the Whare Waka, Dive Crescent carpark, the Cargo Shed upgrade, and Tunks Reserve.
29. Community engagement for the new destination playground is scheduled to commence in August/September 2023.

SIGNIFICANCE

30. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
31. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
 - (a) the current and future social, economic, environmental, or cultural wellbeing of the district or region;
 - (b) any persons who are likely to be particularly affected by, or interested in, the decision; and
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
32. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of low significance. The project team acknowledge the issue of the future of the city centre's waterfront is of high significance. However, as the purpose of this report is to provide a project update, this report is of low significance. In addition, the project is a refresh of previous strategic work; some projects have already been consulted on and funded through the LTP Amendment and annual planning processes; and significant engagement and input that has occurred through past workstreams and community engagement.

ENGAGEMENT

33. Taking into consideration the above assessment, that the matter is of low significance, that considerable engagement has occurred with key stakeholders and been incorporated through the development of the Tauranga Moana Waterfront Masterplan, officers are of the opinion that no further engagement is required prior to Council receiving the Tauranga Moana Waterfront Masterplan.
34. In the future, it may be considered appropriate to consult on the inclusion of currently unbudgeted items that are contained within the Tauranga Moana Waterfront Masterplan, likely as part of upcoming annual planning and/or long-term planning processes.

NEXT STEPS

35. Ongoing implementation of the Tauranga Moana Waterfront Masterplan will be coordinated and monitored by the Civic Development and Partnerships Team, in delivery partnership with other council teams, key partners, the Bay of Plenty Regional Council, and other key stakeholders.
36. Implementation of some projects has already commenced (for example, the Cargo Shed refurbishment, Dive Crescent Car Park etc.), or will commence shortly, and will be supported by the updated Tauranga Moana Waterfront Masterplan.
37. Partnerships with mana whenua, the community, and key stakeholders, particularly the Bay of Plenty Regional Council, will be essential to achieving the objectives of the Tauranga Moana Waterfront Masterplan. We will continue to engage with our partners and the community on the actions as they are planned, initiated, and successfully delivered.

ATTACHMENTS

Nil

12 DISCUSSION OF LATE ITEMS

13 PUBLIC EXCLUDED SESSION

Resolution to exclude the public

RECOMMENDATIONS

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
13.1 - Public Excluded Minutes of the Council meeting held on 3 July 2023	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied</p> <p>s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>
Confidential Attachment 2 - 11.2 - Te Manawataki o Te Papa - Design and Cost Update Report	<p>s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>

Confidential Attachment 1 - 11.4 - Financial Strategy - Te Manawataki o Te Papa	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
Confidential Attachment 2 - 11.4 - Financial Strategy - Te Manawataki o Te Papa	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
Confidential Attachment 3 - 11.4 - Financial Strategy - Te Manawataki o Te Papa	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
Confidential Attachment 2 - 11.5 - Asset Realisation Reserve	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
Confidential Attachment 3 - 11.5 - Asset Realisation Reserve	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

14 CLOSING KARAKIA