Development Concept Report

5 December 2007

Carisbrook
STADIUM TRUST

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1.0 EXECUTIVE SUMMARY

1.1 Is the Land Available?

Yes. All land owners and lessees are prepared to sell their interests in the site. In a number of cases sale and purchase agreements have been drafted. Where agreements have not been reached negotiations are continuing to ensure that fair value is paid for the interests. The Trust is confident that a suitable outcome will be achieved from these negotiations.

1.2 Can the Private Sector Funding be Sourced?

Yes. Good progress has been made towards securing the targeted $45.5 million of private sector funding. An experienced fund raiser has been engaged, the fund raising products confirmed and fund raising commenced. The fund raiser has confirmed the target is attainable and possibly could be exceeded. Already at this early stage we have received a formal expression of interest for head naming rights at an appropriate level.

1.3 Can it be Built for the Budget?

Yes. The overall development budget for the stadium remains at $188m plus GST. A number of significant cost risks have been removed or minimised through the design, including the roof and foundations of the stadium. Risks still remain with cost, however the estimate includes provisions for contingencies and escalation as well as the proven ability of the project team to design around cost challenges.

1.4 Will it Perform Functionally?

Yes. This stadium will be world class and a New Zealand leader on a number of fronts. Firstly, it will provide some of the best viewing of rectangular field sports. Secondly, with the roof and the adjacent University and other development sites, it will provide a practical multipurpose environment not previously seen in the Southern hemisphere.

1.5 Will it Perform Operationally?

Yes. An update of the operational feasibility and a peer review of this work has confirmed that the venue will operate at a better than break even position. The Trust is confident that this situation can be improved further by the DCC and University looking for further synergy in the operation and marketing of attractions and facilities through the region.

1.6 Is the Site Suitable?

Yes. The physical challenges posed by the site, such as ground conditions have now been assessed and have been catered for in the design and budget. The impact of the sites operation on the City, such as traffic, noise and infrastructure has been assessed and found to be minimal and well contained.

1.7 Can it be Built on Programme?

Yes. The venue can be completed by the 2011 Rugby World Cup, but the most significant pressure on the programme comes from the planning process and is reliant on no drawn out appeals. The location of the venue, the support from key neighbours and the extensive work in the preparation of the planning rezoning documents gives confidence that the plan change challenges can be dealt with.

1.8 Will the Turf Grow?

Yes. Initial feedback from the testing undertaken through the ETFE prototype has confirmed that the turf will grow under the proposed roof and that the turf surface will be suitable for the intended use.

1.9 Is There a Public Tender Process with a Guaranteed Maximum Price?

Yes. The CST propose to select a preferred contractor(s) using a public tender process around March 2008 with a guaranteed maximum price contract being agreed around July/August 2008.

1.10 Is It Viable?

Underlying the DCC's resolutions concerning this project was a confirmation of its 'viability'. The work undertaken during this concept stage has given further confidence that there will be no call for DCC funds beyond that noted previously. This being both capital funds as well as ongoing operational funds.

On the 'revenue' side, the economic and social benefit assessment work done in the Masterplan and Feasibility stage is still considered valid. Strengthening this earlier analysis is the significant improvements that have taken place in terms of ensuring the venue is truly multi-purpose.

In summary, CST remains convinced as to the viability of this project.

2.0 INTRODUCTION

2.1 Background

This report recognises the passing of a significant milestone in the development of the proposed multi-purpose stadium at Awatea Street in Dunedin, that being completion of the concept design stage.

The Carisbrook Stadium Trust (CST) has previously provided detailed reports at the key milestones. These have been:

- Report at the Preliminary Feasibility Stage, November 2006 – a summary for Dunedin City Council (DCC) and Otago Regional Council (ORC) on the initial feasibility of a new stadium.
- Masterplan and Feasibility Report, February 2007 – a detailed report on the redevelopment options for Carisbrook and the options of a new multi-purpose stadium in conjunction with a development for the University of Otago.
- Progress Report, June 2007 – a progress report to DCC on completion of the Long Term Council Community Plan public consultation process.

Since July 2007 CST interim updates have been provided to the Finance and Strategy Committee of DCC. In addition a number of informal updates have also been provided to the Executive of DCC and other stakeholders.

2.2 Purpose of the Development Concept Report

The purpose of this Development Concept Report is to provide DCC and other stakeholders with an update as to the progress and status of the proposed multi-purpose stadium at completion of the concept design stage.

For DCC this report will serve as a reference point to the resolutions that were passed in June 2007 and indeed provide a formal report within the 31 December 2007 timeframe noted within those resolutions.

The CST envisage that this report will be used by DCC and ORC in their decision making process to take this project to the next stage. It is time that a clear decision is made on this project and the CST request that DCC now confirm their commitment to the project. CST will, of course, be available to DCC and ORC to answer any questions or queries that they may have.

2.3 Summary of Content

This report covers all areas of the project related to the projects viability. It draws on a substantial level of experts reports which are referred to in the text.

For a report on completion of a design stage it covers the expected areas of design, cost and programme. Importantly it also addresses issues such as the district plan change, traffic and parking, delivery of the project, private sector funding, operational projections, and land availability. Further areas are also covered.

The reporting documentation consists of this document produced by CST and the following separately attached reports:

- Concept Design Report by the Design Team
- Update of Financial Feasibility Projections by Horwath HTL
- Private Sector Funding Strategy and Progress by The Marketing Bureau
- ETFE Test Rig Evaluation – Turf Testing by Sports Surface Design and Management
- District Plan Change by Anderson Lloyd

Together these will inform stakeholders and the public on the progress that has been made, the current status and the way forward.

