

PENINSULA CONNECTION - UNFUNDED SECTIONS

Department: Transport

EXECUTIVE SUMMARY

- 1 The purpose of this report is to present options for funding the Peninsula Connection Road Safety project (Peninsula Connection) between Portobello and Harington Point (the unfunded sections), which are currently incomplete.
- 2 Construction of the Peninsula Connection started in 2008. Later, due to challenges with securing New Zealand Transport Agency (NZTA) co-funding for the project as a whole, the scope of the project was revised, and the unfunded sections were removed.
- 3 It was intended that these sections would be completed when funding permitted.
- 4 In May 2023, Council requested staff prepare a report on the unfunded sections of the Peninsula Connection which was to include updated costs to complete these sections and options for funding.
- 5 The estimate (at today's pricing) to complete the unfunded sections of the Peninsula Connection as it was originally envisioned is between \$18.5 - \$24.5M. Routing the connection on the landward side of the area near Portobello School is less complex from an engineering perspective, has less risk associated with land requirements and is more cost effective. This alignment is represented in the lower end of the costs above.

RECOMMENDATIONS

That the Council:

- a) **Notes** the Peninsula Connection – Unfunded Sections report
- b) **Notes** that there is no co-funding available from NZTA for the unfunded sections
- c) **Decides** a preferred option
- d) **Notes** that if funded, the capital upgrades will require annual operating budget for interest, depreciation, and maintenance to be added to the budget following the completion of each section.

BACKGROUND

- 6 For many years, concerns have been raised about the safety, resilience, and accessibility of Portobello Road. The road had a high accident rate, was prone to surface flooding through waves overtopping and had limited capacity to accommodate alternative modes of transport.
- 7 The road is an important road for mana whenua, leading to the Ōtākou Marae. It is also the primary access for residents of the Otago Peninsula and is a busy road for tourists and visitors to Dunedin. The narrow road presented significant challenges to all road users, including tour buses travelling to and from the Royal Albatross Colony at Pukekura – Taiaroa Head.
- 8 As a result, a project was initiated to enhance the safety for all road users. The DCC's Long Term Council Community Plan 2002-2012 included \$7.35M spread over the years 2003-04 to 2010-11 under the heading "Improve Peninsula Roads".
- 9 The components set out in the initial project were:
 - Portobello Road pedestrian and cycle facilities (a) Vauxhall to Burns Point \$1.2M (b) Rosehill Road to Raynbird Street \$3.2M
 - Harington Point Road – minor improvements from Portobello to Gills Corner \$1.5M
 - Harington Point Road from Golf Course Road to Pipikaretu Road – widen for pedestrians and cyclists \$1.2M
 - Harington Point Road – form footpath from Pipikaretu Road to Harington Point \$250,000
- 10 This project was refined over time to include greater safety of road users and improved resilience to the effects of climate change and became known as the Peninsula Connection Road Safety Project (Peninsula Connection).
- 11 The initial scope of the project covered the road between the Vauxhall Yacht Club to Pukekura - Taiaroa Head. Feedback from the Otago Peninsula Community Board at the time was that the priority area was the stretch of road between Macandrew Bay and Raynbird Street. It was estimated at the time that the whole project would cost around \$20m to complete.
- 12 Prior to 2008 an application for co-funding was approved by NZTA. Work formally started at MacAndrew Bay in 2008. The NZTA Funding Assistance Rate (FAR) at that time was 62%.
- 13 In 2011-12, construction had reached the Vauxhall to Doon Street area, but was paused following the withdrawal of co-funding. The funding was eventually reinstated but NZTA had signalled that the FAR may drop below 62% and the funding would only be for part of the project. Construction recommenced in 2014.
- 14 To help with increasing costs and challenges with securing co-funding for the project in its entirety, the project was split into multiple discrete sections. This enabled a business case to be completed for the areas that would attract the highest benefit-cost-ratio (BCR). This approach gave the greatest chance of securing co-funding. By that time, the total cost of the Peninsula Connection project (in its entirety) was estimated to have increased to \$50M.
- 15 In 2017, DCC ran an open-market tender process for the remaining sections. The budget estimate was \$50M however the tendered prices received were significantly higher than estimated (around \$80M). As a result, the works were split into separable portions to allow for

construction to start, while staff worked with the contractor to “value-engineer” the project to reduce costs as much as possible. At that time, the NZTA FAR had dropped to 57%.

