I hereby give notice that an extraordinary meeting of the Governing Body will be held on:

**Date:** Thursday, 6 December 2018  
**Time:** 1.30pm  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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**Tira Kāwana / Governing Body**

**OPEN ADDENDUM AGENDA**

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**MEMBERSHIP**

<table>
<thead>
<tr>
<th>Mayor</th>
<th>Hon Phil Goff, CNZM, JP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Mayor</td>
<td>Deputy Mayor Cr Bill Cashmore</td>
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<tr>
<td>Councillors</td>
<td></td>
</tr>
<tr>
<td>Cr Josephine Bartley</td>
<td>Cr Mike Lee</td>
</tr>
<tr>
<td>Cr Dr Cathy Casey</td>
<td>Cr Daniel Newman, JP</td>
</tr>
<tr>
<td>Cr Ross Clow</td>
<td>Cr Greg Sayers</td>
</tr>
<tr>
<td>Cr Fa’anana Efeso Collins</td>
<td>Cr Desley Simpson, JP</td>
</tr>
<tr>
<td>Cr Linda Cooper, JP</td>
<td>Cr Sharon Stewart, QSM</td>
</tr>
<tr>
<td>Cr Chris Darby</td>
<td>Cr Sir John Walker, KNZM, CBE</td>
</tr>
<tr>
<td>Cr Alf Filipaina</td>
<td>Cr Wayne Walker</td>
</tr>
<tr>
<td>Cr Hon Christine Fletcher, QSO</td>
<td>Cr John Watson</td>
</tr>
<tr>
<td>Cr Richard Hills</td>
<td>Cr Paul Young</td>
</tr>
<tr>
<td>Cr Penny Hulse</td>
<td></td>
</tr>
</tbody>
</table>

(Quorum 11 members)

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**Sarndra O’Toole**  
Team Leader Governance Advisors

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4 December 2018

Contact Telephone: (09) 890 8152  
Email: sarndra.otoole@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
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<th>TABLE OF CONTENTS</th>
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<td>8</td>
<td>Update on infrastructure build and associated budget for America's Cup 2021</td>
</tr>
</tbody>
</table>
Update on infrastructure build and associated budget for America’s Cup 2021

File No.: CP2018/20994

Te take mō te pūrongo / Purpose of the report

1. To update the Committee on progress by Council and Crown in supporting the 36th defence of the Americas Cup, including progress on infrastructure design, procurement and budget.

Whakarāpopototanga matua / Executive summary

2. In March 2018, the Governing Body approved the “Wynyard Hobson Proposal” to proceed to the consenting stage and approved the associated Auckland Council budget contribution of $57.2m capital expenditure and $41.3m operating expenditure now included in the Auckland Council 2018-2028 Long-term Plan. The balance of $113.9m was funded by the Crown.

3. Panuku Development Auckland (Panuku) applied to the Environment Court for resource consent for the “Wynyard Hobson Proposal” including the temporary team bases and the America’s Cup events. This was granted, four weeks earlier than anticipated, on 25 September 2018.

4. The Wynyard Edge Alliance (the Alliance) has developed the original Wynyard Hobson concept design into a detailed design providing an accurate definition of scope and more reliable cost estimate. This initial detailed cost estimate was approximately $99m, or 65 per cent, higher than the original concept cost estimates and the current approved budgets.

5. Consequently, the Crown and Council instructed the Alliance to work with Emirates Team New Zealand (ETNZ) to refine the project scope and reduce the cost (sometimes referred to as a “value engineering” or “optimisation” process).

6. The optimisation process identified $70m in construction scope/costs savings. The optimised detailed design now includes the following scope changes (also refer also Appendix A):
   - Reduction in size of Hobson Wharf extension for the 36th America’s Cup event;
   - Redesign of breakwaters 2, 3, 5, 6 and 8;
   - Reduction of ‘infill panels’ on Wynyard Wharf – requiring minor repositioning of base buildings;
   - Replacing fixed breakwaters with floating, where possible;
   - Small reduction in public access on Hamer Street and breakwater 2 and 3.