3.0 FACITITY FUNCTIONALITY & PERFORMANCE

3.1 Context

The commitment to a fully roofed facility, a rectangular pitch, a partnership with the University, a site adjacent to Logan Park and its sports capabilities, and to a flexible seating arrangement, provide the basis for developing New Zealand's premier rectangular sports arena and multipurpose venue.

The social and economic viability of this project is based around this facility being a catalyst for community use, pride and economic development. These objectives have driven the design.

The following are broad categories reflecting the uses of the stadium:

- Education
- Entertainment
- Culture
- Sport
- Business
- Community

In addressing these key areas the facility functions not only as a stadium or arena for a number of sporting and non-sporting events, but the buildings that are constructed around the playing field will enable extremely high use of the development.

The brief to the design team has been very much in line with this vision. Thought has been provided as to how the completed development can function in accordance with these aspirations.

While the detail of the design will go through an iterative process prior to construction, the underlying objective referred to above is the major focus of CST.

3.2 Facility Design Objectives

The overall design of the facility is based on some key functional objectives that CST set the design team.

In broad terms these are a fully roofed, multi-purpose stadium with a minimum capacity of 20,000 expandable up to 30,000 plus.

The seating flexibility is achieved through standing areas and temporary seating. The multi-purpose nature means that it needs to be suitable for a range of sports, events, exhibitions, conferences as well as integrate with the likes of the University and other potential occupiers.

Operational requirements also need to be met not just in terms of facilities for spectators, such as food and beverage and a suitable number of toilets, but also in terms of media facilities, changing and medical areas, kitchen facilities and so on.

The ability to maximise revenue and funding opportunities has meant that spaces for corporate suites, corporate lounges and other such areas has been incorporated and further defined since the masterplan and feasibility stage.

Flexibility is required for not only the configuration of the seating bowl, but in the configuration of the corporate suites and lounges, the structures which house the east and

west stands, the way the facility is constructed, as well as other areas. This flexibility ensures the stadium can operate in various modes and assists in its multi-use functionality.

The design at completion of the concept stage meets the objectives that have been set.

The Concept Design Report is attached as a separate document and provides more detailed information.

3.3 Connection

The stadium site is located approximately 1.5km from the Octagon and therefore has strong and close links to the city centre. The proximity to the University, as well as the constructing of new facilities for the University on the site, means that the development effectively forms an eastern gateway to the campus area.

The transport strategy for the stadium has considered the movement of pedestrians, cyclists, cars, taxis, buses, coaches and delivery vehicles. Key parts of the city are within walking distance which means that, particularly during major events, it will be the preferred mode of transport. As part of Dunedin City Council's long term transport strategy, the state highway is to be realigned which as well as making pedestrian and cyclist access to the venue much safer, provides better access to Port Chalmers. The traffic impact assessment has noted the requirement for 335 car parks on the site, which has been achieved in the design.

3.4 Aesthetics, landscaping and impression

When approaching the site from the city, key elements of the design will be the urban plaza area, the University buildings, the facade treatment of the main south stand and the roof. While finalisation of these 'urban' design aspects is some way off, the integration of them into the development at a holistic level is important and therefore these elements have already been given some significant consideration.

3.5 Roof

An aspect that has had significant focus during this stage of the design is the roof. It is this element that gives the facility a point of difference and enables it to become truly multi-purpose in nature.

The further design work carried out during this stage has resulted in a number of roof options being developed. The resulting design can be delivered within the budget as well as providing a dramatic aesthetic for the City.

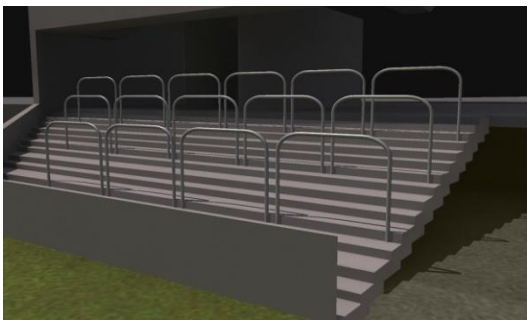
Importantly, the work carried out by the design team has significantly de-risked the roof and has provided further certainty on this aspect.

The roof also has a huge influence in the design of the overall structure and sub-structure and this has meant that significant progress has been made on these elements.

Aside from the structure, more work has been undertaken on the ETFE covering. The design of this, and the integration of it with other construction elements, is much better understood. Further details on the impact of ETFE on the turf are provided in section four.

