



## Proactive Release

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**Title:** Update on Performing Arts Precinct

**Reference:** DPMC-2018-19-1015

**Date:** 27/05/2019

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### Key to redaction codes:

- section 9(2)(g)(i), to maintain the effective conduct of public affairs through the free and frank expression of opinion
- section 9(2)(i), to protect the Crown's commercial activity

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# Aide-Memoire

## UPDATE ON PERFORMING ARTS PRECINCT

<b>To</b>	Minister for Greater Christchurch Regeneration, Hon Dr Megan Woods	<b>Report No</b>	DPMC-2018/19-1015
<b>From</b>	Anne Shaw, Executive Director, Greater Christchurch Group	<b>Date</b>	27/05/2019

### Purpose

1. This aide-memoire provides you with background information and an update on the Performing Arts Precinct ("the Precinct").

### Executive Summary

2. You have previously requested advice on the background for the Precinct project, and how it relates to global settlement. As background, this aide-memoire notes:
  - a. The 2013 Cost Sharing Agreement ("CSA") provided that Christchurch City Council ("the Council") would fund Precinct facilities, and the Crown would provide land, but left open some uncertainty around the options available for the Precinct;
  - b. Since the CSA, less formal agreements have been reached between the Crown and Council that have seen the Crown becoming involved in other aspects of the Precinct – including The Piano development, public realm, and car parking – although there has been some uncertainty about the current status of the responsibilities held by either party;
  - c. The CSA did not set clear funding allocations. However, the Council's budget for the Precinct is \$30 million. The Crown is currently forecast to spend s9(2)(i) on land acquisition, demolition, and public realm; and
  - d. Progress towards Precinct delivery has been consistent with the CSA so far, but the envisaged theatre has not yet been delivered. In March 2019 Council confirmed its support for the project subject to ongoing negotiations with the Court Theatre and confirmation of support from the Crown (including new contributions to decontamination). We note there is no clear precedent or existing agreement for the Crown to decontaminate the land.
3. Key remaining issues are now being explored through global settlement, which is an opportunity to resolve existing uncertainties and support increased momentum on this important site.
4. Good progress has been made. s9(2)(i)

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s9(2)(i)

- a. What, if any, conditions should apply to the transfer, given land would be transferring early
- s9(2)(i)
- b. The extent to which the Crown can or should meet costs of any necessary decontamination on the site.
5. We will keep you updated on progress and would be pleased to receive any feedback you may have.

## Background

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6. The draft Agreement in Principle for the global settlement notes:
- a. the need for the Crown and Council to work together to enable regeneration outcomes in and around the Performing Arts Precinct, noting the pre-existing agreements under the CSA and other subsequent agreements; and
- b. the parties will work together in tranche 2 to discuss how best to support the earliest possible delivery of car parking facilities in or around the Precinct to service civic facilities, Te Pae, and the surrounding areas.
7. At the officials' meeting on 1 March 2019, you requested advice on the Precinct background, and as it relates to global settlement. Not relevant to global settlement
8. We note this advice has been on hold given the significant changes being worked through by joint working groups for the global settlement; however, we are now in a better position to provide you with up-to-date information on the status of negotiations on this project.
9. On Thursday 20 June 2019, we provided some supporting information for your meeting with the Mayor of Christchurch which included some high-level comment on the status of negotiations (DPMC-2018/19-1356). This aide-memoire provides a more detailed update.

## Progress to date on Performing Arts Precinct

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### Background, including the Cost Sharing Agreement

10. The Christchurch Central Recovery Plan in 2012 envisaged the Precinct could offer facilities for music and the performing arts, contributing to community, cultural and economic wellbeing. It noted that it could include new auditoria, as well as permanent homes for the Court Theatre, the Christchurch Symphony Orchestra ("CSO"), and the Music Centre of Christchurch. Two blocks north and south of Armagh Street, and east of Colombo Street, were designated for the project.
11. The relevant text from the CSA is provided in **Attachment A**. Broadly speaking, the Council was to fund Precinct facilities, while the Crown would provide land. However, it was unclear at the time whether the Town Hall would be repaired, so some detailed matters included:
- a. **Three potential options for the Precinct were identified**, all of which included the Town Hall main auditorium, but varying levels of other facilities;

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- b. It was recognised that Council would decide what facilities were delivered. However, **the Crown would not provide land for the Precinct at nil cost unless the Council proceeded with options 2 or 3** – essentially, these would involve PAP facilities (at least **a small theatre and a music centre**) being delivered in the designated block south of Armagh Street; and
- c. It was agreed the Crown would be given **reasonable opportunity to approve scope and design** (and that the Crown would not unreasonably withhold that approval).