7. The forecast overall capital cost, based on an optimised design developed with ETNZ, is now $152m. This is $29m above the current combined Council/Crown approved budgets.

8. In order to deliver the infrastructure an additional capital injection of $14.5m is required from Council. Cabinet is similarly considering their additional funding requirement.

9. Last Friday, the Royal New Zealand Yacht Squadron and Emirates Team New Zealand confirmed an additional eight Notices of Challenge were received by the 30 November 2018 deadline. At this stage, one of these entries is capable of immediate acceptance.
Ngā tūtohunga / Recommendation/s

That the Governing Body:

a) note that the March 2018 estimated infrastructure build cost, based on the Wynyard Hobson Proposal concept design, was $123 million

b) note that the current estimated infrastructure build cost, based on the optimised detailed design developed in partnership with Emirates Team New Zealand, is $152 million ($29 million over current approved budgets)

c) note that the Crown and Council have entered into an alliance contract (the Project Alliance Agreement), conditional on securing the additional funding requested in f) below

d) note that pursuant to Governing Body resolutions on 29 March 2018, the Council entered into the Project Alliance Agreement on 23 November 2018 which included a “limited authority to proceed” condition limiting expenditure and total liability to within the existing Council’s currently approved budget

e) note that the Owners’ Agreement between the Ministry of Business Innovation and Employment and Council identifies and allocates the funding contribution between the Owners, with Council’s funding contribution being $113m, excluding auxiliary works

f) approve an additional $14.5 million of capital expenditure, which approval will satisfy the “limited authority to proceed” condition in the Project Alliance Agreement

g) confirm the delegated authority of the Chief Executive to enter into the following agreements which rely on the target cost alliance contract and additional budget approval:

   i) the Project Alliance Agreement;

   ii) the Host Venue Agreement;

   iii) the Owners Agreement;

   iv) any other agreements anticipated in or required to give effect to the Host City Appointment Agreement

Horopaki / Context

10. This report provides an update on the 36th America’s Cup programme and should be read in conjunction with the previous Governing Body report and decisions:

   • 23 November 2017, Consideration of America’s Cup 2021 location, infrastructure and funding (GB/2017/140-148);

   • 14 December 2017, America’s Cup 2021 – decision on location and infrastructure requirements (GB/2017/171-173);

   • 29 March 2018, America’s Cup 2021 – decision on location and infrastructure requirements (GB/2018/63);

11. When ETNZ won the 35th America’s Cup in Bermuda in June 2017 their desire was to defend the Cup in New Zealand. As with the races in Auckland in 2000 and 2003 the event required infrastructure spend and contribution from the Crown. Most importantly, it also created employment, an injection of money into the economy, the legacy of the Viaduct and Wynyard Quarter and contributed to the success of Auckland’s super-yacht industry.
12. The 36th America’s Cup event is expected to have a similar effect. In particular, work is underway to develop the legacy and leverage opportunities that the event provides. The report to the 23 November 2017 Governing Body referenced two Market Economics reports related to potential economic benefit to Auckland and New Zealand and a second report related specifically to the marine sector. These reports have not been updated or reviewed since that time – some of the potential benefits identified include:

- Economic impact of between $0.6 - $1.0b to the New Zealand economy, primarily from super yacht and syndicate spend;
- Increased employment of between 4,700 and 8,300, predominantly in Auckland;
- Acceleration of urban development projects on the city-waterfront;
- Catalyst for early removal of fuel tanks and for the development of Wynyard Point and surrounds as public space;
- Showcasing of Auckland and New Zealand's art, culture, hospitality and diversity to the world;
- Greater space for on-water and on-land events around the waterfront;

13. The economic evaluation does not capture any of the broader benefits associated with hosting an event of this scale, including showcasing New Zealand to international audiences (and associated reputation impacts) and participation and engagement of New Zealanders that may increase national identity and pride.

