

# Global Settlement Agreement in Principle

## Agreement in Principle

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Agreement in Principle between the Christchurch City Council ("Council") and Her Majesty the Queen in Right of New Zealand ("Crown"), ("the parties"), in respect of a settlement of issues arising out of the parties' roles in the recovery and regeneration of Christchurch following the 2010 and 2011 earthquakes ("the issues"), dated 10 May 2019.

## 1. Context and Purpose

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- a The global settlement is a collaboration between the Crown and Council. It provides the opportunity to set the Council up for success and complete the transition to local leadership with the Council leading and coordinating Christchurch's regeneration into the future. This in turn is expected to support the social, environmental and cultural needs of the people of Christchurch and promote economic sustainability.
- b The global settlement will provide clarity and finality on all of the outstanding matters from the 2013 Cost Sharing Agreement and other subsequent matters between the Crown and the Council regarding Christchurch's regeneration.
- c The parties expect the global settlement will mark and usher in a new normal relationship between the Crown and Council. In working together to finalise and implement the global settlement, their overall intent is to support these four outcomes:
  - i. **People:** support positive outcomes for the people of Christchurch, and provide certainty and confidence about the on-going regeneration
  - ii. **Momentum:** increase the pace of regeneration by contribution to the timely regeneration of Christchurch, with the best possible outcomes
  - iii. **Value:** enable the parties to operate in a fiscally responsible manner, while realising social, cultural, economic and environmental benefits for the City
  - iv. **Future:** advance the transition to local leadership and a 'new normal' relationship between the Crown and the Council

### *An extraordinary natural disaster*

- d The parties are entering into this agreement as a result of the 2010/2011 Canterbury earthquake sequence, which was an extraordinary natural disaster in New Zealand's history.
- e The scale and magnitude of that sequence resulted in an unprecedented level of damage to greater Christchurch. An extraordinary level of involvement from the Crown, and the Council,

was required to rebuild and start the regeneration of the city, and support its people, given the circumstances.

#### *Recovery and regeneration journey*

- f Over the last eight years, local and central government, together with other local leaders and the community, have worked to explore and pioneer an approach for regenerating greater Christchurch. Both parties recognise that for Christchurch to be successful, it needs a solid foundation for locally-led regeneration. Both parties agree also that the successful regeneration of Christchurch will benefit New Zealand. As such, the Crown supports the Council's long-term vision for Christchurch City as a city of opportunity for all.

#### *Supporting Council in its long term vision*

- g To support Christchurch City and its people to thrive, a clear pathway for the Council to lead is required, that at the same time appropriately manages the cost pressures that are unique to the City following the earthquakes, and is equitable for other communities in New Zealand affected by natural disasters.
- h While the 2013 Cost Sharing Agreement (CSA) specified how aspects of greater Christchurch's recovery would be managed and funded, some issues remain open. The Global Settlement is the opportunity to resolve those remaining issues and lay the foundation for the Council to lead and coordinate the regeneration efforts.

## 2. Agreements to date, and the process from here

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- a The Crown has spent \$14 billion (with an additional \$3 billion expected to be incurred) and Council has incurred around \$3.65 billion of earthquake related expenses, and expects to incur a further \$4 billion of earthquake-related capital investment over the next 30 years.
- b The parties acknowledge the existing 2013 CSA, the joint clarifications of the 2013 CSA, and other discussions between the parties since that date, including the 2017 CSA Refresh, albeit that agreement was not confirmed by Council or Cabinet. The parties note that existing commitments will remain unchanged unless final agreement is reached by both parties to specifically supersede elements of past agreements.
- c The parties acknowledge the Greater Christchurch Regeneration Act 2016 and the repeal of the bulk of its provisions on 30 June 2021.
- d The parties also acknowledge the Christchurch Regeneration Acceleration Facility (CRAF), which provides up to \$300 million to Council for use on capital works within certain criteria. The Crown has advised the Council that accessing the CRAF facility is dependent upon the parties reaching a global settlement. In return, the Council has advised the Crown that it is seeking a greater level of guarantee or confirmation on the release of the \$300m CRAF should the global settlement be agreed. The parties agree to continue their work together on the investment cases for CRAF funding, to ensure those proposals are consistent with the agreed criteria, and are progressed with speed through the decision-making process.

