

**ITEM 8. TENDER - FOLEY STREET RETAIL UPGRADE AND ASSOCIATED
ESSENTIAL SERVICES**

FILE NO: X002483

TENDER NO: 1570

SUMMARY

This report provides details of the tenders received for the Foley Street retail upgrade and associated essential services works to achieve building regulatory compliance for leasing these properties by the City to creative and commercial tenants.

This project is part of a program of work to activate the City's Oxford Street properties. In the current meeting cycle, projects within this grouping include the upgrade of 98 Oxford Street shopfront and internal make good works, 74-76 Oxford Street – upper levels floor and roof structural upgrade works and this project, the upgrade of Foley Street retail and associated essential works.

On 27 June 2011, a Lord Mayoral Minute proposing new directions for lower Oxford Street was endorsed by the Council. In response, on 22 August 2011, Council resolved to undertake a range of short, medium and long term (5-10 year) activation projects for City-owned properties on Oxford Street.

Since 2011, the City has undertaken a range of capital works projects including roof membrane renewal, installation of roof top platform, heritage lift upgrade, installation of a café, new shopfronts, improved fire services, and accessibility works. The completion of these projects has ensured the longevity of some of the buildings and progressively improved the commercial, cultural and creative leasing spaces that is contributing to the activation of Oxford Street.

In addition to these capital works projects, other key outcomes from the City's program of Oxford Street activation activities include:

- successful activation of underutilised City-owned retail and office space with creative tenants via an Expression of Interest process (resulting in 3 retail spaces and 13 office spaces being utilised by the City's Creative Spaces Program, since increased to 14 office spaces and 4 retail spaces);
- generation of street level activity and positive media coverage consequential to the transformation of City-owned retail and office space into vibrant, professional spaces;
- undertaking of regular surveys to measure the cultural, social and economic impact of the City's creative programs in the Oxford Street precinct. Preliminary data suggests that as of June 2015, Oxford Street creative tenants have spent about \$1.8 million on local goods and services and attracted more than 76,000 visitors to the area since the program commenced in 2012;

- enhanced tenant communication/engagement strategy, including distribution of a new quarterly newsletter to all of the City's Oxford Street tenants (both creative and commercial). The newsletter will provide regular updates on the Creative Spaces Program, capital works, tenant profiles, events and useful contacts/resources; and
- the success of a number of co-share office space micro-businesses and start-ups in establishing companies and producing award winning work across a variety of mediums. As of June 2015, co-share office spaces within the Oxford Street Creative Spaces program hosted an average 72 micro-businesses and start-ups per quarter (of which 44% had not previously worked from commercial/professional premises).

The City owns the buildings at 56-76 Oxford Street with the basement areas also known as 3–21 Foley Street. Development consent was issued on 10 November 2015 for the refurbishment and building regulations upgrade works to create seven retail and commercial units numbered 6, 11, 13, 15, 17, 19 and 21.

The properties are locally listed heritage buildings with shared common walls constructed at various stages from the early 1900s. They are bounded by Crown Street and Foley Street.

Foley Street will comprise ground floor retail shops and will be accessed from Foley Street or via the main entrance at 66 Oxford Street via the lift. The building is currently occupied by both creative program and commercial tenants.

This report recommends that the tender offers be rejected and that Council enter into negotiations with suitable companies for the Foley Street retail upgrade and associated essential services works as set out in confidential Tender Evaluation Summary Attachment A.

RECOMMENDATION

It is resolved that:

- (A) Council reject the tenders received for Foley Street retail upgrade and associated essential services works for the reasons set out in confidential Tender Evaluation Summary, Attachment A to the subject report;
- (B) Council not invite fresh tenders as it is considered that inviting fresh tenders would not attract additional suitable contractors over and above those that have responded to this tender;
- (C) Council approve the bringing forward of funds from future years' estimates for the Oxford Street Activation Project, as outlined in confidential Attachment A to the subject report, and the allocation of the required proportion of this amount to the Foley Street retail upgrade;
- (D) in accordance with section 55(3)(i) of the Local Government Act, due to extenuating circumstances, being the unavailability of tenderers, authority be delegated to the Chief Executive Officer to enter into negotiations and contracts with a suitably qualified contractor to undertake the scope of works and execute and administer the contracts relating to the works; and

(E) Council be informed of the successful contractor by way of a CEO Update.