14. The first part of this report provides a summary of work that has occurred since the Governing Body decision in March 2018. The second part outlines the design and budget revisions required to construct the essential event infrastructure on-time and fit-for-purpose.

April 2018 – November 2018

Resource Consent

15. Two weeks after the Governing Body decision in March 2018, Panuku lodged a resource consent application with Auckland Council for the committee-approved Wynyard Hobson proposal. A total of 83 submissions were received: 33 in opposition; 45 in support (including 11 which were conditional in their support); and 5 neutral.

16. In June 2018 the Environment Court agreed that the application be heard and decided directly by the Court rather than through a normal council consenting process. The Court assisted mediation and the hearing was completed in September with the Court issuing a decision to approve the application, subject to conditions, on 25 September 2018 ([2018] NZEnvC 179).

17. The key elements of the approved consent are as follows:

- The “Wynyard Hobson proposal”, summarised as an extension to Hobson Wharf, eight new breakwaters and associated wave attenuation panels, infill works for five bases on the eastern side of Wynyard Wharf, and overall provision for seven syndicates (including Emirates Team New Zealand in the existing Viaduct Events Centre);
- 10-year consents for the temporary land-based team base buildings and the events;
- 35-year consents to occupy the Common Marine and Coastal Area (specifically structures in the water);

18. Panuku led the applicant’s case, in partnership with the Crown. The Court delivered its decision approximately four weeks earlier than expected and this was enabled through the work done by the Court to understand the core issues in advance of the hearing, and the work done by the team led by Panuku.
Wynyard Edge Alliance

19. The Wynyard Edge Alliance (“Alliance”) comprises Council and the Crown as owners and Alliance members McConnell Dowell, Downer, Tonkin and Taylor and BECA, all appointed in early 2018. While the resource consent process was proceeding, they have been focused on developing the following:
   • detailed design of the infrastructure requirements;
   • detailed cost estimating for the works;
   • assisting and giving evidence in support of the resource consent application;
   • construction and procurement planning;
   • early enabling construction works

20. The work done by staff across the council family and the Crown in 2017/2018 was the foundation for the detailed design required once the overall infrastructure framework had been approved by the Crown and Governing Body. The resource consent and its conditions, in conjunction with the detailed design and costs work of the Alliance, provides a more accurate picture of the design, scope, estimated cost and critical timeframes of the infrastructure programme.

21. The use of the Alliance model has enabled a significant amount of work to be achieved in a short space of time. A traditional construction and procurement model would not have been able to deal with the complexities, timeframes and design optimisation of the overall programme.

22. While traditional procurement approaches can use lump sum or fixed price approaches, the Alliance model is a form of cost-plus pricing with pain / gain share incentives relative to agreed target costs. This incentivises cost management, value engineering/optimisation and scope control. Under the shared risk model, if the costs exceed the agreed target cost – then this is shared with the Alliance team, if the works are delivered under the target cost then the benefit is shared.

23. The Project Alliance Agreement includes an interim financial cap (a “limited authority to proceed” at the previously approved funding amounts). This cap continues to apply until Crown and Council both approve the revised Initial Target Cost for the project, once additional funding is approved the full Target Cost becomes effective.

Commercial Agreements and Property Transactions

24. There have been a significant number of commercial agreements and property transactions negotiated, prepared and executed since March 2018. Some of the key agreements supporting the construction and the event that are completed or in the final stages of negotiation include:
   • Project Alliance Agreement (for the delivery of the 36th America’s Cup related infrastructure)
   • Host Venue Agreement (between the Crown, Council, ETNZ and America’s Cup Events Ltd)
     o Viaduct Events Centre lease
     o Superyacht Facility Management Agreement
     o Master base Agreement
     o Funding Delivery Agreement
   • Project Alliance Owners’ Agreement (between the Crown and Council)
   • Early-works Agreement
Central Government

25. As co-funders of the 36th America’s Cup, Central Government is part of the programme governance and implementation. The working relationship with central government officials is both important to the success of the event and the ability to build the infrastructure within the tight timeframes.

