

31 July 2017

Dear Gavin,

In June 2017, Church Property Trustees (CPT) engaged O'Keefe & Partners (OKP) to provide a second opinion on the fundraising potential for a reinstated cathedral. Based on the information provided to OKP at that time, OKP concluded that while fundraising is definitely possible, embarking on a campaign to raise a target of \$74 million over a period of 3-5 years would involve a very high level of risk.

Since that time, new offers of financial and other support for a reinstated cathedral have been made to CPT. CPT has asked OKP to review our conclusions in light of this.

On 4 July 2017, Nicky Wagner (Minister supporting Greater Christchurch Regeneration and representing the Government of New Zealand) wrote to Bishop Victoria Matthews combining support from the Government, Christchurch City Council and the Great Christchurch Buildings Trust for reinstatement and putting offers of financial and other support on the table. In essence they are:

- 1) A cash contribution from the Government of \$10 million.
- 2) A Government interest free suspensory loan of \$15 million (repayment will be suspended and forgiven if the loan conditions are fulfilled).
- 3) A statement from the Greater Christchurch Buildings Trust (GCBT) that it has donor pledges of \$13.7 million and an indicative additional commitment of up to \$14 million.
- 4) A longer build timeframe of 10 years (7 years for the main buildings and 3 years for the spire).
- 5) Legislation which will help to enable a reinstated cathedral.

Furthermore, CPT has indicated to OKP that Synod may decide that the build could start before all funding has been secured.

In our original report, CPT asked OKP to note the following constraints:

- 1) CPT's risk being capped at the level of the cathedral insurance funds (currently approximately \$42.7m), leading to
- 2) All funds being secured for the reinstatement (via fundraising or an underwrite provided by a third party),
- 3) Certainty that the reinstatement project be completed in full and within an agreed timeframe, and
- 4) Endowments sufficient to fund the future insurance and maintenance needs of the cathedral are guaranteed.

W okp.com.au
P 1300 721 799
E enquiries@okp.com.au



We have considered points 1, 2 and 4 (as being those risks more closely associated to fundraising) in light of the new information below.

Risk to CPT

We note that in the Government proposal (4 July 2017) it is stated that “CPT’s total liability will be capped at its funding contribution...”, however the Government has recently released (28 July 2017) a Q&A that states that “the building owner is the affected party if the project is not completed”. No guarantees have been provided for the total funding or delivery of the project. For example, should the costs escalate due to unforeseen issues and the project stall or stop due to insufficient funding, the Diocese could be left with an incomplete cathedral. If the Diocese were to complete the project in this situation, it would have to cover any financial shortfall.

The proposed grant from the Council would lessen the fundraising required, and hence the risk and timeframe. It should be noted that the proposed grant would be subject to public consultation and that the grant, and the level of that grant, is not assured.

The proposal also suggests establishing a Fundraising Trust, thus removing the task of fundraising from CPT - although CPT would have some involvement it would not carry the overall responsibility for fundraising.

The establishment of the Fundraising Trust could ensure that professional, experienced fundraisers lead the fundraising efforts to create the highest opportunity for success. The Fundraising Trust, as a separate entity, would also be well placed to unite the various stakeholders behind a common goal.

All funds being secured for reinstatement

CPT has now suggested that the build could start before all funding is secured. Based on figures provided by CPT (and noting that CPT’s figures are higher than those considered by the Government and other stakeholders in their proposal), the total cost of the project would be \$131.2 million. Taking into account all other sources of income, a fundraising target of \$42 million (see revised high level cost and funding estimate attached) would be required. This is significantly less than the first target we considered of \$74 million.

OKP has always been of the opinion that fundraising is possible – the key question is how much can be raised and in what timeframe. A lower target with more time available (up to ten years) certainly makes this more achievable. In our original report we stated that a lead gift from a donor or consortium of donors of more than \$10 million would be required. We stated that while the GCBT said it had pledges totaling \$13.7 million, these pledges would require validation. However, we understand that GCBT has declined to provide CPT with further information to assist with this validation

A further risk flagged in our report was that these potential donors may not have a similar view of reinstatement and that their support might be conditional – the letter from GCBT dated 27 July 2017 suggests that the reinstatement option on the table is agreeable to these donors.

