

ITEM 6. TENDER - 1-5 FLINDERS STREET - BIKE AND COMMUNITY HUB

FILE NO: S105047

TENDER NO: 1540

SUMMARY

This report provides details of the tenders received for the Taylor Square Bike and Community Hub - 1-5 Flinders Street, Darlinghurst.

1-5 Flinders Street is located at Taylor Square South, bounded by Flinders Street, Patterson Lane and Bourke Street, Darlinghurst.

The acquisition and refurbishment of 1-5 Flinders Street into a cycle facility with ancillary uses is a long term strategic decision to positively influence the social, cultural and economic balance in this area.

The heritage building is in a moderate state of dilapidation. Remedial work is required, including work to the façade. The construction works will provide equitable access, with a clear entry from Taylor Square South and Bourke Street, and low-key flexible spaces to accommodate a range of appropriate bike hub and community uses such as exhibitions, talks and workshops, ground floor café and retail space, and office space on upper floor.

This report recommends that Council accept the tender offer of Tenderer 'A' for Taylor Square Bike and Community Hub - 1-5 Flinders Street, Darlinghurst.

The report also recommends that Council maintain the existing closure of Patterson Lane to vehicles between Flinders and Bourke Streets, under section 116 of the Roads Act 1993. This closure will allow construction to take place and increase pedestrian circulation and activation of the laneway.

RECOMMENDATION

It is resolved that:

- (A) Council accept the tender offer of Tenderer 'A' for the delivery of the Taylor Square Bike and Community Hub at 1-5 Flinders Street, Darlinghurst;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender;
- (C) Council approve the additional funds sought from future years' property related program as outlined in confidential Attachment A to the subject report; and
- (D) Council approve permanent closure of Patterson Lane to vehicles between Flinders and Bourke Streets, under section 116 of the Roads Act 1993.

ATTACHMENTS

Attachment A: Tender Evaluation Summary (Confidential)

(As Attachment A is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. 1-5 Flinders Street is located on Taylor Square South, bounded by Flinders Street, Patterson Lane and Bourke Street.
2. Taylor Square is an historic and ingrained orientation and waypoint along Oxford Street, with very high visibility and landmark scale. Jahn & Associates' 'Taylor Square South Urban Strategy Stage 1' Report April 2008 identified a number of opportunities to improve the primary social and behavioural issues of the area including the acquisition of 1-5 Flinders Street (Taylor Square Hotel or T2), revitalise the area as a prime destination and activate Taylor Square as a major cross route for many user groups.
3. On 23 November 2009, Council endorsed the negotiation of terms and conditions to acquire 1-5 Flinders Street Darlinghurst, the former T2 nightclub for a possible cycle facility and associated uses such as a café or other community or commercial use.
4. On 7 December 2009, Council resolved to purchase the heritage building at 1-5 Flinders Street, Darlinghurst, for the purpose of creating a world class cycle facility, which integrates with Taylor Square South and the Bourke Street Cycleway.
5. The vision for the site is aligned with the City's Sustainable Sydney 2030 vision which values street level activation, reduced car dependency, integrated transport solutions and high quality design.
6. The three storey building is a good example of a Federation 'Free Style' bank. It was designed in 1910 as one of 150 branches of the Government Savings Bank. Over the last decade, the building has been predominantly used as a nightclub. The building has been owned and operated by the City since December 2009, and its use was subsequently changed to provide temporary community services, including 'Reverse Garbage' and use of studio space by the College Of Fine Art. The building is currently vacant.
7. The heritage building is in a moderate state of dilapidation. Remedial work is required, including work to the façade. The construction works will provide equitable access, with a clear entry from Taylor Square South and Bourke Street, and low-key flexible spaces to accommodate a range of appropriate bike hub and community uses.
8. In September 2012, 'always was, always will be..' by Reko Rennie was installed on the building at 1-5 Flinders Street as part of the City's 2012 temporary Streetware Art Program and Art and About program. The work was initially installed as a temporary work to last six months, until March 2013. A section 96 Application to retain the artwork until September 2014 was approved in February 2013, and further extended in October 2014 to retain until September 2017. The City is separately working with the artist to investigate options to incorporate an element of the artwork into the new building.
9. On 12 November 2012, Council engaged a Head Design Consultant, Hassell Architects, to deliver the bike hub project from concept design through to completion of construction. The concept design included an accessible, safe and active bike and community hub that will preserve and activate the heritage building.

