



# **Ordinary Meeting of Council**

**22 March 2023**

**UNDER SEPARATE COVER  
ATTACHMENTS**

**ITEM 9.5**

**QUEANBEYAN-PALERANG REGIONAL COUNCIL  
ORDINARY MEETING OF COUNCIL**

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Item 9.5 QCCP Progress Report

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# **QUEANBEYAN-PALERANG REGIONAL COUNCIL**

## **Council Meeting Attachment**

**22 MARCH 2023**

ITEM 9.5            QCCP PROGRESS REPORT

ATTACHMENT 1    QCCP BUSINESS CASE



Property and Infrastructure Specialists

STRATEGY > DEFINITION > DELIVERY > TRANSITION

# QUEANBEYAN-PALERANG REGIONAL COUNCIL QUEANBEYAN CIVIC & CULTURAL PRECINCT Business Case



Prepared for: Queanbeyan-Palerang Regional Council  
By: APP Corporation

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## 1 Executive Summary

The Queanbeyan Central Business District (CBD) has suffered from a lack of economic and retail activity over many years. Queanbeyan-Palerang Regional Council (QPRC) seeks to achieve social, economic and cultural outcomes via the renewal of the CBD in line with the adopted Queanbeyan CBD Transformation Strategy.

QPRC has identified the major issues affecting the Queanbeyan CBD which it aims to address by kick-starting the transformation of the CBD:

1. The perception and identity of the Queanbeyan CBD;
2. Escaped expenditure from the Local Government Area;
3. Lack of community spaces within the Queanbeyan CBD;
4. Lack of developable land in the Queanbeyan CBD;
5. Inability to attract conferences, business events and performances due to the limitations of the current spaces; and
6. Inappropriate and inadequate existing staff accommodation facilities.

QPRC has developed a business case for the proposed Queanbeyan Civic and Cultural Precinct (QCCP) project which addresses the needs posed from the above problems. The QCCP will be the heart of a new and vibrant precinct in the CBD, designed as a landmark civic building which promotes civic pride, is a community anchor point and will be the catalyst to trigger the transformation of the Queanbeyan CBD.

The Business case has established three strategic options to address the problems identified.. They are:

1. Do the absolute minimum, culminating in Option 1. This approach did not attempt to solve any of the identified problems but included what was considered the bare minimum to maintain QPRC's existing operations in the short term;
2. Complete a refurbishment and refresh of the existing assets to increase the life span and bring the buildings to a code compliant standard, culminating in Option 2; and
3. Construction of a new QCCP. Three variants of this strategic option were looked at, being build all identified functionality, a reduced building or a hybrid version with a library, culminating in Options 3, 4 and 5 respectively.

The financial analysis illustrated Option 1 generates the largest positive NPV of \$25.0 million over the first 20 years of the assessment horizon, when the merger savings are included and the smallest negative NPV of \$7.4 million when the merger savings are excluded. Whilst this option presents with the most favourable financial outcomes to QPRC of the five Options, it is noted that Option 1 is a purely theoretical option which is not



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appropriate to pursue in reality. Accordingly, whilst the financial outcomes have been modelled and presented for completeness, Option 1 is not an option relevant to evaluate or compare further.

Option 2 presents with the least most favourable financial outcome to QPRC of the 4 realistically available options, as the investment required for the remedial works on the existing 11 buildings is lower than the capital cost of the new QCCP in Options 3, 4. However, In a long-term and strategic context over a 30 year period, the development of the QCCP under Option 3, 4 or 5 delivers higher financial value to QPRC, and therefore better value for rate payers, than Option 2.

Option 3 presents with a less favourable financial outcome to QPRC compared to Option 2 over the initial 20 years. Option 3 is also less favourable, in financial terms, than Options 4 and 5 over the initial 20 years due to the higher investment cost, despite the higher rental incomes from the larger lettable area included in the Option 3 architectural design.

Option 4 presents with the most favourable financial outcome to QPRC of the QCCP designs over the initial 20 years. Option 4 has a lower investment cost than Options 3 and 5. The Option 4 architectural design includes a larger lettable area than Option 5 (as Option 5 includes the Library instead), and therefore Option 4 is marginally more financially favourable than Option 5 over the initial 20 years of the assessment horizon.

Option 5 presents with a marginally less favourable financial outcome to QPRC compared to Option 4, and marginally more favourable compared to Option 3 over the initial 20 years of the assessment horizon.

After conducting a detailed analysis and financial assessment of each option, Option 5 is recommended as it demonstrates value for money to QPRC and the community.

The Option 5 QCCP building includes:

- A new public library;
- New community gathering and meeting spaces;
- A new roof top garden available for community use;
- New public realm upgrades;
- Integration of The Q and the Bicentennial Hall to create a cultural precinct;
- New QPRC administration and third-party office spaces; and
- Basement parking.



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Option 5 will realise many economic and non-monetary benefits, including:

- Creation of public pride and ownership by creating a civic and cultural precinct in the heart of the CBD;
  - Providing new, high quality community facilities;
  - Increased diversity in cultural and entertainment offering within the CBD;
  - Increasing the working population and foot traffic within the CBD through the introduction of NSW Government offices, new high quality commercial lettable area, smart hub/co working space and additional permanent jobs;
  - Increased confidence from the private sector to invest within the CBD;
  - Setting a high-quality benchmark for future development;
  - Increased opportunity for retail diversity within the CBD and the catalyst to reverse the flow of escaped retail expenditure;
  - When factoring in the economic multiplier, the QCCP will contribute to a \$629m economic benefit to the community;
  - Consolidating the Queanbeyan based QPRC staff from 11 disparate offices into a centralised centre which will provide a higher level of service to the community;
  - Injecting new car parking within the CBD; and
- Creating new commercial 5-star Green Star lettable space to create a new opportunity for new commercial tenant in the CBD.

The capital cost to construct Option 5 is estimated at \$72.5m and will realise a net present value of \$25.8m over the next 30 years. Initial debt will peak at \$70.6m, but is forecast to be reduced to \$50.1m following receipt of funds from government grants and sales of select surplus and redundant properties.

The QCCP is the catalyst the CBD needs to instigate its transformation into a vibrant and active precinct, whilst retaining its 'country living – city benefits' feel.





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## 2 Abbreviations

Code	Description	Code	Description
APP	APP Corporation Pty Ltd	LEP	Queanbeyan Local Environmental Plan 2012
QCBD	Queanbeyan Central Business District	LGA	Local Government Area, defined by the QPRC local government boundaries
DA	Development Application	NCC	National Construction Code
DCP	Queanbeyan Development Control Plan 2012	NLA	Net Lettable Area
DDA	Disability & Discrimination Act	NPV	Net Present Value
FSR	Floor Space Ratio	PSP	Preliminary Sketch Plan
GFA	Gross Floor Area	QCCP	Queanbeyan Civic and Cultural Precinct
GLA	Gross Lettable Area	QPRC	Queanbeyan-Palerang Regional Council
ICT	Information, Communications & Technology	WHS	Workplace, Health & Safety



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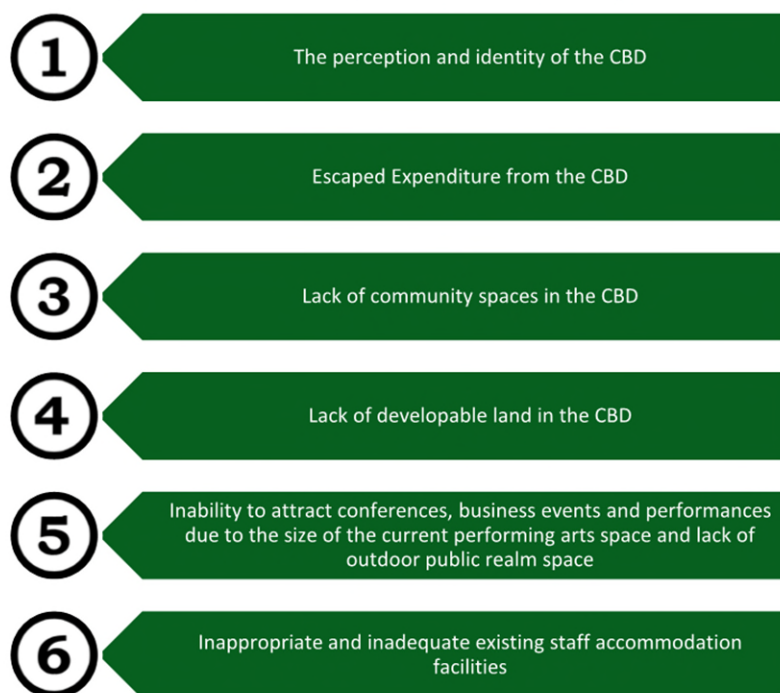
### 3 Reference Documents

1. Queanbeyan CBD Masterplan dated October 2009 and authored by Place Design Group (**CBD Masterplan**).
2. Draft Queanbeyan CBD Spatial Masterplan dated 2019 and authored by QPRC (**2019 CBD Masterplan**).
3. Queanbeyan CBD Transformation Strategy dated June 2017 and authored by QPRC (**Transformation Strategy**).
4. Queanbeyan CBD Retail Growth Strategy, dated September 2018 and authored by Foresight Partners and Premier Retail Marketing (**Retail Growth Strategy**).
5. Disability Inclusion Action Plan 2017-2021, dated 2017 and authored by QPRC (**Disability Inclusion Action Plan**).
6. Queanbeyan-Palerang Community Strategic Plan 2018-2028, dated 2018 and authored by QPRC (**Community Strategic Plan**).
7. QPRC Property Strategy, dated 22 June 2016 and authored by QPRC (**Property Strategy**).
8. QPRC's ICT Strategic Plan 2017-2019, dated 2017 and authored by QPRC and Noetic Group (**ICT Strategic Plan**).
9. Queanbeyan-Palerang Regional Council Community Satisfaction and Wellbeing Survey, dated October 2018 and authorised by Jetty Research (**Community Survey**).
10. Queanbeyan Car Parking Strategy 2018–2028, dated 2018 and authored by QPRC (**Car Parking Strategy**).
11. Queanbeyan-Palerang Regional Council Area Economic Impact Model prepared by the National Institute of Economic and Industry Research (**Area Economic Impact Model**).
12. QCCP Financial Model prepared by Tullyheard & Associates, dated October 2019 (**Financial Model**).