- 16 Following the value-engineering process, in 2019 DCC submitted a cost scope adjustment to the NZTA Board seeking an increase to the co-funding, reflecting the revised price estimate of \$69.5M. The minutes of the NZTA meeting discussing the cost scope adjustment are at Attachment A.
- 17 The NZTA Board agreed to increase its share of the funding but resolved to cap their funding contribution as a proportion of the total estimated cost of \$69.5M. Because of this cap, no further funding would be granted by NZTA for the Peninsula Connection project. The full minute of their meeting is at Attachment A and the minute excerpt with their resolution is shown below at Figure 1.

NZ Transport Agency Board Meeting – Monday, 17 June 2019

10.2 Dunedin City Council’s Peninsula Roading Improvement Activity: Cost Scope Increase and Scope Change

Board paper 2019/06/1401

Brett Gliddon outlined the cost scope increase and scope change details and the preferred option and noted the cap in respect of funding this activity.

Board Members sought assurance that the cap is robust. Management confirmed that it is very robust.

Resolution 14	<p><i>The NZ Transport Agency Board:</i></p> <p>a) Approved funding to Dunedin City Council (DCC) for an increase of \$20,444,107 (NZ Transport Agency share \$11,199,936) for the Peninsula Roading – Portobello Road/Harington Point Road approved activity, thereby increasing the approved total cost from \$49,075,893 to \$69,520,000 (noting that the Transport Agency share of the increased cost will be claimed in the National Land Transport Programme (NLTP) 2021-2024 period due to a lack of funding availability from the local road improvements activity class).</p> <p>b) Approved the scope change and cost scope increase be front loaded by DCC in the National Land Transport Programme (NLTP) 2018-2021, and the NZ Transport Agency share of the increase in cost claimed by DCC in the NLTP 2021-2024 (that is, financial year 2021/22).</p> <p>c) Approves that NZ Transport Agency’s funding contribution is capped as a proportion of the total project cost estimated at \$69.5 million.</p>
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Figure 1 – NZTA Board resolution 2019

- 18 To ensure the project continued, but remained within the capped budget, the scope was reduced and the sections at Portobello and further along Harington Point Road to the Ōtākou Fisheries Wharf (Fisheries Wharf) were removed from the scope.

- 19 The removal of these sections was reflected in the Annual Plan 2019-2020 document as follows:

Peninsula connection

The updated capital expenditure programme includes an increase of \$20,000 million for the peninsula connection project, of which \$11,200 million is funded by New Zealand Transport Agency. The overall costs for delivering the total project have increased and a value engineering exercise was undertaken to identify potential savings. This include removing sections of the project past Portobello township, due to the relatively low benefit these sections delivered when assessed as part of the business case.

The revised project budget will deliver the peninsula connection project from the city to Portobello township. Sections still to be completed past this point will need to be funded separately using budget lines, for example the minor improvements budget.

Figure 2 Excerpt from DCC Annual Plan 2019-20

- 20 The remaining, unfunded sections have not since received any budget allocation and cannot be accommodated from within Transport's business-as-usual budgets.

