

Civic Precinct Committee

AGENDA NO. 1/10

Meeting Date: Tuesday 16 March 2010
Location: Level 5, Committee Room 2
Time: 6.00pm

NOTICE OF BUSINESS

Item		Page
1	CONFIRMATION OF MINUTES – Meeting of 09 December 2008	1
2	CIVIC PRECINCT UPDATE - Revised Model and Structure.....	2

1 CONFIRMATION OF MINUTES – Meeting of 09 December 2008

File Number: GRP/10/5/001/1 - BP10/125

RECOMMENDATION:

That the Minutes of the Civic Precinct Committee No. 01/08 held on 09 December 2008, be confirmed.

2 CIVIC PRECINCT UPDATE - Revised Model and Structure

Report prepared by: Manager, Major Projects

Report dated: 18/02/2010

File No.: GRP/10/5/001/1 - BP10/75

Report Summary

In December 2008 Council adopted a structure and process for the development and implementation of the Civic Precinct project. The General Manager has reviewed and identified further information that is needed to confirm feasibility of the project. Particular attention is required on the governance model, the commercial reality of the development, the timing of the project, the potential impacts of the urban design and the engagement process with the community. As a result, changes are recommended to the methodology.

This report provides an overview of the revised governance structure, a project methodology, preliminary costings and risks for the Civic Precinct project. It recommends adoption of this model commencing with the employment of a Development Director with the aim of placing the Civic Precinct in the market within a 3 to 4 year timeframe.

RECOMMENDATION:

That Council:

- (a) Endorse the proposed structure and methodology outlined in this report, noting that further detail will be provided after the commencement of the Development Director.
- (b) Commence recruitment of all external consultants, starting with the Development Director through a tender process.
- (c) Provide the allocation of \$2,577,150 funds from the Civic Precinct Reserve into the Management Plan 2010 - 2014, as outlined in the report.

ATTACHMENTS

There are no attachments for this report.

Report Prepared By:

Maxine Kenyon
Manager, Major Projects

Report Approved By:

John Neish
General Manager

ITEM 2 (continued)**Background**

The Civic Precinct site (16,350m²) is a prime site within the Ryde Town Centre, a transport, residential and retail hub. With excellent access and a Roads and Traffic Authority approved transport solution including spurs into the site, two pedestrian linkages and significant changes to the road network, this site has significant development potential.

Council's vision for this site, as identified in the Development Control Plan was to deliver a multifunction cultural centre, public spaces and Council's administration building within a mixed used precinct, whilst ensuring the project is environmentally, economically and socially sustainable. Council needs to be able to leverage off its landholdings to deliver increased community benefit, providing quality urban design outcomes whilst retaining an asset and delivering an income stream to Council.

Council previously adopted a model for this redevelopment, however this was not enacted due to the departure of the previous General Manager. The first step in the process is required to enable the exhibition of the Amended Local Environment Plan as required under the Environmental Planning and Assessment Act.

The redevelopment of this site has a long history, a summary in chronological order is provided below.

Date	Event
June 2005	- Councillor workshop to consider future of all Council land in Ryde Town Centre as part of the preparation of DLEP 143.
November 2005	- Councillor workshop to consider future of Civic Precinct. Council expressed a desire to redevelop the site concurrently with the Top Ryde Shopping Centre and deliver community benefits.
October - November 2005	- Public Exhibition DLEP 143 and supporting documents, including an Integrated Traffic Solution that allowed the development potential of the Shopping Centre and Civic Precinct to progress.
December 2005	- Council submitted DLEP 143 to Department of Planning for gazettal.
May 2006	- LEP 143 was gazetted, with amendments to reduce the permissible height from RL130 to RL91 while retaining floor space potential of 100,000m ² . - Civic Precinct Committee established and first meeting held.
May 2007	- Councillor workshop at Civic Precinct Committee
June 2007	- Council resolved to undertake a competitive design process that would permit a 20 storey development on the site and re-establish the Civic Precinct Committee.
October 2008	- Workshop to confirm Civic Precinct Committee with new Councillors.
December 2008	- Councillor workshop with results of feasibility study of a cultural facility on the site. - Council resolved to prepare an amendment to the City Wide LEP (DLEP2008) to permit buildings up to RL130AHD. The amended plan is known as DLEP 2008 Amendment No.2.
November 2008 – January 2009	- Draft Ryde LEP 2008 (the consolidated plan for the City) on public exhibition.

