
REPORT 1
(1215/52/IM)

EXTENSION OF COUNCIL COMMITMENT TO THE NEW ZEALAND SCHOOL OF MUSIC PROPOSAL

1. Purpose of Report

This paper recommends the Council approve a 24 month extension to 31 March 2011 of the option granted to Massey University Wellington and Victoria University of Wellington (the Universities) to use the Circa/Ilott site (Jack Illott Green) as the location of the proposed school of music.

2. Executive Summary

On 23 September 2004 Council agreed to support a proposal to locate a national School of Music on the Circa/Ilott site, in the Civic Square precinct. Council granted an option over the site to a joint venture of Massey and Victoria universities for 99 years at a peppercorn rent (valued as a notional \$6.85m contribution to the project), subject to a number of specific conditions.

In March 2008, Council agreed to extend its offer of the Circa/Ilott site for a further 12 months and requested the partnering agreement be amended to contain a number of new terms and conditions. The NZSM project team, made up of officers from Council, the universities and project directors Wareham Cameron, has made substantial progress including cost reviews of the strategic brief, delivering to the Tertiary Education Commission (TEC) a business case in support of an application for more capital funding for the project, a subsequent value engineering exercise to reduce the project value and revise the strategic brief to a level that is financially sustainable and can be built.

An architectural joint venture consisting of John Wardle Architects of Melbourne and CCM of Wellington has been appointed to develop a concept design which is considered a key component of stage 2 Concept Design.

One objective of completing stage 2 Concept Design is to ascertain what functionality and urban design outcomes can be achieved within a target budget of \$60 million, which remains \$15m higher than the project value of \$45.5m previously reported. The results of stage 2 will determine any

requirement for additional funding and consequently the viability of the project.

The partnering agreement remains in draft awaiting the results of stage 2 Concept design. If the project is to proceed the agreement will need finalising in the second half of 2009. As the agreement between the Council and universities has not been signed there needs to be a process in place that ensures that the Council approves the concept design, and subsequently the final design plans at appropriate times in the consent process.

Officers recommend that a design review panel of in-house design expertise and a number of leading experts is formed according to agreed terms of reference (**attached, Appendix 1**), to ensure that the design is developed in a manner consistent with the Circa Site Design Brief and other relevant documents. The Panel would draw on architecture, urban design and urban planning expertise of its members and provide recommendations to the Wellington City Council CEO for final decision.

Given the significant progress over the last 12 months, and the fact that the project is about to incur further significant design costs in the next stages, a further 24 month extension of the Council's commitment of the Circa/Ilott site to the project is recommended (through to 31 March 2011) as requested by the Universities. Officers recommend that this option is subject to a project review after 12 months (31 March 2010), whereby Council's Chief Executive is delegated with the authority to extend the offer for the further 12 month period if he is satisfied with progress.

3. Recommendations

It is recommended that the Committee:

- 1) *Receive the information*
- 2) *Note that on 23 September 2004 the Council agreed to the proposal to locate a national school of music on the Circa/Ilott site, and offered the site to the universities for 99 years at a peppercorn rent, subject to a number of specific conditions. The Council also delegated authority to the Chief Executive to negotiate an agreement with Massey and Victoria universities, and monitor compliance with and progress against this agreement*
- 3) *Note that on 27 March 2008, Council agreed to extend its offer of the Circa/Ilott site for a further 12 months and requested the partnering agreement be amended to contain a number of new terms and conditions. The partnering agreement remains in draft awaiting the results of stage 2 due diligence*
- 4) *Note that significant progress has been made since March 2008 including the development of the Strategic Brief, Business Case, appointment of the architects, acoustician, theatre planner and engineers and initiation of Stage 2 of the project (Concept Design)*

- 5) *Agree to establish a design review panel to provide a recommendation to the Chief Executive for decisions about the School of Music Concept Design and Final designs, according to the terms of reference **attached** in Appendix 1*
- 6) *Agree to recommend to Council that it extend its commitment to the proposal through to 31 March 2011, subject to a project review after 12 months whereby Council's Chief Executive is delegated with the authority to extend the offer for the further 12 month period if the Chief Executive is satisfied with progress.*

4. Background

In September 2003, Massey and Victoria universities announced a joint venture to establish a national music school (the New Zealand School of Music) in Wellington. In December 2003, the Council agreed to offer the universities an 18-month option to develop a proposal to locate the School on the Circa/Ilott site. The universities brought their proposal to the Council on 22 July 2004.