26. An example of working together is the legislation to enable the stopping of Brigham Street on Wynyard Quarter. Existing legislation would not have enabled the road to be stopped by the time construction was due to begin in November 2018. Council staff provided advice to legislation drafters with the America’s Cup Road Stopping Bill being passed in September 2018.

Budget

27. Table 1 below was provided to the Governing Body as part of the 29 March 2018 report. The Governing Body agreed to fund $57.2m capital expenditure and $41.3m operating expenditure in the 2018-2028 Long-term Plan (decision reference GB/2018/63).

<table>
<thead>
<tr>
<th></th>
<th>Crown</th>
<th>Council group</th>
<th>Total Budgeted Cost (at March 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$65.8 m</td>
<td>$57.2 m</td>
<td>$123.0 m</td>
</tr>
<tr>
<td>Event Investment</td>
<td>$40.0 m</td>
<td>Nil</td>
<td>$40.0 m</td>
</tr>
<tr>
<td>Commercial and Base Related Costs</td>
<td>$8.1 m</td>
<td>$34.0 m</td>
<td>$42.1 m</td>
</tr>
<tr>
<td>Event-Related Services</td>
<td>Nil</td>
<td>$7.3 m</td>
<td>$7.3 m</td>
</tr>
<tr>
<td>Total</td>
<td>$113.9 m</td>
<td>$98.5 m</td>
<td>$212.4 m</td>
</tr>
</tbody>
</table>

Table 1 – Funding commitment and cost allocations from 28 March 2018 Governing Body report

Emirates Team New Zealand

28. The Royal New Zealand Yacht Squadron and Emirates Team New Zealand confirmed an additional eight Notices of Challenge were received by the 30 November 2018 deadline. According to the supporting entry documents, one of these entries is capable of immediate acceptance while the remaining seven notices of challenge carry conditions. Some of the entries are likely to be invalid, something which will be determined through a vetting process which has begun.

29. The official announcements of the new accepted challengers will be made at a later date after the completion of the conditional entries process and in accordance with each team’s preference on the timings of their respective public announcements.

Tātaritanga me ngā tohutohu / Analysis and advice

Design optimisation and additional budget

30. Since March 2018 when the preferred Wynyard Hobson base location option was selected, the Alliance has been able to substantially complete detailed design, undertake optioneering, optimise that design and provide an accurate detailed cost estimate.

31. In the initial stages of that work the construction cost estimate was approximately 65 per cent higher than approved budget. Consequently, the Crown and Council instructed the Alliance to work with Emirates Team New Zealand (ETNZ) to refine back the project scope and cost (sometimes referred to as a “value engineering” or “optimisation”).
32. The key drivers for the increase in the cost estimate include:
   - Timeframe: the tight timeframe led to design decisions around wharf construction that reduced timeframe risk, but added cost;
   - Design changes: wave break structures are more extensive than originally envisaged at the concept design stage;
   - Pricing for floating pontoons: these are significantly higher than anticipated;
   - Dredging: costs are significantly higher ($14m) than allowed for in the original budgets. At the time budget estimates were prepared, there was little information on the extent of dredging required in the Wynyard Basin and Hobson Wharf areas, and disposal options were unclear.

33. The optimisation process identified $70m in reduced construction costs from the Alliance’s original detailed estimate. The openness of ETNZ to consider changes was crucial to realising these savings. As shown in Attachment A, the revised scope now includes:
   - Reduction in size of Hobson Wharf extension that will be built for the America’s Cup 2021 event;
   - Redesign of breakwaters 2, 3, 5;
   - Reduction of ‘infill panels’ on Wynyard Wharf – requiring minor repositioning of base buildings;
   - Replacing fixed breakwaters with floating, where possible;
   - Small reduction in public access on Hamer Street and breakwaters 2 and 3.