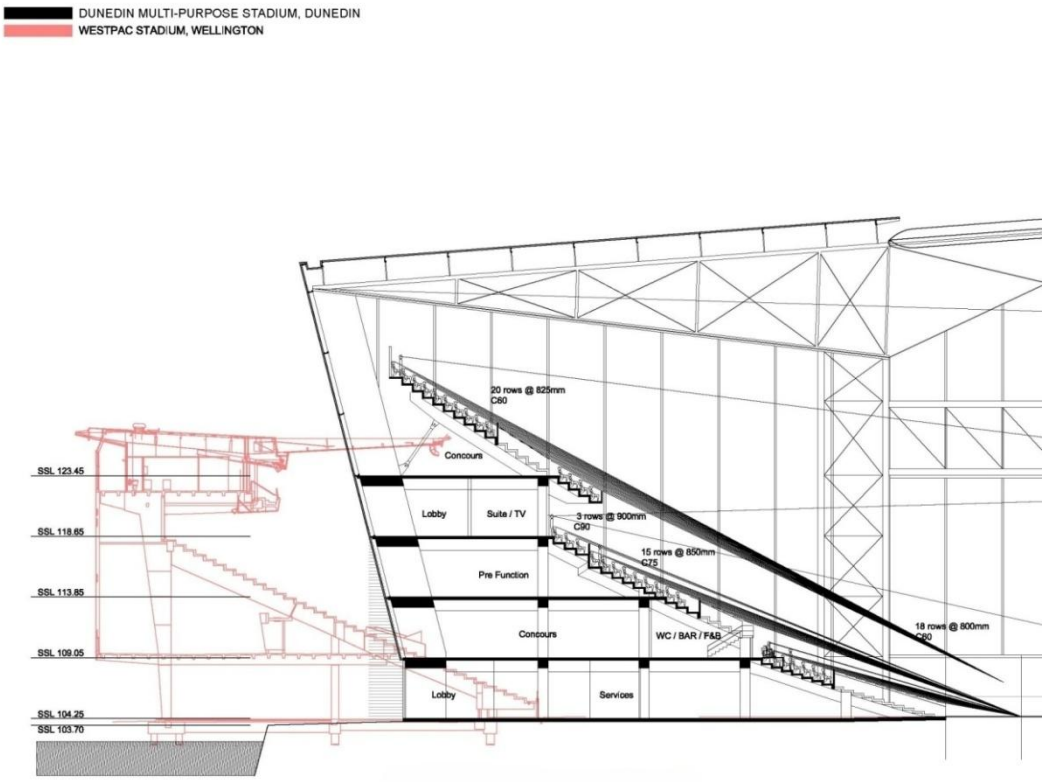
3.6 Seating Bowl

The seating bowl design has been amended since the masterplan and design stage. The configuration still shows permanent seating in both the south and north stands, comprising a total of just over 20,000 seats. However, the standing area on the west stand has been reversed with the temporary seating on the east stand, although this is still under consideration as part of the next design stage. In addition, there is now provision for part of the lower seating area in the north stand to be converted to a standing terrace as and when required (the principle of this is shown in the diagram below).



The seating bowl design allows the space to be used for numerous non-rectangular sports activities, as well as ensuring that as a stadium the venue does not appear half empty for the less significant events.

From a viewing point of view, the venue will provide the best experience and viewing lines of any venue in New Zealand. The angle of the seating, the proximity of the seating to the rectangular field and the high proportion of premium seating will create an experience not seen to date in this country. The section diagram below highlights the distance from the pitch compared to Westpac Stadium, Wellington.



3.7 Other Functional Design Considerations

The functional performance is enhanced by the consideration at this stage of high quality food and beverage facilities, not just at the concessions in the main concourse, but throughout the facility such as in the corporate lounges and suites. Consideration has and continues to be given to ensure the experience that a patron will receive from attending an event or function will be the best in New Zealand.

On one level in the main south stand there are 18 corporate suites in addition to a hirers lounge, a dining lounge and a Founders Club lounge. These will be supplemented by two 500 person corporate lounges on another level as well as open corporate reserves (grouped premium seats with access to the lounge) which means that not only are the total number of people who can purchase these products greater than Carisbrook there is also a better choice.

The media facilities will be comparable to the best in New Zealand. Sufficient spaces have been allocated for all forms of media and the project team is currently consulting with TV and print media organisations to ensure that while the facilities provided could be considered superior, they are not over-designed.

3.8 Environmentally Sustainable Design

CST has been specific in directing the design team to ensure that the design, construction and operation are future proof and sustainable. A number of ESD initiatives have already been allowed for within the concept design and these are further outlined in the separate Concept Design Report.

3.9 Benchmarking

To ensure the design is conscious of best practice design around New Zealand and the World, as well as ensuring that the venue is not over-designed, extensive use has been made of benchmarking. The categories benchmarked include:

- Functional and quality requirements
- Field orientation
- Roof height
- Structure, cladding and mechanical ventilation of enclosed stadia
- Shadow effect from roof structure
- Viewing lines and proximity to pitch

The benchmarking has not just included stadia generally, it has involved assessing the various elements of a number of stadia.

3.10 Future Opportunities for Integration and Expansion

The proposed development retains from the Masterplan and Feasibility stage the potential for additional developments to take place. Areas to the north east and south east are available for suitable and synergistic developments. These will provide an ongoing revenue stream for the stadium operator or, if sold, provide a development contribution to the stadium owner.

4.0 TURF

4.1 Test Rig

As has been widely known, following the approval of the budget for this stage to commence on 1 July, the project team constructed a test rig which was completed in early August 2007. The test rig was built on an existing turf surface on the Carisbrook car park with the shape of the rig closely matching that of the stadium design. Following a short period to allow for the turf to stabilise to the new environment the formal testing regime commenced in September 2007.

4.2 Test Methodology

In simple terms the test methodology involved the following:

- Monitoring the effect the reduced amounts of photosynthetic daylight, caused by the ETFE material, had on the turf
- Carrying out "wear tests" to assess the ability of the turf to recover after frequent light use as well as heavy use (i.e. such as a rugby match)
- Assessing the actual amount of daylight that was able to reach the surface after passing through the ETFE.

The tests that were carried out within the test rig were also carried out on an area of turf outside to assess the difference.

The image below shows the wear test.

4.3 Outcome of the Test

In summary, the turf experts have confirmed that the turf will grow successfully within the stadium. This is based on the information obtained from the test and the further work that they will be able to do with the design team.

The testing to date has obviously been carried out during the period from early spring through to early summer. While this is a relatively short period of time enough information

has been obtained to predict the impact of the ETFE during the whole year. The key issue that has arisen is that during the two months at the height of winter there may be too much daylight being filtered by the ETFE. The turf expert has commented that these issues will able to be resolved, particularly as the type of ETFE that can actually be used allows more daylight through than that used on the test rig.

