

**ITEM 7. TENDER - GREEN SQUARE CREATIVE CENTRE COMMUNITY
FACILITIES AND PARK - 3 JOYNTON AVENUE ZETLAND**

FILE NO: S109066

TENDER NO: 1542

SUMMARY

This report provides details of the tenders received for the delivery of the Green Square Creative Centre Community Facilities and Park at 3 Joynton Avenue, Zetland.

The site sits within the Green Square Town Centre. The town centre development, when complete, will be a high density, vibrant and diverse place with residential community and recreational facilities, public transport, retail and commercial spaces. The new Community Centre, park and private wire network is on the former South Sydney Hospital Site.

The South Sydney Hospital Site is bounded by Joynton Avenue, Hansard Street, Portman Street, and Zetland Avenue and forms a vital component of the new community precinct, including the former South Sydney Hospital Esme Cahill building, Pathology building, the Green Infrastructure Centre with landscaped surrounds to the buildings and a new open space, Matron Ruby Grant Park.

The Esme Cahill building will be transformed into a creative and cultural centre with artist studios, workshops, classrooms, gallery spaces and community hire space. It will feature a sheltered outdoor area for use by the local community and centre users, with the roof form expressing the heritage building's arches. The Pathology building will house a community shed with workshops and will be extended to include public toilets.

Matron Ruby Grant Park will provide non-structured open space with enhanced entrances, improved connections through and within the site as well as landscaping for the precinct, in accordance with the South Sydney Hospital Site Public Domain Coordination Plan. Public domain improvements around the building curtilages and along Joynton Avenue and Hansard Street will improve streetscape amenity and safety.

This report recommends that Council accept the tender offer of Tenderer 'A' for the delivery of the Green Square Creative Centre Community Facilities at 3 Joynton Avenue, Zetland.

RECOMMENDATION

It is resolved that:

- (A) Council accept the tender offer of Tenderer 'A' for the Green Square Creative Centre Community Facilities and Park at 3 Joynton Avenue, Zetland;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender; and

- (C) Council approve the transfer of funds from the 2015/16 Green Infrastructure Centre project budget and the bringing forward of funds from the South Sydney Hospital Stage 2 project forward estimates in 2022/23 into the 2016/17 financial year of this project as outlined in confidential Attachment A to the subject report.

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. The South Sydney Hospital Site precinct is owned by the City and the site is under development in line with the Green Square Town Centre Development Plan, the South Sydney Hospital Site Masterplan, and the South Sydney Hospital Site Public Domain Coordination Plan. A two stage development process is proposed:
 - (a) Stage 1 will involve the majority of the central and southern parts of the site, with the refurbishment of heritage-listed buildings for Green Infrastructure, childcare and community facilities, as well as development of the public domain and the adjacent medium density affordable housing.
 - (b) Stage 2 is scheduled to commence in 2019 and will involve demolition of the Naomi Wing Rehabilitation Building; construction of new community and medical facilities in the north of the precinct; completion of the remaining childcare centre outdoor play space and public domain. Also, future Green Square Essential Infrastructure works including the road level raised along Joynton Avenue.
2. The site is located within the South Sydney Hospital Site and consists of three local listed heritage buildings, including the former Esme Cahill Building, Pathology and Administration Buildings and surrounding public space connecting all the buildings.
3. Essential demolition and initial remediation works were completed in late 2012 to partial areas of the site.
4. The former Esme Cahill Building is a three-storey local heritage-listed building constructed circa 1938 and was used as a nurses' quarters. It is located in the south-east corner of the South Sydney Hospital Site and is approximately 1,080m². It is currently vacant.
5. The former Pathology Building is a single-storey local heritage-listed building constructed circa 1913 and was the original operating theatre. It is located north of the former Esme Cahill Building, in close proximity to the Administration Building and is approximately 100m². It is also vacant.
6. The former Administration Building is a local heritage-listed building, which has recently been adaptively refurbished as a Green Infrastructure Centre to house a water recycling facility under another project. Further refurbishment works to the roof and other miscellaneous works will be completed under this project. This will allow the remaining part of the building not housing the water recycling facility to be fitted out when an intended use is confirmed.
7. A new open space, named Matron Ruby Grant Park, will be created between the former Esme Cahill and Pathology Buildings. Affordable Housing has been constructed to the west of the open space.
8. The City commissioned a Community Facilities Needs assessment in 2002, which was reviewed and updated in 2010. Several other strategic plans and investigations have also been undertaken by the NSW Government and the City. These reports identified public and community facilities as an essential infrastructure element in the development of the Green Square precinct to provide valuable services for the projected population of 60,000 by the year 2030.

