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12th July 2017

Kelvan Smith
Department of Prime Minister & Cabinet
Via Email – kelvan.smith@dpmc.govt.nz

Dear Kelvan,

ChristChurch Cathedral – Matters for Clarification

Following the letter of 4th July 2017 from Hon Nicky Wagner (Minister supporting Greater Christchurch Regeneration) to Bishop Victoria Matthews, and the Offer of Support for the Reinstatement of ChristChurch Cathedral, we are seeking clarification on a number of questions in order that members of the Diocesan Synod can make an informed decision with regard to the damaged Cathedral building in the Square.

1. To assist in understanding the difference between the Church Property Trustee [CPT] estimate of governance and project leadership costs and the level of the required endowment and the allocations in the Crown offer could you please provide an explanation as to:
 - a. how the figure of \$1m for CPT governance and project leadership costs throughout the 10 year duration of the reinstatement was arrived at.
 - b. how the \$5m for the maintenance and insurance endowments was arrived at.
 - c. the calculations on investment gains on funds held across the project timeframe and whether those gains will be sufficient to cover the above costs.
2. Please confirm the Crown's view as to the likely level of fundraising costs and how these costs will be funded. Please also provide an explanation of that view.
3. Please confirm that if the suspensory loan becomes repayable due to a failure to meet the conditions (of the project being completed on time and within budget) then CPT will have no liability to repay that loan.



4. Please confirm that, as building owner, CPT will carry the project risk of reinstatement not being completed in the event of significant scope or cost escalation or a failure of fundraising.
5. Please confirm that the proposed legislation will allow for consents and approvals not just for the Cathedral but also for the tower and ancillary buildings.
6. Given the statement from Hon Nicky Wagner that *"this is not about favouring reinstatement over restoration or a contemporary new-build"*, and the Mayor stating that this is about *"the desire for certainty"*, would legislation be enacted to allow for necessary consents and approvals for a new build.

Your response will assist with questions raised at pre-Synod meetings. Questions and answers are being compiled to be sent to all members in advance of Synod [to be held 8th/9th September 2017]. A written reply by 28th July 2017 to all questions and requests contained in this letter would be appreciated.

Thank you for your assistance in helping the Synod make a decision on this important matter.

Yours faithfully

Gavin Holley

General Manager

Church Property Trustees



Office of Hon Nicky Wagner

MP for Christchurch Central

Minister supporting Greater Christchurch Regeneration
Minister for Disability Issues

Associate Minister of Conservation
Associate Minister of Health
Associate Minister of Tourism

28 JUL 2017

The Right Reverend Victoria Matthews
Bishop of Christchurch
PO Box 4438
CHRISTCHURCH 8140

Dear Bishop Matthews

Re: ChristChurch Cathedral – Matters for Clarification

The Department of the Prime Minister and Cabinet (DPMC) has informed me that on 12 July 2017 the General Manager, Church Property Trustees (CPT), wrote seeking clarification on matters relating to the Crown's offer to assist with the reinstatement of ChristChurch Cathedral (the Cathedral).

The opportunity to provide clarification is appreciated as we wish to ensure the Diocesan Synod has all the information required to make a fully informed decision. We also wish to demonstrate the Crown's confidence in the feasibility of the fundraising effort and the reinstatement project, and to demonstrate where uncertainty and risk can be understood, managed and limited.

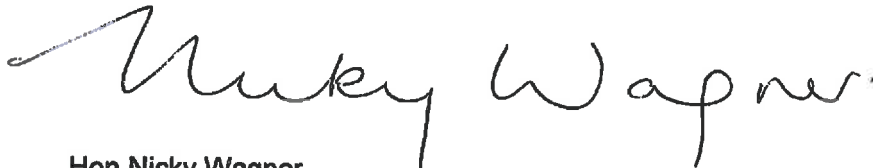
My officials have prepared responses to the questions raised by the General Manager, which I have attached along with supporting analysis and some additional information from the detailed cost estimates developed for the Cathedral Working Group. I hope this is of assistance.

I understand from your discussions with the Chief Executive of DPMC that CPT intend to attend the Synod to provide an explanation of the Crown's offer. As such, I have copied in the whole CPT to this letter. I am also intending to release this information publicly on Friday 28 July 2017.

If it would assist, I am happy to meet with you, and/or to attend the Synod meeting in September to present the Crown's offer and answer questions.