## 4 Needs Analysis

1. In developing the framework for the project, QPRC undertook a needs analysis to determine problems that would substantiate the need for investment.
2. A total of six key problems were distilled and are summarised within *Figure 1*.



*Figure 1 – Summary of Problems Identified*

3. Each of these problems are defined in further detail below, including the evidence to support the problems and an analysis around the timeframe to resolve the problems.



#### 4.1 PROBLEM 1 – PERCEPTION AND IDENTITY

1. **What is the problem?**

- 1.1. There is a negative perception of the CBD.
- 1.2. The negative perception is discouraging patronage and investment within the CBD.
- 1.3. The negative perception and lack of development has resulted in the CBD not having clear identity.

2. **What is the evidence to confirm there is a problem?**

- 2.1. The LGA has experienced a population growth rate of 4%<sup>1</sup> since 2011. Despite the population growth within the region, the CBD has lacked capital investment and has not experienced any substantive growth. In the past 12 years, only one development application for a new commercial development in the CBD has been lodged. This was for a liquor outlet
- 2.2. The city is often referred to as 'struggle town'<sup>2</sup> colloquially and by the mass media. The city even featured in a song from the band 'The Choirboys' titled 'Struggle Town'<sup>3</sup> in the late 1980's.
- 2.3. As identified in the Retail Growth Strategy, the CBD has an overall tenancy vacancy rate of approximately 11% with Monaro Street itself having a vacancy rate of approximately 20%. This demonstrates a lack of retail investment in the CBD<sup>4</sup>.
- 2.4. The CBD Masterplan and Transformation Strategy identifies a lack of civic and public space within the CBD. This lack of civic identity is a contributor to its negative perception.
- 2.5. The Retail Growth Strategy identified the need and desire from consumers and business owners for CBD renewal and revitalisation.

3. **Does the problem need to be addressed now?**

- 3.1. This problem is required to be addressed within the next three years for the below listed reasons.
  - 3.1.1. Without active intervention, this negative perception will continue to grow, suppressing investment that will result in an undesirable CBD.
  - 3.1.2. An undesirable CBD with a negative perception will further contribute to an unsustainable environment for small businesses, creating further rental vacancies<sup>5</sup>.
  - 3.1.3. It is unlikely that investment in the region will be undertaken without the QPRC itself investing into the CBD.

<sup>1</sup> <https://www.rdasi.org.au/assets/Documents/Jobs-and-Growth-/92e55abb6d/FINAL-Queanbeyan-Palerang.pdf>

<sup>2</sup> <https://www.canberratimes.com.au/story/6151221/queanbeyan-the-struggle-and-the-strength/>

<sup>3</sup> <https://www.town.com.au/town/queanbeyan-2/>

<sup>4</sup> Retail Growth Strategy

<sup>5</sup> Retail Growth Strategy



## 4.2 PROBLEM 2 – ESCAPED EXPENDITURE

### 1. What is the problem?

- 1.1. The CBD is incurring significant escaped expenditure to other regions, mainly to Canberra.
- 1.2. Consumers and business are spending money outside of the LGA, in particular, outside of the CBD which disadvantages local businesses.

### 2. What is the evidence to confirm there is a problem?

- 2.1. There is a lack of foot traffic within the CBD which is hampered by the fact that approximately 65% of residents within the LGA work outside of the LGA, mostly within the ACT.<sup>6</sup>
- 2.2. The Retail Growth Strategy identifies that significant escaped expenditure (leakage) to Canberra is a key issue for Queanbeyan. *Table 1* details the estimated percentage of leaked expenditure by retail service offering.

*Table 1 – Estimated Financial Expenditure Leakage from the CBD to other Regions*

RETAIL BUSINESS CATEGORY	% OF POTENTIAL REVENUE LOST TO OTHER REGIONS
Take home food (supermarkets)	14%
Meals out / take away	64%
Apparel	52%
Convenience homewares and services	12%
Comparison homewares	71%

### 3. Does the problem need to be addressed now?

- 3.1. This problem is required to be addressed within a three to five-year duration for the below listed reasons.
  - 3.1.1. Current vacancy levels caused by a lack of investment (refer to Problem 1) are resulting in a negative perception of the CBD which is adversely affecting shopper numbers and CBD foot traffic.
  - 3.1.2. The lost expenditure is hindering the economic growth of the city. This will continue to worsen, further reducing Queanbeyan's economic position.
  - 3.1.3. The Retail Growth Strategy makes recommendations to achieve the long-term rejuvenation of the CBD by creating a sustainable mix of businesses, which is currently lacking.

<sup>6</sup> <https://profile.id.com.au/queanbeyan-palerang/residents>



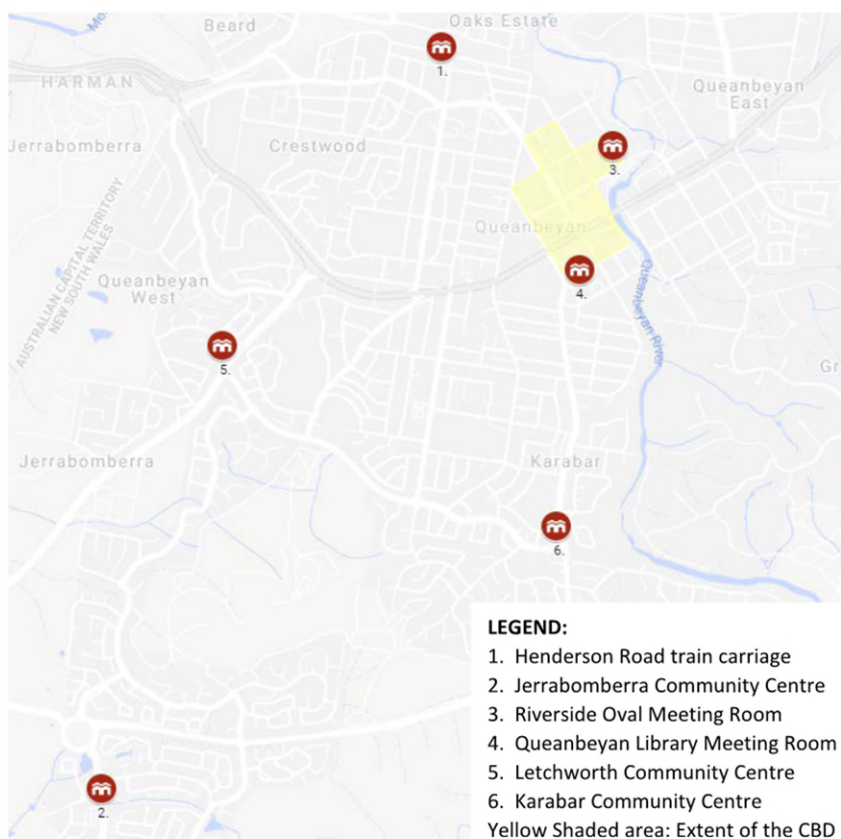
#### 4.3 PROBLEM 3 – LACK OF COMMUNITY SPACES

1. **What is the problem?**

- 1.1. Within the CBD there is a lack of formal and informal meeting or gathering spaces for local community groups.
- 1.2. The community spaces that exist within the library are poorly located, not purpose built and contain accessibility issues.
- 1.3. Within the CBD there is no identified Civic or Cultural precinct or public realm to attract residents and shoppers.

2. **What is the evidence to confirm there is a problem?**

- 2.1. *Figure 2 shows the location of the meeting rooms and community centres in the LGA. Of the community spaces available, the library and Riverside Oval are the only meeting spaces within the CBD.<sup>7</sup>*



**Figure 2 - Meeting rooms and community centres**

<sup>7</sup> <https://www.qprc.nsw.gov.au/Facilities-Recreation/Venues-for-hire/Queanbeyan-Library-Meeting-Room>



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- 2.2. Council has recently resolved to sell Karabar Community Centre further reducing the number of community spaces within the region.
  - 2.3. QPRC staff advise that the Riverside Oval and the Queanbeyan library meeting room within the CBD are heavily booked and utilised by community groups. The QPRC Community Facilities team reject booking requests several times a week due to lack of available space or not having appropriate facilities to accommodate the larger community group events.
  - 2.4. The non-compliant accessibility ramp providing access to the library has received multiple complaints from the community.
  - 2.5. The absence of a Civic or cultural precinct contributes the lack of identity of the CBD and absence of an attraction magnet for visitors and residents
3. **Does the problem need to be addressed now?**
- 3.1. This problem is required to be addressed within three years (or even sooner to mitigate the WHS and DDA concerns) for the below listed reasons.
    - 3.1.1. The lack of community space within the CBD will continue to force community groups to meet outside the CBD, further reducing the patronage to the CBD. Groups may also need to meet outside Queanbeyan.
    - 3.1.2. The non-conforming access to the library is a priority to be addressed by QPRC to ensure access to the library services for all citizens and reduce QPRC's risk of a DDA or WHS claim.
    - 3.1.3. By providing compliant access to public facilities, QPRC will be aligning with the principles set out in the Disability Inclusion Action Plan.
    - 3.1.4. By providing a themed and functional Civic and cultural precinct will contribute to the CBD developing a sense of place for people, provide and enabling space for Civic and Cultural activities to occur and support the creation of identifiable precincts in the CBD formed around the function of the newly created public realm





#### 4.4 PROBLEM 4 – LACK OF APPROPRIATE CBD DEVELOPABLE LAND

##### 1. What is the problem?

- 1.1. There is a lack of appropriate developable land within the CBD.

##### 2. What is the evidence to confirm there is a problem?

- 2.1. Most properties within the CBD are not appropriate for redevelopment. A key reason is that a substantial number of privately held sites are narrow and long (as demonstrated in *Figure 3*), or small in size (below 1,000sqm) and require acquisitions of adjoining / multiple properties to enable a development of sufficient scale and size to achieve the required returns.
- 2.2. As demonstrated in *Figure 3*, QPRC has significant land holdings within the CBD and some of these are ideal for redevelopment in the event their current operations could be relocated. Through the continued use of these sites for QPRC operations, QPRC are preventing them to be used to their full potential to reinvigorate the CBD through mixed use development. The sites owned by QPRC are listed within *Table 2* and *Figure 3*.
- 2.3. QPRC have recently entered into heads of agreements with developers for two existing sites owned by QPRC to develop land within the CBD. These heads of agreements require QPRC's divestment of these assets to facilitate their redevelopment.





