

Young leaders, Christ-centered mission, and Faithful stewardship

# MANAGEMENT REPORT TO SYNOD

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Prepared by Church Property Trustees Senior Management Team

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NGĀ KAITIAKI TAONGA O TE HĀHI  
*The Church Property Trustees*  
THE ANGLICAN DIOCESE OF CHRISTCHURCH



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## EXECUTIVE SUMMARY

Synod is being asked to make a decision as to whether the ChristChurch Cathedral should be reinstated (all up funds required estimated at \$127m) or a contemporary cathedral built (within the \$42.7m Cathedral insurance funds):

- Reinstatement, with the Diocese and parishes **not taking** on the risk of any fundraising shortfall, is estimated to take 15 years (eight years fundraising and seven years reinstatement).
  - Reinstatement, with the Diocese and parishes **taking on** the risk of any fundraising shortfall (and having to meet any shortfalls that might arise, including through sale of parish property), is estimated to take seven to eight years.
  - A contemporary cathedral could be built within a timeframe of six to eight years, and with comparatively significantly lower financial risk to the Diocese and parishes.
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## 1. BACKGROUND

ChristChurch Cathedral was significantly damaged in the Canterbury earthquake sequence, commencing 4 September 2010. The aftershock of 22 February 2011 caused further severe damage locally, including the failure of the tower, which in turn damaged the north aisle and north porch roofs, and the west wall. Subsequent aftershocks, in particular the two earthquakes of 13 June 2011, caused additional lesser damage. However, as the damage has aggregated, the Cathedral had become increasingly vulnerable. In October 2011 CERA issued a notice under section 38 of the Canterbury Earthquake Recovery Act (s38 notice). The notice enabled deconstruction works to be undertaken to make the building safe without a consenting process. In November 2011, the Cathedral was deconsecrated.

In March 2012, Church Property Trustees (CPT) and Standing Committee reviewed documentation prepared in response to the s38 notice and resolved to deconstruct the damaged Cathedral building to a safe level. In April 2012, Synod supported the deconstruction and supported an inspirational cathedral on the site by passing a resolution to that effect.

The tower was deconstructed in April 2012. At that point the Great Christchurch Buildings Trust (GCBT) commenced legal challenges to stop deconstruction. The High Court ordered a stay on deconstruction in November 2012 in order to allow CPT to make a more formal specific commitment to having a cathedral on the site. The High Court affirmed there was no trust law obligation on CPT to reinstate the existing building.

In 2013 CPT embarked on a comprehensive community engagement process regarding three identified options for a cathedral in the square: (a) maximum retention (estimated cost of \$104m), (b) traditional form (estimated cost of \$63m)<sup>1</sup> and (c) contemporary (estimated cost of \$63m)<sup>1</sup>, all with an estimated timeframe of 7.5 years. At the September Synod a show of hands, as a guide to CPT as to the thinking of the Diocese, overwhelmingly favoured the contemporary option. CPT then resolved to build a contemporary cathedral within the Cathedral insurance proceeds.

In May 2014, the High Court lifted the stay allowing deconstruction to commence. CPT approved proceeding with archaeological authority and resource consent processes.

In May 2015, CPT and GCBT met, and GCBT agreed the cost of reinstatement of the Cathedral was around \$100m within a time frame of 7.5 years. However agreement on whether to proceed with reinstatement, a contemporary build or some other compromise could not be reached between CPT and GCBT. As a result of this, the Government was approached to assist in breaking the deadlock.

In October 2015, the Government appointed Miriam Dean Q.C. to facilitate discussions between engineers [Holmes Consulting Group, for CPT and Dunning Thornton for GCBT] on the Cathedral's condition and engineering options for its "repair, restoration or replacement". The Dean report issued in November 2015 concluded broadly that "there was no significant engineering disagreement in principle and that the reinstatement of the Cathedral would be possible by a combination of repair, restoration, reconstruction and seismic strengthening". CPT's earlier cost estimate of around \$100m within a 7.5 year timeframe was confirmed.

Following this, in 2016, CPT rescinded its 2014 resolution to proceed with an archaeological authority and resource consents to demonstrate good faith in discussions with the Government and in finding a way forward.

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**"The reinstatement of the Cathedral building is not therefore primarily a technical challenge, but one of bringing together the funding and commitment required to see a major project through to completion."**

– from the CWG report

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**"It makes little sense to undertake a major reinstatement project at significant cost to simply put things back exactly as they were if this does not lead to an appropriately functional building for future generations."**

– from the CWG report

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<sup>1</sup> Based on Warren & Mahoney concept designs, prepared for the purpose of that consultation.

The Government appointed the Cathedral Working Group (CWG), tasked with identifying “feasible, achievable and fully costed options to progress the reinstatement of the ChristChurch Cathedral.” The CWG report of November 2016 concluded broadly that “provided sufficient funds can be raised from philanthropic and public donations, alongside the commitment of insurance proceeds from CPT and support from central and local government, the building can be reinstated within a budget of \$104m.” This \$104m project cost excluded fundraising and other costs acknowledged by CWG such as endowments and CPT costs. The report made 14 recommendations which were agreed and endorsed by the members of the CWG.