Additionally, my officials are happy to meet with the CPT, individually or collectively, to discuss these responses further, clarify any points, or to respond to additional questions.

Yours sincerely

A handwritten signature in black ink, reading "Nicky Wagner". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Hon Nicky Wagner
Minister supporting Greater Christchurch Regeneration

CC General Manager, CPT (Gavin Holley); and Church Property Trustees (Ms Moka Ritchie, Dr Bruce Deam, Mr Roger Sutton, Mr Gary Sellars, Mr Steve Wakefield, Mr Roger Bridge, Dr Corin Murfitt)



Matters of Clarification in relation to the Government offer of support for the reinstatement of ChristChurch Cathedral

EXECUTIVE SUMMARY

On 4 July 2017, the Government made a formal offer to assist with the reinstatement of the ChristChurch Cathedral. On 12 July 2017 CPT sought clarification on a number of points and DPMC will provide a detailed response by 28 July 2017.

This executive summary provides simplified responses. More detailed information is available in the main body of this document to explain how we have reached these conclusions.

Additionally, an indicative reinstatement project cash flow is provided in **Appendix 2** to demonstrate how funds are expected to be received and applied over time, and how interest is gained.

1. (a) What is the Government's analysis of project leadership, governance, legal and communications costs for CPT?

DPMC considers CPT's internal reinstatement costs mentioned above will be significantly lower than it has estimated. See the comparison below.

This is not necessarily because DPMC disagrees with CPT's estimates, but because many of these costs will not actually fall to CPT. Instead, fundraising, communications and most project management costs will be the responsibility of the joint venture and the independent trust.

CPT estimate		Government estimate	
Project management	\$3.245 million	Project management	Approx. \$2 million
Governance, secretariat and fundraising support	\$1.898 million	CPT governance and secretariat	Approx. \$550,000
		Fundraising	No provision
Legal fees	\$253,000	Legal fees	\$253,000
Communications	\$993,000	Communications	No provision
Total	\$6.389 million	Total	\$2.803 million

It is noted that the independent trust's internal costs (excluding fundraising costs) are estimated at approximately \$1 million.

1. (b) How did the Government calculate that \$5 million was needed for the maintenance and insurance fund?

\$5 million is a provisional figure, but more expert advice is needed before the size of the fund can be confirmed. More can be added if needed. The proposal is that this money would come from interest accumulating on the funds that are held for the project.

The table below shows how interest gains and some fundraising could meet the CPT's initial estimate for maintenance and insurance, if it is demonstrated to be needed:

CPT estimate for M&I fund	Breakdown	Potential source
\$12.9 million (if required)	\$11 million	Interest gains over the life of the project
	Approx. \$2 million	Funds remaining from public fundraising after completion of projects (<i>fundraising target would be set to meet a requirement of this kind</i>)

1. (c) How did the Government calculate investment gains on funds held across the project timeframe? Will they be sufficient to cover the maintenance and insurance funds?

Funds received for reinstatement will earn interest over time. Over the project period, the accumulated interest is at least \$11 million, taking a conservative approach (4.5% interest rate). If more funds are required for the maintenance and insurance fund, they are expected to come from fundraising (see table above).

2. How much will fundraising cost and how will it be paid for?

Assuming a fundraising target of \$19 million, it is estimated that fundraising could cost \$1.6 million (taking a conservative approach).

Fundraising costs will be met by the independent trust.

3. Is CPT liable for the suspensory loan repayment if its conditions are not met?

CPT's total liability is capped at its funding contributions (as per the commercial terms). If CPT has made its full contribution, it will not have any further liability to repay the suspensory loan.

The Government's offer proposes that the joint venture times contracts so that it only takes on liability where the funds are already committed (rather than taking on contracts where the funds are not already committed).

4. Will CPT carry the project risk of reinstatement not being completed in the event of significant scope or cost escalation or a failure of fundraising?

The building owner is the affected party if the project is not completed.

But note that the risk of costs escalating or fundraising failing has been significantly reduced. For example, all costings have been peer reviewed by multiple experts, and 27% of the project cost of \$104 million is made up of contingencies and escalations. The fundraising target is now estimated at \$19 million over 7-8 years.

5. Will the proposed legislation allow for consents and approvals for the Cathedral, tower and ancillary buildings?

Yes, legislation will be promoted for consents and approvals for the whole reinstatement project.

6. Would legislation be enacted to allow for necessary consents and approvals for a new build?

Given the upcoming General Election in September, it is not possible to comment on what a future Parliament may or may not enact.