It would be ideal if CPT (or its agents) was able to reconfirm these pledges – CPT may wish to add a clause to any agreement to reinstatement stating that approval to proceed is dependent on the initial \$13.7 million in pledges being confirmed to its and the Fundraising Trust’s satisfaction. As per our report, if CPT proceeds with reinstatement, we believe that it is essential that GCBT are invited to be part of the fundraising efforts.

While the Government proposal still leaves a gap which would require fundraising, the size of the gap is smaller and the time period longer – both reduce the risk that the target would not be achieved.



Ongoing requirements

The proposal puts forward the establishment of a \$5 million endowment (versus CPT's figure of \$12.9m) to help fund future maintenance. The proposal also suggests that Christchurch City Council may provide funding to support ongoing maintenance and proposes ways in which the cathedral itself (as an attraction and destination) could create income streams to fund maintenance. The Fundraising Trust could also be tasked with creating a pool of donors interested in supporting the cathedral's ongoing maintenance as part of its remit.

Final thoughts

It is OKP's opinion that the measures proposed by the Government and other stakeholders reduce the overall risk that the fundraising target will not be achieved. The target still carries risk as it would with any organisation. Realising any fundraising vision/target is never guaranteed.

There are still issues to be resolved around what the total costs will be (CPT and the Government are working with different figures, build costs could escalate further etc.) and there are other unknowns.

As stated in our report, the reports commissioned in 2013 and 2016 focused on the dollars needed to reach the fundraising target, rather than the people whose support is required. A fundraising feasibility study involving extensive stakeholder consultation would examine the human element of a prospective campaign and help ascertain whether there is sufficient support from the philanthropic community to proceed with a \$42m campaign. We stand by the approach recommended in our report - without extensive stakeholder consultation (specifically about involvement and willingness to give) it is extremely difficult to determine if the fundraising goal is achievable.

The measures outlined by the Government and other stakeholders reduce the target and will help to instil confidence in potential donors by demonstrating that reinstatement is well supported and funded by the Government at a local and national level. These measures help pave the way towards achieving the fundraising goal - success (actually reaching the goal) requires further donor consultation and validation and a strong, united fundraising approach.

Regards,

Julie Johnson
Managing Director



Revised high level cost and funding estimate

High Level Cash Flow Estimate - Reinstatement												
	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
Reinstatement Cost ¹		1.7	6.2	8.0	16.9	26.5	21.1	15.5	3.3	5.2	2.1	106.5
CPT Costs ²		0.7	0.9	1.0	1.0	0.9	1.0	1.0	0.8	0.5	0.3	7.9
Fundraising Cost		0.2	0.5	0.8	0.8	0.7	0.4	0.3	0.1	0.1	0.1	4.0
Endowments	7.9	1.6	2.0	1.4								12.9
Total Funds Applied	7.9	4.2	9.6	11.2	18.7	28.1	22.5	16.8	4.2	5.8	2.4	131.2
Insurance Proceeds	42.7											42.7
Government Grant		10.0										10.0
Government Loan ³			15									15.0
Interest ⁴		1.6	2.0	2.5	2.4	2.0	1.1					11.6
CCC Grant								5.6	0.5	2.8	1.1	10.0
Fundraising ⁵		3.0	4.0	5.0	7.0	6.0	5.0	4.0	3.7	2.9	1.3	41.9
Total Funds Received	42.7	14.6	21.0	7.5	9.4	8.0	6.1	9.6	4.2	5.7	2.4	131.2
Net Funds	34.8	45.1	56.6	53.0	43.7	23.5	7.1	0.0	0.0	-0.1	-0.1	
Notes:												
1. Reinstatement cost increases advised by BBD based on a 10 year project per the government proposal												
2. Additional costs for years 8 -10												
3. The government loan is to be received in year 2 per recent advice from the government												
4. Interest on funds balance at 4.5% per annum												
5. Timing and quantum of funds from fundraising is a suggestion only - requires validation												