Following completion of the CWG’s report in November 2016, CPT entered into negotiations with the Government to put in place the recommendations of the CWG and other critical aspects of an agreement. By late December CPT was prepared to approve the negotiated agreement. On December 20 the Government withdrew the offer on the table and replaced it with a ‘Statement of Principles’ which varied significantly from the terms negotiated.

The Government clarified its position, in a letter to CPT in March 2017, with an offer of a \$10m grant, legislative assistance for reinstatement and a \$15m loan to be repaid on completion of the project. CPT began to review its options in light of the amended Government offer.

In May 2017, CPT advised the Government that the total cost of all items previously discussed with them, and identified and referred to in the CWG report was approximately \$127m.

In May 2017 Bishop Victoria reserved for the decision of Synod, the future of the damaged Cathedral building.

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The Cathedral Working Group (CWG) report concluded broadly that “provided sufficient funds can be raised from philanthropic and public donations, alongside the commitment of insurance proceeds from CPT and support from central and local government, the building can be reinstated within a budget of \$104m.”

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## 2. RESEARCH FIRST SURVEY

Due to the on-going debate about local views as to the future of ChristChurch Cathedral, CPT commissioned independent research to understand the views of the people of greater Christchurch.

The research showed that the primary concern for 78% of people surveyed (greater Christchurch) was that something is done soon. The research also showed that people felt a strong sense of ownership of the Cathedral.

There are competing views about who should hold the decision rights regarding the Cathedral’s future.

Of those surveyed, 58% initially expressed a preference to see the Cathedral reinstated, mainly because of its historic and heritage values. However, what this research makes clear is that knowing the consequences of their opinions changes people’s preferences. When asked to choose a preference a second time, 23% changed their preference. Most respondents who changed their preference indicated that understanding the costs, including the ongoing insurance and maintenance associated with reinstatement, influenced them most. When asked a second time once aware of the consequences, a contemporary cathedral became the preferred choice for the participants in the survey (49%). Support for reinstatement reduced from 58% to 43%.

The survey concluded that community opinion is split relatively evenly on a reinstated versus a contemporary cathedral.

### 3. OPTION A: REINSTATEMENT

The term “reinstatement” as used in the CWG report means a combination of repair, restoration, reconstruction, seismic strengthening and replacement of some structures with contemporary elements.

The design of the west façade and porch has not as yet been determined. Whilst a rose window is proposed as part of the reconstruction of the west elevation, whether this is to be a replica of the original or a contemporary interpretation has yet to be resolved.

The design of the tower has also not been confirmed. It is unlikely to be a replica but rather a repositioned, complementary modern tower, structurally separated from the Cathedral.

A reinstated Cathedral needs to comply with the minimum seismic standards for earthquake prone buildings in the Building Act. Agreement has been reached that the target strengthening, given the significance of the building, is 100% of new building standards. In order to maximise the retention of heritage values and heritage fabric, base isolation has been proposed for the new foundations of a reinstated Cathedral. The Cathedral floor has sustained considerable damage and the loss of the floor in total will be a consequence of the decision to use base isolation as a critical component of the seismic upgrade (base isolation means less intrusive strengthening is required above ground).

There will be progressive contents retrieval under both options.

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The design of the West façade, porch and tower have yet to be determined.

A rose window is proposed but whether this is a replica of the original, or a contemporary interpretation has yet to be resolved.

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#### 3.1. Funds Required

##### Summary

Table 1: Total Costs & Fundraising Required	Reinstatement per CWG \$'millions	Reinstatement per CPT \$'millions
Project Costs (construction and all related professional fees) (refer 3.1.1)	104.0	104.0
Fundraising Costs (refer 3.1.2)	4.0	4.0
CPT Project Leadership (refer 3.1.3)	-	3.2
Insurance & Maintenance Endowments (refer 3.1.4)*	-	12.9
	<b>108.0</b>	<b>124.1</b>
Governance, Legal and Communication (refer 3.1.5)	-	3.1
<b>Total Costs</b>	<b>108.0</b>	<b>127.2</b>
<b>To be Funded through:**</b>		
Insurance Proceeds (refer 3.1.6)	43.0	42.7
Government Grant (refer 3.1.7)	10.0	10.0
	<b>53.0</b>	<b>52.7</b>
<b>Fundraising Required (refer 3.1.8)</b>	<b>55.0</b>	<b>74.5</b>

\* A level of endowment was recommended in the CWG report, but not included in its total cost estimate.

\*\* \$15m Government loan has not been included in the funding available as it is repayable.