- e This Agreement in Principle captures the high-level agreements reached in the first tranche of negotiations. It will be presented to Cabinet for noting and the Council for approval.
- f The parties will enter the next stage of negotiations ("tranche 2 negotiations") on the basis of this Agreement in Principle. The tranche 2 negotiations will proceed on the basis of information and options generated by joint Crown-Council working groups, and will focus on outstanding issues, matters of detail, and the process for implementation of any final agreement. Due diligence will continue throughout this process.
- g The parties intend to complete the tranche 2 negotiations by no later than the end of May 2019 and expect the parties' respective approval of any final agreement will be sought by the end of June 2019. The parties agree that they will seek to achieve both steps earlier if at all possible.
- h In the tranche 2 negotiations, the parties agree that they will continue to work together in a problem-solving and cooperative fashion, to seek to reach agreement on outstanding issues.
- i It is acknowledged that both parties are experiencing cost pressures and will bear that in mind as they work together.
- j The parties may amend agreements in this Agreement in Principle, following due diligence.

*The high-level agreements reached to date are:*

### 3. Bus Interchange, Margaret Mahy Playground, Avon River Precinct

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- a The purpose of this section is to transfer these assets to local responsibility and control, by confirming and finalising commitments and agreements made under the 2013 CSA and 2017 CSA Refresh.
- b These assets will be transferred to the Council, to the extent they have not already been, by 30 September 2019.
- c Council will pay the Crown the sums owing for these assets, provided for in the 2013 CSA, by 30 September 2019.

### 4. Crown- and Council-owned land in the Residential Red Zones

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- a This section deals with the Crown-owned Christchurch residential red zone land ((i) Port Hills, (ii) Southshore / South New Brighton and Brooklands, and (iii) the Ōtākaro Avon River Corridor) (together, "the land", or the "residential red zones").
- b The purpose of this section is to recognise that the future of the residential red zones sits best with local leaders, and to provide for that transition. By doing so, the parties expect to





- (i) enable a timely, focused and expedited recovery and regeneration; (ii) restore the social, economic, cultural, and environmental well-being of greater Christchurch communities; and (iii) assist the Council and its communities facilitate, co-ordinate, and direct the planning, rebuilding, and recovery of affected communities, including the repair and rebuilding of land, infrastructure and other property.
- c The parties will do so by:
- i. finalising the agreements reached as part of the 2017 CSA Refresh in relation to Crown-owned Christchurch residential red zone land;
  - ii. confirming an approach for the transfer of Crown-owned residential red zone land in the Ōtākaro Avon River Corridor;
  - iii. confirming an approach for the transfer of the Port Hills, and Southshore / South New Brighton and Brooklands residential red zones; and
  - iv. setting out the process for confirming how and when any required transfers will occur.
- d The land will be transferred to the Council or another party agreed as part of Tranche 2 negotiations, subject to further engagement by the Crown with Te Rūnanga o Ngāi Tahu (for example, in relation to any obligations under the Ngāi Tahu Claims Settlement Act 1998).
- e During tranche 2 negotiations, the Crown will brief Council on the outcome of the Crown offer process, to support Council understand what private properties may remain in the Ōtākaro Avon River Corridor after transfer.

#### *Governance of the Ōtākaro Avon River Corridor*

- f Council, in consultation with the Crown, agrees to establish a transitional governance arrangement by 1 July 2019, to govern the transitional use of the Ōtākaro Avon River Corridor, and to include community representatives in these arrangements. Council will consult with the wider community on the future governance of, and specific projects that may be delivered in, the Ōtākaro Avon River Corridor, consistent with any relevant regeneration plan.
- g Council will address the longer-term governance of the Ōtākaro Avon River Corridor, and will do so in a way that addresses the goals set out in this section, including consulting with Te Rūnanga o Ngāi Tahu.

#### *Reconfiguration across all residential red zones*

- h The Crown will, before transfer, reconfigure land as agreed (particularly as to approach and scope) through the technical working group (see clause 4j). In this context, reconfiguration describes preparing land titles for transfer so that the land can be more readily used for regeneration purposes. It does not preclude or assume any particular land use.
- i Reconfiguration includes, as relevant, identifying lots to be created, stopping redundant roads, reviewing titles to identify interests that need to be retained, surveying land, transfer of Council land to the Crown, and amalgamating titles.
- j Crown officials and Council officers will continue to work together through a technical working group to develop an agreed approach to reconfiguration, including a detailed process and

potential schedule for the transfer of the land. The parties agree to provide, at their own costs, additional resourcing to undertake this work in a timely fashion, and to prioritise and expedite this work, to ensure all necessary land reconfiguration decisions are made before the repeal of the relevant provisions of the Greater Christchurch Regeneration Act on 30 June 2021, while recognising that some transfers may take place after those provisions are repealed.