To date, reinstatement is the only option that has been recommended to Cabinet for legislative support, and the only option that has secured cross-party support. Additionally, the Government's offer of support is contingent on the Synod accepting the proposal to reinstate the Cathedral.

QUESTIONS AND ANSWERS IN FULL

1. *(a) To assist in understanding the difference between the Church Property Trustee (CPT) estimate of governance and project leadership costs and the level of the required endowment and the allocations in the Crown offer could you please provide an explanation as to how the figure of \$1m for CPT governance and project leadership costs throughout the 10 year duration of the reinstatement was arrived at.*

The figure of \$1 million for CPT's internal costs in the Government's offer was an initial approximate sum based on early discussions in December 2016 and February 2017, in the absence of more up-to-date information.

DPMC has now had the opportunity to review the CPT estimates provided on its website.¹ In this paper, CPT estimates internal costs of **\$6.389 million** over the life of the project (7-8 years).

DPMC's calculations show that the internal costs associated with reinstatement would amount to approximately **\$2.803 million** instead. See the table on page 7 for more explanation.

This is based on the premise that a number of costs included in the CPT estimate of internal costs would not, in fact, ultimately fall to CPT. Instead, these costs (such as communications, fundraising and some project management costs) are included in the estimates for the joint venture and the independent trust.

It is noted that DPMC has also calculated estimated internal costs of \$1 million for the independent trust. This excludes fundraising costs, which are covered separately (refer question 2). These internal costs are factored into project cash flow calculations.

¹ Information Paper – CPT Project Leadership and Governance, Legal and Communications Costs, 26 June 2017 – sourced on www.cathedralconversations.co.nz, 19 July 2017.

CPT estimate	DPMC estimate	Explanation
Project management: \$3.245 million	Project management: Approx. \$2 million	DPMC accepts that CPT needs an experienced project coordinator to represent the client's requirements to the joint venture (JV). The cost is estimated at \$2 million over the life of the project (assuming \$250,000 per annum). However, there is no need for duplication with the JV and as such we do not consider a project director and project finance manager are required for CPT. The costs of these roles are fully included in the \$104 million cost estimate for the JV.
Governance, secretariat and fundraising support \$1.898m	CPT governance and secretariat: Approx. \$550,000	It is accepted that CPT will have internal costs of governance and administration. An estimate over the life of the project for these costs is \$500,000-\$600,000, based on discussions with CPT earlier this year.
	Fundraising: No provision	Fundraising costs will be the responsibility of the independent trust, so there is no need for duplication. The AskRight report recommends that "an assistant to the Dean throughout the fundraising campaign be considered <u>a cost of fundraising</u> " ² (therefore, a cost for the independent trust). The CPT information paper notes that the AskRight report says a "full-time experienced fundraiser position becomes a cathedral appointment at the end of the campaign as there will be an ongoing need to receive pledge payments and to raise funds for the ongoing work of the cathedral." ³ We do not dispute that this may be beneficial to support "the ongoing work of the Cathedral", but it is not a direct result or cost of a decision to reinstate. This could be beneficial for CPT in any scenario, and CPT can choose whether or not it wishes to accept this recommendation in the AskRight report.
Legal fees: \$253,000	Legal fees: \$253,000	CPT's estimates of legal fees over the life of the project are accepted.
Communications: \$993,000	Communications: No provision	Given that, once the project is underway, publicity and communication on progress will largely be the responsibility of the JV rather than CPT, communications costs are bundled into the project management provision for the JV.
Total: \$6.389 million	Total: \$2.803 million	

1. (b) ... could you please provide an explanation as to how the \$5m for the maintenance and insurance endowments was arrived at.

Provisional figure of \$5 million and potential interest gains

The Government's revised offer proposes that an independent expert determine the final financial requirement for a maintenance and insurance fund, once the building is designed, in order to accurately assess future maintenance requirements.

² AskRight Fundraising Report to the Cathedral Working Group, p. 14.

³ Information Paper – CPT Project Leadership and Governance, Legal and Communications Costs, 26 June 2017, p. 3; and AskRight Fundraising Report to the Cathedral Working Group, p. 14.

As such, the \$5 million is only a provisional figure, and more could be added if it is demonstrated to be needed. The proposal is that this money would come from interest accumulating on the funds that are held for the project.