##### 3.1.1. Project Costs (as calculated in the CWG report):

Barnes Beagley Doherr (BBD) were engaged by the CWG to provide project costings for the reinstatement of the Cathedral. The concept estimate was **\$103.8m** and assumed a seven to eight year programme. The estimate was peer reviewed by two other quantity surveying firms. It was then

recommended by the CWG that the total project cost be capped at \$100m. These costings although professionally prepared, are based on numerous assumptions and there are a large number of variables that could impact on the actual cost. There is potentially a far more significant risk of cost overruns with the reinstatement option, given the complexity and financial scale of that option compared with the contemporary option.

Other than the cost of fundraising of \$4m, as estimated by AskRight in its fundraising report, no other costs outlined in Table 1 above have been included in the CWG's total project cost.<sup>2</sup>

### 3.1.2. Fundraising Costs:

The CWG in its report estimates the cost of fundraising \$55m at **\$4m**. CPT in its calculations, has maintained the fundraising cost at that level (for simplicity) despite an increase in the fundraising target to \$74.5m. Any increased fundraising cost would have to be offset against interest earned on insurance funds.

### 3.1.3. CPT Project Leadership Costs<sup>3</sup>

The CWG report explains that a project of this type is very much “investigate and design as you go” and therefore it is critical that those responsible for the Cathedral and its future use are closely involved in the project. Whilst the CWG report notes this, it does **not** include CPT's costs of project leadership or involvement in its cost estimate.

It is common industry practice that a project of this size and complexity has an in-house project leadership team to lead the project and represent the interests of the owner/key stakeholders (in this instance the Diocese, Cathedral Chapter and CPT) on a day-to-day basis. It is assumed that the team will be comprised of a Project Director, supported by a Project Finance Manager and experienced Project Coordinator. This team would act as the key conduit between the design team, main contractor and key stakeholders.

The cost of the internal project leadership is estimated at **\$3.2m** over a project duration period of seven years (direct costs plus overheads).

There will also be an external delivery team which would report to the CPT project director, through an external project manager. The costs associated with this external delivery team have been incorporated in the concept estimate prepared by BBD and included in the \$104m referenced in the CWG report.

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An in-house project leadership team is essential to represent the interests of the Diocese, Cathedral Chapter and CPT.

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### 3.1.4. Endowments

There is no certainty that a funding contribution will be provided by Christchurch City Council or any other entity for the ongoing costs of a cathedral, as occurred in the past. The long term financial viability of a reinstated cathedral must therefore be supported by endowments that can generate sufficient income, in perpetuity, to fully insure and maintain a reinstated cathedral. A level of endowment is supported by the CWG in its report (Recommendation 14) but this has not been included in its total project cost. The Government, during the negotiations, were advised of the requirement and understood this requirement.

<sup>2</sup> AskRight. (n.d.). *AskRight Fundraising Report*.

<sup>3</sup> CPT. (n.d.). *Information Paper: CPT Project Leadership & Governance, Legal and Communication Costs*.

### **Insurance<sup>4</sup>**

An insurance premium estimate and terms have been provided by the Diocesan insurance brokers Crombie Lockwood and have been used as the basis for calculation of the necessary quantum of insurance endowment for a reinstated cathedral of **\$10.5m**.

The excess for a fully insured reinstated cathedral is 2.5%, which in a total loss scenario (based on an insured value of \$135m) would be \$3.375m.

### **Maintenance<sup>5</sup>**

A 30 year scheduled maintenance plan has been prepared by BBD for both the Cathedral and ancillary buildings. This report was based on a Condition Assessment Report generated by Salmon Reed Architects in 2005, a Building Cyclical Maintenance Report prepared in 2010 by Fulton Ross Architects and historical maintenance cost information. This plan and associated costing has been used as the basis of calculation for the necessary quantum of maintenance endowment for a reinstated cathedral of **\$2.5m**.

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Annual insurance costs for a reinstated cathedral are estimated at \$375k (\$1,027 per day).

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The annual average maintenance cost for both options are not too dissimilar as some design aspects of both may require maintenance to a lesser degree.

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“Ensuring funds are in place (in the absence of an underwrite) before reinstatement could mean that the reinstatement itself would not start until eight years following the decision to reinstate, meaning completion would be up to 15 years away.”  
– O’Keefe & Partners

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### **3.1.5. Governance, Legal Fees and Communication Costs<sup>6</sup>**

As with the CPT Project Leadership costs, the CWG report does not include CPT’s costs of governance, legal fees and communication. The estimated sum of these respective cost categories is **\$3.1m**. A project of this size and duration will require Board input well beyond “business as usual” with associated additional staff and board costs.

### **3.1.6. Cathedral Material Damage Insurance Proceeds**

As of 31 May 2017, the residual insurance proceeds are **\$42.7m**.

### **3.1.7. Government Grant**

The Government’s offer of support, in its letter of 8 May 2017, is made on the basis of a one-off **\$10m** payment and a \$15m interest free credit facility repayable on completion of fundraising efforts. The offer is based on CPT contributing its full insurance proceeds to the reinstatement. The offer extends to assisting with consenting, possibly through legislation, and the establishment of a project management office to oversee the physical work of the Cathedral reinstatement.