On 23 September 2004 the Council agreed to support the universities by granting the universities an option over the site whilst project due diligence was undertaken, and also gave in principle approval to the universities being granted tenure to the site for a 99-year term at a peppercorn rent, subject to a number of specific conditions.

Officers' assessments in 2004 were that the proposed National School of Music had the potential to be a national asset, a strong point of difference for Wellington and beneficial to the city. As a partnership between the two universities, it was envisaged that the School would be a centre of excellence, with a national and international reputation in musical education, research, composition and performance.

Officers determined that setting the school on the Circa/Ilott site could add noticeably to the vibrancy and energy of Civic Square – a major factor in the Civic Square Management Plan. There would also be synergies with the New Zealand Symphony Orchestra, Wellington Symphonia and Wellington Convention Centre. Adding the proposed School of Music to the mix would strengthen the cultural precinct in the heart of Wellington.

The proposal was seen as highly consistent with the Council's long-term *Creative Wellington - Innovation Capital* vision. This aims to promote Wellington as New Zealand's premier centre of creativity and innovation to attract and retain smart creative people and enterprise to help take the city forward.

The Council consulted on the proposal using the special consultative procedure. Results of the consultation indicated a high level of support for the proposal.

Officers continue to endorse the assessment of the proposal made in the 23 September 2004 report.

In March 2008, Council agreed to update the agreement with the universities to contain Terms and Conditions relating to:

- The specific use of the site for a national school of music
- Expectations that the school will be recognised nationally and internationally as New Zealand's premier school of music
- The ability for the Universities to assign the Lease to the Crown, or a Crown funded tertiary institution, subject to agreement by the City. That agreement would not be unreasonably withheld in the following circumstances:
 - Where the Crown would continue to use the site for a National School of Music
 - Where the Crown funded tertiary institution would continue to use the site for a National School of Music
- Access to public space in the building that would be erected on the site and the universities explore with the architect the opportunities for a publicly accessible area to be provided to allow members of the public to take advantage of the harbour views from the building.
- Peer review of design quality
- The inclusion of a 350-400 seat auditorium in the facility
- Contribution by the school to the cultural life of the city
- Tangible recognition of Jack Ilott in an appropriate manner
- Compliance with the Circa Site Design Brief and Civic Square Management Plan
- Continuing consultation by the universities with affected neighbours (A CBD crèche, Wellington Museums Trust (Capital E and City Gallery) and Nikau café).

The partnering agreement remains in draft awaiting the results of stage 2 Concept Design, which involves developed concept design and a more accurate budget estimate which will determine any requirement for additional funding and consequently the viability of the project.

If the project is to proceed the agreement will be finalised in the second half of 2009.

5. Progress to Date

5.1 Project Director

Wareham Cameron + Co has been managing the project. The company is responsible for developing the business case required for Crown funding and setting the project timeline. The roles and responsibilities of the Project Steering Group and Client Representative Group have also been clarified. Wareham Cameron+ Co arranges the regular meetings of these groups.

5.2 Strategic Brief

The Strategic Brief for the facility was completed in April 2008 – this process was led by Artec Consultants Inc (New York) with input from a range of advisors including Graeme McIndoe and Council's Gerald Blunt. The purpose of the Brief is to guide all involved parties in the design of the NZSM building project. It contains a project overview including site description, project goals and communication; NZSM Urban Design Brief and indicative Development programme.

5.3 Business Case

A comprehensive Business Case was lodged with the Crown on 30 June 2008. There has been ongoing dialogue with the Crown over a range of issues. More recently progress was hampered by the General Election with the focus of Ministers on other matters.

5.4 Project Cost and value engineering

An international firm of quantity surveyors (Venue), which specialises in costing performance venues, was used alongside local firm Rider Levett Bucknall (RLB) to provide a cost estimate for the proposed development. The ensuing cost estimate and the iterative process that followed of refining the specification to match client expectations in relation to performance and cost resulted in a target cost estimate of \$95.0m.

Since the Business Case was lodged in June 2008 the Universities have been advised that any significant additional funding from the Crown greater than the original commitment of \$11.15m is uncertain.