Setting aside the need for this expert review, we consider the Government's proposed approach could allow for a maintenance and insurance fund of the level identified by CPT if required, as shown below. This is explained further in the response to **question 1(c)**.

CPT estimate for M/I fund ⁴	Breakdown	Potential source
\$12.9 million (if required)	\$11 million	Interest gains over the life of the project
	Approx. \$2 million	Funds remaining from public fundraising after completion of projects (<i>fundraising target would be set to meet a requirement of this kind</i>)

Initial comments on the CPT maintenance and insurance estimate

Regardless of the above, DPMC is not convinced that a maintenance and insurance fund of \$12.9 million is required, nor that CPT's modelling⁵ sufficiently accounts for potential revenue of a reinstated Cathedral. For example:

- CPT's modelling shows revenue for a reinstated Cathedral at a substantially **lower** level than pre-earthquake revenue. Given the new facilities provided under reinstatement (café, shops, visitor centre and the objective for a new tower climb experience), a stronger long-term revenue forecast is expected.
- It does not incorporate any future funding from the Christchurch City Council (CCC), which supported Cathedral operating costs at \$240,000 per annum prior to the earthquake. CCC has signalled that it will look at future operational funding in the forthcoming budget development in the 2018-2021 Long Term Plan.
- Pre-earthquake insurance costs were covered by income. Although the earthquakes have tended to result in higher premiums, it would be reasonable to expect that at least some insurance costs will also be met from future income.

It is considered a more realistic estimate can be confirmed in 2-3 years' time, when designs have been completed, as:

- At that point potential revenue can be assessed more accurately.
- In 2-3 years an independent expert can use more accurate building information based on completed designs. CPT's current information relies on a 2005 Condition Assessment Report and a 2010 Building Cyclical Maintenance Report.⁶
- Potential insurance premiums will depend on the seismic quality of the reinstated Cathedral, which will be better understood by insurers when the design is further advanced.

⁴ BBD report, *Re: Christchurch Cathedral: Insurance and Maintenance Endowment Funds*, 21 June 2017 – sourced on www.cathedralconversations.co.nz, 19 July 2017, "Information Paper – Project Management and Other Costs".

⁵ BBD report, *Re: Christchurch Cathedral: Insurance and Maintenance Endowment Funds*, 21 June 2017.

⁶ CPT Management Report to Synod, p. 8, sourced on www.cathedralconversations.co.nz, 19 July 2017.

- 1. (c) ... could you please provide an explanation as to the calculations on investment gains on funds held across the project timeframe and whether those gains will be sufficient to cover the above costs.**

DPMC's estimates of the project's cash flow requirements have been modelled in **Appendix 2 (attached)**. This analysis takes a conservative approach to a number of its assumptions, including potential interest rates, as explained in Appendix 2.

In summary, it calculates that the funds received will continue to earn interest. Over the project period, the accumulated interest will be **at least \$11 million**.

Those funds would be passed over to the CPT at project completion for the maintenance and insurance fund, depending on the result of the independent review of maintenance and insurance requirements. If the independent review results in a lower funding requirement for maintenance and insurance, any remaining interest not handed over to CPT could be used for project delivery costs and the fundraising target could be reduced accordingly.

- 2. Please confirm the Crown's view as to the likely level of fundraising costs and how these costs will be funded. Please also provide an explanation of that view.**

DPMC's estimate of fundraising costs is **\$1.6 million**. This is considered a conservative estimate, and is based on a fundraising target of approximately \$19 million. **Appendix 2** demonstrates how these costs could be funded.

Explanation

The likely level of fundraising costs is directly related to the level of funds that need to be raised. The cost of fundraising is estimated by AskRight at **7.5%** of the total funds raised (as an average across the range).⁷

As discussed above and in Appendix 2, the task of fundraising is to secure around \$16-21 million. A mid-point estimate of \$19 million has therefore been set.

Note that the Great Christchurch Buildings Trust (GCBT) has confirmed⁸ it will meet all the costs of gathering the pledges it has secured (\$13.7 million). Therefore, these costs are not included.

Raising \$19 million in a fundraising campaign would cost \$1.425 million (at 7.5%). We have assumed **\$1.6 million** to be on the safe side (approximately **8.4%**).

This is considered a **conservative approach**, based on the experience of other significant heritage projects in the Christchurch post-earthquake context. It is also more conservative than the CPT's own fundraising advice – for example, the OKR report to CPT estimates

⁷ AskRight Fundraising Report to the Cathedral Working Group, Table Two: Fundraising Activities and Costs, p. 15.