**Table 2 - QPRC Owned Land Within the CBD (excluding car parks)**

PROPERTY ADDRESS	CURRENT USE	OPPORTUNITY FOR REDEVELOPMENT
253 Crawford St.	The Q and Council Chambers	Retain for current usage
256 Crawford St.	Main QPRC Office	Possible
261 Crawford St.	Records offices (old Fire Station)	Re-purposed
261/257 Crawford St.	Finance offices (old Radio Station)	Possible
262 Crawford St.	Human resources offices	Possible
263 Crawford St.	Staff offices (Dutton's Cottage)	Re-purposed
265 Crawford St.	IT offices	Possible
6 Rutledge St.	Library and community service staff offices	Possible
10 Rutledge St.	Business & Innovation offices	Possible
12 Rutledge St.	Strategic Planning building offices & multicultural services	Possible
14 Rutledge St.	Portfolio General Managers offices	Possible
1 Farrer Pl.	Tourist information	Retain for current usage
98 Monaro St.	Westpac Bank	Possible



**Figure 3- Location of QPRC land within the CBD**

**LEGEND:**

-  QPRC owned land within the CBD
-  Extent of the CBD
-  QPRC owned land available for redevelopment by the private sector in the event the QPRC operations are relocated into the proposed QCCP.
-  QPRC owned land that will be retained in the event the QPRC operations are relocated into the proposed QCCP.



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3. **Does the problem need to be addressed now?**

3.1. This problem is required to be addressed within three years for the below listed reasons.

3.1.1. The lack of appropriate developable land will continue to hinder private sector investment within the CBD through large scale redevelopment and not contribute to the reinvigoration of the CBD.





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#### 4.5 PROBLEM 5 – EVENT ATTRACTION

1. **What is the problem?**

- 1.1. There is an inability to attract conferences, business events and performances due to the limitations of the current performing arts space.
- 1.2. There is no outdoor public realm space that is suitable for holding civic and cultural events

2. **What is the evidence to confirm there is a problem?**

- 2.1. There are two existing facilities within the CBD that are used for performing arts. These are The Q and the Bicentennial Hall. The Q has fixed tiered seating and is unsuitable for spaces requiring a multi-use room such as conferences or business events. Its seating capacity of 346 discourages many performances from the LGA as there are insufficient ticket sales to make the performance financially viable.
- 2.2. The Bicentennial Hall has recently installed retractable seating allowing for the space to be transformed into a concert hall sitting 580 persons. However, it lacks the required support spaces such as a foyer, break out and additional smaller conference and meeting spaces to attract business events, conferences or some performances.
- 2.3. Within the last two years, QPRC has missed the opportunity to host two major conferences for Local Government NSW and Artstate. In both occasions, Queanbeyan was overlooked due to not having sufficient facilities required for the events.
- 2.4. There is a complete absence of outdoor public realm in the CBD to hold event activities except on public roads and footpaths which cannot be closed or utilised without significant logistical issues and expense

3. **Does the problem need to be addressed now?**

- 3.1. This problem is required to be addressed within three years for the below listed reasons.
  - 3.1.1. The current status quo will persist where the CBD will continue to miss out on such events. This will diminish the cultural offering and diversity of the LGA in addition to the spending multiplier of additional foot traffic within the CBD.
  - 3.1.2. Missing out on events such as those highlighted above will reduce the economic growth of the CBD.



#### 4.6 PROBLEM 6 – EXISTING ADMINISTRATION FACILITIES

##### 1. What is the problem?

- 1.1. The Queanbeyan-based QPRC workforce operate from 11 disparate assets across Queanbeyan. These assets are repurposed buildings, often residential cottages, which are not fit-for-purpose for office accommodation.
- 1.2. The nature of the facilities leads to inefficient use of utilities and higher utility costs.
- 1.3. The facilities are old and require considerable maintenance.
- 1.4. The dispersed nature of the QPRC workforce results in decreased staff productivity.
- 1.5. ICT assets used to link the dispersed workforce is not commensurate with modern standards.

##### 2. What is the evidence to confirm there is a problem?

- 2.1. Many of the QPRC staff are housed in repurposed houses and other facilities that are not designed as office accommodation. These facilities do not meet the NCC or the DDA requirements for office accommodation, including access, circulation and ablutions.
- 2.2. Energy and heating costs for all these buildings are approximately \$33 per m2 per annum, significantly higher than the benchmark \$17 per m2 for standard office accommodation<sup>8</sup>.
- 2.3. The QPRC workforce being dispersed over different geographic locations creates many problems for efficient service delivery and workforce culture. Research concluded that teams working across different geographic locations is problematic, due to the lack of collaboration and poor communication and. Dispersed teams are particularly vulnerable to mistrust, communication breakdowns and conflicts created by mini cultures being formed and an 'us and them' mentality being created<sup>9</sup>.
- 2.4. Reactive maintenance costs are estimated at \$1.4m to ensure the facilities are habitable at a minimum standard.<sup>10</sup> Ongoing maintenance is disproportionately high due to the constant upkeep required for assets that have reached the end of their life.
- 2.5. A dispersed workforce also results in a higher level of data security risk as information and assets are being transported between facilities. The increased external cyber traffic increases exposure to cyber security threats<sup>11</sup>.

<sup>8</sup> QPRC Briefing paper entitled 'Evaluating operational costs of a new council headquarters when compared to current'

<sup>9</sup> Habyarimana, Theoneste & Hope, Alexander & Moehler, Robert. (2012). Managing Geographically Dispersed Teams: From Temporary to Permanent Global Virtual Teams. Built and Natural Environment Research Papers. 10.2139/ssrn.2143185

Rosen, B., Furst, S. & Blackburn, R. (2007) 'Overcoming Barriersto Knowledge Sharing in Virtual Teams', Organizational Dynamics, 36 (3), pp. 259-273. Siebdrat, F., Hoegl, M. & Ernst, H. (2009) 'How to manage virtual teams', MIT Sloan Management Review, 5 (4), pp. 63-68

<sup>10</sup> Provided by QPRC

<sup>11</sup> Managing a dispersed team in the Victorian public sector. [https://vpssc.vic.gov.au/wp-content/uploads/2015/03/Managing-a-Dispersed-Team\\_WEB-1-July-2013.pdf](https://vpssc.vic.gov.au/wp-content/uploads/2015/03/Managing-a-Dispersed-Team_WEB-1-July-2013.pdf)



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3. **Does the problem need to be addressed now?**

3.1. This problem is required to be addressed within three years (or even sooner to mitigate the WHS and DDA concerns) for the below listed reasons.

3.1.1. Many of the current facilities are at end of life. Large capital expenditure will be required to upgrade and maintain these facilities for continued use.

3.1.2. The current staffing arrangements do not create a collaborative working culture required for a modern productive workforce.

3.1.3. The QPRC require a stable and secure ICT system in order to perform its functions.



## 5 Benefits & Expected Outcomes

### 5.1 Benefits to be delivered

1. The below section details the anticipated benefits to be realised by addressing each problem and the metric that could be used to validate that the goal has been achieved.

Problem	THE PROBLEM:
1	<ul style="list-style-type: none"><li>• There is a negative perception of the CBD.</li><li>• The negative perception is discouraging attendance and investment within the CBD.</li><li>• The negative perception and lack of development has resulted in the CBD not having clear identity.</li></ul>
	BENEFITS OF ADDRESSING THE PROBLEM:
	<ul style="list-style-type: none"><li>• The creation of public pride and ownership by creating a civic precinct.</li><li>• The civic precinct will create an exemplar benchmark, a drawcard and attraction to the CBD and set the standard for future developments.</li><li>• This will lead to greater confidence from the private sector to invest in the CBD, increasing the worker population and foot traffic within the CBD.</li><li>• Aligns with the QPRC goals to create a modern, compact, smart city.</li><li>• Addressed the public perception of a lack of car parking within the CBD.</li></ul>
	METRIC TO BE USED TO VALIDATE THE PROBLEM HAS BEEN SOLVED:
	<ul style="list-style-type: none"><li>• Citizen wellbeing survey to gauge public sentiment towards the CBD.</li><li>• Number of development applications.</li><li>• Reduction in vandalism rates in the CBD.</li><li>• Decreased retail vacancy rates.</li><li>• Improved social media sentiment toward the CBD.</li></ul>



## Problem

# 2

### THE PROBLEM:

- The CBD is incurring significant escaped expenditure to other regions, mainly in Canberra.
- Consumers and business are spending money outside of the LGA, in particular, outside of the CBD, disadvantaging local businesses.

### BENEFITS OF ADDRESSING THE PROBLEM:

- Increased retail diversity within the CBD and reducing vacancy rates will create a more definable shopping experience.
- The initiation for a revitalisation of a night time economy within the CBD.
- Further job creation and retention within the LGA in the retail, commercial and services sector.
- The creation of a network of businesses that further contribute to the community (i.e. event sponsorship).
- Reduced travel time for the community to access retail and commercial services.
- Increased pedestrian foot traffic.

### METRIC TO BE USED TO VALIDATE THE PROBLEM HAS BEEN SOLVED:

- Decreased retail vacancy rates.
- Wifi device analytics.
- Retail diversity audit to understand the retail mix within the CBD.
- Economic analysis into expenditure in the CBD.
- Job employment data.
- Night time economy study.
- Consumer habit surveys.



## Problem

# 3

### THE PROBLEM:

- Within the CBD there is a lack of formal and informal meeting or gathering space for community groups.
- The community spaces that exist within the library are poorly located, not purpose built and contain accessibility issues.
- Within the CBD there is no identified Civic or Cultural precinct or public realm to attract residents and shoppers

### BENEFITS OF ADDRESSING THE PROBLEM:

- QPRC will be providing an expected service to the community and a facility to that is currently lacking.
- Community cohesion by providing opportunities for Intergenerational cross-pollination.
- Encouraging more foot traffic through the CBD.
- Increased public accessibility to community spaces.
- Supporting local community groups.
- Addressing deficiencies within the current facilities with respect to DDA and WHS codes and legislation compliance.