In September 2008 Australian Centre for Value Management Ltd was engaged to facilitate a value management review of the project and a two day workshop identified a range of opportunities to pursue in order to achieve an affordable project. The Universities have now re-established the direction of the Project and have targeted a more realistic project cost in the order of \$60.0m.

5.5 Stage 2 – Concept Design

The Universities short-listed a small group of preferred consultants and the final appointments were made in December 2008. The design team consist of the following:

- Architects: John Wardle Architects (Melbourne) and CCM Architects (Wellington)
- Acoustician/Theatre planner: Marshall Day Acoustic (Wellington)
- Services engineer: Beca Carter Hollings & Ferner
- Structural engineer: Dunning Thornton Consultants
- Quantity surveyor: Rider Levett Bucknall
- Project director: Wareham Cameron + Co
- Fire engineer: Holmes Fire and Security

The Universities have agreed to jointly fund the \$450,000 cost of Stage 2 – Concept Design. The Concept Design phase of the project is programmed to run through to mid 2009 and has three principle goals:

- To test the Strategic Brief
- Having regard to the project budget and brief develop the design of the NZSM building to a point where an accurate costing can be completed
- To provide the fundraising committee with appropriate visual representations to assist in the fundraising programme.

The primary objective of the Stage 2 process is to develop the design of the facility within a budget constraint in the order of \$60.0m. This will be achieved by completing concept design outputs that will allow:

- Identification of an appropriate level of facility quality for NZSM to achieve “NZ pre-eminence” and maximisation of programme space on the Circa/Ilott site. The concept design will also achieve a facility of exceptional architectural design as outlined in the Circa/Ilott Site Development Design brief which is a desired outcome for Wellington City Council
- Accurate estimating of the construction cost (+/- 15%).
- Preliminary consultation with the Crown, the Universities, the Fundraising Committee and Wellington City Council.

5.6 Development Programme

With the primary focus now on the Stage Two phase the immediate programme can be summarised as follows:

February to April	Design Team developing Concept Design
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2009	
April 2009	Value Management Workshop Design workshop and site visit to Melbourne
May 2009	RLB - Budget estimate produced Design Team Workshop with Universities and NZSM JWA / CCM - Concept Design finalised
June 2009	WC+C - Report to the Universities

Stage 2 Concept Design is scheduled to be completed in June 2009 followed by a funding review by the Universities. If the project progresses as anticipated, further design stages (Preliminary, Developed and Detailed design) will progress there after. Financial check-points will be scheduled throughout the design process. Assuming no funding issues or delays with resource consent hearings, occupation by the NZSM is anticipated in early 2013.

The Universities remain strongly committed to the project. The results of stage 2 will determine any requirement for additional funding and consequently the viability of the project.

5.7 Partnering Agreement

Since September 2004, Council officers and representatives of the universities have been developing a partnering agreement to establish the School of Music on the Circa/Ilott site. The previous report to the Committee in March 2008 noted the agreement was substantially complete to the satisfaction of the Council, Massey University and Victoria University, and was almost ready for signing. Signing was however deferred until central government funding for the School was confirmed.

After the government funding was confirmed, information came to light that resulted in the universities requesting changes to the Council's terms and conditions. In March 2008, Council agreed to update the agreement to make the Council commitment conditional on the School gaining national and international recognition, accessible public space in the building, the design complying with the Circa Site Design brief and available to peer reviews, tangible recognition of Jack Illott, the provision of a 350-400 seat auditorium and demonstrable progress towards establishing the School.

The partnering agreement remains in draft awaiting the results of the project's stage 2 process.

The universities are now requesting an extension of 24 months, through to 31 March 2011, on the basis of progress achieved to date (and related investment) and the significant level of funding about to be committed to the next stage of the project.

5.8 Design Review Panel (DRP)

As the agreement between the Council and universities has not been signed there needs to be a process in place that ensures that the Council approves the concept design, and subsequently the final design plans at appropriate times in the consent process.

Council officers currently participate in regular meetings of the Client Representative Group and Project Steering Group. Officers recommend that this form of engagement continues and that in completing the Concept Design and subsequently the Final Plans, the Universities do all of the following:

- consult on a regular basis with the Council
- ensure that the Concept Design and the Final Plans are developed in a manner consistent with the Circa Site Design Brief and other relevant documents
- provide these plans in a timely manner to the Council for the approval by Council's Chief Executive.