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 City owns the buildings at 56-76 Oxford Street with the basement areas also known as 3-21 Foley Street. Development consent was issued on 10 November 2015 for the refurbishment and BCA upgrade works to create seven retail and commercial units numbers 6, 11, 13, 15, 17, 19 and 21.
2. The properties are free standing locally listed heritage buildings with shared common walls constructed at various stages from the early 1900s. They are bounded by Crown Street and Foley Street.
3. Foley Street will comprise ground floor retail shops and will be accessed directly off Foley Street or via the main entrance at 66 Oxford Street via the lift. The building is currently occupied by both creative program and commercial tenants.
4. The works will comprise:
 - (a) renewal of the shop interiors, removal of all previous fitout, and provision of basic finishes fit for retail leasing;
 - (b) renewal of all general and essential services within the property to integrate with the existing base building services and heritage fabric to meet the agreed building regulation compliance standards;
 - (c) infilling the existing non-compliant intertenancy walls and floors two create separate tenancies to the relevant code and standard for commercial leasing;
 - (d) new accessible toilets for the retail units to be installed to comply with building regulatory requirements;
 - (e) provision of mechanical services such as ventilation; and
 - (f) the works being carried out in accordance with the development consent dated 10 November 2015.
5. This project is part of a program of work to activate the City's Oxford Street properties.
6. Since 2011, the City has undertaken a range of capital works projects including roof membrane renewal, installation of roof top platform, heritage lift upgrade, installation of a café, new shopfronts, improved fire services, and accessibility works.
7. In addition to these capital works projects, other key outcomes from the City's program of Oxford Street activation activities include:
 - (a) successful activation of underutilised City-owned retail and office space with creative tenants via an Expression of Interest process (resulting in 3 retail spaces and 13 office spaces being utilised by the City's Creative Spaces Program, since increased to 14 office spaces and 4 retail spaces);
 - (b) generation of street level activity and positive media coverage consequential to the transformation of City-owned retail and office space into vibrant, professional spaces;

- (c) undertaking of regular surveys to measure the cultural, social and economic impact of the City's creative programs in the Oxford Street precinct. Preliminary data suggests that as of June 2015, Oxford Street creative tenants have spent about \$1.8 million on local goods and services and attracted more than 76,000 visitors to the area since the program commenced in 2012;
- (d) enhanced tenant communication/engagement strategy, including distribution of a new quarterly newsletter to all of the City's Oxford Street tenants (both creative and commercial). The newsletter will provide regular updates on the Creative Spaces Program, capital works, tenant profiles, events and useful contacts/resources; and
- (e) the success of a number of co-share office space micro-businesses and start-ups in establishing companies and producing award winning work across a variety of mediums. As of June 2015, co-share office spaces within the Oxford Street Creative Spaces program hosted an average 72 micro-businesses and start-ups per quarter (of which 44% had not previously worked from commercial/professional premises).

INVITATION TO TENDER

8. The tender was advertised in The Daily Telegraph, The Sydney Morning Herald and on the City's etenders website on Tuesday, 6 October 2015 and closed on Tuesday, 3 November 2015.

TENDER SUBMISSIONS

9. Two submissions were received from the following organisations (listed alphabetically):
 - Sassan Vodjdani Pty Ltd T/as Royal Contractors
 - The Walsh Group Constructions Pty Ltd
10. No late submissions were received.

TENDER EVALUATION

11. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
12. The relative ranking of tenders as determined from the total weighted score is provided in the confidential Tender Evaluation Summary – Attachment A.
13. All submissions were assessed in accordance with the approved evaluation criteria being:
14. Tender Evaluation Criteria:
 - (a) demonstrated experience in works of a similar nature;
 - (b) allocated personnel and sub-contractors experience and capacity;
 - (c) proposed program;
 - (d) proposed methodology and environmental management;

- (e) site management plan;
- (f) Work Health & Safety;
- (g) financial and commercial trading integrity including insurances; and
- (h) the lump sum price and schedule of rates.

PERFORMANCE MEASUREMENT

15. The City will monitor key performance indicators to measure the performance level of the successful tenderer during the works. Performance results will be used to determine the suitability of contractors for future works.

FINANCIAL IMPLICATIONS

16. As detailed above, this project is part of a program of work to activate the City's Oxford Street properties. In the current reporting round, projects within this grouping include the upgrade of 98 Oxford Street shopfront and internal make good works, the upgrade of Foley Street retail and associated essential works and 74-76 Oxford Street upper level floor and roof structural upgrade works. These projects fit within the funding of the total Oxford Street Activation Program capital budget.
17. As the three projects will be delivered earlier than anticipated in the 2014-2017 Delivery Program, funds are required to be brought forward from future years' estimates into the 2015/16 to accommodate the changed timing, as set out in confidential Attachment A.

RELEVANT LEGISLATION

18. 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.
19. 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.
20. 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.

CRITICAL DATES / TIME FRAMES

21. Following Council approval, the project is currently proposed to commence in February 2015. Subject to the relevant approvals, the works are forecast to meet the following key dates:-
- (a) Negotiate and Appoint Head Contractor January 2016
 - (b) Site Establishment and Construction February to May 2016
 - (c) Completion of the works May to June 2016

PUBLIC CONSULTATION

22. The Development Application approval process included public notifications as part of the required process for public consultation.

AMIT CHANAN

Director City Projects and Property

Sean Brasier, Project Manager