ITEM 2 (continued)

May 2009	- Approval received from the Department of Planning to proceed to the public exhibition (s65) of DLEP Amendment No.2.
November 2009	- Council resolved that the GM be delegated to issue s65 certificate and that the proposed exhibition material be presented to the Civic Precinct Committee for approval.

Report

With the commencement of the current General Manager a review of the methodology and structure of the Civic Precinct project has been undertaken. This has resulted in recommended changes to strengthen the feasibility and successful delivery of this project.

The redevelopment on the Civic Centre site must balance the urban design elements and community benefit, whilst providing the best return for Council. This balance, along with governance, commercial testing and risk management, as outlined below, were considered in the revision of the structure and methodology.





Governance

The governance strategies of the Civic Precinct project must be robust and involve experts from various fields to assist Council in making well informed decisions.



Structure

The structure of the Civic Precinct project is outlined in the following table. This model supports the revised methodology and uses the existing skills and knowledge of staff, combined with the objective expertise offered by external advisers. This recognises that a project of this size and complexity requires specialised skills.

The governance structure maintains Council as the final decision maker, through the Civic Precinct Committee.

Structure	Aim	Members
Civic Precinct Committee	To provide direction in all projects involving the development of the Ryde Town Centre including land owned by the Council.	All 12 Councillors
Information flow 		 Information flow
Civic Precinct Advisory Committee	To provide expert advice on matters relevant to the Civic Precinct project which optimises the returns to Council and the community. To collaborate and challenge the Project Team and CoR Support Group.	City of Ryde Project Sponsor External advisers with the following expertise: - Development Director - Property / Commercial Lawyer - Urban Designer - Land Economist - Probity Advisor - Communication / Engagement
Information flow 		 Information flow

ITEM 2 (continued)

<p>Civic Precinct Project Team</p>	<p>To undertake the day to day management of the Civic Precinct project.</p> <p>To liaise with the CoR Support group and the Advisory Committee.</p>	<p>Development Director Project Support Manager</p>
<p>Information flow   Information flow</p>		
<p>Civic Precinct CoR Support Group</p>	<p>To provide advice to the Project Team and Advisory Committee members on City of Ryde plans, policies, networks and processes relevant to the Civic Precinct project.</p>	<p>City of Ryde Project Sponsor City of Ryde staff with the following expertise:</p> <ul style="list-style-type: none"> - Legal Advice - Urban Design - Planning - Traffic - Office Relocation - Probity / Risk - Communication - Community Engagement

In conjunction with this structure, the decisions made regarding the type of development and the agreement with the developer will also guide the governance strategies of the Civic Precinct project.

Type of redevelopment

The type of redevelopment occurring on the site is not only based on what is permitted through the planning controls but also the decision Council makes as a landholder. There are a number of options, including:

- Selling the site outright with the Council locating elsewhere
- Selling the site and retaining some space in the redeveloped site for Council’s own construction
- BOOT scheme - build, own, operate, transfer floor space to Council so that Council operates from the site and owns additional floor space to rent
- Council contributes land and contributes funds to the redevelopment so that Council owns a larger amount of additional floor space for rent.

All of these options will be explored considering the development potential, marketability, potential site mix, Council’s risk levels and benefit / return to the community.




Project Delivery

The proposed revised project methodology includes four phases, aiming for commencement of works to be undertaken in 2014. As with the model previously provided to Council, it is essential that Council have exit points for the project at the end of each phase. This will ensure that the outcome required is achieved and that the project is still viable before moving forward to the next phase.