In addition, officers also recommend that a design review panel is formed to provide advice on the design elements of the project until the opening of the new facility.

5.8.1 Role of the Design Review Panel (DRP)

As evident in the attached terms of reference, Council will appoint a DRP that is initially time-limited, will review the design quality of the Concept and Final plans and provide a recommendation to Council's Chief Executive for the final decision. The DRP will advise the Chief Executive on the design elements of the project until the opening of the new facility. A review of the Panel's ongoing role will be undertaken prior to the opening.

The Panel's key role is to provide advice:

- To the NZSM project on design quality of the Concept Design and the Final Plans in relation to guiding documents-the Circa Site Design Brief, Civic Square Management Plan and Council Terms and Conditions
- To the Council's planners on relevant design matters during the resource consent stage and until the project is finished.

5.8.2 Membership

Officers recommend that the Panel consists of an in-house design expert (Chief urban designer) and three leading independent experts who will ensure that the design is developed in a manner consistent with the Circa Site Design Brief and other relevant documents.

Selection of members will be undertaken by officers to ensure that its members have the right mix of architecture, urban design and urban planning expertise.

5.8.2 Funding of the Panel

The Panel will need to be established prior the completion of Stage 2 and will meet at ad-hoc basis as required by Council.

It is proposed to pay the professional fees of the three external members of the Panel, as is the case with the Technical Advisory Group for the waterfront project. Officers estimated the costs of up to \$10,000 should the Panel continue through to project completion. These costs will be managed within existing Council budgets.

5.9 Project funding

Crown funding of \$11.15m has been obtained subject to the final approval of a business case. At the recent meeting of the Project Steering group, Tertiary Education Commission officials reported that the funding has been put on hold (as it has been for most of other tertiary projects) and the outcome of this application is likely to be known after the Government's upcoming Budget Statement.

With the current proposed level of funding from the Crown (\$11.15 million), the Universities current contribution (\$10 million) and the current fundraising target (\$11 million) there remains a shortfall of around \$28 million for the project (\$60 million).

The University will be reviewing their own budgetary provision and are working to maximise contributions from community fundraising and other parties. The fundraising committee believes that the project will become more attractive to funders once a concept design is prepared and resource consent is obtained.

The Council has not been requested to provide funding over and above the value of the site (\$6.85m).

5.10 Patrons

The universities have attracted several high profile people to act as patrons to the school of music fundraising campaign including Dame Kiri Te Kanawa, Sarah Billingham, James Judd and Denis Adam. These patrons add significant prestige to the project and help establish it as the pre-eminent school in New Zealand. The Universities have informed officers of a significant financial commitment from a major trust.

6. Risks to Council

Council support of the New Zealand School of Music is primarily through a provision of lease (for 99 years at a peppercorn rent) of the Jack Ilott Green site that has a commercial value of \$6.85 million, and in kind through officers' time. Funding of the recommended DRP fees will be the only funding provided by Council.

The key risk to the Council is that a new music school on the Circa Site does not fulfil Council objectives as outlined in the updated Terms and Condition, including a provision of an architecturally exceptional building, which is generous in provision and design of its public areas and connection to public space. In response to this risk, officers are recommending that a design review panel is formed that will evaluate proposed designs and will provide its recommendations to the CEO. If not satisfied with progress, the CEO has an authority to cease the lease of the Circa/Ilott Site to the Universities.

Other risks include that the New Zealand School of Music project does not receive/raise sufficient funding for the project to go ahead, or that the project may take a number of years due to difficulty of securing funding. This risk has a low impact for the Council - in the sense that the NZSM proposal is not holding up other proposed developments - and can be managed with the 12 month project review recommended by the Council.

7. Conclusion

The New Zealand School of Music is a project that has been supported by Council since September 2004, and it remains a project worthy of Council support.

The Universities remain strongly committed to the project and are excited about the commencement of Stage Two - Concept Design.

Given the positive outlook for the project, this report recommends that Council's commitment to the project be extended for an additional 24 months through to 31 March 2011, subject to a project review by Council's CEO on 31 March 2010.