### **3.1.8. Fundraising Required**

After taking into account the full project cost and available funding the fundraising target is **\$74.5m**.

CPT engaged O’Keefe & Partners (OKP) in June 2017 to provide a second opinion on the fundraising potential for a reinstated cathedral, given there are clearly contrasting views in the 2013 and 2016 fundraising reports. In undertaking this task, OKP has reviewed key information.<sup>7</sup>

Following extensive and careful consideration of the available information (as indicated in its report), including consideration of the full level of fundraising of \$74m required (and not just the \$55m direct project costs considered by the 2016 fundraising report) it is the opinion of OKP that:

<sup>4</sup> BBD. (n.d.). *Cathedral Insurance Endowment - Reinstatement*.

<sup>5</sup> BBD. (n.d.). *Cathedral Maintenance Endowment - Reinstatement*.

<sup>6</sup> CPT. (n.d.). *Information Paper: CPT Project Leadership & Governance, Legal and Communication Costs*.

<sup>7</sup> OKP. (n.d.). *Fundraising Insight Report June 2017*.



1. The 2013 Fundraising Report (prepared by Global Philanthropic for CPT) is conservative in its conclusion that fundraising for reinstatement is unlikely to be successful versus fundraising for a contemporary cathedral.
2. The 2016 Fundraising Report (prepared by AskRight for CWG) is very optimistic in its conclusion that a \$55m campaign could be successfully achieved in three to five years.
3. The 2016 Fundraising Report does not provide sufficient evidence to support the conclusion that a \$55m campaign could be successfully achieved in three to five years (following a “pledging period”) and therefore it is not confident that a \$55m fundraising campaign for the reinstatement of the ChristChurch Cathedral would be successful.
4. Embarking on a \$74m campaign to raise the full funds for the reinstatement of ChristChurch Cathedral, without further investigation and information gathering, would involve a very high level of risk.
5. A fundraising campaign is certainly possible – what is uncertain is how much could be raised and in what time period.
6. Ensuring, funds are in place (in the absence of an underwrite) before reinstatement could mean that the reinstatement itself would not start until eight years following the decision to reinstate, meaning completion would be up to 15 years away.

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**“The 2016 Fundraising Report does not provide sufficient evidence to support the conclusion that a \$55m campaign could be successfully achieved in three to five years (following a “pledging period”) and therefore it is not confident that a \$55m fundraising campaign for the reinstatement of the ChristChurch Cathedral would be successful.”**

– O’Keefe & Partners

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In the absence of an underwrite, the Diocese (including parishes) are exposed to the financial risk of any shortfall in funds once the reinstatement programme is committed to. The prudent approach (as is standard CPT policy) is to ensure funds are in hand before capital projects are committed to. Progressing with reinstatement without fully committed funds creates the risk that, in the eventuality of a funds shortfall, the Diocese (including parishes) will be required to liquidate assets (including parish land and buildings) to meet any shortfall.

### 3.2. Engineering

Structural engineering advice to the CWG on the stabilisation and the reinstatement of the Cathedral has been provided by Holmes Consulting Group (HCG), assisted by two other engineering practises engaged by the CWG.

A peer review of the structural concepts for stabilisation and reinstatement was also completed by a structural engineer on behalf of Heritage New Zealand. Some questions and recommendations raised in this peer review have not as yet been addressed.

It should be noted that HCG has always advised that the Cathedral could be reinstated: the key issues were cost and safety. Earthquake damage is widespread, and there are a number of other areas of the building that are vulnerable to collapse in further large shakes.

CPT has consistently recommended that base isolation would be prudent for such a heavy and fragile building, and this has been supported by the Miriam Dean and CWG reports.

A reasonable portion of the Cathedral would need to be deconstructed in order to install the base isolation and to complete the reinstatement and strengthening of the damaged portions. The strengthening includes the introduction of new reinforced concrete walls within the existing walls.

Although the aftershock sequence is reducing, a further large earthquake cannot be discounted and worker safety must be assured to the extent practical. This is to be

managed by sequencing the work so that areas can be progressively stabilised and then reinstated. This is drawn out and painstaking work. Even with the precautions proposed, there is always a further risk that an earthquake will be large enough to cause further damage or collapse while the building is in a vulnerable state. This risk may not be fully insurable.

Although a lot of engineering investigation and survey work has been undertaken, this has been limited due to access and safety concerns. Also, work to date has been mostly in evaluation of the existing building and in developing concepts. Formal design work has not been completed. This means that a lot of the work to date is based on informed assumptions from the techniques that have been developed on other sites. These assumptions must be verified as the work proceeds and the design and construction details will need to be amended as this happens. This will inevitably have both time and budget implications and although an element of contingency is included in the budget, this could be exceeded.