This proposed methodology and associated timeframes is indicative only and will be reviewed and enhanced with the commencement of the Development Director who has the experience with this type of development.

ITEM 2 (continued)

The key change to the methodology is to delay the public exhibition of DLEP Amendment No.2 to gain increased height on the site until further commercial analysis, feasibility testing and engagement with the community has been undertaken.

Phase	Aim	Description
1. Establishment (Mar 10 – Sept 10)	Undertake appropriate planning to inform decision making and establish the project team.	<ul style="list-style-type: none"> - Selection and establishment of the team members and governance structure - Gaining external support - Development and approval of key documentation, including scope and budget, communication & engagement plans
Gateway - Exit Point		
2. Planning and Assessment of Options (Sept 10 – Aug 11)	To identify the most appropriate model for the Civic Precinct redevelopment from a commercial and community perspective.	<ul style="list-style-type: none"> - Develop draft Masterplan and high level concept designs - Undertake commercial analysis and feasibility testing - Engage the community on Masterplan and high level concept designs - Revisit planning controls and undertake associated public exhibition period - Planning permission is finalised - Model for developing the site is determined
Gateway - Exit Point		
3. Tendering and Selection (Sept 12 – May 13)	To select a suitable tenderer through a formal Competitive Design process.	<ul style="list-style-type: none"> - Documentation of tender documents, including selection criteria - Competitive Design process: call Expressions of Interest - Competitive Design process: call for tender - Competitive Design process: selection of tenderer - Contractual negotiations
Gateway - Exit Point		
4. Project Delivery (June 13 – TBC)	<p>Development of final design and undergo Development Application process ready to commence construction.</p> <p>Construction commences</p>	<ul style="list-style-type: none"> - Detailed designs developed - Development application lodged - Public exhibition - Development consent issued - Construction certificate obtained - Commence construction

ITEM 2 (continued)**Project Management**

To deliver this methodology a skilled Development Director is required to maintain the focus, manage the ongoing risks and maintain communication with Councillors and the project sponsor.

This is a large and complex project that requires a project team with demonstrated experience and skills in this type of redevelopment. Council does not have the skills required for this role. The majority of the team will be external consultants who will not only guarantee the skill set required but also share some of the liability associated with the project.

The Development Director and Project Support Manager will manage the project day to day. It is envisaged that the Development Director would initially be part time and the Project Support Manager would be full time. A range of other consultants would be part time and used as required to provide expert advice on issues such as probity and legal, urban design and planning, commercial viability and testing, property assessment, communication and engagement. These positions together with the Development Director and the City of Ryde Sponsor will form the Civic Precinct Advisory Group.

By nature, projects of this magnitude require variable and extensive use of consultants. While the current tendering threshold provided in the Local Government Act and Regulation is \$150,000, the Department of Local Government (DLG) Procurement Guidelines (Circular 06/07) does not specifically address issues associated with engaging consultants on an hourly rate. DLG do however encourage councils to be guided by the following key considerations, which will be covered in the Civic Precinct project governance strategies:

- Legal obligations
- Policy frameworks and guideline documents
- Value for money
- Probity
- Accountability and transparency
- Consistency
- No conflict of interests
- No improper advantage
- Risk management
- Open to scrutiny.

Although the scope of the project is not finalised, it is clear that the costs of the Development Director alone will be higher than \$150,000 over the course of the project. Council has written requesting advice from the DLG on the most suitable process to maintain the information and knowledge of consultants, clear probity requirements and an appropriate process to manage and monitor the expenditure. A verbal response has indicated a tender process based on hourly rates will be acceptable to the department. Written advice is anticipated shortly.

ITEM 2 (continued)**Urban Design**

The revised methodology to the project plan is based on the need for more detailed data and analysis to be undertaken on the Civic Precinct project, to test the feasibility of all components at an earlier stage.

Commercial analysis

In the previous Council report Council was advised as follows:

'It is forecast that a 100,000m² mixed use project on the Civic Precinct site will have a completed value of works of approximately \$700 million. An industry guide for the management and other fees necessary to put together such a project in a professional manner are in the order of 1.5% or approximately \$10 million spread over six years. Preliminary estimates of the value of Council's deliverables at the completion of the project will be in the order of \$117 million.'