As time is available, however, it does not make sense to dismantle the test rig as it can be used for further research and development work, which may include assessing different types of turf and testing different turf management techniques.

5.0 GROUND CONDITIONS

5.1 Masterplan & Feasibility Stage

At Masterplan and Feasibility stage the consultants undertook a thorough desktop study for contamination. This outlined previous uses of the site dating from the first development that took place around the 1920s. In terms of high risk of contamination, listed as past uses were chemical manufacturing (mainly petro-chemical), asbestos production, and tanning processes. These were all taken into account in terms of design and cost.

For the geotech assessments the consultants undertook a review of historic borelogs that had been dug for previous developments on the site. This information was used to make some assumptions for the foundation and structural design indicating a range of the depths of boulders on which to construct piled foundations as between 14m and 30m.

5.2 Testing

During the past few months a significant amount of work has been undertaken on ground investigations. Boreholes have been dug in the positions where the stands are proposed to be located and material assessed in terms of geotechnical information. A further set of boreholes and test pits in approximately sixty locations have also been dug and assessed for contamination.

5.3 Geotech

With regard to the geotech information for foundation design, it appears the depth to bedrock is approximately 30m across the site. This is a greater depth than was assumed at Masterplan stage. A design solution has been developed that overcomes this challenge. The cost of this solution is included in the cost estimate.

5.4 Contamination

The outcome of the contamination assessment has effectively confirmed the information that was gleaned from the detailed desk top study at masterplan and feasibility stage.

For the contamination assessments, both boreholes and test pits were undertaken to a depth of 4m. While contaminants are present, these are not considered severe. The design at this stage allows for the disposal of severely contaminated soil that is present, while other areas of lesser contamination will be dealt with and treated with ‘in-situ’ solutions.

6.0 TRAFFIC IMPACT

6.1 The Assessment

A traffic impact assessment report has now been completed. The report was produced as part of the assessment of environmental effects and will be included in the plan change documentation that will be lodged shortly.

The report not only considered the traffic impact for the proposed multi-purpose stadium development, but also the impact on the proposed Logan Park development and the combined effects of both developments taking place.

It is important to note that the assessment is based on the proposed road realignment that has been progressed in recent months by DCC and their consultants. Accordingly the CST consultant team has worked closely with the DCC consultant team on this aspect

The key outcomes from the study are noted below.

6.2 Traffic Generation

The outcome of this part of the study has found that the existing road network with the proposed re-alignment performs well in all situations (day to day through to combinations of different events). There are one or two intersections where slight delays may occur during major conferences at the morning and evening rush hour, but this can be offset by a change to the phasing of some of the traffic signals. It is also offset by the road realignment improving traffic movement and improved safety of pedestrians and cyclists.

During large scale events the stadium will need to utilise an event management plan to ensure the safety of public going to and from the venue. This could entail temporary road closures and parking restrictions for instance. Currently this occurs at the existing Carisbrook and is no different to other venues in New Zealand. A number of event management plans have already been drafted.

The assessment concludes that the effects of the development on traffic generation will be no more than minor.

6.3 Parking

The assessment has determined that the requirement for car parking spaces on site amounts to 335 spaces. The design team has also confirmed that based on the concept design this number of spaces can be accommodated.

Ensuring the venue is continuously in use will mean that there will be overlapping uses of the facilities, including car parks. Venue management of these overlaps will be required.

6.4 Transport Strategy

The assessment also provides further details on other transport modes such as pedestrians, cyclists, buses, shuttles, taxis and so on. The design of the stadium takes into account access issues and the safety of the public.

7.0 DISTRICT PLAN CHANGE

7.1 Background

The programme for the plan change has been noted in previous reports as being on the critical path for the development and the situation has not changed. The programme has not been able to be improved upon since the June Progress Report due to a number of reasons, the main two being: the progressing of the design to a point at which the relevant technical documents and plan documents could be written; and the progressing of the road realignment and the due processes that are required for that.

Nonetheless, in the recent months a significant amount of progress, and documentation, has been produced by the consultant team. This team has comprised of Beca Planning, Anderson Lloyd and a number of other consultants engaged to prepare the technical documents.

7.2 Technical Documents

The technical documents that have been prepared as part of the assessment of environmental effects can be considered extensive and robust.

The reports that have been produced are as follows:

- Traffic
- Acoustics
- Geotechnical engineering
- Hazardous substances
- Contamination
- Urban design
- Architecture
- Planning
- Infrastructure services
- Flooding and stormwater
- Economic impact
- Turf growth
- Air quality

A review of the findings of each of these can be found in the separate report on the District Plan Change. In summary none has found the effects to be of a nature that should prevent the development progressing.

7.3 Plan change Documents

Beca Planning has produced the other documents for the plan change. This has included a set of zone provisions for incorporation into the District Plan, which creates the objectives, policies and rules for the new zone. In addition, a section 32 report has been prepared which assesses the effectiveness and efficiency of the proposal against alternatives to ensure it is the most appropriate.

With regard to the overall documentation the CST consultant team has been liaising with the DCC executive team and their planners to keep them up to date with progress.

7.4 Consultation to Date

As well as consultation with the DCC, direct consultation has occurred with a large number of other parties. In addition, two public open days have been held on the plan change process. The plan change team continue to treat consultation as an ongoing process leading to the formal consultation process in terms of submissions.