- 21 Council, at its meeting of 22 May 2023 resolved:

Moved (Cr Christine Garey/Cr Andrew Whiley):

That the Council:

- a) **Request** staff to include the unfunded section of the peninsula connection project (from Portobello to Harington Point) into the Regional Land Transport Plan 2024-2034.
- b) **Request** staff prepare a report in time for the 10 year plan 2024-34 on the unfunded sections of the Peninsula Connection, including
 - i) Updated costs for completion of these sections
 - ii) Funding options

Division

The Council voted by division

For: Crs Bill Acklin, Sophie Barker, David Benson-Pope, Christine Garey, Kevin Gilbert, Carmen Houlahan, Marie Laufiso, Cherry Lucas, Mandy Mayhem, Jim O'Malley, Steve Walker, Brent Weatherall, Andrew Whiley and Mayor Jules Radich (14).

Against: Cr Lee Vandervis (1).

Abstained: Nil

The division was declared CARRIED by 14 votes to 1

Motion carried (CNL/2023/115)

- 22 The funding options report was paused following Council's decision to prepare a 2024/25 Annual Plan and a 2025-34 9 year plan.
- 23 Increasing the safety for road users and making the road more resilient to the effects of climate change, align with the values of Te Taki Haruru, particularly in the key outcomes of social equity and connectivity, and respond to concerns raised by mana whenua.
- 24 In a letter to Council dated 29 January 2024, Te Rūnanga o Ōtākou raised concerns that the project remained unfinished. In that letter, it was noted that use of the Ōtākou Marae had increased and that there was ongoing concern about the safety of road users. It was also noted that in previous discussions with DCC, the rūnaka had agreed to a variation to the order the project was to be implemented in, but that the "Ōtākou section" was not to be abandoned.
- 25 Subsequently, at its meeting of 12 March 2024, Council resolved:

Moved (Cr Christine Garey/Cr Andrew Whiley):

That the Council:

- a) **Notes** the previous resolution on the Peninsula Connection (**CNL/2023/115**) requesting a report in time for the 10 year plan 2024-34.
- b) **Requests** that the report on the unfunded sections of the Peninsula Connection is now provided by December 2024 in time to be considered in the development of the 9 year plan and the Infrastructure Strategy;
- c) **Notes** that the report would include:
 - i) Updated costs for the completion of these sections.
 - ii) An assessment of funding options.
 - iii) Timings that would allow the work to be progressed in stages

Division

The Council voted by division

For: Crs Bill Acklin, Sophie Barker, David Benson-Pope, Christine Garey, Kevin Gilbert, Marie Laufiso, Cherry Lucas, Mandy Mayhem, Steve Walker, Brent Weatherall, Andrew Whiley and Mayor Jules Radich (12).

Against: Crs Carmen Houlahan and Lee Vandervis (2).

Abstained: Nil

The division was declared CARRIED by 12 votes to 2

Motion carried (CNL/2024/028)

- 26 A further resolution was passed by Council at its meeting of 28 May 2024. Council resolved:

Moved (Cr Christine Garey/Cr Jim O'Malley):

That the Council:

- a) **Notes** the previous Council resolution requesting a report on the unfunded section of the Peninsula Connection (CNL/2024/028)
- b) **Requests** that the timings in resolution (CNL/2024/028, part 3:3) include consideration of the 3 unfunded stages being progressed early in the 9 year plan 2025-34.
- c) **Requests** that in addition, staff to commence preparatory work necessary to inform the report, such as land tenure investigations and preliminary geotechnical investigations from within existing budgets.

The Council voted by division

For: Crs Bill Acklin, Sophie Barker, Christine Garey, Carmen Houlahan, Marie Laufiso, Cherry Lucas, Mandy Mayhem, Jim O'Malley, Steve Walker, Brent Weatherall and Mayor Jules Radich (11).

Against: Cr Lee Vandervis (1).