### METRIC TO BE USED TO VALIDATE THE PROBLEM HAS BEEN SOLVED:

- Community room booking numbers.
- Library attendance numbers.
- Community facilities satisfaction surveys.
- Comparison of the size and no. of community spaces available.





## Problem

4

### THE PROBLEM:

- There is a lack of appropriate developable land within the CBD.

### BENEFITS OF ADDRESSING THE PROBLEM:

- Providing an opportunity to redefine the city through further development, driven by the private sector.
- This will lead to greater confidence to invest in the CBD increasing the CBD residential and worker populations and foot traffic.
- Increasing commercial and retail diversity within the CBD.
- Increased diversity in cultural and entertainment offering in the CBD.

### METRIC TO BE USED TO VALIDATE THE PROBLEM HAS BEEN SOLVED:

- Comparison of the area available for development.
- The number and value of development applications submitted.

## Problem

5

### THE PROBLEM:

- There is an inability to attract conferences, business events and performances due to the size of the current performing arts space.
- There is no outdoor public realm space that is suitable for holding civic and cultural events

### BENEFITS OF ADDRESSING THE PROBLEM:

- Increase community attendance in the CBD increasing foot traffic.
- Providing a facility to meet current demand.
- Providing an economic stimulus for the city.
- Attracting visitors to the city.
- Increasing cultural diversity and general community wellbeing.

### METRIC TO BE USED TO VALIDATE THE PROBLEM HAS BEEN SOLVED:

- Number of events held at The Q and the Bicentennial hall.
- Attendance numbers at these events.
- Revenue generated from The Q and the Bicentennial hall.
- Citizen wellbeing survey to gauge public sentiment towards the availability and access to performing arts.



## Problem

# 6

### THE PROBLEM:

- The Queanbeyan based QPRC workforce operate from 11 disparate assets across Queanbeyan. These assets are repurposed buildings which are not fit for purpose for office accommodation.
- The nature of the facilities leads to inefficient use of utilities and higher utility costs.
- The facilities are old and require considerable maintenance.
- The dispersed nature of the QPRC workforce results in decreased staff productivity.
- ICT assets used to link the dispersed workforce is not commensurate with modern standards.

### BENEFITS OF ADDRESSING THE PROBLEM:

- Enhancing QPRC customer servicing provided to the community.
- Decreased maintenance and upkeep costs in maintaining end of life, not fit for purpose assets. These monies could be better utilised elsewhere.
- Improving efficiency, productivity and culture by co-locating staff and services in a central location.
- Addressing deficiencies in current facilities in regard to DDA and WHS codes and legislation compliance.
- Improved staff retention and attraction as an employer of choice.
- Decreasing utility costs.
- Addressing current deficiency in lack of hotdesking spaces.

### METRIC TO BE USED TO VALIDATE THE PROBLEM HAS BEEN SOLVED:

- Staff satisfaction surveys.
- Utility cost comparisons.
- Staff retention rates.
- Absenteeism rates.





## 5.2 Strategic Benefits Realised

1. By addressing the problems, a number of strategic benefits are realised for QPRC.
2. The benefits allow QPRC to meet their objectives set out in their strategic pillars, mainly Pillar 1, Community and Pillar 2, Choice. Will also assist with Pillar 5, Capability as this is generally QPRC's internally focused activities. Refer to *Figure 4* for a description of the Pillars.



**Figure 4 - QPRC Strategic Pillars**

3. Pillar 1 aspires to create a community and identity, and Pillar 2 to create a diverse, resilient and smart economy fostering businesses that create jobs and wealth for all in the QPRC community.
4. QPRC is also able to meet the objectives of the CBD Masterplan and Transformation Strategy to create a distinct identity specific and unique to Queanbeyan. The CBD Masterplan details that this should be created through the provision of a high-quality public domain, ensuring that the development is contemporary, sustainable and of a high architectural quality.
5. Addressing the problems will align with QPRC's vision as set out within the CBD Masterplan and Transformation Strategy. The vision for the CBD visualises a flourishing commercial centre providing a vibrant social lifestyle. This is to be achieved through three strategic areas. Firstly, to create an identity for the CBD, secondly to connect the CBD and thirdly to enable investment in the CBD. Each of these are met by addressing the identified problems.
6. The Community Strategic Plan outlines several strategies that are met by addressing the identified problems. This includes developing a cultural capacity and a safe community and building economic and employment capability in the CBD.
7. The Property Strategy aims to leverage Council infrastructure to facilitate private sector investments. This is achieved by addressing Problem 4.
8. The benefits include achieving the objectives of the ICT Strategic Plan which seeks to maintain a robust, reliable, secure and available ICT environment. A centralised workforce with purpose-built ICT infrastructure will ensure fit for purpose IT architecture in alignment with this plan.
9. The QPRC Area Economic Impact Model (**Appendix B**) identifies that through this project, over 1,000 jobs will be created, of which almost 400 will be filled by residents from the LGA, and over \$80m will be added to the Australian economy.



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## 6 Options Analysis

### 6.1 Strategic Options Explored

1. This study investigated three (3) strategic options. They are:
  - 1.1. Do the absolute minimum. This approach did not attempt to solve any of the identified problems but included what was considered the bare minimum to maintain QPRC's existing operations within their existing assets.
  - 1.2. Existing asset refurbishment. This approach looked at addressing Problem 6 by refurbishing the existing QPRC office buildings to a code compliant standard.
  - 1.3. The third strategic option is the construction of a new QCCP. This QCCP includes a new building that addresses all six problems and achieves the benefits identified specifically by:
    - i. Creating a civic precinct by connecting the new building to the existing civic buildings of The Q and the Bicentennial Hall;
    - ii. Bringing the Queanbeyan-based QPRC workforce into a single consolidated, purpose-built facility;
    - iii. Increasing the working population within the CBD through the introduction of NSW Government offices and additional jobs;
    - iv. Increasing the diversity of commercial and retail/hospitality through the introduction of high-quality commercial spaces and shopfront;
    - v. Setting a new benchmark of development design quality within the CBD;
    - vi. Providing new spaces for community use and extending the usability of the Bicentennial Hall; and
    - vii. The creation of new commercial, including smart hub/co-work space within the CBD.
  - 1.4. *Table 3* itemises the specific purpose of each of the functions contained within the new building.
2. Three hybrid options were developed from the third strategic option that analysed various configurations and inclusions of various areas within the proposed QCCP.



**Table 3 – Purpose of the New Building Functions**

Function	Purpose
<b>Community Functions</b>	
<ul style="list-style-type: none"> <li>Community gathering, meeting, reception, and performance spaces</li> <li>Rooftop Garden &amp; Community Space</li> <li>Public Realm</li> <li>Basement car parking</li> </ul>	<p>Providing new spaces for the benefit and use of the community.</p> <p>Through urban planning, the creation of a space to link the Bicentennial Hall and The Q into a greater civic and cultural precinct.</p> <p>To provide the required car parking for workers and patrons of the precinct. Also, to address perceived car parking shortages within the CBD.</p>
<b>Cultural Functions</b>	
<ul style="list-style-type: none"> <li>Foyer, gallery and Breakout Space for the Bicentennial Hall and The Q</li> <li>Bicentennial Balcony.</li> <li>Business and Conference.</li> <li>Library.</li> </ul>	<p>Extending the usability and magnetism of the Bicentennial Hall and the Q.</p> <p>Providing a new facility that is currently absent.</p> <p>Relocating the Library to a new fit for purpose facility and to return patronage into the CBD.</p>
<b>Commercial Functions</b>	
<ul style="list-style-type: none"> <li>NSW Government Offices.</li> <li>Lettable Area: Commercial (external tenant).</li> <li>Lettable Area: Ground floor (external tenant).</li> </ul>	<p>Providing revenue to QPRC and to increase the population of workers within the CBD.</p> <p>Introduction of NSW Government Offices will attract new jobs into the LGA.</p>
<b>Council Functions</b>	
<ul style="list-style-type: none"> <li>QPRC Administration and Office Space.</li> <li>Council Support &amp; Shopfront.</li> </ul>	<p>Relocating the Council support shopfront into a central location.</p>
<b>Support Functions</b>	
<ul style="list-style-type: none"> <li>End of Trip Facilities.</li> <li>Entry Foyer.</li> <li>Lobby.</li> </ul>	<p>Support facilities to the users of the building.</p>



## 6.2 Options Analysed

1. Five options were analysed as part of this study. They are:
  - 1.1. **OPTION 1:** Do Absolute Minimum.
  - 1.2. **OPTION 2:** Refurbish Existing Facilities.
  - 1.3. **OPTION 3:** Build All Identified Functionality.
  - 1.4. **OPTION 4:** Reduced Version of Option 3.
  - 1.5. **OPTION 5:** Reduced Version of Option 3 With a Library.
2. The spatial requirements of these options are provided in *Table 4*.

**Table 4 - Net floor Area of options**

Function	Option 1 NLA (m2)	Option 2 NLA (m2)	Option 3 NLA (m2)	Option 4 NLA (m2)	Option 5 NLA (m2)
<b>Community Functions</b>					
• Community & Breakout Space	Nil	Nil	298	298	257
• Rooftop Garden & Community Space	Nil	Nil	488	488	488
<b>Cultural Functions</b>					
• Bicentennial Breakout Space	Nil	Nil	308	308	308
• Bicentennial Balcony	Nil	Nil	85	85	85
• Business and Conference	Nil	Nil	1,509	606	0
• Library	RE	RE	RE	RE	650
<b>Commercial Functions</b>					
• NSW Government Offices	Nil	Nil	1,242	1,242	1,242
• Lettable Area: Commercial (external tenant)	Nil	Nil	189	189	826
• Lettable Area: Ground floor (external tenant)	Nil	Nil	174	174	174
<b>Council Functions</b>					
• QPRC Administration and Office Space	RE	RE	2,898	2,898	3,016
• Council Support & Shopfront	RE	RE	715	110	110
<b>Support Functions</b>					
• End of Trip Facilities	RE	RE	119	119	119
• Entry Foyer	Nil	Nil	217	217	217
• Lobby	Nil	Nil	55	55	55
<b>TOTAL</b>			8,297	6,789	7,547

Legend: RE: Retain Existing  
Note: All areas are NLA, not GFA.



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3. Each option is described further as below.