*Following the CSA*

- 12. We note that less formal agreements appear to have been reached between the Crown and Council. For example, later in the Canterbury Earthquake Recovery Authority (“CERA”) phase, it was envisaged by both parties that:
  - a. **Public realm could support the Precinct.** CERA set aside \$2m for this purpose. \$0.5m was spent on the temporary public realm, and it appears to have been agreed that **the remainder would transfer to Council** when final plans for the Precinct were agreed; and
  - b. A **car parking building could be delivered** on the site alongside Precinct facilities, to support the Precinct and the wider area. s9(2)(i)
- 13. With the disestablishment of CERA, there appear to have been some agreements that the Council take on overall responsibility for the Precinct as a whole, with Ōtākaro awaiting a final proposal and Council commitments to the project in order to release the land. However, there has been some uncertainty about what this means for individual s9(2)(i) and we are unable to identify any agreements in writing post-2015.

*Funding commitments to date*

- 14. The CSA does not itself set out a clear budget for the project. However, the Council identified a budget of \$158.5 million for Precinct facilities. Subsequently, \$127.5 million of this budget was allocated for the Town Hall repair,<sup>1</sup> **leaving \$30 million for other Precinct facilities.**
- 15. Originally, the Crown budget for land acquisition for the Precinct was \$8 million. The Crown is now projected to spend s9(2)(i) on land acquisition, demolition, and public realm (subject to any further commitments through global settlement).

**Progress towards Precinct delivery has been consistent with the CSA, but staggered**

- 16. In 2014, the Crown lifted the designation on the block north of Armagh Street, in recognition that auditoria were being delivered as part of the Town Hall and therefore new auditoria were no longer required. Later, the designation on the former Forsyth Barr site was lifted, which has allowed the delivery of the Crowne Plaza Hotel. The designation on the rest of the south block remains.
- 17. **Attachment B** provides a map of the land designated for the Precinct, in its current state. The Crown has acquired most of the land at a cost of s9(2)(i) and the land now sits with Ōtākaro Limited (“Ōtākaro”). **One final site is still in private ownership.**

<sup>1</sup> We understand the overall cost of the Town Hall repair is now expected to be \$167.2m.

18. Since the CSA, the following aspects of the Precinct have been delivered:
- a. In 2016, **The Piano** (i.e., the music centre), delivered by its tenant, the Music Centre of Christchurch Trust, and facilitated by the Crown;
  - b. In 2016, **temporary public realm** adjacent to The Piano, delivered by the Crown; and
  - c. In 2019, **the Town Hall complex**, including the main auditorium and James Hay Theatre, delivered by the Council. Some components of the complex are still being completed, such as CSO rehearsal space.
19. As yet, the “small theatre” envisaged in the CSA has not been delivered; however, the Council has been in **negotiations with the Court Theatre** for some time, and **the Council has confirmed its support for the development** subject to the ongoing negotiations and several other matters (see paragraphs 22-25 below).
20. Essentially, it appears that “Option 3” under the CSA is Council’s preferred option. This assumes that progress will be made on the Court Theatre (or an alternative theatre). The lack of certainty has presented some issues for both parties in making progress on other matters (such as confirming land requirements).
21. Global settlement is a good opportunity to find a way to meet the needs of both parties and set out a clear process going forward. Enabling the Council to get development underway will also support regeneration, increasing momentum and bringing people back to the central city.

**The Council’s most recent resolutions are subject to Crown and other decisions**

22. On Thursday 28 March 2019, a business case for the Performing Arts Precinct and an accompanying staff report was considered by Councillors in a public-excluded session.
23. The Crown has since been provided with the business case, and the staff report has been released with redactions. The documents envisage that the Precinct would include a fit-for-purpose Court Theatre facility at a cost of \$30m to Council, and significant public realm with potential for future expansion of performing arts facilities (e.g. a black box theatre and amphitheatre). A car parking building could also be delivered.
24. The Council approved the business case and endorsed its support for the development of Court Theatre premises at a maximum cost of \$30m. This decision was subject to a number of matters including:
- a. The **negotiation of a Development Agreement with the Court Theatre**. Currently the business case assumes the Court Theatre makes a \$5m contribution towards fit-out;
  - b. Council approval of approach to car parking;
  - c. **Transfer from the Crown of all designated land**, and of public realm funding; and
  - d. **The Crown clearing the land of all contaminants and meeting all costs of doing so.**
25. We note that:
- a. there is no clear precedent for the Crown to decontaminate the land, where a project is being delivered by the Council, and this is not discussed in the CSA. The Crown has covered the costs of decontamination for a number of anchor projects, but this is due to its responsibilities to deliver those projects. The only project to date where the Crown