⁸ Offer of Support for the Reinstatement of ChristChurch Cathedral, Appendix 3, Letter from GCBT to Minister Wagner, paragraphs 3-4.

fundraising costs at \$4 million for a fundraising target of \$74.5 million.⁹ This would be an average of 5.4% costs.

Additionally, the fundraising target of \$19 million (as a mid-point estimate of \$16-21 million) assumes some more funds are needed after the reinstatement project is completed, to supplement the maintenance/insurance fund. If not, the costs of fundraising would reduce.

3. Please confirm that if the suspensory loan becomes repayable due to a failure to meet the conditions (of the project being completed on time and within budget) then CPT will have no liability to repay that loan.

As per the proposed commercial terms, CPT's total liability will be capped at its funding contribution (full insurance proceeds and all interest received to that date other than a reasonable allowance for CPT's internal costs as a JV party). If CPT has made its full contribution to the JV, it will have no further liability to repay the suspensory loan.

The Crown and CPT have not begun negotiations on the conditions for the suspensory loan. It is anticipated the conditions could include the ability for the JV parties to seek the Crown's agreement to certain types of changes in the project milestones and budget that would not trigger repayment of the suspensory loan.

The Government's offer proposes that the joint venture times contracts so that it only takes on liability where the funds are already committed (rather than taking on contracts where the funds are not already committed).

4. Please confirm that, as building owner, CPT will carry the project risk of reinstatement not being completed in the event of significant scope or cost escalation or a failure of fundraising.

Ultimately, the building owner is the affected party if the project is not completed. However, the following comments respond to the possibilities raised in this question.

In relation to cost escalation

The following points demonstrate that the risk of cost escalation has been mitigated and significantly reduced:

- The project cost of \$104 million is based on detailed estimates in the Cathedral Working Group's report. These cost estimates are provided in Appendix 1, and were prepared, reviewed and signed off by three separate quantity surveying firms with experience in similar projects, including the restoration of the Arts Centre of Christchurch.
- The cost estimates are based on the engineering and stabilisation review reflecting the work of three separate engineering advisors, and they align with the assessment

⁹ OKR, Church Property Trustees Fundraising Insight Report, p. 26, sourced on www.cathedralconversations.co.nz on 19 July 2017.

of heritage values. All the Cathedral Working Group's advisors endorsed the technical plan.¹⁰

- There are contingencies and escalations of \$27.68 million built into the \$104 million project cost:
 - The cost estimates includes contingencies of \$13 million for unexpected or unforeseen costs. These are included in the base estimate of \$89.15 million.
 - These costs (including the contingency provision) are then escalated over the life of the project to reflect the estimated increases in input costs over the delivery period. This is a further \$14.68 million, bringing the total estimated project cost to \$103.8 million.

Additionally, it is noted that the reinstatement project needs to be subject to the same incentives and disciplines as other capital development projects, and the need to make decisions and trade-offs within a fixed project budget.

In relation to scope escalation

The cost estimates are based on a scope for the project that includes the reinstatement of the main Cathedral building and modernisation of the interior facilities, a replacement tower built in sympathy with the Cathedral, and a new ancillary building to house church support facilities, visitor centre and shop. If additional facilities or buildings in the area or onsite were proposed at a later point, these would be additional to and outside the current reinstatement project and would need to be agreed between the CPT and the independent trust as the principals to the joint venture.

In relation to fundraising

After the Crown support, Council in-principle contribution and other indicative donations already pledged, there is further fundraising of \$13.7 million to achieve project completion. As shown in **Appendix 2**, a fundraising target of \$19 million (as an estimate) is proposed to cover project costs and support the establishment of the maintenance and insurance fund if required.

This target is only about 34% of the amount deemed feasible by the AskRight fundraising report to fundraise within 3-5 years, and the Government's offer provides for more time (8 years).

In general

In the event of any delays in fundraising or cost overruns in specific areas, the proposed commercial terms indicate that the JV parties would look to time project commitments with fundraising results. As noted above, it is envisaged the JV parties would also have the ability to seek the Crown's agreement to changes in the project milestones and budget, or to value manage the project to meet budget constraints.

5. Please confirm that the proposed legislation will allow for consents and approvals not just for the Cathedral but also for the tower and ancillary buildings.

