

**ITEM 10. TENDER - CONSTRUCTION OF NEW SUBSTATION AT 62-66 OXFORD STREET, DARLINGHURST**

**FILE NO:** **X006707**

**TENDER NO:** **1673**

## **SUMMARY**

This report provides details of the tenders received for the construction of a new substation at 62-66 Oxford Street, Darlinghurst.

The Council owns the building at 56-76 Oxford Street, Darlinghurst, bounded by Crown Street, Foley Street, and Burton Street. The property was constructed in the early 1900s, and is occupied by commercial and creative tenants. It is presently supplied from two Ausgrid street supply mains.

On 8 December 2014, Council approved the granting of a lease to Woolworths Limited for part 56-76 Oxford Street. As part of this resolution, Council endorsed funding the provision of an Ausgrid Substation at 56-76 Oxford Street. The substation is required to provide the additional power for the building.

This report recommends that Council accept the tender offer of Tenderer 'A' for the construction of a new substation at 62-66 Oxford Street, Darlinghurst.

## **RECOMMENDATION**

It is resolved that:

- (A) Council accept the tender offer of Tenderer 'A' for the construction of a new substation at 62-66 Oxford Street, Darlinghurst;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender; and
- (C) note the financial implications as disclosed 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 Council owns the building at 56-76 Oxford Street, Darlinghurst, bounded by Crown Street, Foley Street, and Burton Street. The property was constructed in the early 1900s, and is currently occupied by commercial and creative tenants.
2. On 22 August 2011, Council resolved to undertake a range of short, medium and long term (5-10 year) activation projects for Council-owned properties in Oxford Street. Short term works include repair and replacement of the roofing to all building units (56-76); buildings 74-76 Levels 1 and 2 floor and roof structural works; development of basement tenancies at 9-21 Foley Street; 98 Oxford Street retail shell fitout; building compliance and essential services works.
3. On 8 December 2014, Council approved the granting of a lease to Woolworths Limited for part 56-76 Oxford Street. As part of this resolution, Council endorsed funding of up to \$750,000 for the provision of an Ausgrid Substation at 56-76 Oxford Street. The substation was required to provide the additional power for the proposed Woolworths small format supermarket, as well as to future proof the energy needs of the building.
4. Under the terms of the Agreement to Lease, Woolworths would undertake electrical substation and main switchboard works on behalf of Council, with Woolworths being reimbursed for the upgrade works.
5. In August 2016, the CEO advised Councillors, consequential to the receipt of advice from Woolworths, that circumstances had arisen that would prohibit Woolworths from fulfilling their obligations under the agreement to lease and entering into a lease at 56-76 Oxford Street.
6. The City subsequently accepted a financial settlement from Woolworths as part of the Deed of Termination and Settlement for the Agreement to Lease. Woolworths were no longer obligated to undertake the substation and main switchboard work. As a result, Council will deliver the substation works through this tender.
7. The works will comprise:
  - (a) demolition of an existing internal basement floor slab around the position of the new substation;
  - (b) modification and / or removal of the existing concrete lintel, brick façade, concrete slab and fire egress door;
  - (c) excavation within the footprint of the new substation to install new high voltage cabling and installation of a mini-chamber substation, internal enclosing walls, internal switch room, external facade louvres; and
  - (d) electrical reticulation from the new main switchboard to the existing switchboards and new reticulation for the supply of five new tenancy boards on the ground floor for number 58, 60, 62 and 64, and 74,76 of Oxford Street.

**INVITATION TO TENDER**

8. The tender was advertised in The Daily Telegraph, The Sydney Morning Herald and on Councils etenders Website on Friday 21 October 2016. The tenders closed on Monday 14 November 2016.

**TENDER SUBMISSIONS**

9. Two submissions were received from the following organisations (listed alphabetically):
  - Cooper Commercial Constructions Pty Ltd
  - Murphy McCarthy & Associates 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:
  - (a) company experience in works of a similar nature;
  - (b) demonstrated managerial capability, qualifications, experience and number of personnel;
  - (c) capacity to achieve the required project program;
  - (d) proposed methodology including site management plan, traffic plan and environmental management;
  - (e) work health & safety;
  - (f) financial and commercial trading integrity including insurances; and
  - (g) the lump sum price and schedule of prices.

**PERFORMANCE MEASUREMENT**

14. 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**

15. This project is part of a program of works to activate the City's Oxford Street properties. The substation works were to be delivered by Woolworths, with the City to reimburse the associated costs. However, the City will now be undertaking the delivery of the substation and associated works.
16. As a result of the additional new substation works, a shortfall has been identified in the total project budget and additional funds are required to be sought as outlined in confidential Attachment A.

**RELEVANT LEGISLATION**

17. 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.
18. 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.
19. 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**

20. Following Council approval, the project is currently proposed to commence in February 2017. Subject to the relevant approvals, the works are forecast to meet the following key dates:-

(a) Negotiate and Appoint Head Contractor	January 2017
(b) Site Establishment and Construction	February 2017
(c) Completion of the works	July - August 2017

**OPTIONS**

21. The consequence of not carrying out the new substation works includes not meeting the requirements for the provision of power for tenancies within 56-76 Oxford Street.

**AMIT CHANAN**

Director City Projects and Property

Rithy Poch, Senior Project Manager