These figures have not undergone scrutiny and as a result of the revised methodology will be tested through the commercial analysis and feasibility of options.

Further analysis is required to test the feasibility and commercial reality of the site, including determining the current land value of the site, research into market feasibility, identifying the appropriate mix of residential, retail, commercial and civic spaces and height needed. This is particularly so whilst the urban design considerations have not yet fully resolved. This analysis will ensure that the outcome is consistent with the intent, that the returns for Council and the community are realistic and that the project is marketable.

Development Control Plan (DCP) principles and draft Masterplan

A review of the current DCP provisions (part 4.4 DCP 2006) to guide the development of a detailed Masterplan for this site is needed. This will provide clarity to the community on how urban design issues, such as over shadowing, inclusion of open space etc will be addressed on the site.

An appropriate draft Masterplan will be developed to balance the returns to Council, with the community and urban design outcomes. This process will also verify whether a height of RL130 is required or not and whether it is based on commercial reality.

The draft Masterplan will form the basis for the community consultation.

Planning

There are current and possible future planning controls that must be considered on this site and will be a key factor to the success of the redevelopment. Resolution of these issues is critical for the 'de-risking' of the project for the market place.

ITEM 2 (continued)Revision to the planning controls

The Civic Precinct site currently has a permissible floor space of 100,000m² and height of RL91 (approximately ten storeys) which has been approved by the Department of Planning. Council has undertaken preliminary work which advised that without a height of RL130 (approximately 20 storeys) the floor space of 100,000m² currently permitted would not be possible without negative impacts on the urban outcomes and community benefit. However, without the urban design considerations being fully tested the complete impact is unknown. For example, the urban design issues may reduce the floor space lower than 100,000m².

The Department of Planning has approved Council to commence the process to gain approval to increase the height from RL91 to RL130 on the Civic Precinct site. At the Committee of the Whole meeting on 17 November 2009, Council resolved to proceed to the exhibition of the Amendment Plan and for the engagement plan and documentation to return to Council in February 2010 prior to the public exhibition period.

The progress to public exhibition has been considered in the review of the methodology. It is recommended that this process be delayed to enable further research, analysis, engagement to be undertaken to better inform the process.

This delay will require Council to liaise with the Minister under the 'Gateway' process, a new process of the Department of Planning. Considering the work already undertaken and the previous approval to go out to s65, Council will request continuation of the process under the previously agreed process. A meeting with the Minister and the director general of Planning has been scheduled for the end of March 2010.

Community Engagement

It is planned to undertake meaningful engagement processes with the community on a draft Masterplan prior to developing the revision of the planning controls, resulting in two clear engagement processes in the early stages of the project.

We will maintain a commitment to working with the community to identify and address their concerns throughout the revised methodology. It is envisaged that a range of detailed concept plans (with various options) will be developed based on the DCP provisions and the Masterplan which will form the basis for the engagement process for the s65. Feedback will inform the process through possible revisions to the draft Masterplan and developments. This will provide appropriate information for a revision of the current planning controls.

Financial

The Civic Precinct project has an established Reserve, with a current total of \$4,978,582 (this includes the \$3m deducted for the City of Ryde Centre, as resolved by Council on 2 March 2010).

ITEM 2 (continued)Projected expenditure

The revised model has been scoped and high level estimates developed, based on the inclusion of the following elements:

- Consultants
- Development of key documentation
- Development of concepts and feasibility testing
- Revision of planning controls
- Competitive design process
- Engagement and communication
- Contingency.

It is estimated that the total cost of the project between Phases 1 and 3 (Project Establishment, Planning and Assessment of Options and Tendering and Selection) is approximately \$2.6million over more than 3 years. Costs of Phase 4 (Project Delivery) have not been accounted for as it is dependent on the type of redevelopment and agreement that is in place with the developer. These projected costs do not include any rewards or prize money for short listed tenderers. This issue would need to be considered by the Development Director and Council when developing the Competitive Design process.