8.0 PROJECT PROCUREMENT

8.1 The Status in June 2007

In the Progress Report to DCC in June 2007 one of the appendices outlined the project delivery options. This outlined the key factors that needed to be considered in selecting the best project delivery option for this project. These factors include the requirement for a public tender process and a guaranteed maximum price.

The key factors noted in the June report were:

- The significant scale of the development for the region
- While the target completion before RWC 2011 should not outweigh all other considerations, it is an achievable objective and should be pursued for the benefit of the project and investment
- The proposed site is a brownfields site, being an already developed area with issues such as occupiers, traffic, and existing services to be addressed
- While stadiums are simple structures, the roof and the integration with the University increase the complexity of the development
- The delivery approach must extract the most value out of the investment spend without exposing CST to unacceptable risk
- CST does not have a mandate or capacity to cover an overrun of costs. After the maximum value has been obtained for the benefit of the project, CST must have the construction and performance risk removed via a guaranteed maximum price mechanism
- Given that the majority of the funds will come from the local community, it is important to maximise the use of local resources without compromising other delivery objectives

8.2 Current Situation

The Trust's view on the preferred procurement process has not changed from that reported to the DCC in June 2007. In fact this process has been developed and is now underway.

The proposed process includes:

- The early selection of a contractor by open tender
- The involvement of the contractor in ensuring the best value design is developed.
- Obtaining the best pricing from the market via an open book approach. In other words, the contractor will work with the CST and it's team to confirm the cost
- The taking of the construction risk by the contractor through a guaranteed maximum price lump sum contract

The consultants will be converted from percentage based fees to lump sum fees at the time that the construction cost is fixed.

The benefit of the approach includes:

- A fully competitive process
- The transfer of construction risk

- Best value design is developed and priced
- Allows early and direct procurement of long lead items and key supply items (eg: ETFE roof, seats)
- Provides local, southern trade contractors with opportunities to be involved
- Delivers the lowest final cost

It is expected that the contractor will be selected by March 2008 via a public tender process. This will enable the preferred or selected contractor to understand the design early and provide any further constructability advice as appropriate. The securing of a guaranteed maximum price may be a two stage process, but in any event the price will be finalised around July/August 2008.

9.0 LAND AVAILABILITY AND ACQUISITION

9.1 Land Availability

Based on the discussions and negotiations to date with land owners and occupiers, it can be reported that the land required for the stadium site is available to the Trust. Sale and purchase and other such agreements are now being progressed.

9.2 Acquisition Process

A number of sale and purchase agreements and other such legal agreements for relocation have now been issued to the relevant parties with some signed and returned. Within all agreements there has been a confidentiality clause inserted and CST is therefore unable to provide exact details within this written report. A number of key dates have also been signalled in these agreements which results in a possession date on or around 31 July 2008.

The settlement date has been set in the next financial year (after 1 July 2008) as no land acquisition costs were included within this year's budget as noted and issued to DCC in June 2007. This date is also set after the date on which ORC's funding contribution will commence, subject to its decision on the project.

These dates will provide CST with vacant possession of the site in advance of the construction commencement date.

9.3 Land Costs

As noted above the negotiations with each of the interested parties is confidential and the Trust is therefore unable to provide any detail relating to purchase prices in this report. It is fair to say, however, that there is upward pressure on the budgeted cost for land acquisition. The Trust is continuing negotiations to achieve the desired outcome.

10.0 PROGRAMME

10.1 Update on Master Programme

The Master Programme that has previously been reported shows that the stadium would be completed around the end of 2010 or the early part of 2011. For this stage the programme has once again been reviewed and the date of practical completion is now tracking as February 2011.

The target of completing in early 2011, therefore remains under pressure but is very much achievable at this point.

10.2 Key Milestone Dates

Some of the key milestone dates are noted below:

- Complete concept design stage — October 2007
- Preliminary design stage — October to December 2007
- Lodge plan change — December 2007
- Developed and detailed design stages — January to September 2008
- Submission process for plan change — February to March 2008
- Construction partner selected — March 2008
- Settlement on land (possession) — July 2008
- Construction GMP/contract agreed — July/August 2008
- Plan change confirmed — October 2008
- Commence construction — November 2008
- Practical completion — February 2011

11.0 DEVELOPMENT COSTS

11.1 Overview

The Trust is confident that the project can be delivered for the budget of $188m plus GST.

As noted earlier, there is some upward pressure on the land prices, however strategies are in place to mitigate it. Good progress has also been made on the design and construction budget which is, of course, the largest element of cost.

11.2 Cost Plan

As the design has progressed and more detail provided, there has been an increase in the certainty of the cost plan. While it should be noted that these are still reasonably early days in terms of design, a number of the major risk areas have been extensively worked on to, where possible, eliminate the risk of cost increases early on. As a consequence there is much more certainty, for example, on the design of the roof, how it will be built and the implications on other elements (such as the main structure and foundations).

The project team has already sourced pricing on some major plant and equipment and therefore knows the cost rather than, as typically would be the case at this stage of a project, needing to apply a percentage of the construction costs.

Market testing on a number of the critical areas has also been carried out, such that the total percentages of construction value tested is much higher than would normally be the case.

CST and it's consultants therefore have confidence in the budget.

11.3 Peer Review of Design and Construction Budget

DCC has appointed Rider Levett Bucknall (RLB) to carry out a peer review of the construction costs which includes a review and assessment of all of the technical documentation and methodologies that support them. RLB have been working with the design team for a number of weeks and are due to report their findings imminently.

11.4 Cash Flow and Budget

In June 2007 DCC agreed, subject to certain conditions, to fund CST approximately $11.5m for the financial year 1 July 2007 to 30 June 2008, of which $5.6m was projected to be expended by 31 December 2007.