Abstained: Nil

The division was declared CARRIED by 11 votes to 1

Motion carried (CNL/2024/001)

DISCUSSION

- 27 Giving effect to Council's resolution of 22 May 2023, the unfunded sections of the Peninsula Connection Road Safety Project were added to the draft Regional Land Transport Plan 2024-2034 submission, with pre-implementation costs being added to the 2024-27 period, with construction costs reflected after 2027.
- 28 The Peninsula Connection project does not align with the Government Policy Statement for Land Transport 2024, so will not receive any co-funding. It is also unclear whether the previously resolved NZTA Board's cap on the estimated total project cost can or will be reviewed in the future.
- 29 Staff responded to Council's resolution of 28 May 2024 and commenced preparatory work necessary to inform this report (e.g. land tenure investigations and geotechnical investigations) for each of the sections as shown in Figure 1 and at Attachment B, as follows;



Figure 1 – Unfunded Sections of the Peninsula Connection 9B, 13 and 14

- i) Section 9B (Portobello to Weir Road). This section has the largest out of road corridor requirements. This section, due to its complexity, has never been fully designed. Two concepts for this section have been considered, one seaward side, and the other landward side. The landward side option has less land purchasing requirements, engineering complexity and is more cost effective. Staff have been in dialogue with the Ministry of Education over land requirements at this location. Initial geotechnical assessments suggest that standard roading fill materials to prepare the basecourse would be required. The seaward side option requires retaining structures and is a much more complex route to complete.
 - ii) Section 13 (Tidewater Drive to Ellison Road): This section is largely in the road corridor and requires a shoulder to be added to the existing road corridor with separators to protect shared path users' safety. From a geotechnical perspective it is not envisaged that any changes to the existing ground or pavement are made (given the construction if for cyclists and walkers only), and standard roading materials would be used. Land purchase represents less than 0.5% of the overall cost considerations.
 - iii) Section 14 (Ellison Road to the Ōtākou Fisheries Wharf): The engineering complexity through this location lies with the seawall face which would use the geotextile filler fabric that has been successful from a maintainability perspective in many other sections of the Peninsula Connection. Modification for drainage would be made to existing retaining walls and supplying and placing bulk fill is about 11% of the overall cost consideration. This section does need consideration around pole replacements and seawall archaeology. However, once again the heightening and increase in size of the road width to accommodate a shared path does not present any complex geotechnical uncertainties.
- 30 Staff have considered how the project could be delivered in stages and propose three distinct sections.
- **Ellison Road to the Ōtākou Fisheries Wharf (Section 14)** - This section is in greatest need of safety and resilience improvements and is the highest priority. This section is approximately 700 meters and is estimated to cost \$8M. Once constructed, it is expected to have an operational cost of \$722k per annum to cover interest, depreciation and maintenance.

- **Tidewater Drive to Ellison Road (Section 13)** - This section is approximately 3.6km and is estimated to cost \$6.9M. Once constructed, it is expected to have an operational cost of \$626k per annum to cover interest, depreciation and maintenance.
- **Portobello to Weir Road (Section 9B)** – This is the section of road from the end of the completed section at Portobello to Weir Road. This section is approximately 2km and is estimated to cost \$3.6M (landward side) and \$9.6M (seaward side). It is proposed that this be the last section as there are some land tenure transactions that require completion. Discussions have commenced to resolve the land tenure matters and will be progressed in parallel to any construction of the first two stages. Once constructed, the landward side is expected to have an operational cost of \$329k per annum to cover interest, depreciation and maintenance. Once constructed, the seaward side is expected to have an operational cost of \$869k to cover interest, depreciation, and maintenance.

31 Typically, for large construction projects, it is more cost effective to tender a continuous package of work. However, if Council decides to fund the remaining sections, it may be preferable from a budget phasing perspective, to tender individual sections and phase the project over a number of years, though cost escalation factors will need to be taken into account.