Yes, it is correct that legislation will be promoted to streamline consenting and approval processes for the whole reinstatement project. In line with the objectives in the proposed

¹⁰ Cathedral Working Group recommendation report, p. 1.

commercial terms, this includes the reinstatement of the Cathedral and the construction of the new ancillary buildings and tower/spire.

6. *Given the statement from Hon Nicky Wagner that “this is not about favouring reinstatement over restoration or a contemporary new-build”, and the Mayor stating that this is about “the desire for certainty”, would legislation be enacted to allow for necessary consents and approvals for a new build?*

The Government has been acting on the Cathedral Working Group's recommendations to achieve reinstatement of the Cathedral. To date:

- reinstatement is the only option that has been recommended to and agreed by Cabinet for support via the promotion of legislation;
- the Government's revised offer of support is contingent on the Synod's acceptance of the proposal for the reinstatement of the Cathedral, based on the Cathedral Working Group's recommendations;
- the indication of cross-party support attached to the Government's revised offer document has only been provided in relation to the reinstatement option.

It is also noted that Christchurch City Council voted unanimously to support in principle the Government's offer with a contribution towards reinstatement, will consider as part of its Long Term Plan process contributing to operating funding, and noted that the Chief Executive can exercise her authority to provide in-kind support for the reinstatement process.

In relation to a new build, given the upcoming General Election in September, it is not possible to comment on:

- what a future Government or other parties may or may not promote; or
- what a future Parliament may or may not enact.

APPENDIX 1 – Detailed cost estimates

The attached detailed cost estimates were prepared by BBD for the Cathedral Working Group's investigations, and have been reviewed and signed off by three separate quantity surveying firms with experience in similar projects, including the restoration of the Arts Centre of Christchurch.

24 November 2016

Attn: Marcus Read

Resource Co-ordination Partnership Ltd
PO Box 1434
CHRISTCHURCH

Level 3
Shortland Chambers Building
70 Shortland Street
Auckland 1010

PO Box 3422, Shortland Street
Auckland 1140, New Zealand

Ph: 09 379 6174

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Dear Sir,

RE: CHRISTCHURCH CATHEDRAL | WORKING GROUP REINSTATEMENT SCHEME | PREVIOUS SCHEME UPDATED ESTIMATES | Rev 2

Further to the Working Group structural team collaborative report and our meeting with CPT 17 November 2016, we have created a revised Concept estimate for the re-build of the Christchurch Cathedral.

We have also updated the "Sir Miles Warren" and "Replacement Contemporary (G)" scheme estimates to incorporate the agreed Working group philosophies regarding contingencies and future cost escalation.

REINSTATEMENT OPTION

Concept Estimate | 24 November 2016

Initial Works

- | | |
|--------------------------------|----------|
| 1. Tower Controlled Demolition | Excluded |
|--------------------------------|----------|

Reinstatement (Includes Fees and Contingencies)

- | | |
|------------------------------------|---------------------|
| 2. Temporary Stabilisation | \$8,675,000 |
| 3. Separate Contracts | \$280,000 |
| 4. Deconstruction & Reconstruction | \$51,030,000 |
| 5. Existing Visitors Centre | \$4,260,000 |
| 6. New Tower | \$7,570,000 |
| Sub-Total | \$71,815,000 |

Project Costs

- | | |
|---|--------------------|
| 7. Temporary Storage [Current costs only] | \$200,000 |
| 8. HPT Archaeological Recording | \$250,000 |
| 9. Concept Design Phase Fees To Date | Excluded |
| 10. Contract Works Insurance [Cathedral only] | \$700,000 |
| Sub-Total | \$1,150,000 |

TOTAL (Excluding Escalation & Base Isolation)	\$72,965,000 (Plus GST)
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11. Base Isolation (Includes Fees and Contingencies)	\$9,945,000
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12. User Requirements (Ancillary Buildings)	\$5,115,000
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13. Actual Escalation from 2012 to 2015 (Agreed)	Included
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14. Escalation During Stabilisation Period & Design	\$5,360,000
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15. Escalation During Construction	\$8,985,000
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Sub-Total	\$14,345,000
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TOTAL (Excluding Organ)	\$102,370,000 (Plus GST)
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16. Removal, Repair & Reinstatement of Organ	\$1,123,219
17. Actual Escalation from 2012 to 2015 (Agreed)	\$126,781
18. Escalation During Stabilisation Period & Design	\$ 80,000
19. Escalation During Construction	<u>\$130,000</u>
Sub-Total	\$1,460,000
TOTAL (Including Organ)	\$103,830,000 (Plus GST)