At the time of this report, figures to the end of November 2007 have yet to be finalised. Expenditure to 31 October 2007, however, amounted to $2.3m compared to a budgeted figure of $3.4m. The main reason for the difference is due to the invoicing process lagging behind the cashflow projections by approximately one month, however it should be recognised that the work is also tracking under budget.

By the end of December 2007 and taking into account the issue noted above, it is anticipated that the committed value will be around $4.8m. In other words, the expenditure is expected to be approximately $800,000 below budget. It should be noted that all of these figures are GST exclusive.

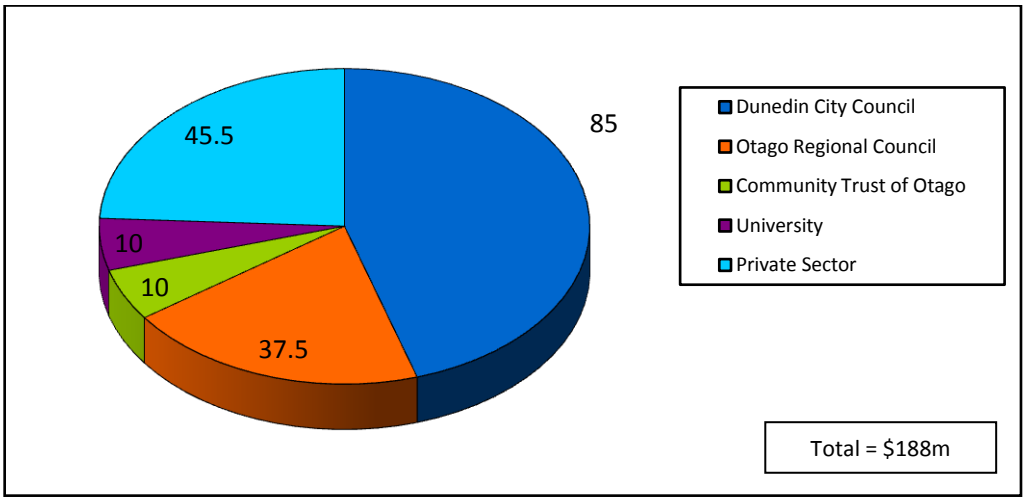
The forecast of expenditure to the end of the financial year (30 June 2008) is still in line with the projected budget of $11.5m as the $800,000 will be caught up. As noted when the

cashflow projections were prepared in May 2007 this still excludes any land costs or early procurement construction elements.

12.0 FUNDING

12.1 Funding Breakdown July 2007

The chart below indicates the breakdown of the overall development cost of $188m.



12.2 Dunedin City Council

$85m of funding has been requested of DCC and they have chosen to add a figure of $6.4m to that figure to allow for replacement of major plant, equipment and other building elements. The investment of $6.4m will pay for any replacement items over the lifetime of the asset.

CST can confirm that on completion of the concept stage there is no requirement to increase the sum of $85m.

12.3 Otago Regional Council

CST made a formal request for $37.5m funding at completion of the masterplan and feasibility stage. Currently ORC is still going through its decision making process, though CST understands that the decision is dependent on DCC making a final commitment to proceed.

The funding from ORC needs to be able to be drawn down from 1 July 2008, as the expenditure on the project will increase after that point, particularly when the settlement of land is required.

12.4 Private Sector Funding

A report regarding private sector funding has been separately attached by The Marketing Bureau (TMB), the funding consultants that CST has appointed.

To date TMB has, in conjunction with Colmar Brunton, undertaken market research on opinions about the stadium. This survey assessed: the views on private sector fundraising products; whether the public would purchase some of the products suggested; and how much they would pay. In addition, TMB has undertaken a peer review of the targeted $45.5m. The outcome of the market research and peer review is that the target should be achievable and quite possibly exceeded.

Since then a detailed programme for fundraising has been developed, the first stage of which has been to target corporate organisations for head naming rights as well as high net worth individuals in conjunction with concepts such as the Founders Club which would result in large donations in exchange for exclusive access rights and other privileges.

The first stage has had very positive responses, particularly the presentations that have been made with respect to head naming rights. TMB has recently secured a formal expression of interest, which is currently being worked through. The expression of interest is subject to a confidentiality agreement and therefore further detail is unable to be provided within this report.

Other sources of funding and products, such as corporate suites, are on programme for launching in early 2008 and beyond.

The aim of the Trust has always been to prioritise achieving the highest level of private sector funding versus achieving a lesser amount in the shortest possible time.

12.5 University of Otago

The University has always maintained that it will not invest in 'seats and turf'. The contributions it will make are in relation to the cost of land acquisition, the provision of infrastructure services, construction and land costs for the Plaza as well as other efficiencies from undertaking a joint development.

Until such time as the concept design is developed for the University buildings it is difficult to confirm the exact value of its contribution. However, based on the issues noted above it is still anticipated that this will be a minimum of $10m.

12.6 Community Trust of Otago

On release of the Masterplan and Feasibility Report the CTO board signalled it's in principle agreement to CST making an approach for $10m of funding at the appropriate time.

The appropriate time for a formal application will be after DCC and ORC have made a final commitment to the project. It should also be noted that this sum of money will only be able to be used for the construction of the stadium and will therefore be drawn down during the construction stage.

13.0 DEVELOPMENT PARTNERS

13.1 University of Otago

In the period since the June report, CST and the University have executed a Heads of Agreement with regard to the development of the stadium and the University facilities. The agreement outlines a number of principles. These relate to the roles of the parties during the development, the ownership of the completed areas of the development, the funding contributions as well as other such details.

