PUBLIC EXCLUDED

QLDC Council
18 March 2021

Report for Agenda Item | Rīpoata moto e Rāraki take : 11

Department: Property & Infrastructure

Title | Taitara Options for the Delivery of the Lakeview Infrastructure Programme

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

1 The purpose of this report is to obtain Council approval for the Lakeview Infrastructure Programme to be allocated to the Wakatipu Transport Programme Alliance, as a new Work Package under the Programme Alliance Agreement.

> PUBLIC EXCLUDED | ĀRAI TE IWI WHĀNUI

2 It is recommended that this report is considered with the public excluded in accordance with the Local Government Official Information and Meetings Act 1987 section 7(2)(h) and (i) on the grounds that the withholding of the information is necessary to protect the commercial positions of both QLDC and Waka Kotahi.

RECOMMENDATION | NGĀ TŪTOHUNGA

3 That Council:

1. **Note** the contents of this report.

2. **Delegate** authority to the Chief Executive to enter into the necessary agreements to have the Lakeview Infrastructure Programme delivered by the Whakatipu Transport Programme Alliance: and

3. **Delegate** authority to the Chief Executive to make, at an appropriate time, a public statement in relation to the Whakatipu Transport Programme Alliance delivering the Lakeview Infrastructure Programme.

Prepared by:



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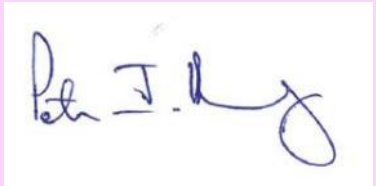
Commercial & Procurement Manager

5/03/2021

Reviewed and Authorised by:



Peter Hansby
General Manager Property & Infrastructure

5/03/2021

CONTEXT | HOROPAKI

4 At a Workshop for Councillors on 10 August 2020, Council Officers presented a number of procurement options to deliver the CIP Projects (and possibly other projects). The preferred option was a collaborative delivery model (an Alliance). There was also discussion on the opportunity of collaborating with Waka Kotahi.

5 At the 3 September Council meeting it was resolved that the Council delegate authority to the Chief Executive to enter into the necessary agreements to enact an Alliance for the Town Centre Street Upgrades Project and the Town Centre Arterials Stage 1 Project. Council Officers also advised that they may in the future seek delegated authority for the Alliance to deliver additional QLDC projects.

6 In November 2020 it was determined that the consortium of Beca, WSP, Downer and Fulton Hogan (the Non-Owner Participants) would come together with Queenstown Lakes District Council and Waka Kotahi NZ Transport Agency (the Owner Participants) to deliver the Whakatipu Transport Programme Alliance (the Alliance). The parties subsequently signed an Interim Programme Alliance Agreement in December 2020.

7 In October 2017 the Council approved to undertake a market engagement process for the sale of the Lakeview land and committed to deliver the required internal infrastructure, roads and public space (Council Works) to allow transfer of the land (serviced super lots) to developer partner(s).

8 In October 2019, the Council executed a Development Agreement (DA) with the QT Lakeview Developments Ltd (94 Feet) for development of super lots within the Lakeview Precinct.

9 The DA includes both a 'Council Target Date' (30 September 2022) and a 'Council Sunset Date' (30 September 2023) for the delivery of infrastructure works connected to the issue of freehold records of title. The DA includes the following requirements:

a. QLDC must use reasonable commercial endeavours to complete the Council Works and procure the issue of title for each Super Lot prior to the Council Target Date.

b. QLDC must in any event complete the Council Works and procure the issue of title for each Super Lot prior to the Council Sunset Date.

10 The Lakeview Infrastructure Programme includes 3 Waters, Transport and public realm infrastructure. All components of the Lakeview Infrastructure Programme have, until this time, been delivered as part of the Council's 3 Waters CAPEX Programme by QLDC's Project Management Office (PMO).

11 During the design development for the Lakeview subdivision infrastructure works a number of opportunities were identified to undertake additional works which would provide benefit to the wider infrastructure network. In early 2020 Council approved the incorporation of these works ("ancillary works"/"Non-Lakeview New Projects") into the Lakeview Infrastructure Programme. Total infrastructure works (inclusive of the ancillary works) represents a budget of ~$40m (with ~$37m remaining).

12 The Alliance was not contemplated when the 3 Waters Programme Procurement Strategy was developed.

13 The Alliance is currently setting up, and delivering significant street upgrades in the Queenstown Town Centre. The Street Upgrades project has a strong alignment with Lakeview in the types of infrastructure being delivered, as well as the materials (eg stone pavers) specified.

14 Council Officers have now evaluated the Alliance as a possible delivery model for the Lakeview Infrastructure Programme.

15 ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

16 The Lakeview Infrastructure Programme design has been completed and a Request for Quotation (RFQ) is planned to be released to the existing 3 Waters Contracts Work Panel (the 3 Waters CW Panel) in April 2021.

17 The current design programme is behind schedule. At this time, based on an indicative construction schedule, it is anticipated that construction should be completed prior to the Sunset Date in the DA, but not prior to the Target Tate. The PMO's current schedule has the Lakeview infrastructure works completed by April 2023, ie five months prior to the Sunset Date.

18 The 3 Waters CW Panel includes Downer, Fulton Hogan, HEB and McConnell Dowell. Last year discussions were held with panel members on a wide range of procurement options for infrastructure delivery, including the use of panels, alliances and going to the open market. Delivery of a range of QLDC projects, including Lakeview, Street Upgrades and the Arterials Stage 1, was also discussed.