9. In 2008, Environmetics undertook a Community Facilities planning report which recommended that arts workshops be provided at Green Square, including spaces for visual arts education and development with access to an outdoor area suitable for display of art works such as sculpture or ceramic art. It was stated that this facility be accessible to all members of the community.
10. On 7 November 2011, Council endorsed in principle the proposed community uses for the existing heritage buildings at the former South Sydney Hospital Site to enable further community consultation, investigation and design to take place.
11. In July 2013, Council endorsed the Masterplan for the former South Sydney Hospital Site and progression to the next stage of design allowing for integration between the infrastructure, community facilities and open space projects at the South Sydney Hospital Site. The Masterplan proposed:
 - (a) community facilities, consisting of creative art spaces, technical workshops and classrooms, offices and shared work spaces, community lounge room, exhibition area and amenities in the Esme Cahill Building;
 - (b) a community shed in the Pathology Building with adjoining public toilets; and
 - (c) a new park defined by the surrounding heritage buildings and new affordable housing.
12. On 25 August 2014, Council approved the concept plan and lodgement of the Development Application for the works, which linked the Matron Ruby Grant Park through and around the Green Infrastructure Centre to the proposed Child Care Centre to the north of this site and facilitating a site for future public art.
13. On 24 June 2013, Council endorsed a revised strategy for delivery of decentralised energy. A key element of the revised strategy was to investigate options for the delivery of trigeneration at the City's own facilities.
14. On 24 February 2014, Council noted the private wire concept to connect the City of Sydney's own buildings and facilities at Green Square (including the Green Infrastructure Centre, Child Care Centre, Aquatic Centre, Community Facilities and public area lighting).
15. The Private Wire Network consolidates individual electricity connections into a single connection, providing the benefit of reduced network connection charges and lower network tariffs. It also provides the flexibility to connect solar photovoltaic and trigeneration systems in the future to supply low-carbon electricity to the City's own facilities "behind the meter" and avoid network charges. Ausgrid advised that registration of the PWN as an electricity network will not be required. The City would manage maintenance as it currently does with the private wire supplies to its public lighting systems.
16. Included in the scope of works for the Private Wire Network project endorsed by Council on 15 September 2014 is a consolidation of electricity connections for the City's own buildings and facilities associated with the former South Sydney Hospital Site, nearby street lighting and the Green Square Aquatic Centre into a single electricity connection to benefit from lower ongoing network tariffs and facilitate sharing of energy between buildings.

17. The Green Infrastructure and Administration Building Surrounds scope was included in the Creative Centre works for a more cost efficient delivery tendered under one construction package.

INVITATION TO TENDER

18. The City invited Expressions of Interest from suitably qualified building contractors with experience in high quality delivery of technically complex heritage construction over the value of over \$10M to register for carrying out the redevelopment of the Green Square Creative Centre, Community Facilities and Park at 3 Joynton Avenue, Zetland.
19. The Expression of Interest submission was advertised on 21 July 2015 in The Sydney Morning Herald, The Daily Telegraph and Council's e-tender website and closed on 11 August 2015.
20. The submissions were evaluated by a panel in accordance with the approved Evaluation Plan. The City shortlisted four companies to invite to tender for the delivery of the Green Square Creative Centre, Community facilities and Park.
21. The Tender submissions were issued to the four companies on 27 August and submissions closed on 15 October 2015.

TENDER SUBMISSIONS

22. Four submissions were received from the following organisations (listed alphabetically):
 - Belmadar Pty Ltd
 - Ichor Constructions Pty Ltd
 - Kane Constructions Pty Ltd
 - Lahey Constructions Pty Ltd
23. No late submissions were received.

TENDER EVALUATION

24. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
25. The relative ranking of tenders as determined from the total weighted score is provided in the confidential Tender Evaluation Summary – Attachment A.
26. All submissions were assessed in accordance with the approved evaluation criteria being:
 - (a) project program identifying key milestones and alignment with project outcomes;

- (b) the proposed methodology, including the capacity to manage concurrent work zones including demolition, bulk and deep excavation, shoring, services coordination and management, ability to coordinate and manage site remediation and key project elements including adaptive reuse works;
- (c) demonstrated capacity and technical ability to carry out the work with detailed personnel structure and resourcing including subcontractors and suppliers;
- (d) Work Health & Safety;
- (e) financial and commercial trading integrity including insurances; and
- (f) lump sum price and schedule of prices.