### 3.3. Architectural and Building Services

A brief was prepared by CPT for the CWG outlining the key changes and desired outcomes required to provide a more functional and sustainable cathedral through re-ordering of the interior and modernisation of the Cathedral interior and building services to better meet current and future worship needs and allow for a range of other uses.

The brief included requirements for ancillary spaces to support the Cathedral's core functions and to generate the necessary income to help support the Cathedral and Chapter financially. Work was completed by Warren and Mahoney (architects) on behalf of the CWG on these aspects of the project.

While some re-configuration of the interior is possible, improvement of sight lines and seating capacity were not fully resolved (and may not be able to be resolved) to the extent required by the brief.

An outline architectural and building services scope of work, including consequential work required following repairs and strengthening was not completed as part of the CWG work.

In the absence of a clearly defined scope of works for these elements of the project, the quantity surveyor has estimated costs on an assumed scope of work based on available information and reports to allow for the work likely to be required to reinstate and/or upgrade services and architectural finishes as part of the reinstatement process.

This lack of a clearly defined and agreed scope of work places both the cost plan and project deliverables at risk.

### 3.4. Heritage

ChristChurch Cathedral is listed by Heritage New Zealand as a Category 1 (highest importance) building. A reinstatement of this magnitude would be a significant heritage outcome for Christchurch and New Zealand. A core focus of the reinstatement option is the reinstatement and retention of as much heritage fabric as is feasible.

Both an archaeological and heritage assessment of the proposed reinstatement were prepared for the CWG. The heritage assessment was also peer reviewed. Both support reinstatement, as would be expected.

Strengthening work would be undertaken in a manner that has the least possible impact on the heritage fabric of the building. However, a loss of some heritage fabric is accepted as inevitable. For example, the inclusion of base isolation as part

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**“It has also consistently recommended that base isolation would be prudent for such a heavy and fragile building. A reasonable portion of the cathedral would need to be deconstructed to install base isolation and new structural walls.”**

– Holmes Consulting Group

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of the strengthening works requires a new floor slab with consequential loss of the existing tiled floor finish. Some interior stone lining will also be lost in areas where new reinforced concrete walls are required.

A 'replica' replacement of the tower and rose window is not favoured by the heritage consultants advising the CWG (and who have acted in a consultant capacity on the project for CPT previously). The preference, in line with good heritage practice and ICOMOS principles, is a "contemporary version of the original".

### 3.5. Design Process

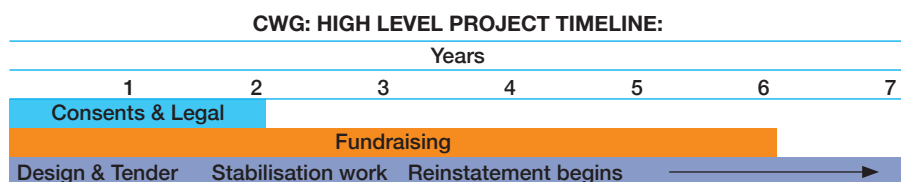
The process for ongoing engagement of design and project consultants has yet to be determined.

The process and structure for liturgical and CPT input into the design phase has also not yet been established. This would be a critical process to be established by the project leadership team in the early phase of a reinstatement project.

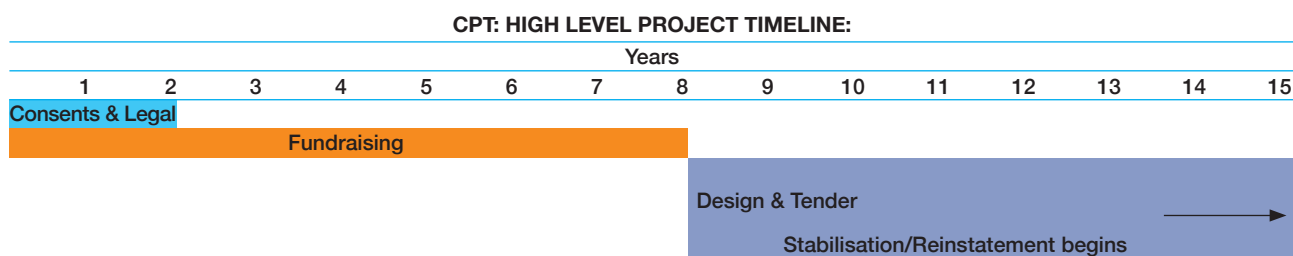
### 3.6. Indicative Programme

Estimated by CWG at seven to eight years with funds being raised while the project is staged and under construction. The CWG report assumes that funds will be raised within five years in line with the advice contained in the AskRight report that it is possible to raise funds within three to five years. In the absence of any underwrite, this programme was based on an inherent assumption that CPT would assume all fundraising risk (as discussed previously, CPT is not prepared to take on this risk).

Graphically the **timeline for reinstatement as outlined by the Cathedral Working Group** is shown below:



After due consideration of all the analyses and information the **timeline as determined by CPT staff for reinstatement is significantly different.**



A lack of underwrite and delays in fundraising would extend this timeframe. Without an underwrite, CPT cannot proceed with the project until such time as all funds have been pledged or raised (this is consistent with the position communicated to Government and it is also CPT policy).