3.1. **OPTION 1: Do Absolute Minimum.**

- a) The 'do absolute minimum' option involves QPRC undertaking limited works to address some immediate WHS or legislative risks with QPRC occupying end of life assets. Some immediate expenditure of capital funds is required.

3.2. **OPTION 2: Refurbish Existing Facilities.**

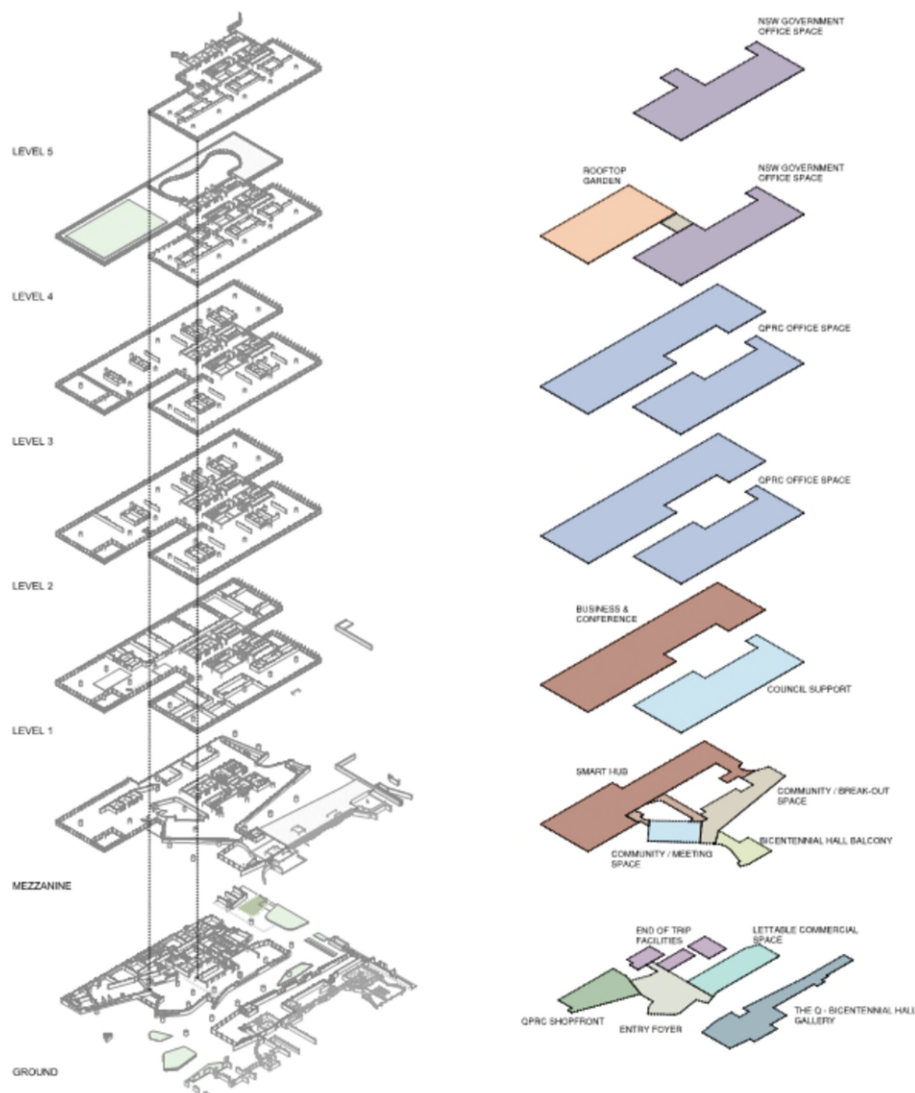
- a) This option involves the renovation of the existing cottages and buildings including the required increase to floor plans to ensure code compliance and to extend the lifespan of the existing assets.





### 3.3. OPTION 3: Build All Identified Functionality.

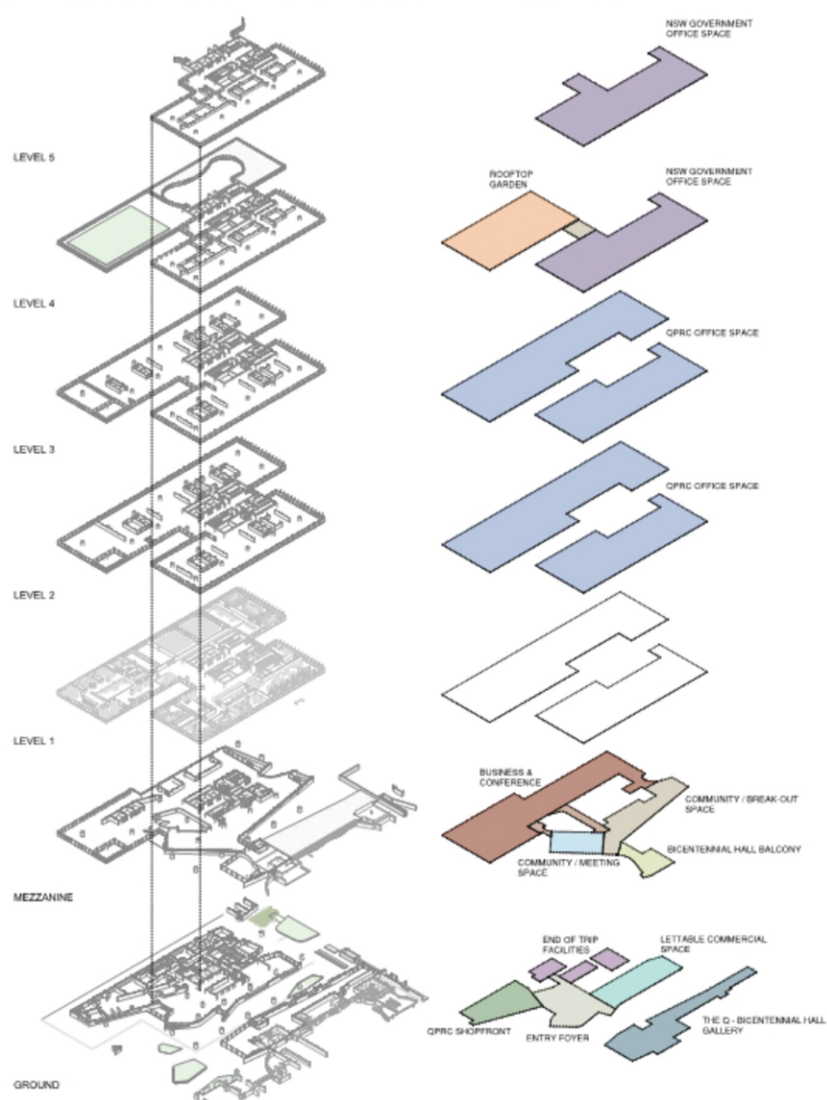
- a) This option involves the construction of a new QCCP, being a five-storey building as further detailed within **Appendix A**.
- b) The QCCP will be located at 257 Crawford Street, Queanbeyan to immediately adjoin and connect the existing civic buildings of The Q and the Bicentennial Hall to create a civic precinct.
- c) A possible block and stack of Option 3 is outlined within *Figure 5*



**Figure 5 - Option 3 possible block and stack**

### 3.4. OPTION 4: Reduced Version of Option 3.

- a) This option is as per Option 3, but with the following changes:
  - i. Reduced business / conference area size by approximately 60%; and
  - ii. Reduced council support area by approximately 85% due to the retention of the existing council chambers.
- b) Option 4 reduces the Option 3 building by a full floor.
- c) A possible block and stack of Option 4 is outlined within *Figure 6*.



**Figure 6 - Option 4 possible block and stack**



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3.5. **OPTION 5: Reduced Version of Option 3 With a Library.**

- a) This option is as per Option 3, but with the following changes:
  - i. Full deletion of the business / conference area;
  - ii. Reduction of the community and breakout space area by approximately 15%;
  - iii. Inclusion of a new library in lieu of retaining the existing library;
  - iv. Increase of the commercial Lettable Area to External Operators / Tenants by approximately 330%;
  - v. Increase of the QPRC administration and office space by approximately 5% to allow for future expansion of the workforce; and
  - vi. Reduced council support area by approximately 85% due to the retention of the existing council chambers.
- b) Option 5 reduces the Option 3 building by half a floor.
- c) A possible block and stack of Option 5 is outlined within *Figure 7*.



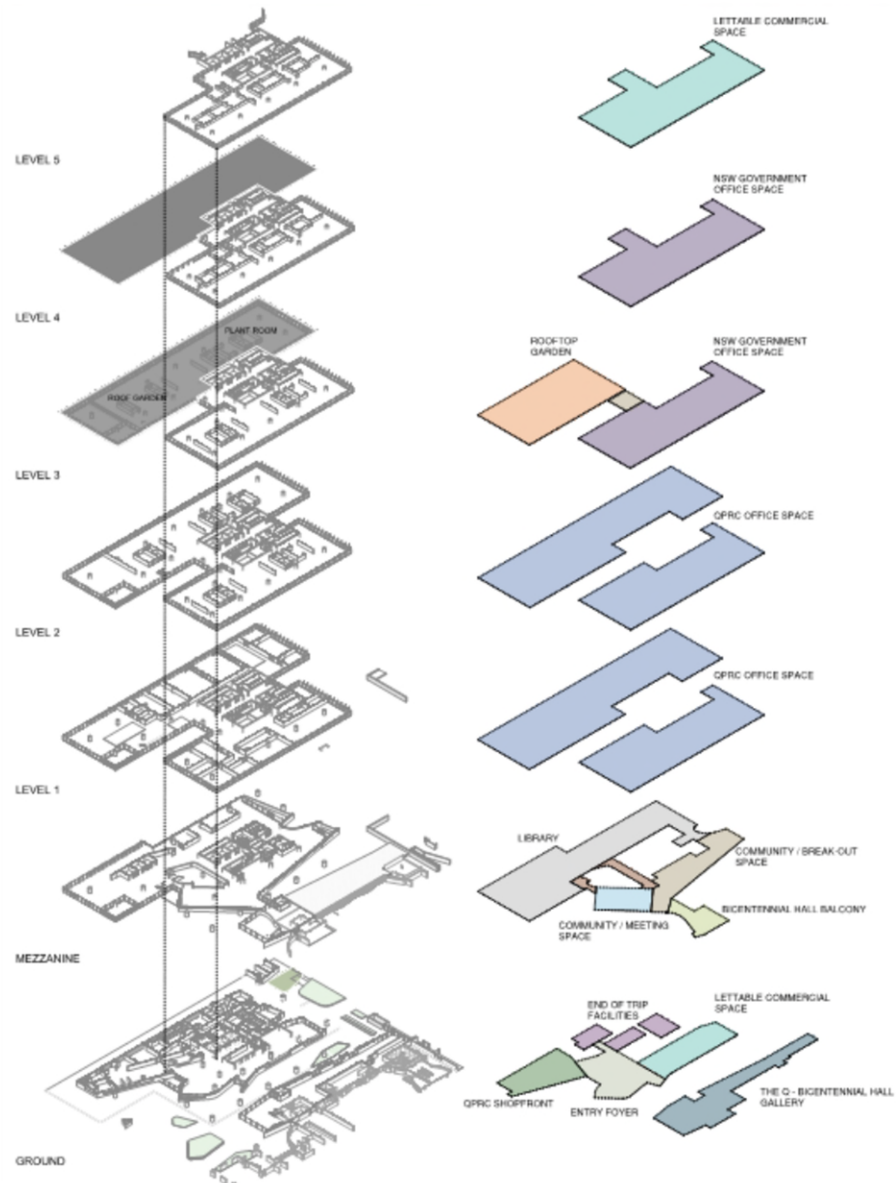


Figure 7 - Option 5 possible block and stack



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### 6.3 Other Options Considered & Rejected Early