10. Council endorsed a preferred tenant and delegated authority to the Chief Executive Officer to negotiate details of the tenancy through Resolution of Council in September 2013. Detailed designs of functional areas were refined with the preferred tenant's input during design development stage. The preferred tenant is currently developing a business plan for the proposed uses, an update will be provided to Council once the draft plan is finalised.
11. On 17 March 2014, Council endorsed the project scope for the Taylor Square bike and community hub and granted owner's consent to lodge a development application. On 23 February 2015, development was approved and subsequently, on 28 September 2015, a section 96 application was approved resolving minor building design and consent provisions.
12. On 29 June 2015, Council endorsed the closure of Patterson Lane to vehicles between Flinders and Bourke Streets under section 116 of the Roads Act 1993. This closure will allow construction to take place and access to Patterson Lane will be maintained for people walking and riding during construction.
13. The scope of the project includes upgrade of the existing building as a bike and community hub, including remediation of the heritage façade, structural, building services and access works; fitout of all levels and a new trafficable rooftop terrace.
14. The paint component of 'Always was, always will be..' temporary public artwork by Reko Rennie will be removed as part of the building works. The removal will be funded by a separate Public Art budget.
15. The text component of 'Always was, always will be..' is intended to be retained or recommissioned into the completed building, as endorsed by the Public Art Advisory Panel. This is being treated as a separate public artwork project. The City has initiated conversations with artist Reko Rennie regarding potential opportunities to incorporate the text component within the refurbished building.

INVITATION TO TENDER

16. The tender was advertised on 1 September 2015 to 9 October 2015 in The Sydney Morning Herald, The Daily Telegraph newspapers and Council's E-Tender website and closed on 9 October 2015.

TENDER SUBMISSIONS

17. Three submissions were received from the following organisations (listed alphabetically):
 - Belmadar Pty Ltd
 - Brodyn Pty Ltd trading as TCQ Construction
 - Builtform Constructions Pty Ltd
18. No late submissions were received.

TENDER EVALUATION

19. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.

20. The relative ranking of tenders as determined from the total weighted score is provided in the confidential Tender Evaluation Summary – Attachment A.
21. All submissions were assessed in accordance with the approved evaluation criteria being:
- (a) demonstrated relevant company experience and qualifications including, but not limited to:
 - (i) experience of Head Contractor in works of a similar nature; and
 - (ii) experience of sub-contractors;
 - (b) key personnel/subcontractors – demonstrated managerial capabilities, qualifications, experience and allocation of adequate resources to carry out works under the contract, including, but not limited to:
 - (i) current commitments;
 - (ii) construction team and management;
 - (iii) community liaison; and
 - (iv) sub-contractors;
 - (c) project program / staging including, but not limited to:
 - (i) capacity to achieve the required project program and staging of works;
 - (ii) program showing realistic lead times and hold points, critical paths, allowance for non-qualifying delays and holidays; and
 - (iii) program meets Council deadlines;
 - (d) proposed methodology including, but not limited to:
 - (i) detailed understanding of each stage of the works; and
 - (ii) quality management approach, including materials and warranties;
 - (e) site management and pedestrian and traffic management including, but not limited to:
 - (i) detailed understanding of each stage of the Works;
 - (ii) site management; and
 - (iii) site amenities, allocated plant & equipment and materials;
 - (f) environmental management;
 - (g) Workplace Health & Safety;
 - (h) financial and commercial trading integrity including insurances; and
 - (i) lump sum price and schedule of prices.

PERFORMANCE MEASUREMENT

22. The City will ensure that performance standards are monitored during construction by:
- (a) reviewing and monitoring the contractor's program and assessing monthly progress claims;
 - (b) reviewing work method statements, samples, submissions, hold points and product data;
 - (c) attending regular inspections of the works and conducting weekly site meetings with the head contractor; and
 - (d) ensuring the works are in accordance with the contract documents such as architectural and contract drawings, specifications, contract preliminaries and general requirements.