The University has made a firm commitment to the project.

13.2 Otago Rugby Football Union

There are two key aspects in relation to the ORFU. The first, and of greater priority to CST, is the arrangements relating to the hire of the venue for rugby use. The principles of this agreement have been drafted and are currently been negotiated. Good progress is being made with the ORFU confirming their commitment and belief in the new stadium option.

The other issue is the future ownership of Carisbrook. The focus of CST is the new stadium and Carisbrook ownership is therefore outside of the scope and responsibility of the Trust. Once the final commitment is given by DCC, finalising the issue of Carisbrook will be able to take place between the relevant parties.

Indirectly, yet importantly, associated with ORFU is the NZRU. While the Trust has been keen to design a multi-use facility, the economic impact to the region of hosting test matches cannot be ignored. The recent announcement of a test match for Dunedin in 2008 must, however, be put in context. The NZRU has confirmed "The Springboks test is a one off allocation for 2008 in recognition of the work the Otago Rugby Football Union, the Carisbrook Stadium Trust and others have done in progressing the new stadium project". Further progress must therefore be made otherwise future Dunedin tests will be unlikely to materialise.

13.3 Other Occupiers

There has been interest informally expressed from a number of potential occupiers for some areas of the stadium. For example there is the ability to build approximately 1,500m2 of space above the concourse area in the north stand.

As noted in the Concept Design Report attached separately, the focus has been on developing the key design parameters from CST before consulting in more detail with the likes of the Academy of Sport. This will occur during the next design stages to maximise these opportunities.

13.4 Future Opportunities

Similarly to the previous item, there are a number of potential additional development opportunities at the stadium, most notably in the corners of the stadium. There are opportunities either to build facilities for operations that would provide additional revenue to the stadium or to undertake development which, on sale, would provide development margin for the stadium owner.

While a number of informal discussions have taken place with interested parties on these types of opportunities, none have been included in the financial and operational projections.

The flexibility in the design of the stadium allows for these elements to be incorporated either as part of the development programme or at a later date.

14.0 OPERATIONAL VIABILITY

14.1 Background

At the Masterplan and Feasibility stage, Horwath HTL (HHTL) was engaged to prepare financial projections for the operational revenues and costs for the completed development.

Since that time there has been a considerable amount of work undertaken on various aspects of the project that have an impact on the projections. Therefore HHTL was asked to review progress on the project, update assumptions relating to the revenues and costs based on the latest information available, and provide an updated set of projections. These were collated into a report which is attached separately.

In addition to the work carried out by Horwath HTL, Dunedin City Council has engaged Price Waterhouse Coopers (PWC) to undertake a peer review of these financial projections.

14.2 Financial Projections Update

In February 2007, HHTL produced two sets of financial projections based on the first fifteen years operation of the venue. These produced figures for earnings before interest, tax, depreciation and amortisation.

The first set of projections produced was based on a conservative yet realistic approach which projected that the average annual cash flow (over fifteen years) would be a net surplus of around $310,000 per annum. The second set was based on a more optimistic approach and resulted on a net surplus of around $630,000 per annum.

There are a couple of points of note. Firstly there is no debt projected for the funding of the stadium therefore there are no interest payments. Secondly, as noted under the Funding section of this report, no depreciation has been allowed as DCC has already added a figure of $6.4m to their share of funding to be placed in a fund to allow for replacement and maintenance of major plant and equipment.

The work that HHTL has recently undertaken has resulted in some changes to these projections.

HHTL were asked to provide not just a base case, but to also provide an optimistic and a pessimistic scenario, albeit that the latter two were not intended to represent the extreme cases.

The updated financial feasibility projections average annual net cash flows are as follows:

- Base case - surplus of $536,000
- Optimistic case - surplus of $900,000
- Pessimistic case - surplus of $108,000

In all cases the stadium is projected to make a net annual surplus. This takes into account salaries and wages, administration, an event bid cost allowance, turf and building maintenance, cleaning, energy costs, security, governance, rates and insurance, as well as other costs.

14.3 Peer Review

For this stage of the project, and as required under the DCC resolutions of June 2007, DCC engaged PWC to undertake a peer review of the updated financial projections. This peer

review is currently being finalised, although discussions with PWC have noted that there appears to be no major concerns with the HHTL's projections.

15.0 ECONOMIC AND SOCIAL VIABILITY

15.1 Background

An economic impact study was undertaken at the masterplan and feasibility stage by HHTL. This study was undertaken on the basis of assessing the positive impacts relative to the opportunity costs that arise, both at a city and a regional level.

HHTL noted that positive economic impacts arise from:

- Spending by additional visitors because of the stadium
- Spending retained in the local economy as a result of residents no longer having to travel outside of the region to attend events
- Spending in the local economy related to the initial construction of the facility
- Spending in the local economy related to the on-going capital upkeep of the stadium and the employment of staff
- Spending by additional University students attracted to Dunedin by the campus stadium

The above are offset by the opportunity costs that arise from local households and businesses altering their spending patterns compared to the scenario of a stadium not being built.

The analysis considered a timeframe of a fifty year life of the stadium, although it would be envisaged that it would last longer. As the construction costs are based on 2011 dollars (i.e. cost on completion) the economic impact analysis also used this basis.

Based on HHTL's assessment the stadium would provide a positive contribution to Dunedin's and the region's gross domestic product of approximately $400m, with a net contribution of approximately $270m, a payback of over three times the initial investment (which is defined in this case as the opportunity cost to households and businesses).