While some staging is feasible, once a commitment is made to proceed, CPT effectively commits to reinstatement regardless of fundraising outcomes and timeframes associated with this.

The programme was prepared on the basis that the project would be externally managed with an independent board providing oversight and an independent fundraising body. The programme prepared for the CWG provides limited and very tight timeframes for CPT, liturgical or Cathedral Chapter input into and sign off of the design process and would likely require extension to the programme proposed by the CWG to accommodate key liturgical and other stakeholder input into the design process.

Programme could easily extend by several years if funds are not raised in line with expectations.

### 3.7. Consents and Legal

Wynn Williams (CPT's legal advisors) in its executive summary<sup>8</sup> explains that the reinstatement option will require resource consent and an archaeological authority (along with building consents). There will be some delay before a reinstatement could commence due to the need to first obtain these approvals.

The consenting of a reinstatement option will be a more straightforward process, and has less prospect of being legally challenged. Further if the Synod decides to proceed with a reinstatement option the Government has indicated it would provide legislative support for consenting and archaeological authorities. If that occurs then there may be no need to obtain separate regulatory approvals or the process might be simpler thus reducing the time required.

Given the above it is estimated that the process to obtain the necessary resource consents and archaeological authorities for a reinstatement will take one to two years without Government support and success is assured.

### 3.8. Chapter Sustainability<sup>9</sup>

The CWG report explains correctly that Cathedral Chapter is responsible for the day-to-day and long-term care of ChristChurch Cathedral. It also acknowledges that the cost of ongoing maintenance, operation and insurance of the Cathedral is high and that Chapter is significantly reliant on grants and distributions from special purpose funds and receives very little external funding other than from visitor donations. (The visitor centre did previously generate a net surplus with the assistance of extensive volunteer hours).

The cost of full replacement insurance and scheduled maintenance is significant for any cathedral. CPT has performed an analysis of the future financial sustainability of Chapter taking into account the level of insurance and maintenance required as prudent custodians of the Cathedral.

In summary the analysis clearly shows that **a level of endowment is fundamental** to ensure the future sustainability of Chapter and the Cathedral. This is supported by the CWG in its report [Recommendation 14].

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Project staging is possible practically from an engineering perspective but **not** from a financial perspective without an underwrite. CPT could not take any financial risk beyond the Cathedral insurance proceeds.

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Maintenance and insurance endowment grants received will offset the annual cost of full replacement insurance and scheduled maintenance. Without these, the Cathedral would operate at an annual deficit with insufficient funding available to meet core costs as well as undertaking its core purpose.

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<sup>8</sup> Williams. (n.d.). *Legal Memo to Synod*.

<sup>9</sup> CPT. (n.d.). *Information Paper: Chapter Financial Sustainability*.

### 3.9. Risks associated with Reinstatement

Several key risks are associated with Option A – Reinstatement of the Cathedral. Those risks that are generic, i.e. could exist for any project as well as those that can be mitigated, have not been included in the table below.

The risks identified to date that are unique to this reinstatement project given its complexity and financial scale are listed below. (A thorough risk analysis has not been performed, therefore no risk rating is currently available for (a) the impact and (b) likelihood of the risk occurring. (The list is not exhaustive and in no particular order).

RISK AREA	RISK DESCRIPTION
Consents	No legislative intervention provided by Parliament.
Project Cost	Increased scope of work due to unknown damage to existing Cathedral, ancillary buildings and organ.
	Overrun on contingencies and cost escalation.
Fundraising	Fundraising campaign is not successful.
	Fundraising costs increase.
	Fundraising timeframe increases resulting in a delay in project commencement.
Funds	The performance of any invested funds deteriorates over time (both insurance proceeds and funds fundraised).
Engineering	Unanticipated major structural issues and in ground issues (geotechnical).
Heritage	The degree of loss of heritage fabric and the degree of reinstatement is more extensive than anticipated.
	Disagreement regarding reinstatement with differing opinions as to the appropriateness, or not, of approximate replications for lost heritage fabric.
Health & Safety	Significant work safety issues associated with the level of damage to and instability of the building.
Natural disaster	Another significant earthquake during the stabilisation and construction period.
Chapter Sustainability	Rates remission may no longer apply or be as generous for the Cathedral and ancillary areas.

## 4. OPTION B: CONTEMPORARY

The term “contemporary” means the careful deconstruction, mainly by hand, of the ChristChurch Cathedral and the construction of a new cathedral. There will be progressive contents retrieval under both options.