- k The parties will agree to the schedule on which the land will be reconfigured and transferred. The parties will consider what tangible steps need to be taken to meet that schedule, and what needs to be done to ensure those steps are taken in a timely fashion. The parties will ensure they have sufficient resourcing to meet that schedule.

#### *Financial implications*

- l Council will pay the amounts owing under the 2013 CSA, for its share of the costs of making an offer to purchase certain properties in the Port Hills.
- m From 1 July 2020, the Council will pay the costs incurred for the maintenance and operations of the land. This date may be reviewed and altered by joint agreement of the parties depending on progress with the land reconfiguration. The Crown will continue to pay rates pro rata on the land not transferred to Council, until the date of transfer.

## 5. Canterbury Multi-Use Arena (CMUA)

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- a The purpose of this section is to confirm the arrangements for delivery of an investment case for the CMUA, thus providing certainty about ongoing regeneration of major civic assets.
- b In particular, this section confirms the parties' desire to work together to provide certainty over how the CMUA project will be delivered, including project governance, ownership, and operation.
- c The parties acknowledge past agreements relating to the 'Stadium' (now referred to as the 'Canterbury Multi-Use Arena') under the 2013 CSA, including that operating costs liability for the CMUA is to be confirmed but will be the responsibility of either the Council or the private sector.
- d Consistent with the 2013 CSA, the Crown will be responsible for the purchase of land and any land clearances required for the stadium to be built. Further investigations are needed to determine what, if any, land remediation work may be required to be undertaken by the Crown and how this will be addressed. This, and other matters related to the site, will be determined as part of Tranche 2 negotiations. The parties agree to work together to develop the CMUA Investment Case to consider matters such as the scope of the project, funding responsibilities, project delivery and governance in the Investment Case, which will go to the Crown and Council for decisions.



- e The parties agree that upon practical completion or any other time agreed as part of Tranche 2 negotiations, the Council or another party agreed as part of Tranche 2 negotiations will own the CMUA, including any land agreed to be required through the investment case process.

## 6. Te Pae / Christchurch Convention and Exhibition Centre

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- a The purpose of this section is to provide certainty around the ownership of Te Pae, to ensure timely revitalisation of Christchurch and the best possible outcomes for the City. The parties acknowledge that local control and influence will best meet these outcomes. To that end, this section focuses on the long-term ownership of Te Pae, and the process and terms of any transfer, to ensure the City can derive the greatest benefit from Te Pae.
- b The Council wishes to ensure that it can provide strategic direction to Te Pae and other venues in the City, and thereby realise its long-term vision for Christchurch. The parties consider the Council will be best placed to do so as owner of Te Pae.

s9(2)(i)



- g Ōtākaro Limited ("Ōtākaro") will deliver Te Pae and retain delivery risk.

s9(2)(i)



s9(2)(i)

## 7. Metro Sports Facility ("MSF")

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- a The purpose of this section is to ensure the parties can collaboratively overcome barriers to delivering the MSF in a way that maintains momentum, and ensures a positive outcome for the people of Christchurch.
- b The parties acknowledge and confirm the terms agreed as part of the 2013 CSA. Ōtākaro will continue to deliver the MSF and retain delivery risk as per the CSA of 2013.
- c MSF (and associated land, including land used for carparking) will transfer to Council or another party agreed as part of Tranche 2 negotiations at practical completion of construction, as defined by the design and construction contract entered into by Ōtākaro (as principal) for the delivery of the MSF.
- d Both parties appreciate that the project has experienced cost pressures, and want to see the project completed in the most pragmatic, successful and cost-effective way. Should any unforeseen cost pressures arise in future, the parties will engage in good faith to consider pragmatic and cost-effective solutions.



## 8. CBD land not required for anchor projects

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- a The purpose of this section is to set out the mechanism whereby Council may acquire land, surplus to Crown needs for anchor projects, to assist and drive regeneration outcomes and momentum in the central business district.
- b Ōtākaro will identify to Council all land it holds in the CBD (not sold or not with an unconditional sale and purchase agreement). This may be in summary or map form to protect the confidentiality of third parties. If an existing conditional arrangement falls through, Ōtākaro will inform the Council.
- c During due diligence, Council will identify any parcels it wishes to acquire, including any that it may wish to consider acquiring if an existing conditional arrangement falls through.
- d During Tranche 2 negotiations, the parties will negotiate the terms and conditions of any acquisition.