1. Over the past 20 years, QPRC and the former Queanbeyan City Council have attempted to release land held in their ownership within the CBD to the private sector at or below the market rate. This was an attempt to encourage and entice privately led development to spark the rejuvenation of the CBD. These attempts were unsuccessful. Feedback from the private sector was that they wanted to see others take the first step before they would commit their funds, or for the CBD image to improve first. From these lessons, QPRC understood that the onus was on them to be the catalyst for the CBD rejuvenation.
2. Changes to planning and policy have also been considered to encourage private sector development. These include:
  - 2.1. The removal of local heritage planning requirements to select blocks within the CBD. The encumbrance of local heritage listing prohibits, or at least, restricts redevelopment of the affected parcels of land and by lifting these listings would encourage redevelopment. However, this option was discounted for a variety of reasons, including the permanent forfeiture of key heritage sites, the loss of the 'country feel' within the CBD and a disconnect with the city's history.
  - 2.2. Adjustment of the LEP and DCP to increase the FSR was considered but dismissed early. The aim behind this approach was to improve the feasibility of development for the private sector. This approach was dismissed as any further changes to the LEP or DCP would be detrimental to the CBD from a town planning perspective and not consistent with QPRC's 'country living – city benefits' maxim.

Neither of these approaches addressed the fact that QPRC is to be the catalyst of a rejuvenation by constructing a new anchor building. This building would need to set a benchmark for future development and introduce new employment opportunities and additional foot traffic within the CBD.

3. In considering QPRC's QCCP building, several different locations were considered within the CBD, but rejected early. *Figure 8* shows the various locations. The current location (which Option 3, 4 and 5 are based on) was selected due to its proximity to the Council Chambers, Bicentennial Hall and The Q and through the linkages to these buildings, creates the civic centre focal point that the CBD is lacking.



Figure 8 – Early Location Studies for the Placement of the QCCP.



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## 7 Financial Assessment

### 7.1 Introduction

1. The financial outcomes for QPRC are one component of the overall business case. In order to evaluate and compare the financial outcomes of each option, detailed estimates have been prepared and a financial model for each option has been developed.
2. Key outcomes for each option have been summarised and presented in the sections below.

### 7.2 Methodology

1. The financial models capture the detailed estimates of the key financial items attributable to each option and deliver a range of key financial metrics to enable a relevant comparison of the financial outcomes of each option.
2. The estimates and assumptions used have been sourced from observable external data where available, and otherwise from QPRC internal data and estimates. In addition and to reflect savings anticipated for the merged QPRC organisation, Council resolved in 2018 that the cost of servicing debt for the new head office in Queanbeyan occupied by QPRC staff, would be met by merger, building costs and service review savings. Estimates for these savings have been included as appropriate in each option. For completeness, the key results for each Option have also been presented excluding these savings.

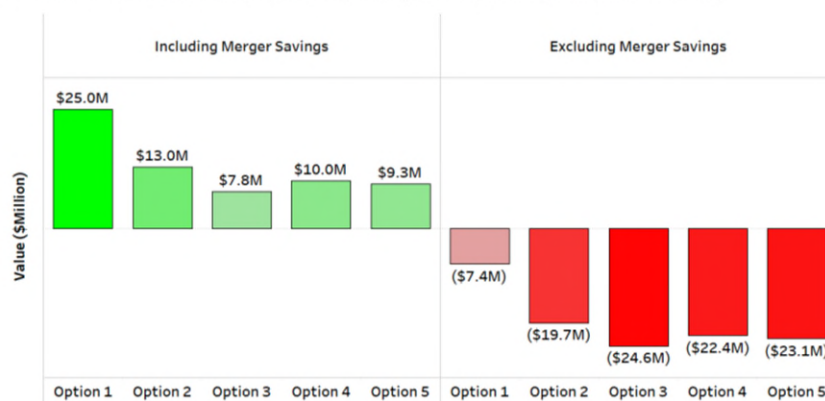
### 7.3 Key Results - NPV

1. The NPV of the cash flows from each option provides a comparable and relevant benchmark financial measure with which to evaluate and compare the financial outcomes of the options. The NPV incorporates all relevant investment, income and expenditure cash flows over the relevant assessment horizon and takes account of the time value of money via the discounting of cash flows to present value at the assessment date.





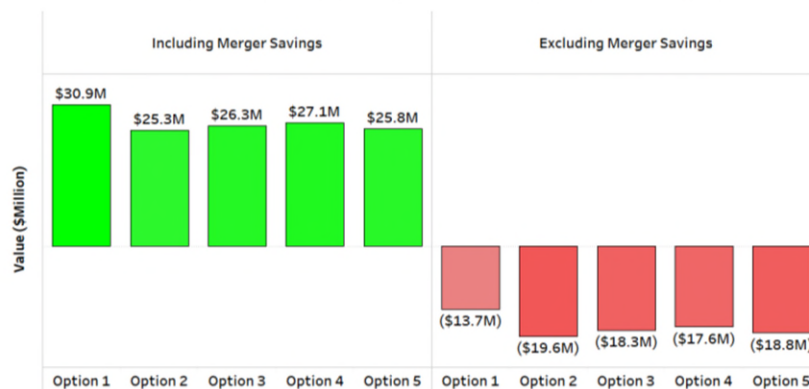
**Chart 1: Net Present Value of each Option (first 20 years of cashflows to 2040)**



2. As shown in the *Chart 1*, Option 1 generates the largest positive NPV of \$25.0 million over the first 20 years of the assessment horizon, when the merger savings are included and the smallest negative NPV of \$7.4 million when the merger savings are excluded. Whilst this option presents with the most favourable financial outcomes to QPRC of the five Options, we note that Option 1 is a purely theoretical option which is not appropriate to pursue in reality. Accordingly, whilst the financial outcomes have been modelled and presented for completeness, Option 1 is not an option relevant to evaluate or compare further.
3. Option 2 presents with the most favourable financial outcome to QPRC of the 4 realistically available options, as the investment required for the remedial works on the existing 11 buildings is lower than the capital cost of the new QCCP in Options 3, 4 and 5 and over the initial 20-year assessment horizon the additional income from the QCCP doesn't fully recover the difference.
4. Option 3 presents with a less favourable financial outcome to QPRC compared to Option 2 over the initial 20 years. Option 3 is also less favourable, in financial terms, than Options 4 and 5 over the initial 20 years due to the higher investment cost, despite the higher rental incomes from the larger lettable area included in the Option 3 architectural design.
5. Option 4 presents with the most favourable financial outcome to QPRC of the QCCP designs over the initial 20 years. Option 4 has a lower investment cost than Options 3 and 5. The Option 4 architectural design includes a larger lettable area than Option 5 (as Option 5 includes the Library instead), and therefore Option 4 is marginally more financially favourable than Option 5 over the initial 20 years of the assessment horizon.
6. Option 5 presents with a marginally less favourable financial outcome to QPRC compared to Option 4, and marginally more favourable compared to Option 3 over the initial 20 years of the assessment horizon.
7. In summary, over the initial 20 years of the assessment horizon, Option 3, 4 and 5 are slightly less favourable than Option 2, when considering only the financial value for QPRC.

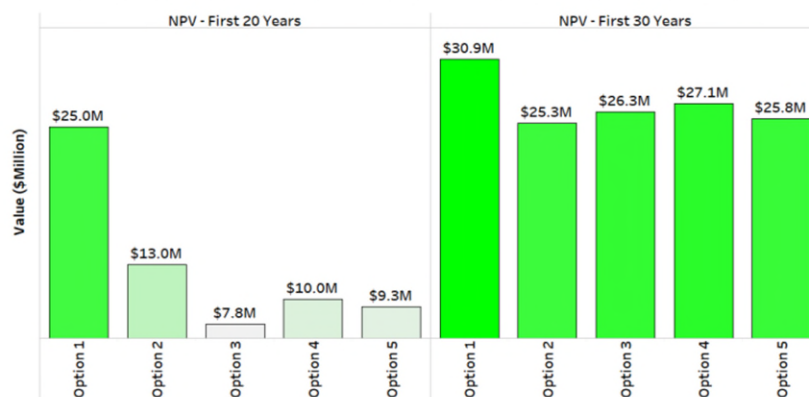


**Chart 2: Net Present Value of each Option (first 30 years of cashflows to 2050)**



8. Over a 30-year assessment horizon, Options 3, 4, and 5 deliver more favourable NPV to QPRC than is available under Option 2.
9. Over this longer period, the differential in NPV between Option 1 and the other 4 options (particular, Options 3, 4 and 5) reduces.
10. In addition, Option 3 becomes marginally more financially favourable than Option 5, as the impact of the higher rental incomes in Option 3 (due to the larger lettable area) deliver higher cashflow returns. However, this difference is not significant.
11. Chart 3 compares the NPV across the 20- and 30-year assessment horizon.