34. The forecast overall capital cost, based on an optimised design developed with ETNZ, is now $152m. This is $29m above the current combined Council/Crown approved budgets. Further detail of these costs is shown in Attachment B.

35. Further cost saving options are being investigated (such as floating breakwaters, dredging disposal options), but their viability and potential savings will take some time to resolve.

36. The Alliance and an Independent Estimator have finalised the initial target cost, for the infrastructure build. This is now contained within the Project Alliance Agreement contract, signed by all parties, but conditional on funding approval.

37. Accordingly, an additional capital injection of $14.5m is required from Council to ensure that the infrastructure can be delivered on-time, including appropriate contingency, for a fit-for-purpose 36th America’s Cup.

**Auxiliary Works**

38. In addition to the base infrastructure, there are Council auxiliary works that are required to support the event. These relate to Wynyard Wharf repairs (currently underway), Hobson Wharf wave panels, super yacht berthing facility, utility connections for the new infrastructure, the Sealink relocation and the Daldy St stormwater outfall. By the New Year, we expect these auxiliary works will be brought into the scope of the Alliance works.

39. Costs associated with these auxiliary works are additional to the $152m total construction cost referred to above. The auxiliary works have been provided for within the Council’s current Long-term Plan. Some of these are bringing forward budgeted items and will deliver outcomes such as improved water quality and enhanced utilities to the Viaduct basin.
40. The table shows these additional auxiliary works projects.

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
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</thead>
<tbody>
<tr>
<td>Wynyard wharf remediation</td>
<td>$6.1M</td>
</tr>
<tr>
<td>Hobson wharf wave panels</td>
<td>$21.1M</td>
</tr>
<tr>
<td>Utilities and services</td>
<td>$11.2M</td>
</tr>
<tr>
<td>Client construction contingency</td>
<td>$7.5M</td>
</tr>
<tr>
<td>Daldy street stormwater outfall</td>
<td>$22M</td>
</tr>
<tr>
<td>Sealink new site</td>
<td>$20M</td>
</tr>
<tr>
<td>Floating marina infrastructure – Superyachts (costs to</td>
<td>$12.2M</td>
</tr>
<tr>
<td>be recovered over time)</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL AUXILIARY WORKS BUDGET** $100.1M

**Crown’s budget contribution**

41. Given the 50:50 cost-sharing arrangement with the Crown, Cabinet is considering a request for its share of the additional funding request.

**Delegated authority**

42. The Governing Body resolutions of the 29 March 2018 meeting provide the following:

   (e) delegate to the Chief Executive authority to make decisions relating to the operational delivery and expenditure of approved funding for the following matters…

   - decide, on behalf of the council group, all matters relating to the procurement and strategy of delivery, including finalised scope of works packages to maximise interface opportunities with other council group procurement

43. All of these changes are a result of detailed design and costing and are a normal part of the design development process. As such and consistent with the above resolution, the Governing Body was not required to approve the optimised design and early procurement related decisions. Governing Body approval is required for the additional funding.

44. Staff are confident the revised infrastructure programme will deliver on our aspirations for improved public open space and access in this part of our waterfront and deliver on our obligations under the Host City Appointment Agreement and the Host Venue Agreement for the 36th America’s Cup.

**Resource consent amendments**

45. The changes outlined in the section above will require amendment to the resource consent conditions approved by the Environment Court. The amendments do not alter the overall scope and outcomes of the programme, rather they reflect physical footprint changes that require amendment of the consent.

46. At the time of writing, changes required within the Coastal Marine Area will be in general accordance with the existing consent conditions. Land-based changes will require approval from Auckland Council pursuant to section 127 of the Resource Management Act 1991.

