

# Te Kaha FAQs

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## **What is the current budget for the multi-use arena?**

\$533 million.

## **What is the expected cost of the arena now?**

The current project cost is \$673 million. There is also a risk that cost could escalate further as lead contractor BESIX Watpac is unwilling, at this stage, to provide a fixed price for some materials because of the volatility in the commodity market.

## **What are you doing to get cost certainty?**

We have asked our lead contractor for a fixed price and to bring the price down.

## **Does the revised price include any contingency for further cost escalations?**

Yes, but we cannot disclose the amount for commercial reasons.

## **What is the reason for the cost escalation?**

Escalating construction costs are being driven by a number of inter-related factors, including international shipping constraints, increasing global commodity prices (for materials such as oil, copper and steel), and international supply chain disruptions.

The global response to the COVID-19 pandemic have led to these issues. International supply chains have experienced further disruption and material prices have increased further in the first quarter of 2022 due to the war in the Ukraine and China's zero tolerance COVID-19 strategy, which has led to ongoing lockdowns.

The construction boom in New Zealand is also pushing up prices. Demand is outstripping supply and there is high wage and salary inflation within the construction sector.

Overall, these factors are contributing to combined construction cost escalations of just over 10 per cent for the 12 months up until 31 March 2022.

Some small additions have also been made to the scope of the project, resulting in about \$10 million of extra costs.

## **What has been added to the scope?**

The developed design includes provision for a Distributed Antennae System, a second goods lift, broadcast cabling, blue or dimmable concourse lighting, and a mothergrid to suspend lighting and sound equipment for concerts.

These items were excluded from the project scope initially to minimise costs.

However, they have been put back in because users would expect them to be in the facility. The total estimated cost of these items is about \$10 million.

## **Are there any other factors pushing up the costs?**

BESIX Watpac's structural engineering team have identified through their testing

that the ground conditions at the site for the arena are worse than anticipated.

As a result, the structure has had to be engineered differently to compensate for the ground conditions. This has added to the cost of both the ground works and the arena itself.

### **Are other large infrastructure projects experiencing similar cost escalations?**

Our cost consultant has advised the cost escalations that we are experiencing with this project are consistent with what they are seeing in other projects across the market. However, because of commercial confidentiality, they cannot provide specific examples.

### **Weren't the early works on site meant to help contain cost increases?**

The early works have given us a clear understanding of where potential issues with the project could arise and have allowed us to factor these into our planning and budgeting. This means that once construction gets under way, we are less likely to encounter issues that could lead to costly delays and further price escalations as the project progresses.

### **What could you do to reduce the cost of the arena back to \$533 million?**

We have done extensive value management work in both the preliminary and developed design phases of the project to keep costs as low as possible. It is clear at this point that we cannot build the arena for \$533 million without significantly compromising on size, functionality and design.

### **What kind of arena would we get for \$533 million?**

Because of the investment we have already made in the current design scheme, the actual budget available for a scaled-back arena would be less than \$500 million. We have not planned for this scenario, but our cost consultant has advised that, based on BESIX Watpac's Design and Construct tender, we could only afford to build an arena with around 17,000 permanent seats and 3000 temporary seats.

This option would mean the arena would not be completed until the beginning of 2027.

### **Have you explored the option of building an arena without a roof? Would that bring the project back into budget?**

We have investigated the option of removing the centre oculus of the roof, which would save about \$35 million. If we did this, we would have the option of building a roof at some future date.

If we scaled right back and only build a 'dripline' roof there would be greater savings, but this has not been quantified.

### **If you reduce the scale of the arena to keep the project on budget, will it affect the completion date?**

Yes, it would push out the completion date for the arena by about eight months as, given the extent of the changes required, we would need to go back to the start of the three-stage design process.

### **How much has the Council spent on the project to date?**

About \$40 million has been spent, mainly on design development, professional fees, the Pre-Contract Services Agreement with BESIX Watpac, and enabling works such as relocating existing services on the site.

The Council may be liable for some further costs because of agreements that it already has in place.

### **If we pause the project for five years, is it likely the costs would come back into line?**

As it is likely that prices will continue to rise, pausing the project for five years is unlikely to resolve the budget issues. Even if the rate at which prices are escalating reduces, the cost for the arena would not come back into line with the budget.

### **If you decide to go ahead with the arena, when will it open?**

April 2026.

### **What is the risk of costs escalating once the contract is signed?**

There is always a risk of further escalations with projects of this nature. The Te Kaha Board is seeking to limit this risk by getting a fixed price for the construction. One of the options the Board is exploring is separating the detailed design contract from the construction contract to enable more certainty of costs.

### **Will the Te Kaha delivery company or Council hold any contingency to manage the risk of further cost escalations?**

Some contingency is being held to manage any risks or variations from the contract. To protect our financial position, we cannot disclose the size of the contingency.

### **Will the Crown provide additional funding?**

No further Crown funding will be made available beyond the \$220 million allocated from the Christchurch Regeneration Acceleration Facility to the arena project. This is consistent with the Funding Agreement the Council signed with Crown in 2020.

The Crown has already contributed significantly to the project through:

- \$10 million for land decontamination
- \$220 million towards construction costs
- Funding of the Investment Case and Prefeasibility Study.
- Cost of the land purchase.

### **Are you looking at options for getting funding from elsewhere?**

Te Kaha will deliver significant social, cultural and economic benefit to the entire Canterbury region. It is on this basis that discussions with other Canterbury councils in respect to contributions of capital, operational or bid incentive funding have begun.

Venues Ōtautahi as the operator of Te Kaha will also be seeking commercial third party partnerships including, but not limited to, naming rights, sponsorship, ticketing and pourage partnerships and other activations outside of the venue itself to both maximise the opportunity of Te Kaha for these key partners but also to deliver positive revenue outcomes for the venue.

### **Could you raise funding through the sale of the Orangetheory Stadium in Addington?**

The sale of the Orangetheory site could generate revenue to contribute to the Te Kaha project.

Council staff have undertaken a preliminary review of the 4.9 hectare site against Council's retention criteria and have not identified a need to retain the site.

The site is ideally located to provide for a medium to high-density residential development with about 250 homes.

Because the site has been used mainly for recreational purposes, if the Council decides to dispose of the land, it will need to go through a public consultation process.

**What happens if no alternative funding is secured?**

If the Council decides to proceed with the arena and enter into a contract, it will need to underwrite the additional costs.

**How will that impact on rates and the Council's debt ratio?**

This is still being calculated. We will supply this information as soon as it is available.

**If the Council decides not to go ahead with the project, will it have to give any money back to the Crown?**

This is something we will have to discuss with the Crown.

**If a new arena is not built, can Orangetheory Stadium in Addington continue to host large sporting and entertainment events?**

The temporary stadium was built for the purposes of providing a temporary venue to hold rugby and other major events in Canterbury while a replacement for Lancaster Park was designed and constructed.

The temporary stadium is made of a scaffolding structure originally intended to have a life of around five years. Constructed in 2012, the venue is now 10 years old and whilst structurally sound and subject to quarterly structural assessments, it will in due course require decommissioning.

On this basis, if Te Kaha is not built, there will be no venue in Canterbury suitable for large sporting or entertainment events in the medium to long-term.