**Chart 3: Comparison of Net Present Value of each Option and Assessment Horizon**

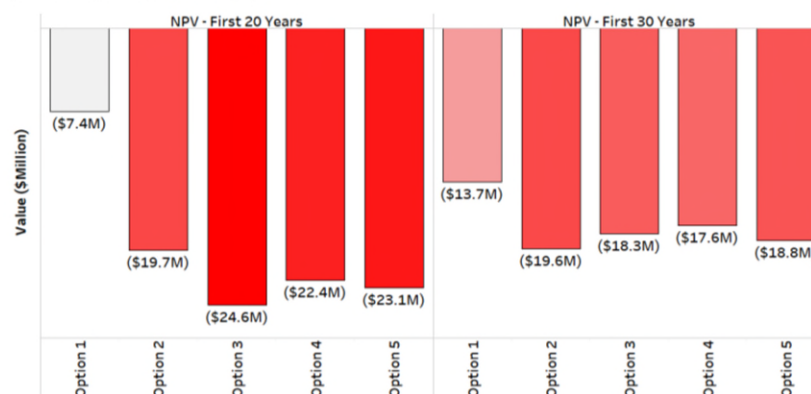


12. Over the longer 30-year assessment period, Options 3, 4 and 5 all deliver more favourable financial outcomes to QPRC than Option 2. So, the most valuable long-term solution for QPRC involves the development of the QCCP, rather than retaining and upgrading the 11 existing buildings.
13. Chart 4 compares the NPV across the 20- and 30-year assessment horizon without the merger savings.





**Chart 4: Comparison of Net Present Value of each Option and Assessment Horizon (excluding merger savings)**

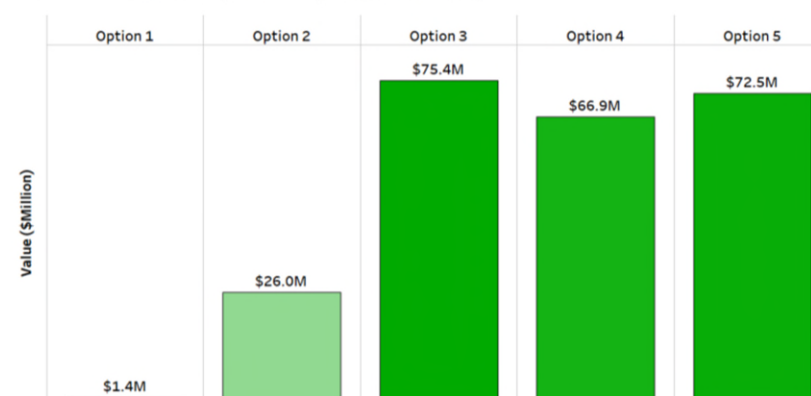


14. In a long-term and strategic context over a 30-year period, the development of the QCCP under Option 3, 4 or 5 delivers higher financial value to QPRC, and therefore better value for rate payers, than Option 2.

## 7.4 Capital Cost

1. The initial capital cost of each option is based on the underlying architectural designs and detailed cost plans for each option. Option 1 has a very low initial capital cost, however has higher ongoing repairs, maintenance and running costs. *Chart 5* shows the total initial capital costs of each option.
2. Option 3 has the largest initial capital cost, but as outlined in the section above, generates the largest value of rental income from lettable space, relative to the other options.

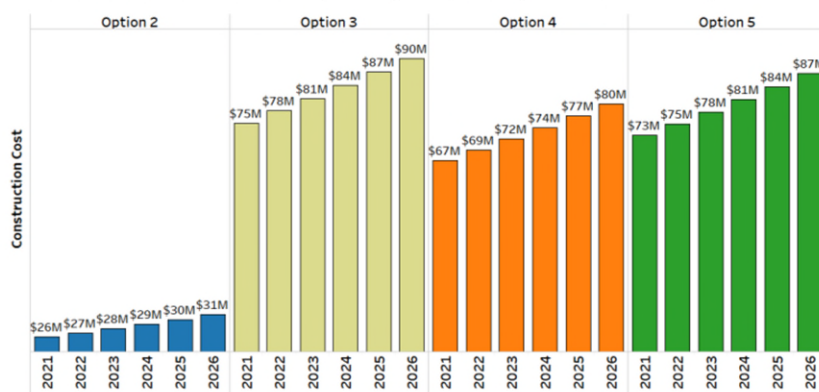
**Chart 5: Total Initial Capital Cost (Completion 2021)**



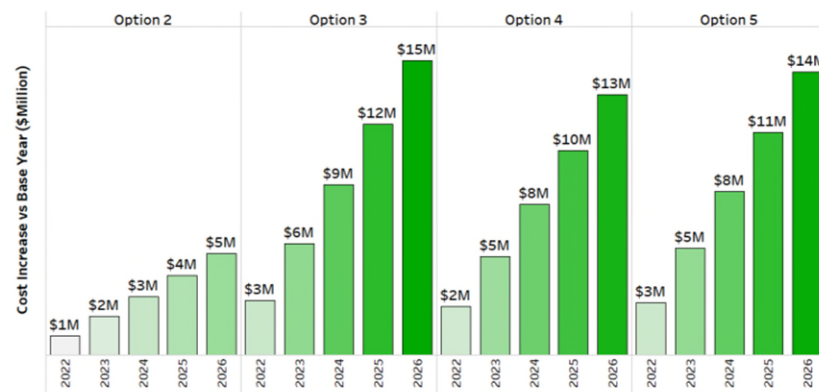


3. Charts 6 and Chart 7 values reflect the extra borrowing that QPRC will be required to obtain to fund the additional construction costs attributable to cost escalation in the five years following the base year. If a decision is not made in the short-term, cost escalation will be unavoidable.
4. It is noted that no escalation case is presented for Option 1 as it involves taking no significant action and therefore there is no material escalation cost or risk.

**Chart 6: Total Construction Cost by Year of Completion (including escalation)**



**Chart 7: Increase in Construction Cost Attributable to Escalation vs Base Year**





## 7.5 Funding Strategy

1. The funding strategy incorporates a combination of different funding sources under each option. The initial funding required for the initial construction cost of Options 2, 3, 4 and 5 would be predominantly obtained from additional borrowings, supplemented by the maximum grant funding available under each option. Additional funding is available from the proceeds of sales of space within the new precinct (to the NSW Government) and the proceeds from sales of key QPRC CBD owned properties “unlocked” once the Queanbeyan based QPRC staff are relocated to the new precinct, including related LPA and DA proceeds from key development agreements.
2. The sale proceeds have been assumed to be received after the completion of construction, and as a result the only non-debt funding available to meet the initial capital costs will be the grant funding available and received upfront under each option. The remaining amount of the initial capital cost will be funded by way of specific additional borrowings. Proceeds from property sales and LPAs may be applied to reduce the outstanding borrowings once received or may be retained by QPRC and applied to fund other projects for which it would otherwise need to borrow such amounts at the relevant time. Accordingly, presented below are three separate charts:
  - *Chart 8* shows the maximum initial borrowings required for each option to fund the initial capital costs, net of any grants received
  - *Chart 9* shows the components of the initial funding available to meet the initial capital costs
  - *Chart 10* shows the final funding position, once all property sale proceeds and related development revenues have been received and applied to reduce the initial borrowings.

**Chart 8 Maximum Initial Borrowings required by Option**

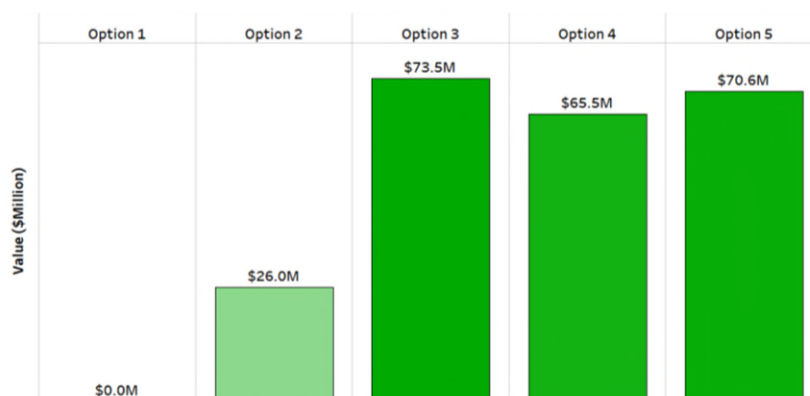




Chart 9 Initial Funding Sources by Option

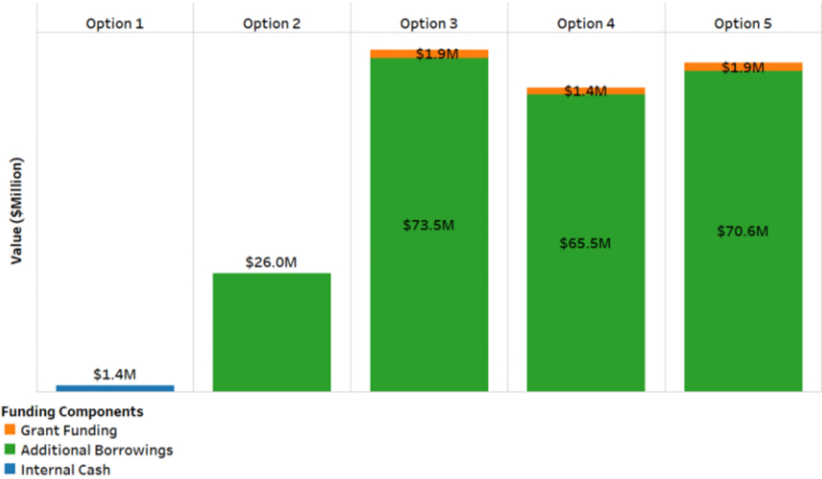


Chart 10 Final Funding Sources by Option





## 7.6 Consequences of Delay

1. The timing of commencement and completion has important consequences on the financial outcomes of each option. In particular, delays in the commencement and completion of Options 2, 3, 4 and 5 result in higher construction costs and a delay in the benefits created by each option. These impacts combine to deliver a reduction in the financial value created, both for QPRC and for the broader community across the LGA.
2. The Area Economic Impact Model and the Financial Models for each option have been used to estimate the impact of a 12-month delay on the key financial metrics. The key results are summarised below.
  - 2.1. Key Results – Queanbeyan-Palerang Community: The modelling below (refer *Chart 11*) considers only the direct financial impact of a 12-month delay on the economic value created by each option in the Area Economic Impact Model. In addition, there are more strategic implications, such as the potential loss of interest by key public and private sector organisations in the Queanbeyan CBD arising from a delay. The opportunity for QPRC to capture this new employment is not unlimited and therefore a delay creates risks that these organisations will look elsewhere for their needs. Rather than just delaying the benefits, under these circumstances the benefits may be lost entirely. The modelling does not consider this potential outcome.