19 Note that the Alliance's construction participants (Downer and Futon Hogan) are also on the 3 Waters CW Panel.

20 This report then seeks to determine which procurement model will best meet the needs of Queenstown, QLDC and the Lakeview Infrastructure Programme, ie

a. The 3 Waters CW Panel; or

b. The Alliance.

21 <u>Option 1</u> **Status Quo – Lakeview Infrastructure Delivery by 3 Waters Contracts Work Panel**

Advantages:

22 Tried and tested delivery model for 3 Waters CW Panel.

23 Prior to the inception of the Alliance, indications were made that Lakeview could be made available to the 3 Waters CW Panel.

24 Commercial risk of NZ3910 contract well understood.

25 RFQ process under 3 Waters CW Panel may be quicker to market (but not necessarily to construction or completion).

Disadvantages:

26 Contractors may cost time risk (associated with Sunset Dates) into their bid.

27 NZS3910 contract drives traditional "Contractor vs Principal" behaviours, including extensions of time (and cost).

28 The Sunset Dates may be at risk by Principal owned risks such as unforeseen ground conditions.

29 The final price may be higher than the bid price – it will not be lower.

30 A third contractor and/or a contractor operating under a different risk profile to the Alliance may create:

a. an interface risk between the projects

b. a less coordinated approach to traffic management; and

c. less opportunity to optimise truck movements and laydown areas.

31 Option 2 **Lakeview Infrastructure Delivery by the Whakatipu Transport Programme Alliance**

Advantages:

32 The Alliance structure drives win/win behaviour, ie unless the outcome is win/win it's loose/loose. This means that it's in everyone's best interest to bring the project in on-time and on-budget.

33 Recognising the tight construction market, the Alliance has national level executive representation from the Non Owner Participants, which should enable timely, appropriate and prioritised resourcing.

34 The Alliance is setup to deliver design and works; plus it is incentivised to deliver Broader Outcomes including the requirement to meet local supply / sub-contractor targets (25-40%), upskilling local suppliers and the retraining of personnel.

35 Using the Alliance would provide a QLDC, Queenstown and Town Centre benefits by:

a. allocating the Alliance overhead across three projects (Lakeview plus Street Upgrades and Arterials Stage 1)

b. considering Traffic Management at the programme level, ie co-ordinating across Lakeview, Street Upgrades, Arterials Stage 1 and Waka Kotahi's NZUP projects.

c. enabling resource and activity co-ordination between the Street Upgrades and Lakeview, eg during holidays periods some resources could be moved out of the town centre and up to Lakeview.

d. buying power in areas such as the stone pavers.

36 Alliances are often used when timing, eg the Council Sunset Date, is critical.

Disadvantages:

37 We pay the actual cost of delivering the works, ie the actual cost may be higher or lower than the proposal price.

38 Generally a longer bid process as more work is undertaken to understand the risks associated with the project and value engineering opportunities.

39 Using the Alliance would commercially disadvantage:

a. two members of the 3 Waters CW Panel, noting both companies are national construction firms with overseas parents; and

b. one project management company, noting the company has a national presence, its shareholders are predominantly Auckland based, but it does have a permanent, staffed office in Queenstown.

40 This report recommends **Option 2** for addressing the matter because the Alliance provides a more co-ordinated and structured approach to delivering multiple projects across the Queenstown Town Centre.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

41 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because the impact to the Queenstown Lakes District is low, the Community will not be more affected by the recommended model, there is no inconsistency with existing policy and strategy and will not reduce a level of service.

42 The persons who are affected by or interested in this matter are:

a. Suppliers

b. The Developer

c. QLDC staff.

43 The Council will not consult with affected parties on this matter.

> MĀORI CONSULTATION | IWI RŪNANGA

44 The Council has consulted with iwi regarding the 3 Waters Programme overall, including the Lakeview Programme. Iwi are being engaged with throughout the delivery of the programme and a 3 Waters Programme iwi Engagement Strategy has been development and implemented. The Alliance has commenced discussions with local iwi representative groups Te Ao Marama and Aukaha to establish a Kaitiaki Liaison Group for the full programme of Alliance works.

45 RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

46 This matter relates to the Community & Wellbeing risk category. It is associated with RISK00013 "Core Infrastructure is Insufficient – Delays in capital delivery programme" within the QLDC Risk Register. This risk has been assessed as having a high inherent risk rating.

47 The approval of the recommended option will support the Council by allowing us to, at a minimum, retain the risk at its current level. This shall be achieved by implementing a delivery approach that enables Council to best achieve its objectives the Queenstown Town Centre and the Lakeview Development and associated core infrastructure.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

48 No direct financial implications. It is anticipated that the Lakeview Infrastructure Programme will be delivered within existing budgets.

49 The delivery of Lakeview Infrastructure by the Alliance will benefit QLDC through the more efficient allocation of the Alliance overhead across three projects, ie an additional project on top of the two Core Projects (being Street Upgrades and Arterials Stage 1).

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

50 The following Council policies, strategies and bylaws were considered:

- This report is alignment with and has given consideration to the principles of the Vision Beyond 2050: https://www.qldc.govt.nz/vision-beyond-2050/
- This report considered the following policies:
  QLDC Significance and Engagement Policy 2017

51 The recommended option is consistent with the principles set out in the named policy/policies.

52 This matter is included in the Ten Year Plan/Annual Plan as it relates to Capital Investment in Lakeview Infrastructure.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 0 TE KĀWANATAKA Ā-KĀIKA

53 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by tailoring the procurement model to best fit the nature of the wide-ranging infrastructure programme in the Queenstown Town Centre.
- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.