### 4.1. Funds Required

#### Summary

Table 2:	\$'millions
Project Costs (deconstruction, construction and all related professional fees) (refer 4.1.1)	30.7
Fundraising Costs (refer 4.1.2)	-
CPT Project Leadership (refer 4.1.3)	3.2
Insurance & Maintenance Endowments (refer 4.1.4)	4.6
	<b>38.5</b>
Governance, Legal and Communication (refer 4.1.5)	4.2
<b>Total Costs</b>	<b>42.7</b>
<b>To be Funded through:</b>	
Insurance Proceeds (refer 4.1.6)	42.7
Government Grant (refer 4.1.7)	-
	<b>42.7</b>
<b>Fundraising Required</b> (refer 4.1.8)	<b>-</b>

#### 4.1.1. Project Costs:

It has been generally agreed that any contemporary cathedral would need to be completed within available insurance proceeds, doing this effectively sets its own total project cost (including deconstruction) as shown in the table above. **The capped funds would place constraints on the design and size of any future contemporary cathedral.**

The project cost including deconstruction is capped at \$30.7m.

#### 4.1.2. Fundraising Costs:

No fundraising costs would be incurred for the contemporary option.

#### 4.1.3. CPT Project Leadership Costs<sup>10</sup>

The existence of a CPT project leadership team is still important for a contemporary option.

The size and complexity of the project would require an in-house project leadership team to lead the project and represent the interests of the owner/ key stakeholders, in this instance the Diocese, Cathedral Chapter and CPT on a day-to-day basis. It is assumed that the team would be comprised of a Project Director, supported by a Project Finance Manager and experienced Project Co-ordinator and be the key conduit between design team and key stakeholders.

The cost of the internal project leadership is estimated at \$3.2m over a project duration period of seven years (direct costs plus overheads).

There would also be an external delivery team which would report to the project director, through an external project manager. The costs associated

<sup>10</sup> CPT. (n.d.). *Information Paper: CPT Project Leadership & Governance, Legal and Communication Costs*.

with this external delivery team would be incorporated in the project cost of \$30.7m in the table above.

#### 4.1.4. Endowments

As mentioned earlier there is no certainty that any funding will be provided by Christchurch City Council or any other entity on an ongoing basis for the costs of a cathedral. The long term financial viability of a contemporary cathedral must therefore be supported by endowments that can generate sufficient income in perpetuity to fully insure and maintain a contemporary cathedral.

##### **Insurance**<sup>11</sup>

An insurance premium estimate and terms have been provided by the Diocesan insurance brokers Crombie Lockwood and have been used as the basis for calculation of the necessary quantum of insurance endowment for a contemporary cathedral of **\$2.5m**.

The excess for a fully insured contemporary cathedral is 2.5%, which in a total loss scenario (based on an insured value of \$39m) would be \$975k.

##### **Maintenance**<sup>12</sup>

A 30 year scheduled maintenance plan has been prepared by BBD for both the cathedral and ancillary buildings. As no design work has been undertaken for a contemporary cathedral, this plan has been based on a hypothetical structure, of approximately similar floor area to the existing Cathedral plus new ancillary buildings of equal floor area to that proposed under the reinstatement option. It is based on a typical maintenance regime for a modern structure of reasonable scale and design complexity fitted with modern plant and equipment. This plan and associated costing has been used as the basis of calculation for the necessary quantum of maintenance endowment for a contemporary cathedral of **\$2.3m**.

#### 4.1.5. Governance, Legal Fees and Communication Costs<sup>13</sup>

CPT's costs of governance, legal fees and communication are estimated to total \$4.2m for the duration of the project. This is higher than for the reinstatement option due to increased legal fees which would be incurred in obtaining the necessary resource consents and archaeological authorities for a new build.

#### 4.1.6. Cathedral Material Damage Insurance Proceeds

As of 31 May 2017, the residual insurance proceeds are **\$42.7m**.

#### 4.1.7. Government Grant

The Government's offer of support, in its letter of 8 May 2017, only extends to a reinstatement option. The Government has advised it would not help fund construction of a contemporary cathedral and therefore no Government grant is provided for.

#### 4.1.8. Fundraising Required

CPT staff advised OKP that a contemporary cathedral would be built within available insurance funds so would not require any fundraising for the project. OKP's scope of work was therefore focused on the reinstatement option.

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Annual insurance costs for a contemporary cathedral are estimated at \$81k (\$222 per day).

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Legal fees are estimated to be higher in obtaining the necessary resource consents and archaeological authorities for a contemporary option.

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<sup>11</sup> BBD. (n.d.). *Cathedral Insurance Endowment - Reinstatement*.

<sup>12</sup> BBD. (n.d.). *Cathedral Maintenance Endowment - Reinstatement*.

<sup>13</sup> CPT. (n.d.). *Information Paper: CPT Project Leadership & Governance, Legal and Communication Costs*.

## 4.2. Engineering

It is not known what form a contemporary cathedral would take and no work has been undertaken on engineering work associated with a design within the proposed funding limit. What is known though is that the ChristChurch Cathedral would need to be largely hand deconstructed over a period of about 18 months. Earthquake damage is widespread, and there are a number of other areas of the building that are vulnerable to collapse in further large shakes during deconstruction. Construction of a contemporary cathedral would require new foundations but would probably not require base isolation due to its comparatively lightweight construction.