Basis of Estimate

Christchurch Cathedral Working Group, Holmes Consulting Concept Review, dated 18 October 2016

"SIR MILES WARREN" SCHEME OPTION

Concept Estimate | 30 January 2015 (Escalation updated)

Initial Works

1. Tower Controlled Demolition	Excluded
2. Stage 1 & 2 Removal of Stained Glass Windows	\$100,000
3. HPT Archaeological & Heritage Recording	<u>\$250,000</u>
Sub-Total	\$350,000

Project Costs

4. Temporary Storage	\$200,000
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Temporary Works

5. Make Safe & Deconstruct to Sill	\$6,070,000
6. Capping Beam & Injection Grouting	\$1,080,000
7. Stone Masonry Recovery	<u>\$460,000</u>
Sub-Total	\$7,610,000

Building

8. Cathedral	\$32,030,000
9. Existing Visitors Centre	<u>\$4,260,000</u>
Sub-Total	\$36,290,000

TOTAL (Excluding Escalation & Base Isolation) \$44,250,000 (Plus GST)

10. Base Isolation (Provisional)	\$6,000,000
11. User Requirements (Ancillary Buildings)	\$5,115,000

Escalation

12. Actual Escalation to end 2015 (Agreed)	\$1,670,000
13. Escalation During Stabilisation Period & Design	\$3,480,000
14. Escalation During Construction	<u>\$5,875,000</u>
Sub-Total	\$11,025,000

TOTAL (Excluding Organ) \$66,590,000 (Plus GST)

15. Removal, Repair & Reinstatement of Organ	\$1,123,219
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16. Actual Escalation from 2012 to 2015 (Agreed)	\$126,781
17. Escalation During Stabilisation Period & Design	\$ 80,000
18. Escalation During Construction	<u>\$130,000</u>
Sub-Total	\$1,460,000
TOTAL (Including Organ)	\$68,050,000 (Plus GST)

“REPLACEMENT - CONTEMPORARY” SCHEME OPTION (G)

Concept Estimate | 2012 (Escalation updated)

Initial Works

1. Tower Controlled Demolition	Excluded
2. Removal of Stained Glass Windows	\$100,000
3. HPT & Archaeological Recording	\$250,000
4. Contingencies & Fees	<u>\$320,000</u>
Sub-Total	\$670,000

Project Costs

5. Temporary Storage	\$200,000
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Temporary Works

6. Temporary Works	\$2,020,000
7. Heritage Protection & Salvage	<u>\$355,000</u>
Sub-Total	\$2,375,000

Building

8. Tower	\$4,000,000
9. In-place Deconstruction	\$5,845,000
10. Cathedral	\$35,440,000
11. Existing Visitors Centre	<u>\$4,260,000</u>
Sub-Total	\$49,545,000

TOTAL (Excluding Escalation & Base Isolation)	\$52,790,000 (Plus GST)
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12. Base Isolation (Provisional)	\$3,000,000
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13. User Requirements (Ancillary Buildings)	\$5,115,000
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Escalation

14. Actual Escalation 2012 to end 2015 (Agreed)	\$6,725,000
15. Escalation During Holding Period & Design	\$4,130,000
16. Escalation During Construction	<u>\$6,920,000</u>
Sub-Total	\$17,775,000

TOTAL (Excluding Organ)	\$78,680,000 (Plus GST)
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17. Removal, Repair & Reinstatement of Organ	\$1,123,219
18. Actual Escalation from 2012 to 2015 (Agreed)	\$126,781
19. Escalation During Stabilisation Period & Design	\$ 80,000
20. Escalation During Construction	<u>\$130,000</u>
Sub-Total	\$1,460,000
TOTAL (Including Organ)	\$80,140,000 (Plus GST)

Estimate details and reconciliation are attached.

Notes:

1. Reinstatement Option has been rated at current day costs. Future cost escalation calculations have been adjusted accordingly.
2. "Sir Miles Warren Scheme" is rated at January 2015 costs (date of first estimate produced by bbd). Future cost escalation calculations have been adjusted accordingly.
3. Replacement Contemporary scheme is rated at 2012 costs (date of original estimate). Future cost escalation calculations have been adjusted accordingly.
4. Storage costs for reinstatement scheme based on currently experienced costs extrapolated over the duration of the re-build programme.
5. All estimates exclude Council Development Levies / Contributions as these are assumed to be waived.
6. All estimates assume a sequential programme.