OPTIONS

- 32 Council must decide whether to include funding or not, in the 2025-34 9 year plan for the remaining sections of the Peninsula Road Safety project.
- 33 No allowance has been made in Transport's capital budget for any of the unfunded sections. With the focus on renewals, there is little scope to defer other projects requiring new capital to accommodate the unfunded sections. It is likely that additional capital would be required to be added to the budget.
- 34 If Council decides to fund an individual section or sections of the project, staff consider the stretch between Ellison Road to the Ōtākou Fisheries Wharf to be the priority (Section 14).
- 35 If Council funds any or all of the remaining sections, the corresponding operational budget will need to be added in relevant years of the budget. To note, this increases year-on-year as maintenance requirements increase.
- 36 If Council wishes to progress completion of the unfunded sections early in the 2025-34 9 year plan, staff propose undertaking the planning and detailed design for the stretch between Ellison Road to the Ōtākou Fisheries Wharf stage in Year 1, with construction starting in Year 2.
- 37 Staff are confident that the construction market has capacity to deliver all unfunded sections over the coming years.
- 38 If Council decides not to fund any of the remaining sections, none of the advantages, or disadvantages described in the report and below will be realised.
- 39 If Council decide to fund any, or all, of the sections discussed, staff with work with the 3W team to capitalise on any work that can be completed at the same time to reduce cost and disruption.

Option One – Fund the remaining sections of the Peninsula Road Safety Connection project

Impact assessment

- 40 This option has an impact on debt and ongoing operational budgets, noting that the maintenance costs are estimated at this stage.
- 41 It is proposed that planning and detailed design is completed in 2025/26 and construction starts on the Ellison Road to the Ōtākou Fisheries Wharf stage in 2026/27.

Debt

- This option would require an increase in debt of \$18.5M (total over 9 years), \$24.5M if the seaward option were preferred.
- If started early in the 9 year plan, debt (\$8M) would not need to be raised until Year 2, starting with the Ellison Road to the Ōtākou Fisheries Wharf stage.
- Depending on when Council wants the remaining stages to be started, further debt would need to be raised of \$6.9M for the stretch between Tidewater Drive to Ellison Road, followed by Portobello to Weir Road, which has two options, one estimated to cost \$3.6M (landward option), the other \$9.6M (seaward option).

Rates

- When completed, rates funding of \$1.618 million annually would be required to fund this option, this includes maintenance of \$6k (net of subsidy), interest of \$925k and depreciation of \$687k (net of renewal subsidy).

Zero carbon

- This option aligns with the Zero Carbon Plan action area of ‘develop convenient and attractive cycling and walking networks and public transport services’ and may support city emissions reduction. The project would enable active modes of transport (walking/cycling) beyond Portobello, but it does not align strongly with Zero Carbon 9 year plan investment option criteria and has not been recommended as a priority from an emissions reduction perspective (refer ‘Zero Carbon Investment Options’ report under separate cover). DCC emissions may increase temporarily with this option while works are carried out, mitigated by the Zero Carbon Policy.

Advantages

- Council fulfils its previous commitment to mana whenua and the community to complete the Peninsula Road Safety project.
- Road safety in that area is improved for all road users.
- The transport network becomes more resilient to the effects of climate change.

Disadvantages

- There is no allowance on the draft budgets to complete the Peninsula Road Safety project. If Council wishes to complete all or any of the remaining sections, additional capital funding would need to be added to the budget.
- Once constructed, incurs ongoing annual operating costs which require budget to be added.

Option Two – Fund individual sections of the Peninsula Road Safety project

Impact assessment

- 42 This option has an impact on debt and ongoing operational budgets. If funded individually, staff consider the stretch between Ellison Road and Ōtākou Fisheries Wharf to be the priority.

Debt

- Ellison Road to Ōtākou Fisheries Wharf (Section 14) would require an increase in debt of \$8M.
- Tidewater Drive to Ellison Road (Section 13) would require an increase in debt of \$6.9M.
- Portobello to Weir Road (Section 9B) would require an increase in debt of \$3.6M for the landward option and \$9.6M for the seaward option.