15.2 Economic Impact

While no further work has been undertaken on the economic impact of the project since the Masterplan and Feasibility Report, there have been some interesting issues that have arisen.

Firstly, the market research that Colmar Brunton carried out during the middle of this year indicated that people from the Otago and Southland regions spend $56m per year attending entertainment events at other centres in New Zealand. While the CST is not suggesting that all of this would be retained in the local economy if the project proceeded, it would be fair to assume that a reasonable proportion of it would be. To put this in perspective, the assessment made in the economic impact study at masterplan and feasibility stage accounted for only $4m per year on average. Based on the market research, CST believes this figure should be much higher.

Secondly, the revised operational projections have resulted in an increase in both revenues and costs which would increase the positive economic impacts.

Another point that has been raised by the securing of a test match for Dunedin in 2008, is the economic impact that an event of this nature has. In 2003 BERL estimated that the South Africa test match resulted in a $2m contribution to Dunedin's GDP.

The above provides further confidence that the economic impact figures issued at masterplan and feasibility stage can be considered conservative.

15.3 Social Impact

There have been a number of commentators who have expressed their opinions on the pros and cons of the stadium, but most opinions have been from an economic point of view. There seems to have been comparatively little said about the possible social impacts that were noted in the Masterplan and Feasibility Report.

While this issue is rather subjective in nature, as the project has progressed CST believe that the positive social impacts that are possible have been further confirmed. The fact that this facility has the potential to be used in whatever way the various parts of the community want it to be used for maximises the positives. Broad categories such as education, culture, entertainment, sport and civic amenity have all been noted as the potential types of uses which would have a significant positive social impact.

15.4 For the Future

Perhaps the one key issue that has been raised since the release of the Masterplan and Feasibility Report has been that this project, particularly from an economic and social point of view, is not about the people of the region today – it is about the future generations.

16.0 RISK SUMMARY

16.1 Background

An overview of the key risks is provided below. The Concept Design Report provides a more detailed analysis of the design and construction risks.

16.2 Programme Risks

The key risk for the programme is the district plan change process. Based on the process that should be followed this currently allows for completion of the development in line with the milestones for the project. In other words the project can be completed by the beginning of 2011 in time for the Rugby World Cup, provided there is no protracted appeals process

One of the more significant uncertainties is whether the plan change will be appealed, or more importantly how drawn out the process would be. Without knowing the basis on which any appeals could be made it is difficult to know the effect on programme. If there are any appeals of a frivolous nature then it is anticipated they would either be thrown out or discussed with the appellant in an effort for them to withdraw. This scenario would perhaps result in a negligible delay which would not necessarily affect programme.

However, if there are any appeals of a more serious nature then this could result in going to the Environment Court. It is difficult to know what length of delay this could impose, but it may mean that the current programme would not be met.

Nonetheless, the extensive amount of work undertaken for the plan change is providing confidence to CST that while there is a possibility of a delay, the programme remains achievable.

16.3 Cost Risks

While there are still risks relating to costs in the project, as there would be in every project, the progress that CST and their consultants have made in relation to design and buildability has meant that compared to other projects at a similar stage, a lot of the elements have been de-risked.

For instance, the way in which the roof is to be constructed has been through an extremely robust set of reviews and the team has already approached various market sources to test cost assumptions.

The main current risk to cost is the budget for land acquisition. Nonetheless the strategies that are being worked through are showing signs of success and the mitigating of this risk is underway with some progress made.

While strategies on cost continue to be enforced, CST confirms that the budget remains at $188m.

17.0 THE NEXT STEPS

17.1 Key Decision

In June 2007, CST requested that DCC make a final commitment to the project. DCC determined that it was not able to provide that commitment without further certainty on the viability of the project. CST believes that this report provides some further certainty for DCC to now make a firmer commitment.

This commitment will enable CST to not only further the agreements on issues such as land and funding, it also enables ORC to finalise its decision. A commitment from ORC to provide $37.5m of funding is also needed at the earliest opportunity in order that further certainty is provided and funds can be drawn down from July 2008.

17.2 CST

For CST, the following are the critical next steps:

- Finalise sale and purchase agreements on land and the conditions associated with them.
- Lodge and progress the district plan change.
- Finalise the venue hire agreement with ORFU.
- Finalise a head naming rights sponsor.
- Continue with the design and commence the concept design of the University facilities.
- Continue in the process to select a preferred contractor.
- Roll out the private sector funding products.

18.0 DCC RESOLUTION SUMMARY

18.1 General

The key resolutions that CST are responsible for are referenced below. This table acts as a summary for DCC. It should be noted that the comments under 'status summary' take account of the wording in the resolution, that being "before the Council makes a final commitment it will require as far as practicable.."

Resolution	Status Summary
A public tender process with a guaranteed maximum price for construction contracts	A process has been adopted by CST to achieve this and is already underway
Security as to other funders	Private sector funding is achievable with formal expressions of interest secured already. Funding confirmation is required from ORC
A contract with the University of Otago	Contract has been executed
Confirmation that the turf will grow successfully	Test undertaken is positive and confirms that the turf will grow. Research and development will continue to ensure correct management philosophies are adopted
That physical constraints with regard to site suitability and roading and parking requirements are satisfied	Geotech has confirmed some issues, but options have been developed which overcome these. Contamination is as previously considered and factored into design. Sufficient parking can be provided on site and the traffic modelling indicates the road network copes well
A peer review of the quantity surveyor's estimate and other technical reports	DCC peer review QS currently working with design team
A peer review of the robustness of the ongoing estimates for revenues and expenses	DCC peer review consultant has made comments, but none which seriously affect the overall operational costs and revenues. Currently await final report