FINANCIAL IMPLICATIONS

23. There are insufficient funds allocated for this project within the current year's capital works and future years' forward estimates. Additional funds are required for this project, due to preferred tender exceeding pre-tender estimate and higher expected project costs. Acceptance of the recommended tender will therefore require Council to increase the budget, as detailed in confidential Attachment A.
24. Pre-Tender Estimates for the project were developed by an independent Quantity Surveyor. However, tender submissions have exceeded the estimates. The tenders received exhibit a low price variance between submissions, reflecting consistency and true market value. Advice from the cost consultants indicates that this level of exceedance is in line with the current buoyant construction market conditions and consistent with their experience on other recent project tenders.
25. Another contributing factor in the level of exceedance is believed to be the largely unanticipated 20% devaluation of the Australian dollar (against the US dollar) in a period of just over a year (Nov 2014 to Nov 2015). This has inevitably led to increased costs in the purchase and delivery of key construction materials from overseas suppliers, such as steel, glazing and other bespoke items, making these and other cost-sensitive items prone to market adjustments.
26. According to industry sources, there has been a \$6 billion increase in residential building activity over the 2014-15 period, with NSW taking the lead over Queensland and Western Australia. This has driven a shortage of skilled labour throughout most construction-related trades, resulting in increased project labour costs.
27. Each of the above factors, when combined with the movement in the Australian dollar, is believed to be influencing the values returned in our current procurement processes.

RELEVANT LEGISLATION

28. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.

29. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
- (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
30. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.
31. Environmental Planning and Assessment Act 1979.
32. Sections 116 and 34 of the Roads Act 1993.

CRITICAL DATES / TIME FRAMES

33. The following details the program to be followed for the refurbishment works:
- (a) Award and Preparations for work: November 2015
 - (b) Commencement of works on site: mid-January 2016
 - (c) Construction works practical completion: mid -April 2017
 - (d) Post main building works – tenancy fitout: late-June 2017

OPTIONS

34. Council has the following options in regard to this tender:
- (a) Accept one of the tenders submitted that complies with the tender as recommended and approve additional funds to cover the budget shortfall as nominated in confidential Attachment A. This option is recommended for the reasons set out in the confidential Attachment A.
 - (b) Accept one of the tenders, with some cost saving options adopted and approve additional funds for the remaining budget shortfall. Even though this option does not necessarily impact the overall building function or amenity, this option is not recommended, as these changes to the project scope are subject to planning approval and incur redesign costs. This option also goes against the original design intent to incorporate the original heritage façade and awning installation.
 - (c) Reject all tender submissions and negotiate based on the tender submissions being over the pre-tender estimate. This option is not recommended, as this process will delay the final tenancy fitouts works and commencement of tenancy operations.

- (d) Cancel the tender and review the project to re-scope and call fresh tenders. This option is not recommended, as the design is appropriate for its intended use and has flexible spaces for a range of appropriate bike hub and community uses. The impact of not proceeding with these works would be a significant delay or possible failure in providing a compliant bike and community hub for the community and failing to provide access to the building for people of all abilities.

PUBLIC CONSULTATION

35. The following public consultation has been, and will be, carried out:

- (a) April 2012 – the City hosted a workshop discussion about the proposal for a bike hub with local cycling industry members and advocacy groups.
- (b) March 2013 – a public EOI for tenancy of the bike hub and community spaces ran from 11 March to 10 May 2013.
- (c) August 2013 – door-knocking of local businesses by the City Engagement team.
- (d) Detailed refurbishment plans for Taylor Square Bike and Community Hub 1-5 Flinders Street, Darlinghurst were included as part of the Development Application notification process and statutory consultation was undertaken as part of this process.
- (e) As required under section 116 of the Roads Act 1993, the City consulted with the community between February 2015 and March 2015 on the proposed closure of Patterson Lane, Surry Hills between Flinders Street and Bourke Street;
- (f) Ongoing communication will be in place during construction with the Contractor to appoint a Community Liaison Officer.
- (g) The City will also communicate with local residents, businesses and stakeholders about the plans and send out a construction notification letter prior to the commencement of the construction works. Ongoing updates will be provided during construction.

AMIT CHANAN

Director City Projects and Property

Jasmine Reay, Project Manager