Rates

- Ellison Road to Ōtākou Fisheries Wharf (Section 14) - when completed, rates funding of \$698k annually would be required to fund this option, this includes maintenance of \$1k (net of subsidy), interest of \$400k and depreciation of \$297k (net of renewal subsidy).
- Tidewater Drive to Ellison Road (Section 13) - when completed, rates funding of \$604k annually would be required to fund this option, this includes maintenance of \$3k (net of subsidy), interest of \$345k and depreciation of \$256k (net of renewal subsidy).
- Portobello to Weir Road (Section 9B) - when completed, rates funding of \$316k annually would be required to fund the landward option, this includes maintenance of \$2k (net of subsidy), interest of \$180k and depreciation of \$134k (net of renewal subsidy). Rates funding of \$838k annually would be required to fund the seaward option, this includes maintenance of \$2k (net of subsidy), interest of \$480k and depreciation of \$384k (net of renewal subsidy).

Zero carbon

- This option aligns with the Zero Carbon Plan action area of ‘develop convenient and attractive cycling and walking networks and public transport services’ and may support city emissions reduction. The project would enable active modes of transport (walking/cycling) beyond Portobello, but it does not align strongly with Zero Carbon 9 year plan investment option criteria and has not been recommended as a priority from an emissions reduction perspective (refer ‘Zero Carbon Investment Options’ report under separate cover). DCC emissions may increase temporarily with this option while works are carried out, mitigated by the Zero Carbon Policy.

Advantages

- Council makes progress towards completing the remaining sections of the Peninsula Road Safety project.
- Road safety in that area is improved for all road users.
- The transport network becomes more resilient to the effects of climate change.

Disadvantages

- Requires Capital funding to be added to the budget.
- Once constructed, incurs ongoing annual operating costs which require budget to be added.

Option Three – Do not fund any work on the remaining sections of the Peninsula Road Safety project

Impact assessment

43 This option has no impact on debt and ongoing operational budgets.

Debt

- No debt funding is required for this option.

Rates

- There are no impacts on rates from this option.

Zero carbon

- This option is not likely to materially impact city emissions or DCC emissions, but it precludes possible emission reduction benefits from being realised.

Advantages

- No additional budget is required.

Disadvantages

- Does not progress previous commitments to completing the project.
- Road safety in that area is not improved for road users.
- The transport network is not made more resilient to the effects of climate change.

NEXT STEPS

44 If Council decides to include funding to complete the Peninsula Road Safety project in the draft budgets, it will be referenced in the 2025-34 9 year plan consultation document.

Signatories

Author:	Jeanine Benson - Group Manager Transport
Authoriser:	Scott MacLean - General Manager, Climate and City Growth

Attachments

Title

Page

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision promotes the social well-being of communities in the present and for the future.
This decision promotes the economic well-being of communities in the present and for the future.
This decision promotes the environmental well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Future Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Integrated Transport Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Other strategic projects/policies/plans	✓	<input type="checkbox"/>	<input type="checkbox"/>

The social wellbeing strategy calls for connecting people to places with safe, affordable and user-friendly transport options.
The economic development strategy has a theme of connecting destinations by providing high quality infrastructure beyond the city centre.
The environmental strategy has a goal of contributing to resilience and a reduction in carbon emissions.
The integrated transport strategy calls for a socially inclusive transport system.
Improving options for walking and cycling contributes to the aims of the Zero Carbon Plan.

Māori Impact Statement

Mana whenua have written to Council directly expressing concern over the remaining sections of the Peninsula Connection. The road is an important road for mana whenua, leading to the Ōtākou Marae. Increasing the safety for road users and making the road more resilient to the effects of climate change, align with the values of Te Taki Haruru, particularly in the key outcomes of social equity and connectivity.

Sustainability

The completion of the unfunded section of the Peninsula connection contributes to the economic prosperity of the area and provides a sustainable transport corridor.

Zero carbon

The Zero Carbon Plan sets out the importance of enabling active transport for city emissions reduction. The options section in this report identifies how each option may impact DCC and city emissions.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

If Council decides to complete any or all of the unfunded sections of the Peninsula Connection Road Safety project then it will require budget to be added to the 2025-34 9 year plan.

