

## CONFIDENTIAL MEMORANDUM

**TO:** Council

**MEETING DATE:** 25 March 2020

**TITLE:** Award of Tender - CET Arena Redevelopment

**PRESENTED BY:** Bryce Hosking, Manager - Property

**APPROVED BY:** Tom Williams, Chief Infrastructure Officer

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It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987 under clause:

**s7(2)(h) Commercial Activities**

### REASON FOR CONFIDENTIALITY

The reason for this report to be confidential is  
- As the tender price has not yet been approved by Council, the tenderers have not yet been formally notified as to the outcome of the tender process.

### RECOMMENDATION FOR PUBLIC RELEASE

June 2021, once works are complete.

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### RECOMMENDATION(S) TO COUNCIL

1. That Council approves \$619,601 plus GST of additional funding for the Arena Redevelopment Programmes 1082, 1083, and 1534 by either:
  - a) Approving an additional \$619,601 plus GST of unbudgeted capital new expenditure for the three Programmes with an allocation split as required;  
or
  - b) Transfer \$619,601 from the budget of Programme 1514 – Central Energy Trust Arena Manawatu – Commercial Building to the Arena Redevelopment Programmes 1082, 1083 and 1534 with an allocation split as required.
2. That Council accepts the tender from and awards the construction contract to PAK Holdings Limited t/a Humphries Construction for the sum of \$13,098,008.10 (Thirteen Million, Ninety-Eight Thousand, Eight Dollars and Ten Cents) plus GST for the combined redevelopment projects of the Speedway Pits Relocation, Embankment Redevelopment, and the new Entrance Plaza.

### **3. The Chief Executive be given delegated authority to sign contract documents on behalf of Council.**

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#### **1. ISSUE**

- 1.1 As part of the redevelopment of the CET Arena there are three projects which have physical works commencing in the current 2019/20 financial year – The Speedway Pits Relocation, the new Entrance Plaza, and the Embankment Redevelopment.
- 1.2 To ensure best outcomes; these projects are being designed concurrently by the same designers, and they will also be delivered concurrently as one project with the contract being tendered to deliver the three projects through a single main contractor.
- 1.3 Competitive tenders have been sought for the construction phase of these programmes in accordance with Council's Procurement Policy.
- 1.4 As the tenders received are above the Chief Executive's delegated authority, this report seeks approval to accept the preferred tender.

#### **2. OVERVIEW OF PROJECT SCOPE**

- 2.1 The scope of the projects is broadly outlined as:
  - Speedway Pits – is a 17,000m<sup>2</sup> civil project. Involving the demolition of the existing fields, installation of underground services, roading, hardstands, fencing, footpaths and associated hard landscaping and soft landscaping. Relocation of existing Palm Trees is a specialist phase of work.
  - Entrance Plaza – is a 900m<sup>2</sup> public plaza with an 8m wide pedestrian bridge spanning from the Public Plaza to the Stadiums south embankment. Involving the erection of new retaining and bridge structures to specialist designs with hard landscaping, lighting, furniture and planting.
  - South Embankment – is the demolition/ replacement of a 1000m<sup>2</sup> section of the concourse. The construction of foundations for embankment and retaining/ support to the future South Grandstand. It will involve the erection of amenity spaces to service the south section of the Grandstand and the pits zones and the completion of a hardstand for a temporary seating concourse. This will also include the construction of a link bridge between the embankment and the existing grandstand for use of the public during events.
  - There is also a ticket office in the Cuba Street side of the Entrance Plaza and a canopy on the embankment side of the bridge.

2.2 To date the detailed design is complete and consultant work continues towards final planning and building consent approvals with a view to commencing construction in early April 2020.

### 3. PROGRAMME BUDGETS

#### Programme Budgets Overview

3.1 Below is a summary of the Programme Budgets for The Speedway Pits Relocation, the new Entrance Plaza, and the Embankment Redevelopment:

Programme	(\$000's)	(\$000's)	(\$000's)	(\$000's)
	2018/19	2019/20	2020/21	Total
1082 – Speedway Relocation	\$157	\$2,876	\$4,040	\$7,073
1083 – Entrance Plaza	\$113	\$2,263	\$2,341	\$4,717
1534 – Embankment Redevelopment	\$235	\$1,694	\$2,481	\$4,410
<b>TOTAL</b>	<b>\$505</b>	<b>\$6,833</b>	<b>\$8,862</b>	<b>\$16,200</b>
1082 – Additional External Funding Achieved and Savings from Artificial Pitch		\$295		\$295
<b>TOTAL AVAILABLE BUDGET</b>		<b>\$7,128</b>		<b>\$16,495</b>

#### Combined Project Budget Breakdown

3.2 Based on the known budget commitments and a 5% contingency of \$600,000 the available construction budget is \$12,478,407. This is shown below:

Budget Item	Value
Professional Fees	\$2,750,000
Demolition	\$86,943
Authorities	\$75,000
Contingency	\$600,000
Culture & Heritage	\$250,000
Client Supply Items	\$255,000
<b>Sub Total</b>	<b>\$4,016,943</b>

Total Available Construction Budget	\$12,478,407
<b>TOTAL</b>	<b>\$16,495,350</b>

**4. TENDER EVALUATION**

4.1 Please refer to attachment: *CET Arena Recommendation of Contractor Report* from WT partnership for an in-depth report on:

- Tender analysis and evaluation process;
- Tender tags, excluded items and savings; and
- Budget reconciliations.