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provided land but the Council led delivery has been the Library. In this case we understand decontamination costs of \$2.2 million were covered by the Council; and

- b. no funding decisions were sought for other components of the Precinct, such as public realm (other than noting the Crown's remaining contribution). s9(2)(g)(i)

### Key remaining issues are being explored through global settlement

26. As the Precinct is within scope of the global settlement, this is an opportunity to resolve some of the remaining issues and uncertainties associated with this project, and more effectively support ongoing decision-making.
27. Most of the issues being discussed centre around a "chicken and egg" issue – the Council needs sufficient certainty from the Crown about what land (or other support) will be available, so it can make informed decisions to proceed. It has been seeking the early transfer of land along with other Crown support to enable it to make those decisions with optimal flexibility.
28. On the other hand, from the Crown perspective, land and funding would normally transfer when it is needed for delivery, not when there is still uncertainty about the use of that land and funding. The CSA also envisaged that the Crown would be able to sign off on final scope and design of the Precinct, which is not yet confirmed.
29. As a result, and to support an early transfer, joint working groups have been exploring a number of issues – for example, with the Crown seeking information from the Council about its expected timeframes for delivery. As envisaged in the Agreement in Principle, the parties have also been considering how best to support the earliest possible delivery of the car parking facility in the Precinct.
30. Crown negotiators are aiming to find solutions that will enable both Crown and Council to make progress, in the wider interests of Christchurch communities and regeneration. Throughout negotiations our objectives for this specific project have broadly reflected wider Crown objectives for the global settlement – attempting to build the momentum of regeneration in this area, and advance the transition to full local leadership, while also meeting our obligations to operate in a fiscally responsible and equitable manner.

#### *Points of agreement and remaining questions*

31. We have now reached agreement on most issues, but there are some remaining questions we need to work through. **Attachment C provides a summary** of the current status of negotiations. We note several key points below, all of which are still subject to ongoing negotiations and final agreement:

a. s9(2)(g)(i), s9(2)(i)

b.

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c. s9(2)(g)(i), s9(2)(i)

32. The following matters need to be worked through further in negotiations:

a. **What, if any, conditions should apply to the transfer** – s9(2)(g)(i)

b. The Council is seeking that the Crown meets **all costs of decontamination for the whole site**. We note that the Crown has previously met the costs of decontaminating the site for The Piano.

33. We also note there is still some uncertainty about future ownership of the land for The Piano (which is currently leased to the Music Centre of Christchurch Trust); however, we consider this can be worked through outside the scope of global settlement and agreed at a later point. We expect to provide you with further advice on this matter in the next several weeks.

34. There are a number of constraints on the Crown – these include financial constraints as well as time constraints, s9(2)(i)

35. The Council has also noted a number of constraints – including that the budget is limited to \$30 million, and negotiations are still underway with the Court Theatre – and has been uneasy about committing to timeframes for the Precinct.

#### *Next steps*

36. We note these matters are moving relatively quickly and the points above (and in Attachment C) may be superseded in the course of negotiations. Further issues may arise.

37. We do not seek any action from you at this stage but will keep you updated on progress, and would be pleased to receive any feedback you may have.

Not relevant to global settlement

## **Consultation**

40. DPMC has consulted the Treasury and LINZ on this aide-memoire. Ōtākaro Limited has also been consulted during its development.

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**Recommendations**

41. It is recommended that you note the contents of this aide-memoire, and provide any feedback to officials if you wish.

