



**REPLACEMENT PAGES FOR ITE
11.1 – CIVIC WHARE, EXHIBITION
AND MUSEUM PROJECT
UPDATES AND NEXT STEPS**

**Ordinary Council Meeting
Monday, 9 December 2024**

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OPTIONS ANALYSIS

Options summary

87. **The balance of advantages c.f. disadvantages for each of the three options** is provided in the table below, with further information provided in the sections that follow:

Table colour key:

Green = mainly advantages
Amber = mix of advantages and disadvantages
Red = mainly disadvantages

Consideration grouping \ Option	Legal	Financial	Funding	Economic	Council	TMoTP outcomes	Tangata Whenua	Other partners	Directly affected communities	Current & future communities
Option 1: Status Quo – Proceed as programmed in the LTP (RECOMMENDED)	Green	Amber	Green	Green	Green	Green	Green	Green	Green	Amber
Option 2: Stop the project – remediate the site	Red	Amber	Red	Red	Red	Red	Red	Red	Red	Amber
Option 3: Change the scale and scope of the project	Red	Red	Red	Red	Red	Red	Red	Red	Red	Amber

88. Option 1: Status Quo – Proceed with the CWEM project, as programmed in the LTP (Recommended)

- \$66m construction costs plus remaining non-contract costs to complete the CWEM project by December 2027, within approved/LTPA budget of \$128.4m.
- Funding for project completion within existing parameters, no issues with existing funding agreements.
- Te Manawataki o Te Papa site and the Civic Whare itself are particularly important to Tangata Whenua. Delivery as designed respects TCC’s relationship with Otamataha Trust as joint landowners and co-design partners.
- Significantly increases the level of service through provision of these new facilities for Tauranga communities, providing a destination attraction for visitors and our communities now and in the future.

89. Option 2: Stop the CWEM project, remediate the site

- Incurs sunk costs of \$20m plus costs for building site remediation, **redesign of the Plaza** and potential future liabilities & risks (including contract break costs) – all up total estimated to be in the range of **\$34m - \$50m**. The only asset created would

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be landscaping, so the remainder would be written off as operating costs. A Council decision would be required on whether to debt fund or rate fund in current year.

- Funding agreements breached, likely refund of \$12.1m to DIA required, and TECT \$21m funding commitment would be withdrawn, along with a significant reduction in central Government and local and community grants achieved for the wider TMoTP precinct. Likely down-scaling or stopping of remaining elements of TMoTP Precinct programme required to retain existing cap of \$151.5m on property-owner funded portion of the programme.
- Partially completed Precinct unlikely to attract visitors to city centre, give confidence to private developers and commercial sector, or meet current and future needs of Tauranga’s communities for these facilities. Lower level of service than planned for current and future Tauranga communities.
- Significant damage to relationship with Tangata Whenua, particularly Otamataha Trust, and significant reputational damage with funding partners, private developers and commercial sector in the city centre.

90. Option 3: Change the scale and scope of the CWEM project (pause to redesign)

- We are unable to determine the financial impacts of this option with any degree of accuracy because of the large number of unknowns. However, in their advice to council, Rider Levett Bucknall have provided some useful information around some potential option 3 scenarios.
- Their advice, and an understanding of the likely funding implications of a re-scoped CWEM, suggest that a delayed and then re-scoped smaller CWEM would feasibly have a higher net cost to council than Option 1 (status quo) both in debt and opex.

91. **A summary of comparative financials** for Options 1 and 2 is provided in the table below, with further information provided in the sections that follow: [\[updated table\]](#)

CWEM Option 1 vs Option 2	Option 1 (\$m)	Option 2a (\$m)	Difference (1 - 2a) (\$m)	Option 2b (\$m)	Difference (1 - 2b) (\$m)
Debt Impact over LTP/AP (Current Yr)	(14.4)	34.9	(49.3)	34.9	(49.3)
Debt Impact over LTP period	53.2	40.4	12.9	42.4	10.9
Net Rates Impact 2024/25	0.1	2.2	(2.2)	2.2	(2.2)
Net Rates Impact when fully operational	8.7	3.2	5.6	3.3	5.5
Net Present Value (NPV) to 2034 (Cost)	81.7	51.3	30.4	53.5	28.2
Level of Service Impact	Significant Increase	No Change		No Change	

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Option 1: Status Quo – Proceed as programmed in the LTP (RECOMMENDED)

- 92. This option is to proceed with the Civic Whare, Exhibition and Museum building as programmed in the LTP. This is the status quo option.
- 93. Option-specific assumptions:
 - (a) Funding approved in the LTP, subject to completion in December 2027, four months earlier than planned and saving \$5m overall by bringing forward.
 - (b) Subsequent changes to funding have been incorporated as outlined earlier in this report (refer *Attachment 2: Te Manawataki o Te Papa Funding Stack at November 2024*).
- 94. Advantages and disadvantages of this option are summarised in the table below:

Consideration grouping	Advantages of option 1: Status Quo – Proceed as planned	Disadvantages and risks of option 1: Status Quo – Proceed as planned
Legal	<ul style="list-style-type: none"> • No LTP Amendment triggered. • Minimal or no risk of legal challenge from delivery partners, funders and/or other supporters in the community. 	
Financial	<ul style="list-style-type: none"> • \$128.4m CWEM budget is approved and included in the 2024-34 LTP. • Ratepayer contribution to Te Manawataki o Te Papa overall is still capped at \$151.5 million. • No break-costs incurred. 	<ul style="list-style-type: none"> • Is still a significant portion of council's LTP capex expenditure for the next 3-4 years.
Funding	<ul style="list-style-type: none"> • External funding for the wider TMoTP project is not jeopardised (CG, TECT, local funders). • Increased parking activity likely to materialise, ensuring parking activity funding for TMoTP will be achieved. 	
Economic	<ul style="list-style-type: none"> • Economic benefits for Te Manawataki o Te Papa in net present value terms estimated as additional \$513m to \$1,370m¹ over the next 60 years - tourism benefits (largest), use and non-use value of new amenities by Tauranga residents, cultural expression benefits for Māori, agglomeration benefits² assumed to be stimulated in the city centre and immediate 	

¹ Te Manawataki o Te Papa Business Case, July 2023 (page 10 of business case, page 20 of PDF): https://infocouncil.tauranga.govt.nz/Open/2023/07/CO_20230724_ATT_2510_EXCLUDED.PDF

² Agglomeration benefits from business concentration – As job density rises, productivity among workers rises due to businesses operating nearer to increased customers, suppliers, and competitors (ibid, page 83/93)

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Consideration grouping	Advantages of option 1: Status Quo – Proceed as planned	Disadvantages and risks of option 1: Status Quo – Proceed as planned
	surrounding area (GHD estimates, TMoTP Business Case, July 2023)	
Council	<ul style="list-style-type: none"> • Reputational risk minimised, honouring Council's strategic and LTP commitments. • Reputational risk minimised by proceeding with this award-winning programme.³ 	
TMoTP delivery and outcomes	<ul style="list-style-type: none"> • TMoTP, including CWEM, outcomes achieved through delivery of the programme as planned. • Completion of associated precinct landscape to ensure safe access into and connection across the precinct to Library Community Hub. 	
Tangata Whenua	<ul style="list-style-type: none"> • Maintains cultural integrity of Te Manawataki o Te Papa concept. • Relationship with Tangata Whenua, and particularly Otamataha Trust co-owners, maintained and strengthened. 	
Other partners	<ul style="list-style-type: none"> • No surprises – proceeding as signalled in the LTP. 	
Directly affected communities (e.g. tourism sector, CBD commercial, the Elms)	<ul style="list-style-type: none"> • No surprises – proceeding as signalled in the LTP. 	
Current and future wider communities	<ul style="list-style-type: none"> • Positive response from current communities supportive of the project. • Future communities benefit from current investment in the city, with the resulting improved level of service c.f. current, and having CWEM facilities in place. 	<ul style="list-style-type: none"> • Likely negative response from current communities that do not wish the project to proceed (or to proceed at the current scope/scale and cost).

95. Estimated financial impacts of Option 1, proceeding with the CWEM project as programmed in the LTP, are provided in the tables and commentary below.

³ Te Manawataki o Te Papa – the Heartbeat of Te Papa was awarded the 2023 Taituarā 'Te Tohu Waka Hourua – The Buddle Findlay Award for Māori-Council Partnerships', refer: https://taituara.org.nz/Story?Action=View&Story_id=504

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Table 1a: Capital expenditure and funding profile for Option 1

CWEM - Option 1: proceed as programmed	Historic Cost (\$m)	2025 Cost (\$m)	2026 Cost (\$m)	2027 Cost (\$m)	2028-34 Cost (\$m)	Total Cost (\$m)
Actual/ Forecast Cost	10.7	9.6	34.3	41.2	32.6	128.4
LTP/ AP Budget Cost	10.7	24.1	34.6	33.3	27.2	129.9
External Revenue Funding	8.5	6.2	9.5	16.1	12.3	52.5
Renewal Funded Debt						0.0
Growth Funded Debt						0.0
Council Reserve Funding <i>(from asset realisation, airport & parking)</i>	2.2	0.6	4.7	7.9	7.3	22.7
Rate Funded Debt Funding <i>(from \$151.5m capped total for TMoTP)</i>	0.0	2.9	20.1	17.2	13.1	53.2

- (a) There has been a small reduction in the forecast project cost, and some pushing out of cashflows, but overall little change to what was in the LTP. We have a very high level of confidence in relation to project cost estimates.
- (b) \$33m of the external revenue is either received or supported by signed agreements, with the balance still to be confirmed. \$21.5m of the project will be funded from council reserve funding, with the balance of \$54.5m funded from the capped rate-funded debt available for the TMoTP programme.

Table 1b: Operating Costs and funding profile for Option 1

CWEM - Option 1: proceed as programmed	2025 (\$'000)	2026 (\$'000)	2027 (\$'000)	Annual Costs once fully operational 2029 (\$'000)
Operational Costs	-	295	2,070	4,111
Debt Servicing Costs	69	624	1,521	2,403
Depreciation Costs	-	-	-	3,808
Total Actual/ Forecast Cost	69	918	3,591	10,322
Revenue	-	-	-	(1,589)
Net Actual/ Forecast Cost	69	918	3,591	8,733
Net Rates impact	69	918	3,591	8,733

- (c) Operating costs are based on detailed external estimates and are unchanged from the LTP figures. Revenue relates to anticipated user fees with the balance of the activity funded through rates.