SUMMARY OF CONSIDERATIONS

Financial considerations

There is currently no budget in the draft 2025-34 9 year plan to complete any of the Peninsula Connection Road Safety project. The financial considerations of each option is discussed in the body of the report.

Significance

This decision is considered low in terms of the Council's Significance and Engagement Policy.

Engagement – external

There has been extensive external engagement on the Peninsula Connection Road Safety project over the past few years. Recently staff have engaged with the Ministry of Education regarding land tenure matters for one of the remaining sections.

Engagement - internal

Staff have engaged with teams from right across the organisation throughout the entirety of the project to date.

Risks: Legal / Health and Safety etc.

There are no legal risks identified. Improvements to the road will result in a safer road for all road users.

Conflict of Interest

No conflicts identified.

Community Boards

The Otago Peninsula Community Board will be interested in this decision.



NZ TRANSPORT AGENCY BOARD PAPER

Meeting Date	17 June 2019
Agenda Item	10.2
Paper No	2019/06/1401
Title of Paper	Dunedin City Council's Peninsula Roding Improvement Activity: Cost Scope Increase and Scope Change
Paper Sponsor(s)	Brett Gliddon, General Manager, System Design & Delivery
Prepared By	Chad Barker, Principal Investment Advisor
Board function	Significant planning, investment and operational matters
Version	Final
Date	28 May 2017
No of pages	4 + 1 Attachment
Legal Review	Jessica Andrew, General Counsel, Environment & RMA

Purpose

This paper seeks the NZ Transport Agency Board's approval of funding for a cost scope increase and scope change to Dunedin City Council's (DCC) Peninsula Roding local road improvement activity.

Recommendations

It is recommended that the NZ Transport Agency Board resolves to:

- **Approve** funding to Dunedin City Council (DCC) for an increase of \$20,444,107 (NZ Transport Agency share \$11,199,936) for the Peninsula Roding – Portobello Road/Harington Point Road approved activity, thereby increasing the approved total cost from \$49,075,893 to \$69,520,000 (noting that the Transport Agency share of the increased cost will be claimed in the 2021-2024 period due to a lack of funding availability from the local road improvements activity class).
- **Approve** the scope change and cost scope increase be front loaded by DCC in the National Land Transport Programme (NLTP) 2018-2021, and the NZ Transport Agency share of the increase in cost claimed by DCC in the 2021-2024 NLTP (that is, financial year 2021/22).
- **Approve** that NZ Transport Agency's funding contribution is capped as a proportion of the total project cost estimated at \$69.5 million.

Strategic Relevance

A Board decision is required as the total project cost once the cost scope and scope change are approved, exceeds \$50 million.

This improvement activity is closely aligned with the Government Policy Statement on Land Transport (GPS) 2018/19 to 2027/28, as its main objectives are improving safety for all road users, encouraging more walking and cycling, improving journey time and travel time reliability on the route, and improving resilience of the road by raising the road in low lying areas and replacing the historic sea wall.

It is closely aligned to the Transport Agency's Position Statements on Transport Safety, Inclusive Access, Liveable Communities and Resilience.

Background

DCC has had two Packages of activities approved for funding to improve the safety and resilience of Portobello Road and Harington Point Road on the Otago Peninsula.

The first package, which was made up of seven sections of the road, was endorsed by the Board in October 2007 and was subsequently completed between 2007/08 and 2016/17 (that is, sections 1, 3, 6, 10, 11, 15 and 16; with section 12 subsequently brought forward and delivered as part of this package also). The benefits from the first package in its entirety are now being realised.

The Table in Attachment One provides a list of the completed, and the status of remaining, sections.

DCC went to tender in late 2017 for Package Two. The preferred supplier's tendered price exceeded the budget estimate by a significant amount (\$78-80 million compared to the budget of \$49-50 million). The main differences related to preliminary and general, traffic management, site clearance and structures.