This revised model requires nearly \$1m being spent (staffing costs, development of concepts and feasibility testing) in phases 1 and 2, prior to the planning controls being revised.

Once the Development Director and other experts are recruited a more detailed and accurate project plan and budget will be developed and reported to Council. This will also need to be revised due to market costs over the course of the project and may change dependent on the type of development and subsequent agreement for the site.

Risks

As with any project of this nature, there are significant risks. A key strategy to monitor and manage these risks is to have the right information. By using experienced and skilled team members (such as the Development Director and consultants) throughout the project the provision of regular project status and expenditure updates will be reported to Council. In addition, having clear exit points within the structure and methodology will enable Council to confirm if it wishes to continue with the project and associated expenditure throughout the life of the project.

Below are the key risks for the revised methodology for the Civic Precinct project. This is very high level and once a Development Director is recruited they will need to undertake a more detailed risk assessment.

ITEM 2 (continued)

Description of Risk Event	Consequences	Likelihood	Mitigation Strategy	Contingency Plan
This is a specific description of what could happen that would threaten the success of the project.	1. Very Minor 2. Minor 3. Significant 4. Serious 5. Very Serious	Likelihood of risk event with that consequence rating occurring 1. Very Low 2. Low 3. Likely 4. High 5. Almost Certain	What can be done (if anything) to reduce the likelihood of the risk occurring?	What can be done (if anything) to reduce the impact of the risk on the project, should it occur?
Consultants fees become excessive over the course of the project if appropriate project management discipline is not used	Significant	Likely	<ul style="list-style-type: none"> - Implement tight project control and reporting - Undertake a tender process that identifies hourly, daily and week rate for the consultants and includes a termination clause at exit points. - Receive formal advice from the DLG on the preferred procurement model. - Monitor the project budget and deliverables - Use exit points when necessary 	<ul style="list-style-type: none"> - Utilise tight project control over the consultants to limit the consultants time to essential elements only - Terminate the project using the exit points
Delaying the public exhibition process (as outlined in the revised methodology) would lead to Council spending \$1m prior to the public exhibition without the guarantee of an increased height approval being given	Significant	Likely	<ul style="list-style-type: none"> - Commercial analysis to determine the feasibility, commercial reality and best options considering height - Undertake extensive community engagement to inform, identify potential concerns from the community and other stakeholders up front - Develop concepts to address community concerns balanced with commercial realities. - Monitor the project budget and deliverables - Use exit points when necessary 	<ul style="list-style-type: none"> - Reconsider redevelopment vision and concepts based on the height approved

ITEM 2 (continued)

Description of Risk Event	Consequences	Likelihood	Mitigation Strategy	Contingency Plan
This is a specific description of what could happen that would threaten the success of the project.	<ol style="list-style-type: none"> 1. Very Minor 2. Minor 3. Significant 4. Serious 5. Very Serious 	Likelihood of risk event with that consequence rating occurring <ol style="list-style-type: none"> 1. Very Low 2. Low 3. Likely 4. High 5. Almost Certain 	What can be done (if anything) to reduce the likelihood of the risk occurring?	What can be done (if anything) to reduce the impact of the risk on the project, should it occur?
Community not supportive or against the proposed height and / or concept designs and lodge objections to the DLEP Amendment No.2 which could lead to the recommended height or Masterplan not being approved	Serious	Likely	<ul style="list-style-type: none"> - Undertake extensive community engagement to inform, identify potential concerns from the community and other stakeholders up front - Commercial analysis to determine the feasibility, commercial reality and best options considering height - DCP provisions, masterplan and concept designs developed based on better practice and balance community outcomes with commercial outcomes 	<ul style="list-style-type: none"> - Consider redesign or amendments - Reconsider redevelopment vision and concepts based on the height approved
An increased height is not approved by the Minister (remains at RL91 or lower than RL130), possibly making redevelopment with the intended vision not feasible or attractive to potential developers	Serious	Likely	<ul style="list-style-type: none"> - Regular communication with the Minister / State Government on the project and its progress - Demonstrate a thorough s65 process, including extensive community engagement, support and robust commercial analysis to support the need for the height 	<ul style="list-style-type: none"> - Reconsider redevelopment vision and concepts based on the height approved - Place the site on the market without the section 65 approval

ITEM 2 (continued)**Consultation**

Internal Council business units consulted included:-

- Urban Planning
- General Counsel
- Risk & Audit
- Executive Team.