Contact Officer: *Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations*

Supporting Information

1) Strategic Fit / Strategic Outcomes

Development of this proposal supports strategic outcomes in the Council's Economic, Cultural Wellbeing and Urban Development Strategies

2) LTCCP/Annual Plan reference and long term financial impact

N/A

3) Treaty of Waitangi considerations

There are no Treaty of Waitangi implications at this stage.

4) Decision-Making

During the development of this paper officers had discussions with the key stakeholders Victoria University of Wellington and Massey University Wellington campus.

5) Consultation

a) General Consultation

Public consultation under the special consultative procedure and independent research was undertaken at an earlier stage of the project.

b) Consultation with Maori

The Wellington Tenth Trust were consulted on this Music School proposal at an earlier stage of the project.

6) Legal Implications

Advice was taken on the legal standing of the property, the consultation process and in development of the partnering agreement.

7) Consistency with existing policy

This proposal is consistent with existing policy.

APPENDIX 1

NZ SCHOOL OF MUSIC DESIGN REVIEW PANEL (DRP) TERMS OF REFERENCE

1. Purpose

The purpose of the NZSM **DRP** is to provide advice and evaluation to the Council (officers and CEO) on the following:

- Design quality of the NZ School of Music project Concept Design and the Final Plans in relation to guiding documents such as the Circa Site Design Brief, Civic Square Management Plan and Council Terms and Conditions
- Relevant design matters during the resource consent stage and until the project is finished.

The Panel will act in an advisory capacity and make recommendations to the Council's Chief Executive. The Panel will not be given any budget to commission work or undertake activities outside of this advisory role.

2. Responsibilities of the Panel

The Panel will:

- a. Develop agreed ways of operating as a Panel to enable the purpose of the Panel to be achieved
- b. Report back to Council officers and CEO as required

The Panel is not responsible for completion of any design aspects of the NZSM project.

3. Responsibilities of individual Panel members

Individual Panel members will:

- a. Work collaboratively with other members of the Panel to fulfil the Panel's roles and responsibilities
- b. Declare conflict of interests where relevant

4. Responsibilities of the Chair and Deputy Chair

Chair

Council's Chief Urban Designer will chair Panel meetings fairly and in the manner that supports the Panel in fulfilling its role. He will represent the views and recommendations of the Panel as required.

Deputy Chair

A Deputy Chair will be agreed by the Panel from amongst its members to support the Chair in their role and to act in place if the Chair should the Chair be unavailable.

5. Membership of the Panel

Composition

The composition of the Panel should include:

- Wellington City Council's Chief Urban Designer
- Expertise in urban design
- Expertise in architecture
- Expertise in urban planning

The Panel will consist of four (4) members.

Terms of membership

The term of membership for each member shall be from appointment until a review of the terms of reference is undertaken (after the opening of NZSM). Where a position becomes vacant part way through the project, a replacement shall be sought for the remainder of the project/term through the standard selection process.

6. Selection of members of Panel

Selection of members will be undertaken by the Chief Executive, based on a clear description of the core competencies and skills required for each member.

7. Ceasing membership

Membership of the Panel shall cease if a member:

- a. Resigns by providing the Council four weeks notice in writing
- b. Fails to attend at least 3 consecutive meetings

8. Introduction of members

All external members joining the Panel shall receive an induction by council officers that will comprise an overview of the project itself and of the Council's requirements for the project (including documents such as the Circa Site Design Brief, Civic Square Management Plan and Council Terms).

9. Operation of the Panel

Agreed ways of operating

The Panel will agree how it will operate, including the means by which the Panel will communicate its work to the CEO for the final decision, and the conduct of meetings

Meetings

Frequency

The full Panel will meet as soon as the relevant plans are available for a review, and thereafter meetings may be called as required through the life of the project, and as agreed by the Chair.

The Panel will meet to discuss the Concept Design plans and Final Design Plans and to provide its recommendations to the CEO for final decision. If required this Panel will also meet to comment on the resource consent process.

Minutes

Discussion and decisions from Panel meetings shall be recorded in written minutes, by a minute taker provide by the Council.

Chair

Meeting should be chaired by the Chair or the Deputy Chair if the Chair is not available.

Quorum

Three members of the Panel must be present for the Panel to have a quorum.

Remuneration

External members will be remunerated for meetings.

10. Review

The Terms of Reference will be reviewed as required and after the opening of the NZSM.