Tender Methodology

4.2 Please refer to attachment: *CET Arena Recommendation of Contractor Report* from WT partnership for an in-depth report on the procurement process undertaken.

4.3 The tenders were evaluated using the weighted attributes method in a closed envelope, two-stage process.

4.4 The attributes and weightings used were:

Attributes	Weighting (%)
<b>Non-Price Attributes</b>	<b>60%</b>
<i>Experience and Track Record</i>	<i>15%</i>
<i>Resources</i>	<i>20%</i>
<i>Project Approach and Methodology</i>	<i>20%</i>
<i>Safety</i>	<i>5%</i>
<b>Price Evaluation</b>	<b>40%</b>
<b>Total</b>	<b>100%</b>

Evaluation Results

4.5 Two (2) compliant tenders were received from:

1. [REDACTED]; and

2. PAK Holdings Limited t/a Humphries Construction.

4.6 A tender interview was held with each of the tenderers on 13 December 2019 as there were several initial clarifications requested by both parties. Once clarified both tenderers revised their pricing to reflect these.

4.7 Below is a summary of the tender evaluation scores and initial and revised pricing after the clarifications.

4.8 Tender 1 – [REDACTED]:

Non-Price Attributes	Weighting (%)
Experience and Track Record	13/15%
Resources	15/20%
Project Approach and Methodology	16/20%
Safety	3/5%
<b>Total</b>	<b>47/60%</b>

Initial Tender Price: \$17,723,863 + GST

Revised Pricing after initial clarifications: \$16,156,135 + GST

Price Evaluation	Weighting (%)
Price	13.5/40%
<b>TOTAL TENDER EVALUATION SCORE</b>	<b>60.5/100%</b>

4.9 Tender 2 – Humphries Construction

Non-Price Attributes	Weighting (%)
Experience and Track Record	14/15%
Resources	13/20%
Project Approach and Methodology	16/20%
Safety	5/5%

<b>Total</b>	<b>48/60%</b>
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Initial Tender Price: \$16,222,810 + GST

Revised Pricing after initial clarifications: \$15,203,216 + GST

Price Evaluation	Weighting (%)
Price	16/40%
<b>TOTAL TENDER EVALUATION SCORE</b>	<b>64/100%</b>

**5. PREFERRED TENDERER**

- 5.1 The evaluation of both the non-price and price factors of the tender concluded Humphries Construction was the preferred tenderer.
- 5.2 Please note that at this stage the price submission of the preferred tender, even after the revised pricing, was still \$2,724,779 over the construction budget.
- 5.3 Following appointment of the preferred tenderer, WT Partnership and Council Officers led the consultant team to procure additional savings with the goal of bringing the project in line with budget.
- 5.4 This process consisted of a combination of further price clarifications, material and supplier changes, and value engineering through design.

**6. VALUE ENGINEERING**

- 6.1 A summary of the value engineering items discussed and amended within the revised design include, but are not limited to:
  - Embankment abluton block – overall size and structure redesigned and reduced;
  - Boundary fencing – unnecessary gates removed, and materials changed;
  - Plaza stone paving – changed supplier; and
  - Plaza entrance bridge – changed handrail detail and timber specification.
- 6.2 Please refer to attachment: *CET Arena Recommendation of Contractor Report* from WT Partnership for an in-depth summary of the value engineering items discussed and amended within the revised design.

6.3 A revised tender package was then submitted to Humphries Construction for repricing.

**7. REVISED TENDER SUBMISSION**

7.1 Humphries Construction provided a revised submission on 5 March 2020 for the revised tender package.

7.2 The revised pricing is summarised in the table below:

Construction Pricing	\$12,973,008
Provisional Sums	\$225,000
<b>Total Construction Cost (excl. GST)</b>	<b>\$13,198,008</b>

7.3 For clarity, the proposed construction programme impacts the completion of the Speedway Pits ready for commencement of the 2020/21 speedway season. To better accommodate this, a separable portion has been included in the proposed form of contract which aims for early practical completion of specific works enabling use of the Pits areas in the early part of the 2020 speedway season.

7.4 Upon review, Humphries Construction have offered, and the project team have accepted, the following additional immediate savings:

- Alternative fence between Pits and Grid – saving \$50,000;
- Replacement of specified membrane to ablutions – saving \$50,000.

Alternative fence between Pits and Grid	-\$50,000
Replacement of specified membrane to ablutions	-\$50,000
<b>Final Construction Cost (excl. GST) after savings</b>	<b>\$13,098,008.10</b>

7.5 For clarity, this is still \$619,601 over the available construction budget.

**8. OPTIONS TO ADDRESS THE SHORTFALL IN BUDGET**

8.1 As mentioned above in Clause 7.5 of this report despite considerable efforts to bring the cost of the redevelopment within budget, the cost of construction is still \$619,601 over the construction budget.