## 9. Performing Arts Precinct ("PAP")

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- a The purpose of this section is to identify how the parties can work together to give effect to the vision for the Performing Arts Precinct, and thereby provide certainty and confidence about the use of this Precinct, and deliver the best possible outcomes for Christchurch.
- b Both parties are committed to engaging in good faith to enable regeneration outcomes in and around the PAP, noting the pre-existing agreements under the 2013 CSA, and other subsequent agreements. During tranche 2 negotiations the parties will discuss land and facility requirements for the PAP, including The Piano, and the process for any further decisions required, including s9(2)(i) remediation and configuration.
- c In particular, as per the CSA 2013, the Crown will be responsible for s9(2)(i) [redacted]. The Crown will vest land required for the PAP in the Council. The Council is working closely with the Court Theatre on stage one of the PAP facility and has \$30m budgeted for investment.
- d Car parking in or around the PAP is a priority for both parties, to service civic facilities, Te Pae, and the surrounding areas. The parties and Ōtākaro will work together in tranche 2 to discuss how best to support the earliest possible delivery of car parking facilities.

## 10. Cathedral Square

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- a The purpose of this section is for the parties to clarify the next steps in relation to the regeneration of Cathedral Square, to provide certainty about its ongoing regeneration, acknowledge its importance in the central business district, and encourage regeneration in the surrounding areas.



- b The parties confirm the 2013 CSA in relation to:
  - i. Council delivery of the Square anchor project; and
  - ii. Payment of the Crown's contribution of \$4.6 million.
- c The Crown agrees to pay its contribution of \$4.6 million following approval of the global settlement; Council agrees that these funds will be used for delivery of the Square anchor project.

## 11. Institutional arrangements

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- a The purpose of this section is to ensure regeneration activity is coordinated and aligned with a focus on best for city outcomes.
- b The parties agree to have a transition plan in place by 1 July 2019 for the progressive wind down of Regenerate Christchurch, in advance of the transfer of its assets and liabilities required by the Greater Christchurch Regeneration Act to take place before 1 July 2021.

## 12. Land drainage

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- a Both parties acknowledge the terms agreed as part of the 2013 CSA relating to the horizontal infrastructure rebuild programme (which included aspects of the land drainage programme).
- b The Crown will provide no further direct funding towards the Council's land drainage costs, but in accordance with clause 5b, the Crown will support the Council by providing the Crown-owned Christchurch residential red zone land in the Ōtākaro Avon River Corridor to the Council. The Council can use that land to help meet its land drainage requirements for the surrounding green zone areas.
- c The parties note the Crown spent more than \$1.2 billion to purchase properties in the Ōtākaro Avon River Corridor. Council further recognises both that the Ōtākaro Avon River Corridor has a rateable value of \$62 million.

## 13. Responsibility and liability for assets

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- a Unless otherwise agreed, from the point of transfer, Council will be entirely responsible and liable for the assets discussed in this agreement, including (as relevant) their commissioning, maintenance, operations, capital needs, and otherwise.



- b Unless otherwise agreed, where an asset, such as land, is transferred in stages, Council will be responsible and liable from the point of transfer of each part of the asset or parcel of land.

#### 14. Process for due diligence and other further work

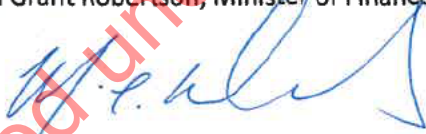
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- a The parties agree that this document records the agreements in principle reached to date, and that it will guide the tranche 2 negotiations. Notwithstanding anything else in this document, this document is not a final agreement, and if the parties are unable to conclude a final agreement on the subject matter of this document, it will have no effect, and existing agreements between the Crown and Council in relation to the matters referred to in the 2013 Cost Share Agreement (with the exception of this AIP) will be binding on the parties.
- b The parties note that the proposals above have a number of financial, operational, statutory and other implications, and are conditional on further work, considerations and decisions by a range of parties (including statutory decision-makers).
- c Additionally, the proposals are subject to any obligations under the Ngāi Tahu Claims Settlement Act 1998 and Public Works Act 1981, to be worked through in parallel to tranche 2 negotiations, and Council being satisfied that it has complied with its decision-making obligations under the Local Government Act 2002.
- d Both parties will carry out due diligence and/or information sharing processes in parallel to tranche 2 negotiations.

Executed on behalf of the Crown:

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Hon Grant Robertson, Minister of Finance



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Hon Dr Megan Woods, Minister for Greater Christchurch Regeneration

Executed on behalf of Christchurch City Council:



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Her Worship Lianne Dalziel, Mayor of Christchurch City

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Executed on behalf of the Crown:



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Hon Grant Robertson, Minister of Finance

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Her Worship Lianne Dalziel, Mayor of Christchurch City