Anne Shaw  
**Executive Director, Greater Christchurch Group**

<b>NOTED</b>	
<p>Hon Dr Megan Woods  <b>Minister for Greater Christchurch Regeneration</b></p>	
<p>Date:     /     2019</p>	

- Attachment A: Cost Sharing Agreement: Performing Arts Precinct
- Attachment B: Map of existing Performing Arts Precinct site and designation
- Attachment C: Summary of current status of negotiations

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# ATTACHMENT A

## Cost Sharing Agreement: Performing Arts Precinct

*Text reproduced from the main body of the CSA, signed on 26 July 2013*

### Schedule ten:

Council to make final decision on Town Hall repair by 31 August 2013.

Crown to provide required land.

Project Cost: Land = \$TBC

Design and Construction = \$TBC

Total Project cost = \$TBC

Project Funding: Crown = \$TBC

CCC = \$TBC

Project Delivery Responsibility CCC (Crown to be provided a reasonable opportunity to sign off on scope and design)

Project Governance Arrangement: PCG

Project Ownership (upon completion): TBC

Project Operating Cost Liability: TBC

Estimated Project Completion Date: TBC

*Text reproduced from the second joint clarification of the CSA, signed on 26 July 2013*

### Schedule ten:

The Council will decide what Performing Arts Facilities will be provided with the Performing Arts Precinct.

Options for the Precinct could include:

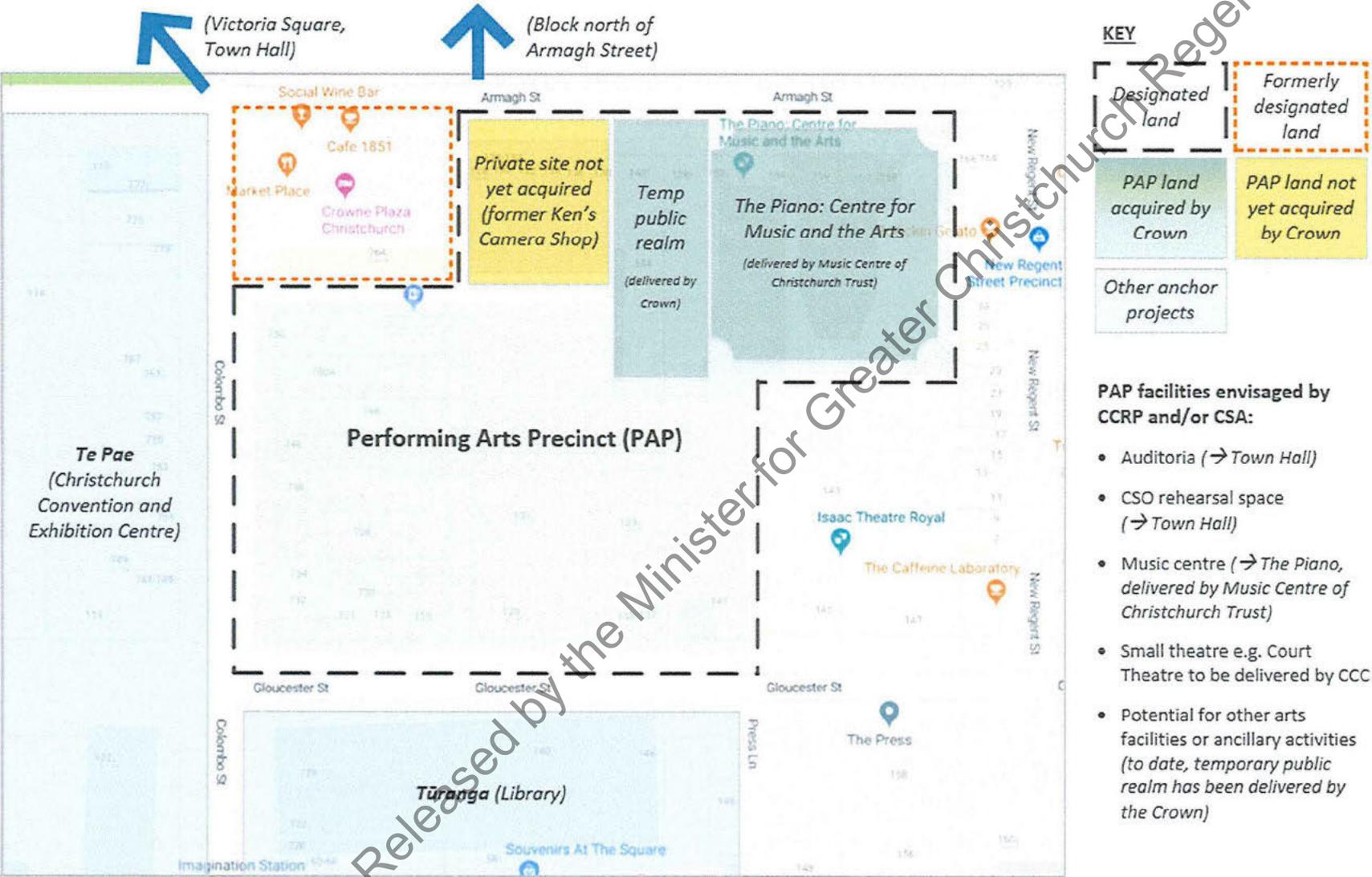
1. The existing Town Hall Auditorium, James Hay Theatre and a new southern entrance to the facility.
2. The existing Town Hall Auditorium with pre-function space and also a 500-seat Auditorium, small theatre, and the Music Centre on designated land between south of Armagh and east of Colombo streets.
3. The existing Town Hall Auditorium, James Hay Theatre and a new southern entrance to the facility and also a small theatre and music centre on designated land between south of Armagh and east of Colombo streets.