PERFORMANCE MEASUREMENT

- 27. Key Performance Indicators were identified in the Request for Tender documents. Performance will be assessed at the completion of the contract with each assessment forming the basis of the Performance Review Result.
- 28. The City will ensure that the performance standards are monitored during construction by:
 - (a) attending weekly site meetings and regular inspections of the works with the Contractor;
 - (b) undertaking Quality Assurance Inspections of the works with the Council's Project Manager at hold points in the specification;
 - (c) ensuring the Contractor delivers all necessary WHS plans, work method statements, inspection and test plans and certificates of compliance as specified in the tender documents for Council review; and
 - (d) understanding the importance of programming for both Contractor and external users / stakeholders.

FINANCIAL IMPLICATIONS

- 29. 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 than expected project costs. Acceptance of the recommended tender will therefore require Council to increase the budget as detailed in confidential Attachment A.
- 30. 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.

31. 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.
32. 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.
33. 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

34. 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.
35. 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.
36. 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.
37. Environmental Planning and Assessment Act 1979.

CRITICAL DATES / TIME FRAMES

38. The program dates are critical to allow for the completion of Separable Portion 4 for access to the Green Square Child Care Centre on the adjoining boundary; for the operation of facilities in the precinct from the Private Wire Network installed as part of the scope; and to deliver the City savings in power usage costs.
39. Program Key Milestones:

(a) Letter of Acceptance	Late Nov 2015
(b) Execution of Contract by Both Parties	Early Jan 2016
(c) Access to Site	Mid Jan 2016
(d) Practical Completion Separable Portion 1	Dec 2016
(e) Practical Completion Separable Portions 2 and 3	Mid Aug 2016
(f) Practical Completion Separable Portion 4	Late May 2016

OPTIONS

40. Council has the following options in regard to this tender:
- (a) Accept the recommended tender and seek additional funds to cover the budget shortfall that includes the current forecast and the design and construction contingency nominated in the confidential Attachment A. This option is recommended for the reasons set out in confidential attachment A.
 - (b) Reject all tender submissions and negotiate based on the tender submissions being over the pre-tender estimate. The option is not recommended, as delays to the construction works by deferring the endorsement of Head Contractor for this project will delay the procurement of long lead items and force the project to be delayed into early 2017, impacting on other Green Square projects.
 - (c) 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. The option is not recommended, as delays to the construction works by deferring the endorsement of Head Contractor for this project will delay the procurement of long lead items and force the project to be delayed into early 2017, impacting on other Green Square projects.

PUBLIC CONSULTATION

41. In August 2013, the Masterplan for the South Sydney Hospital Site was advertised and exhibited online for community feedback.
42. The concept design for the former Esme Cahill Building (Creative and Cultural Centre) and former Pathology Building (Community Shed and Public Toilets) was placed on public exhibition for a four week period from Monday 12 May 2014. Over 18,000 properties were notified via letter. The plans were placed on the City's consultation website and displayed at the Green Square Neighbourhood Service Centre.
43. Members of the community were also invited to participated in the 'Have your Say Day' in Green Square on Saturday 17 May 2014 to view the plans and speak directly to staff. Over 450 community members attended this event. The plans were also presented to the community at the Green Square Markets in July 2014, to showcase additions to the exterior design of the building.
44. During this consultation, the community were asked to consider what kind of creative activities they would like to participate in at the centre. Key activities included painting/ sketching, yoga, felting, creative writing, martial arts, drama and group meetings such as book club and cinema discussions. The concept designs have been reviewed to ensure community needs can be accommodated. Throughout this consultation, strong positive interest was raised about this project, with members of the community supporting the need for such a community space in the area.
45. The Matron Ruby Grant Park concept design went out for community consultation in coordination with the South Sydney Hospital Site Public Domain and the Drying Green consultation. This involved a public exhibition for a four week period, then a 'Have your Say Day', both conducted in September 2014.
46. The following engagement activities will take place to inform the community about the next phase of the project:

- (a) City of Sydney Website update;
 - (b) a project update letter; and
 - (c) site project signage boards on hoardings.
47. Statutory notification periods and public exhibition has been undertaken as part of any required planning approvals process.
48. The City held a community consultation drop-in session on Saturday 2 May 2015 for the concept design of the Administration Building Surrounds, along with other projects in Green Square.
49. Feedback from the consultation has provided strong community support for the new open space. A detailed community consultation report for the entire Green Square consultation has been prepared.
50. Engagement with the local Green Square community regarding the Green Infrastructure Centre included community meetings, most recently the 'In Your Village' workshop, regular flyers and newsletters, dedicated City of Sydney and SydneyYourSay web pages, and information located at the Tote Neighbourhood Service Centre and Library.
51. Statutory notification periods and exhibition from 17 November 2014 to 16 December 2014 were undertaken as part of the Development Application process.

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