Exclusions

- Archaeological delays.
- Operating & maintenance costs.
- ESD / Greenstar initiatives.
- Temporary / Transitional Cathedral.
- Removal of contaminated soil and asbestos.
- Unknown ground conditions.
- Relocation of unknown in-ground services.
- Upgrade of Council infrastructure services outside of the site boundary.
- F.F. E. & I.T. Office equipment.
- Title changes & relocation costs.
- RMA Consent Fees.
- Non-competitive tendering.
- Land costs.
- Development Levies & Reserves Contributions.
- Finance / Marketing / Fundraising costs
- G.S.T.

Should you have any queries, please do not hesitate to contact the Writers.

Yours faithfully,
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APPENDIX 2 – Reinstatement project cash flow table (\$ million)

This analysis takes a holistic view of reinstatement costs and cash flow requirements across the project, including costs to the joint venture, the independent trust and the CPT. Timing and costs are approximate, for the purpose of demonstration.

The following assumptions of project costs and funds are taken:

- Timing of forecast project expenses are based on the Cathedral Working Group's investigations, and a project cost of \$104 million excluding GST (refer question 4);
- CPT's insurance proceeds are assumed at a level of \$42.7 million as per the CPT management report to Synod dated 30 June 2017,¹ although these funds may increase by the time they are required for the project, as a result of interest gains;
- DPMC's estimates of CPT internal costs (refer question 1(b));
- DPMC's estimates of fundraising costs, at a conservative estimate of 8.4% of the fundraising target (refer question 2), and the independent trust's other internal costs (refer question 1(b)). These costs are demonstrated at a steady state per annum over the life of the project, but this is only for the purpose of demonstration, as they may vary year-by-year; and
- The Crown suspensory loan is timed for year 2 of the period. Note that this is a placeholder only, taking a conservative estimate – timing is not fixed and will depend on the establishment of the JV. Should timing allow, there is potential for the loan to be provided earlier.

Based on the above, the analysis provides for an estimated fundraising target of \$19 million. This is a mid-point estimate between \$16 million and \$21 million, and could shift, depending on what is required to complete the project and meet the expert assessment of the maintenance and insurance fund requirement.

The analysis assumes a constant 4.5% interest rate over the project period (lower than the 6% assumed by CPT in its analysis²). This is based on current term deposit rates for a five-year period. These published rates are for amounts up to \$5 million, and the actual rates are likely to be higher given that larger sums attract higher interest rates. Therefore this is a conservative estimate.

Funds received	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Totals
Crown contribution	10								10
Crown suspensory loan		15							15
CPT insurance	42.7								42.7
GCBT pledges	2	4	4	3.7					13.7
CCC contribution					2.5	2.5	2.5	2.5	10
Fundraising	1	4	5	3	2	2	2	0	19
Total cash received	55.7	23	9	6.7	4.5	4.5	4.5	2.5	110.4
Funds applied	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Totals
Stabilisation	1	5	4						10
Reinstatement works		7	14	22	22	5			70
Ancillary and tower						10	10	4	24
CPT internal costs	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	2.8
Fundraising costs	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.6
Trust internal costs	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	1
Total funds applied	1.675	12.675	18.675	22.675	22.675	15.675	10.675	4.675	109.4
Net cash flow per annum	54.025	10.325	-9.675	-15.975	-18.175	-11.175	-6.175	-2.175	
Total cumulative funds	54.025	64.35	54.675	38.7	20.525	9.35	3.175	1	
Interest 4.5%	2.431125	2.89575	2.460375	1.7415	0.923625	0.42075	0.142875	0.045	
Cumulative interest	2.431125	5.326875	7.78725	9.52875	10.452375	10.873125	11.016	11.061	
Interest gains which could be used towards maintenance and reinstatement fund (assuming an independent review)	2	3	1	1	1	1	1	1	11*

* Note that this figure could be supplemented by cash remaining after the reinstatement project. This depends on the outcome of the independent expert review, after which the fundraising target will take into account these requirements.

¹ CPT Senior Management Team, *Management Report to Synod*, p.8 – sourced on www.cathedralconversations.co.nz

² BBD report, *Re: Christchurch Cathedral: Insurance and Maintenance Endowment Funds*, 21 June 2017, p. 4 – sourced on www.cathedralconversations.co.nz, 19 July 2017, "Information Paper – Project Management and Other Costs".