47. Section 127 allows the consent holder (Panuku) to apply to change or cancel any of the conditions of the resource consent. Given the complexity of the consent decision, the more than 200 conditions and the progress of detailed design, there is nothing unusual in using this provision to more accurately enable the implementation of the consent. The application for amendments to existing conditions are intended to be lodged around mid-December.
48. There is a risk that the application may be notified (either limited notified or fully notified) which could impact the programme handover dates to the syndicates. However, most of the construction required by the Alliance will be delivered under the existing consent.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views

49. The Waitematā Local Board was part of the joint briefings that led to the Governing Body decision in March 2018. There has been no consultation with the Local Board on the recent optimisation process or on the request for additional budget.

Tauākī whakaaweawe Māori / Māori impact statement

50. The Waitematā Harbour is of high spiritual, ancestral, cultural, customary and historical importance to Ngā Mana Whenua o Tāmaki Makaurau. Each mana whenua group has its own views in relation to the harbour and how their values will be impacted by development proposals within this space.

51. The council family and central government have improved their engagement and partnership with mana whenua over the past 12 months. The intention is to work with mana whenua to enable them to express tikanga and fulfil their role as kaitiaki throughout the programme:

- Three of the four representatives from the Mana Whenua Kaitiaki Forum have been appointed to the Joint Chief Executive Governance group tasked with oversight of the 36th America’s Cup programme;
- The Mana Whenua Kaitiaki Forum (19 iwi) engage with the wider 36th America’s Cup programme and have a particular focus on leverage and legacy outcomes;
- The resource consent requires specific iwi involvement in the delivery of the infrastructure and event. A detailed engagement strategy has been prepared to support this.

52. Consultation with mana whenua on the changes has commenced and Panuku will work with them on assessing and understanding the effects of change, if any, on them and their values.

Ngā ritenga ā-pūtea / Financial implications

53. The request for an additional $14.5m capital funding (being Council’s share of the increased cost) is required to deliver the infrastructure for the America’s Cup 2021.

54. The debt impact of the additional capital spend will be considered as part of the Annual Budget 2019/2020 process.

Ngā raru tūpono / Risks

55. There are significant risks to the 36th America’s Cup associated with the Council not approving the requested additional capital expenditure of $14.5m:

- The Project Alliance Agreement would no longer be operative and construction activity would cease;
- A halt in construction, even if temporary, would jeopardise completion of the work in time for the syndicates and the event;
- Any subsequent decision to complete the construction would be expected to see total costs increase from current estimates;
- An adverse reputational impact for both Council and Crown if the event cannot be staged in Auckland.
56. The infrastructure to be delivered at pace by the Alliance is complex and within contaminated marine and industrial environments. While the design is now well developed there remains some risk that could increase the current estimated cost. This risk has been significantly mitigated by a $7.5m programme contingency held by council. Further, the Alliance model includes a ‘shared pain/gain’ that highly incentivises the Alliance to not only avoid additional cost but to identify savings they can also share in.

Ngā koringa ā-muri / Next steps
- Subject to decisions made by Cabinet and the Governing Body, the Project Alliance Agreement will be amended to reflect the increased budget;
- Panuku will lodge an application to amend some conditions of consent in mid-December;

Ngā tāpirihanga / Attachments

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<th>Title</th>
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<tr>
<td>A6</td>
<td>Revised scheme drawing for AC36</td>
<td>15</td>
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<tr>
<td>B1</td>
<td>Revised 36th America’s Cup Infrastructure Delivery Estimates</td>
<td>17</td>
</tr>
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</table>

Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Megan Tyler - Executive Officer Chief Planning Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Barry Potter - Director Infrastructure and Environmental Services</td>
</tr>
<tr>
<td></td>
<td>Dean Kimpton - Chief Operating Officer</td>
</tr>
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**Revised AC36 Infrastructure Delivery Estimates**

<table>
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<tr>
<th>Item</th>
<th>Mar 18 - Budget</th>
<th>Dec 18 - Revised Budget</th>
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<tbody>
<tr>
<td>Wynyard Point</td>
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<td>Breakwaters</td>
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<td>Dredging</td>
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<td>Pontoons etc.</td>
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<td>Other</td>
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<td><strong>$151.9M</strong> *</td>
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* Note this Includes Contingency