If the Council decision is to proceed with options 2 or 3, the Crown will vest the required land in Council at no cost. The Crown is to approve the design and scope of the facilities being developed on the land being vested by the Crown. The Crown agrees to not unreasonably withhold its approval of design and scope.

The Performing Arts facilities, funded by the Council, will be owned and operated by the Council.

# ATTACHMENT B

## Map of existing Performing Arts Precinct (PAP) site and designation



**KEY**

Designated land	Formerly designated land
PAP land acquired by Crown	PAP land not yet acquired by Crown
Other anchor projects	

- PAP facilities envisaged by CCRP and/or CSA:**
- Auditoria (→ Town Hall)
  - CSO rehearsal space (→ Town Hall)
  - Music centre (→ The Piano, delivered by Music Centre of Christchurch Trust)
  - Small theatre e.g. Court Theatre to be delivered by CCC
  - Potential for other arts facilities or ancillary activities (to date, temporary public realm has been delivered by the Crown)

↑ (Victoria Square, Town Hall)

↑ (Block north of Armagh Street)

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### ATTACHMENT C: SUMMARY OF CURRENT STATUS OF NEGOTIATIONS

Key issue	Current points of agreement	Remaining questions	Financial implications
<i>Land requirements for the Performing Arts Precinct</i>			
Which current Crown-owned land should transfer?	All Crown-owned Precinct land (apart from The Piano land) should transfer to the Council as soon as possible.	What should happen to the land for The Piano, which is currently leased by the Crown to the Music Centre for Christchurch Trust? <i>(We note both parties are considering the options and expect this can be worked through outside the scope of global settlement.)</i>	Write down the value of assets transferred below book value (\$12.37m), s9(2)(i) s9(2)(i) s9(2)(i)
How can the Council provide sufficient confidence that the land will be used for the purpose it was acquired, in a context where final decisions have not been made on land uses or timing of delivery?	The parties have noted that the Council intends to deliver as soon as practicable, with the first priority being the Court Theatre building.	The Council is currently unwilling to provide assurances on what will be delivered, or timeframes for delivery. There is a question about what conditions (if any) should be placed on any transfer. For example, s9(2)(i) s9(2)(i)	N/A
How will the Crown be involved in future stages of the project? (e.g. CSA provides for 'Crown approval of scope and design' and role on a Project Control Group)	The Council will be responsible for all design/delivery risk for the Precinct s9(2)(i) s9(2)(i)	Under the Council's proposed approach, the Crown would forego any further approval or project governance rights. This may support the transition to local leadership.	N/A
s9(2)(i)			
<i>Car parking</i>			
Who should be responsible for delivering car parking to support the Precinct and wider developments? <sup>3</sup>	s9(2)(i)		
<i>Other matters</i>			
Who should be responsible for the costs of any necessary decontamination of land?	TBC	The Council is seeking a commitment by the Crown to fund decontamination of the whole Precinct area. The Crown will need to consider the extent to which it can fund any land decontamination, given other potential calls on Crown funds.	Potentially s9(2)(i) - new funding implication
s9(2)(i)			
s9(2)(i)			

<sup>3</sup> A car parking building is a priority for both the Crown and Council to support access to the Precinct and the wider area (including Te Pae and the Central Library). s9(2)(i)

s9(2)(i)