

**ITEM 10. EXEMPTION FROM TENDER - DARLING EXCHANGE LIBRARY**

**FILE NO: X008837.001**

**SUMMARY**

Lendlease is building a landmark building on the north plot of Darling Square, designed by Japanese architects Kengo Kuma & Associates.

In March 2016 Council endorsed entering into a lease for two floors of the proposed Darling Exchange building to provide a new library, including a 'Makerspace' with an IQ Hub ('Innovation Exchange Program').

The City has prepared concept designs and performance specifications for the fitout of the library. Based on these requirements Lendlease has now provided a formal price offer to deliver the library fitout works, concurrently with the construction of the base building

The City has assessed the Lendlease price offer and compared the time, cost and risk implications of:

- the integrated delivery model offered by Lendlease; and
- a non-integrated delivery by a contractor engaged by the City following an open tender process.

The integrated delivery of the library fit-out provides value for money and a lower overall risk profile to the City.

**RECOMMENDATION**

It is resolved that:

- (A) Council endorse the scope of works for the Darling Exchange Library project, as described in the subject report and shown in the concept floor plans in Attachment A to the subject report, for progressing to design development, relevant planning approvals and construction;
- (B) Council approve an exemption from tender, in accordance with Section 55(3)(i) of the *Local Government Act 1993*, for the engagement of Lendlease, to undertake the fitout of the library, noting that because of extenuating circumstances, a satisfactory result would not be achieved by inviting tenders;
- (C) Council note the reasons why a satisfactory outcome would not be achieved by inviting tenders:
  - (i) the forecast total project cost of a non-integrated delivery would be higher than an integrated delivery;
  - (ii) a non-integrated delivery would delay the opening of the new library and the City would be subject to early lease payments during this time; and
  - (iii) under a non-integrated delivery the City would carry substantial additional risks which under the integrated delivery are borne by Lendlease;

- (D) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contract for the integrated fitout; and
- (E) Council note the financial implications detailed in confidential Attachment B to the subject report.

**ATTACHMENTS**

**Attachment A:** Concept floor plans Darling Exchange Library

**Attachment B:** Financial implications (Confidential)

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

**BACKGROUND**

1. On 18 May 2015, Councillors were briefed on a proposal for the City to lease two floors of a future iconic building centred within the public domain at Darling Square North within the new Darling Exchange precinct for a public library and 'Makerspace' (a space comprising creative, project and do-it-yourself (DIY) spaces where people can gather to create, invent, and learn).
2. On 21 March 2016 Council endorsed entering into a lease for floors one and two of the proposed Darling Exchange building. The City and Lendlease subsequently executed an in-principle Heads of Terms Agreement for the proposed lease.
3. The Darling Square site is owned by Sydney Harbour Foreshore Authority and formerly occupied by the Sydney Entertainment Centre. The overall site is being redeveloped in to a residential, commercial and community precinct. Lendlease received development approval for the Darling Exchange building in May 2017.
4. The proposed new library will occupy two interconnected floors on Levels One and Two of the new six-storey building. Level One will accommodate the 'Makerspace' and IQ Hub. The space of the IQ Hub will support the 'Innovation Exchange' program for emerging businesses and entrepreneurs from the City's start-up community. The traditional library will be located on Level Two. The remainder of the building will accommodate retail/market at ground and mezzanine level, childcare on Levels Three and Four, and a restaurant on Level Five.
5. The proposed new Darling Exchange Library will replace the existing 500 square metre, three level, heritage-listed Haymarket Library. The future use of this building will be considered in consultation with Council and the community prior to relocation of the Library in the context of the Conservation Management Plan (being updated), assessment of base building refurbishment needs, community and cultural requirements for that area and the Long Term Financial Plan.
6. The new Darling Exchange Library is a timely addition to the City of Sydney Library Network, given the need for a larger, accessible, welcoming and high tech facility to meet the growing needs of an expanding residential, worker and visitor population in the Darling Harbour precinct and surrounding City South, North and CBD areas.
7. The City believes libraries will continue to play a critical part in the community by providing free computer, Wi-Fi and internet access, as well as free books for adults and children. Increasingly, libraries are also places where people come to learn new skills and to interact with high tech facilities, inspiring programs and inviting spaces. They are the community living rooms of the future. The City aims to provide a platform for connectedness - access to digital and real-life networks, mutual exchange and peer learning.