DCC's procurement process and contract enabled it to award construction for individual sections of the physical works (refer to Attachment One). Construction has been awarded for section 8 (\$12.6 million) and section 2 (\$21.3 million) with the intention of working with the supplier to value engineer the project, while still achieving the investment objectives and benefits as intended. Section 8 is almost completed and section 2 is under construction.

DCC is proposing a scope change to remove the additional sections past Portobello (sections 13 and 14) and add the repair of two land slips resulting from weather events to take advantage of the efficiency of doing this work at the same time. Most of the benefits of the project come from the Vauxhall to Portobello sections as the traffic volumes past Portobello taper off significantly past this point. DCC can complete sections 13 and 14 as funding permits over the next ten years (that is, approximately \$6 million of physical works).

It is recommended the Board support the removal of the sections past Portobello and to include the land slips as part of the scope of works (an additional \$1 million). DCC is also proposing that additional safety measures are included at Portobello arising from the design phase, and this is supported given Portobello is a key destination and stopping point for locals and visitors, as well as needing safe access to the local primary school.

The net impact of the value engineering and scope changes is to reduce the projected project cost from \$80 million to \$69.5 million.

Key issues

Options

Four options have been considered to address this situation.

All four scenarios include de-scoping the sections past Portobello (due to providing little benefit) and the introduction of work to rectify two landslips, as well as a number of additional safety measures.

Option	Description	Impact on outcomes	Sections Un-delivered (see Attachment One for map)	Impact on current NLTP	Impact on next NLTP
1	Descope project to fit within existing budget	Cycleway will not be fully linked up with missing sections unable to be delivered. Benefits will not be fully realised.	Sections 5, 9 and 4.	None	None
2	Cost scope adjustment within current NLTP	Outcomes mostly delivered as per original project with the majority of benefits realised.	None	All additional costs	None
3	Cost scope adjustment with project delays to defer funding to next NLTP	Outcomes mostly delivered as per original project, but benefits realised later than planned. Additional risk that costs will increase further due to contractor losing momentum.	None	None	Additional costs plus any cost increases
4	Cost scope adjustment with work carried out in current NLTP but front loaded by DCC	Outcomes mostly delivered as per the original projects. All benefits realised as anticipated.	None	None (DCC to fund additional costs and claim in next NLTP)	Additional costs repaid to DCC

Recommended Option

The recommended option is Option 4, as this is supported by the Transport Agency's Investment and Finance Team and has been accepted by DCC as its preferred Option in the circumstances.

The intent is to complete the project capitalising on the productivity and momentum of the current contractor in this three-year period. DCC will front load additional costs in this three-year period and claim the Transport Agency share in 2021/22.

Value for money

This project has a HIGH Results Alignment and LOW Cost Benefit Appraisal under the Investment Assessment Framework 2018-2021.

The revised Benefit Cost Ratio (BCR) has gone from 1.7 to 1.1, resulting from increased costs required to complete the project.

It is proposed that Transport Agency's funding contribution is capped as a proportion of the total project cost at \$69.5 million, and that no further funding is available given the revised low BCR.

Health & Safety, Customer & Other Stakeholder and Environmental Impact

The impact of this decision is considered by the Transport Agency to be *positive* in terms of health and safety, the public and other stakeholders, and the environment.

The local community board, DCC and wider ratepayers are strong supporters of this project given the safety and resilience issues, and the opportunity to make a significant difference to active and shared travel through a three-metre shared path for commuting, school travel and recreation and access improvements to bus stops.

This project, along with the approved State Highway 88 improvements to Port Chalmers (safety and completion of the shared path on the West side of the harbour), will make the entire Dunedin harbour accessible by walking and cycling from Port Chalmers in the West to Portobello in the East.

Related Documents

Attachment One

Map of physical works



Figure 1 – Unfunded Sections of the Peninsula Connection 9B, 13 and 14