Worker safety as work is complete, for a contemporary cathedral, is much less of an issue as the building strength increases in step with the building's construction, and new materials would be used that are more flexible or ductile than stone masonry. The risks involved in constructing a contemporary cathedral are otherwise much more like a conventional new building and would be well within the capabilities of many builders.

## 4.3. Architectural and Building Services

As noted above, it is not known what form a contemporary cathedral would take and no work has been undertaken on a design concept.

## 4.4. Heritage

The contemporary option would result in the total loss of the ChristChurch Cathedral. This loss cannot be supported from a heritage perspective according to Origin (heritage consultant), despite careful deconstruction and any reuse of heritage materials.

## 4.5. Design Process

The process for engagement of design and other project consultants has yet to be determined.

The process and structure for liturgical and CPT input into the design phase of a contemporary cathedral has also not yet been established.

## 4.6. Indicative Programme

The timeframe for completion of a contemporary cathedral is estimated at six to nine years and is much shorter than 15 years required for reinstatement (without an underwrite), and similar to an underwritten reinstatement at between seven to eight years.

Deconstruction is expected to take approximately 12 to 18 months and construction two years.

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**“No base isolation would be required due to the comparatively lightweight construction of a contemporary cathedral.”**

– Holmes Consulting Group

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**“The ChristChurch Cathedral would be largely hand deconstructed over a period of about 18 months.”**

– Holmes Consulting Group

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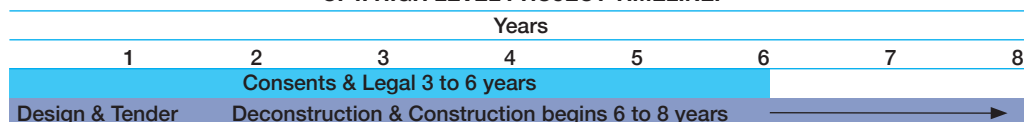
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**“The new build option has very good prospects of success in obtaining the necessary consents and authorities. However there will be opposition to the granting of such consents and authorities and so the matter will take some time to resolve.”**

– Wynn Williams

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**CPT: HIGH LEVEL PROJECT TIMELINE:**



## 4.7. Consents and Legal

Both archaeological and resource consents are required to deconstruct (technically “demolish”) the ChristChurch Cathedral.

Archaeological consent is required because the land was occupied prior to 1900. It is also required for full deconstruction of the building itself because it is pre-1900's.



A design for a replacement cathedral is required to be submitted and approved as part of the resource consent application to deconstruct the existing Cathedral.

The Government has advised that it would not support legislative intervention for the contemporary option in obtaining the necessary resource consents.

Wynn Williams (CPT’s legal advisors) in its executive summary<sup>14</sup> explains that the contemporary option will also require resource consent and an archaeological authority (along with building consents). There will be some delay before the deconstruction and a new build could commence due to the need to first obtain these approvals.

Independent legal advice indicates the new build option has very good prospects of success in obtaining the necessary consents and authorities. However there will be opposition to the granting of such consents and authorities and so the matter will take some time to resolve.

Given the above it is estimated that the process to obtain the necessary resource consents and archaeological authorities for a new build will take three to six years and there are very good prospects of success, though success is not guaranteed.

#### 4.8. Chapter Sustainability<sup>15</sup>

As with a reinstated cathedral **a level of endowment (lower for the contemporary option) is fundamental** to ensure the future sustainability of Chapter and the Cathedral.

#### 4.9 Risks associated with Contemporary

Several key risks are associated with Option B – contemporary cathedral. Those risks that are generic, i.e. could exist for any project as well as those that can be mitigated have not been included in the table below.

The risks identified to date that are unique to this contemporary build project are listed below. (A thorough risk analysis has not been performed, therefore no risk rating is currently available for (a) the impact and (b) likelihood of the risk occurring. (The list is not exhaustive and in no particular order).

RISK AREA	RISK DESCRIPTION
Consents	With no legislative intervention provided by Parliament the timeframe tabled by CPT’s legal council may be underestimated.
Project Cost	Once designed the project cost could be higher than \$30.7m.
Fundraising	Some level of fundraising is required.
Funds	The performance of any invested funds deteriorates over time.
Engineering	Delays and cost issues could arise.
Indicative Programme	The programme could extend.
Architectural& Building Services	Design does not meet the cathedral brief within available funds.
Natural Disaster	Another significant earthquake during the deconstruction and construction period.
Chapter Sustainability	Rates remission may no longer apply or be as generous for the cathedral and ancillary areas.
Urban Design Panel	Proposed designs do not meet the approval of the Urban Design Panel.

<sup>14</sup> Williams. (n.d.). *Legal Memo to Synod*.

<sup>15</sup> CPT. (n.d.). *Information Paper: Chapter Financial Sustainability*.

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