Internal Workshops held:-

- Nil.

City of Ryde Advisory Committees consulted included:-

- Not Applicable.

External public consultation included:-

- Department of Local Government

Comments

Council has written to the Department of Local Government requesting advice on the best procurement method for the Development Director and other consultants for the duration of this project. A formal response has not yet been received.

Critical Dates

Although there are no critical dates or deadlines to be met, timing of this initiative is a factor to its success. The Government election dates have been considered in the revised methodology and the status of the property development market must be considered when implementing Project Delivery in Phase 4.

Financial Impact

Detail on the financial elements of the proposed methodology have been outlined previously, the preliminary projected costs to date are as follows:

Current Funds Available in the Civic Precinct Reserve \$4,978,582

Projected estimated expenditure based on the revised methodology and detail outlined in this report

Phase 1 – Establishment	\$251,520
Phase 2 – Planning & Assessment of Options	\$986,820
Phase 3 – Tendering & Selection	\$1,338,810
Phase 4 – Project Delivery	Unknown

Projected Total Expenditure \$2,577,150

Projected Balance of Civic Precinct Reserve in May 2013 \$2,401,432

ITEM 2 (continued)

These figures are high level estimates only, once the Development Director and other experts are recruited a more detailed and accurate project plan and budget will be developed and reported to Council. This will also need to be revised due to market costs over the course of the project and may change dependent on the development and development agreement for the site.

The current Management Plan has identified Civic Precinct allocations, however these would need to be amended to reflect the revised structure and model, as outlined below.

Financial Year	Current Management Plan Allocation	Proposed Management Plan Allocation	Phase
2009/2010	\$150,000	\$17,400	1. Establishment
2010/2011	\$900,000	\$1,084,445	1. Establishment 2. Planning and Assessment of Options
2011/2012	\$2,500,000	\$940,339	2. Planning and Assessment of Options 3. Tendering and Selection
2012/2013	\$2,500,000	\$534,966	3. Tendering and Selection
2013/2014	No allocation	Yet to be determined	4. Project Delivery

Policy Implications

There are no policy implications through adoption of the recommendation.

Other Options

Council may decide not to undertake further feasibility and viability testing or recruitment of the Development Director and other consultants until a height of RL130 has been approved in the planning controls.

Conclusion

The Civic Precinct project requires detailed planning to ensure that the project is commercially viable from the outset and robust governance strategies are in place to successfully manage this large and complex project appropriately.

This project, as with any similar project, has significant risks that need to be planned for and managed. If not, the commercial reality of this site may not be conducive to a redevelopment of the type proposed and Council will spend substantial funds without positive outcomes for the community and long term return to Council.

ITEM 2 (continued)

Knowing these and other risks, the revised methodology and structure aims minimise the risks through the following strategies:

- Establishing a clear structure and governance framework to make informed decisions and utilising clear exit points throughout the project

- Developing appropriate tender and competitive design processes
- Engagement of experienced and skilled team members
- Utilising a project management approach with the provision of regular and appropriate information being provided to Council and other stakeholders
- Undertaking detailed analysis of the commercial viability considering the design outcomes, benefits for the community and return to Council.
- Utilising meaningful community engagement strategies throughout the life of the project.

This model aims to place Council in the best position to deliver this project for the Ryde Local Government Area. The redevelopment of this Council owned site has the potential to have enormous benefits for the City including community outcomes and monetary returns to support the delivery of services to the community.