8.2 For clarity, the value engineering efforts have resulted in the budget overage being reduced from \$2,724,779 to now being just \$619,601 over budget.

- 8.3 Council has three options to address the shortfall in budget. They are:
1. Approve an additional \$619,601 plus GST of unbudgeted capital new expenditure for the three Programmes with an allocation split as required;
  2. Transfer \$619,601 from the budget of Programme 1514 – Central Energy Trust Arena Manawatu – Commercial Building to the Arena Redevelopment Programmes 1082, 1083 and 1534 with an allocation split as required; or
  3. Take up further saving options to reduce the shortfall to a negligible amount that can be accommodated within the contingency.

- 8.4 Options 2 and 3 are explored further below:

OPTION 2: Transferring budget from Programme 1514 – Central Energy Trust Arena Manawatu – Commercial Building

- 8.5 Following the withdrawal of Sports House, the \$1,500,000 operational grant that was in the 10-year plan to contribute towards the Sports House construction project, was repurposed as part of the 2019/20 Annual Plan as a capital new programme: Programme 1514 – Central Energy Trust Arena Manawatu – Commercial Building.
- 8.6 All analysis, high-level concept design, and commercial viability work to date for the potential commercial building is an operational expense and not capitalised against this Programme.
- 8.7 For clarity, this means this budget will not be spent. A separate report discussing the potential commercial building is scheduled to be presented to Council in April 2020.
- 8.8 If Council decides to proceed with the commercial building, the detailed design, planning and construction would need to be budgeted separately and the \$1,500,000 current budget will be ineffectual to fund this.
- 8.9 Given the above and that the existing budget for the commercial building will be unspent, it is considered a viable option that some of the budget for this programme be reallocated to make up the shortfall in funds for the redevelopment projects in this report.

OPTION 3: Further savings which could be considered but are not recommended

- 8.10 There are other cost savings available, and although they save money, Council Officers caution that these changes will have a detrimental effect to the desired outcomes and ultimately reduce the overall quality of the project.
- 8.11 If these changes were implemented the changes will provide a “cheaper looking” and lesser quality outcome, and in some cases like the fence, come with a high opportunity cost by not remedying them now.

8.12 The other saving options could be taken are as follows:

- Change Plaza Entry Floor coverings from Stone to Asphalt - Saving \$203,000
- Reduce Fencing scheme both quantities and appearance – Saving \$120,000
- Re – use existing fence line on Cuba Street – Saving \$210,000
- Planting scheme to be client direct element – Saving \$20,000
- Fire alarm package to revert to original tender figure – Saving \$5,000

8.13 Please note: these figures are indicative only.

8.14 For clarity, if the above savings were taken the difference in the budget would only be \$61,601 over budget. This overage could be accommodated comfortably within the project contingency.

8.15 As stated above Council Officers caution that the savings are outweighed by the cost of the outcomes, and thus are not recommended.

## 9. RECOMMENDATIONS

9.1 It seems sensible that Programmes 1082, 1083, and 1534 be combined as one Programme as part of the 2020-21 Annual Budget process should this budget not all be spent in the current year and carry forwards be required. The three Programmes are being delivered as one project with a single main contractor. This will be considered as part of the Annual Budget process if required.

9.2 That Council approves \$619,601 plus GST of additional funding for the Arena Redevelopment Programmes 1082, 1083, and 1534 by either:

- a) Approving an additional \$619,601 plus GST of unbudgeted capital new expenditure for the three Programmes with an allocation split as required; or
- b) Transfer \$619,601 from the budget of Programme 1514 – Central Energy Trust Arena Manawatu – Commercial Building to the Arena Redevelopment Programmes 1082, 1083 and 1534 with an allocation split as required.

9.3 For clarity, the Option to take the further savings offered in Clause 8.12 of this report is not recommended as it is deemed to have a detrimental effect on the project.

9.4 That Council accepts the tender from and awards the construction contract to PAK Holdings Limited t/a Humphries Construction for the sum of \$13,098,008.10 (Thirteen Million, Ninety-Eight Thousand, Eight Dollars and Ten Cents) plus GST for the combined redevelopment projects of the Speedway Pits Relocation, Embankment Redevelopment, and the new Entrance Plaza.

9.5 The Chief Executive be given delegated authority to sign contract documents on behalf of Council.

**10. NEXT STEPS**

10.1 Construction to begin in April 2020; concluding in April 2021.

**11. COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter text>	<b>No</b>
Are the decisions significant?	<b>No</b>
If they are significant do they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>Yes</b>
Are the recommendations inconsistent with any of Council’s policies or plans?	<b>No</b>
<Enter text>	
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the achievement of action/actions in the Active Community Plan	
The action is: Central Energy Trust Arena is the city’s main multi-purpose hub for sport and recreation and serves as the region’s premier sporting and events hub.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Palmerston North has fit-for-purpose facilities that meet demonstrated community’s sport and recreation needs and retains its ability to host major sporting events.

**ATTACHMENTS**

1. WT Partnership: CET Arena Recommendation of Contractor Report