**Project Objectives**

8. The Darling Exchange Library will:
  - (a) be the centre of an educational, cultural and entertainment precinct and integrate well with neighbouring retail, dining and children's facilities;
  - (b) be a place of learning and discovery – informal, formal, collaborative, technology and digital learning in a variety of formats;

- (c) be a place of making and invention – building on the DIY, ‘Makerspace’ and tinkering movements to support individuals, groups, collaborators and students;
- (d) be a place of connecting – residents, entrepreneurs, students and visitors with technology, space and learning opportunities;
- (e) be a place where Asian-language speakers and overseas students can enjoy innovative physical and digital collections in a variety of languages and from different countries;
- (f) be a flexible workspace for office-less workers, entrepreneurs and visitors, as well as neighbouring and visiting students; and
- (g) inspire learning, discovery, creativity, collaboration and fun.

### **ASSESSMENT OF VALUE FOR MONEY**

9. The City has prepared concept designs and performance specifications for the fitout of the library. Based on these requirements Lendlease has provided a formal price offer to deliver the design and construction of the library as an integrated fit-out, concurrently with the construction of the base building.
10. The City has engaged an independent quantity surveyor and compared the cost, time and risk implications of the integrated fitout offered by Lendlease to the alternative of a non-integrated fitout. Under the non-integrated delivery model, the City would procure the design and construction separately. Construction of the fitout would commence after completion of the base building.
11. The value for money assessment under Item 10 found that the integrated delivery presents better value for money because:
  - (a) the total project cost for an integrated delivery is lower;
  - (b) under a non-integrated fit-out the City carries significantly higher risks associated with the design and construction as the works would have to be carried out post completion of the base building, within and occupied building and completed precinct;
  - (c) for a non-integrated delivery additional project management resources are required by the City;
  - (d) under an integrated fitout the new library will be available to the community some nine months earlier; and
  - (e) under an integrated delivery the commencement date for the lease is tied to the completion of the fitout. Lendlease therefore carries the risk for any delays.

## **KEY IMPLICATIONS**

### **Strategic Alignment - Sustainable Sydney 2030 Vision**

12. *Sustainable Sydney 2030* is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This project is aligned with the following SS2030 strategic directions and objectives:
- (a) Direction 6 - Vibrant Local Communities and Economies – The new library and ‘Makerspace’ with the IQ Hub will create a new Activity Hub for meeting, creating, learning and working for the local community; and
  - (b) Direction 7 - A Cultural and Creative City – The new facility will support cultural activity, participation and interaction and support the development of creative industries.

### **Organisational Impact**

13. The new library will replace the existing Haymarket Library. However, it will be larger and offer a wider range of programs and facilities associated with the IQ Hub and ‘Makerspace’. Additional resources will therefore be required to operate the new facility.

### **Risks**

14. With Lendlease delivering the highly unique Darling Exchange base building, an integrated fit-out is the recommended delivery model for this project. The integrated delivery model presents a significant risk transfer to Lendlease, including cost and time risks for design and documentation management, tendering, errors, omissions and ambiguities in the documentation, latent conditions and failures by sub-contractors, delay in the completion of the works (base building and fitout) and resultant delay in commencement of the lease. Lendlease is also incentivised to complete the integrated fitout works as soon as possible, as the City’s lease commences post-completion of the fitout works.
15. Under a non-integrated fitout, Lendlease would only carry cost and time risks for latent conditions related to the base building. The City would carry cost and time risks related to the design and documentation management relative to the scope described in the Principals project requirements, tendering to the market, errors, omissions and ambiguities in the documentation, failures by its head contractors and their sub-contractors. Any time delays would also increase the cost of early lease payments by the City without the facility being available to the public.

### **Environmental**

16. Lendlease is designing the Darling Exchange building with a sustainability target of a 5 Star Green Star rating. It has developed a Tenant Fitout Guide to ensure the tenancies contribute to this target.

## **FINANCIAL IMPLICATIONS**

17. There are sufficient funds allocated for this project within the current year's capital works budget and future years' forward estimates.

**RELEVANT LEGISLATION**

18. *Local Government Act 1993* and the *Local Government (General) Regulation 2005*.
19. Under section 10A (2)(d) of the *Local Government Act 1993*, Attachment B contains confidential commercial information, which, if disclosed, would 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. Timeframe for integrated delivery
  - Lodge development application 16 April 2018
  - Fit-out construction start 17 August 2018
  - Fit-out construction completion 28 January 2019
  - Library opening 11 February 2019

**OPTIONS**

22. Council has the option to procure the design and construction of the Darling Exchange Library fitout as a non-integrated delivery. This option is not recommended, as it would result in a delay in providing the facility to the community and a higher total project cost as outlined in Attachment B.

**AMIT CHANAN**

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