**Chart 11: Difference in Total Estimated Economic Value Added by Option (first 10 years) due to 12 Month Delay**

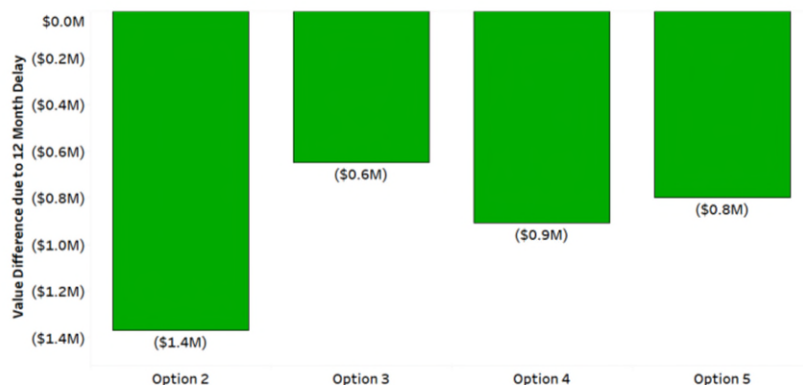


- 2.2. Key Results – QPRC Only: The modelling below (*Chart 12*) considers only the direct financial impact to QPRC of a 12-month delay for each option in the QPRC Financial Model. Importantly, there are more strategic implications, such as the potential loss of interest by key public and private sector organisations in the Queanbeyan CBD. The opportunity for QPRC to attract quality organisations to occupy key areas within the proposed precinct is not unlimited and therefore a delay creates risks that these organisations will look elsewhere for their needs. Rather than just delaying the benefits to QPRC, under these circumstances the benefits may be lost entirely. The modelling does not consider this potential outcome.



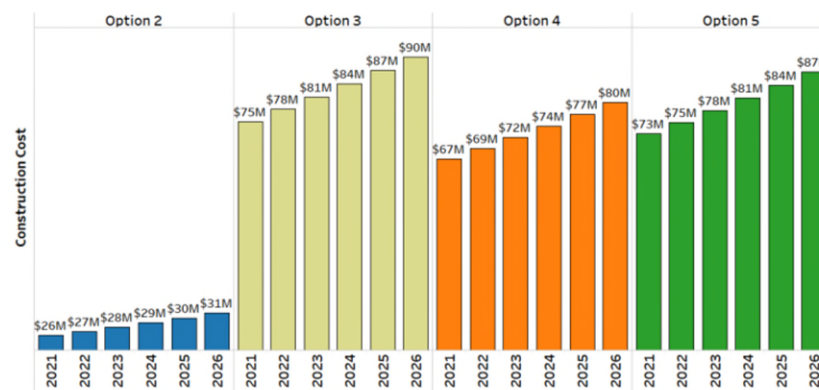
- 2.3. It is noted that there is no delay case presented for Option 1 as it involves QPRC taking no action and therefore there is nothing to delay.

**Chart 12: Difference in Total QPRC Net Present Value by Option due to 12 Month Delay**



- 2.4. Key Results – Construction Cost Escalation Impact - A key impact of a delay is the higher cost of any construction activity due to the effect of cost escalation. This will mean that the upfront cost is higher and related funding requirements are larger the longer any decision is delayed.
- 2.5. Chart 13 shows the construction cost escalation estimates by year.

**Chart 13: Total Construction Cost by Year of Completion (including escalation)**

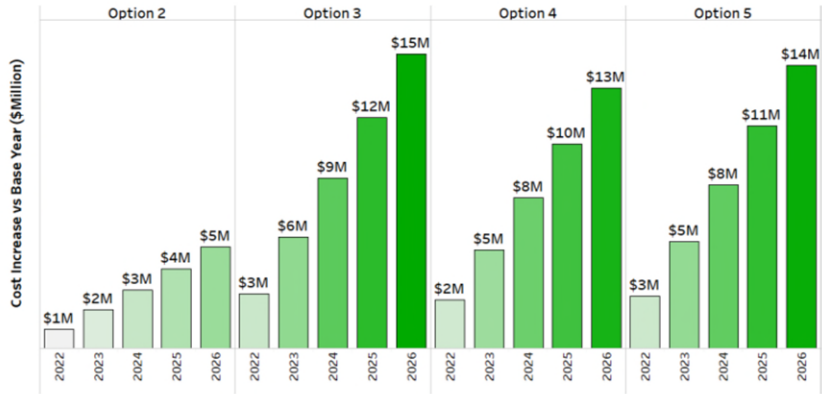


- 2.6. The values shown in Chart 14 reflect the extra borrowing that QPRC will be required to obtain to fund the additional construction costs attributable to cost escalation in the five years following the base year. If a decision is not made in the short-term, cost escalation will be unavoidable.





Chart 14: Increase in Construction Cost Attributable to Escalation vs Base Year



2.7. It is noted that there is no escalation case is presented for Option 1 as it involves taking no significant action and therefore there is no material escalation cost.



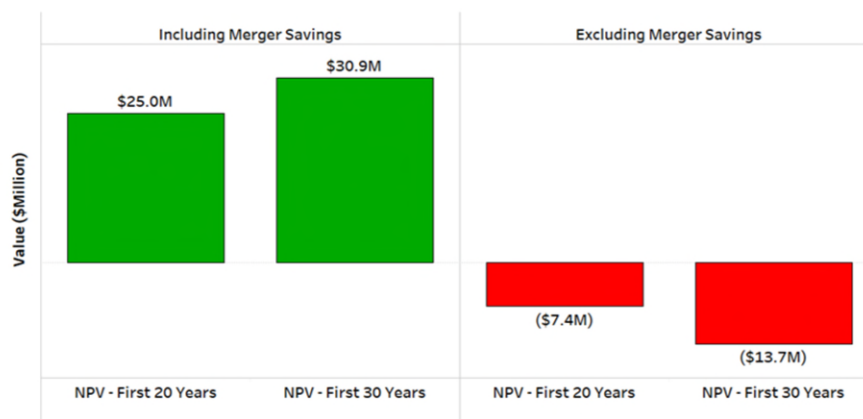
## 8 Estimated Financial Outcomes to QPRC by Option

- The financial outcomes for QPRC are one component of the overall business case. In order to evaluate and compare the financial outcomes of each option, detailed estimates have been prepared and a financial model for each option has been developed. Key outcomes for each option are presented separately in the sections which follow.

### 8.1 Option 1

- Within Option 1 the capital cost will be funded by internal QPRC cash reserves. *Chart 15* shows the Net Present Value of this option. The critical assumptions to this option are:
  - Estimated initial capital cost;
  - Estimated annual repairs, maintenance and operating costs for the existing 11 QPRC offices; and
  - Estimated merger savings.

**Chart 15: Option 1 Net Present Value**

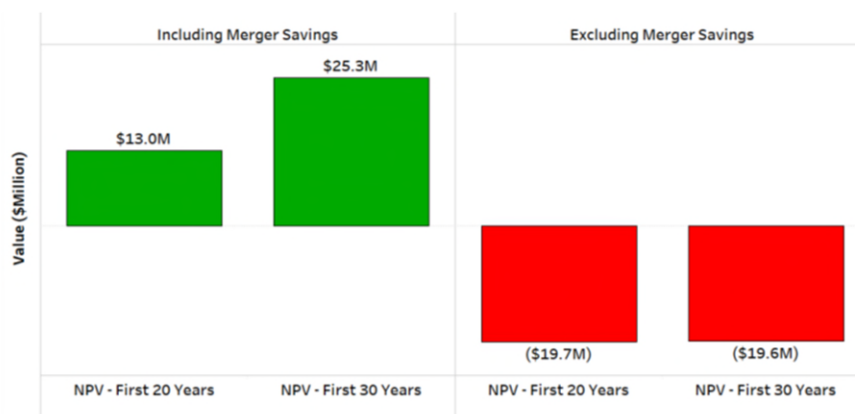




## 8.2 Option 2

1. The capital cost for Option 2 will be funded by additional specific borrowings. No grant funding is available. No sale, LPA or development proceeds will be generated.
2. *Chart 16* shows the Net Present Value of this option. *Chart 17* and *Chart 18* show the funding and debt compositions of this option.
3. The critical assumptions to this option are:
  - a. Estimated initial capital cost;
  - b. Estimated annual repairs, maintenance and operating costs for the existing 11 QPRC offices; and
  - c. Estimated merger savings.

**Chart 16: Option 2 Net Present Value**



**Chart 17: Initial and Final Funding Composition**

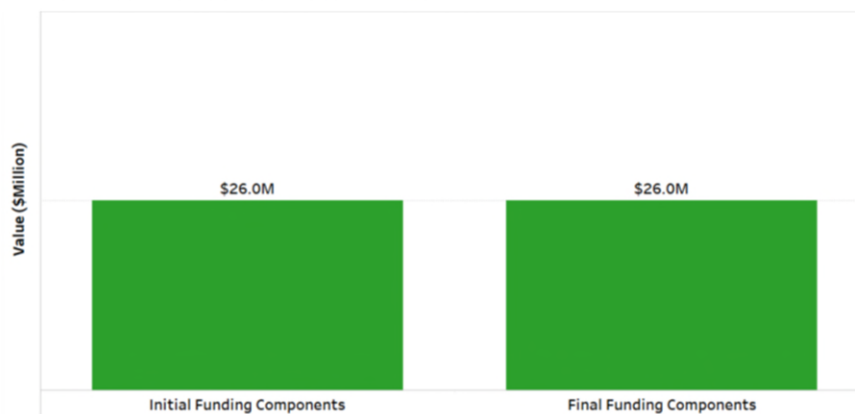
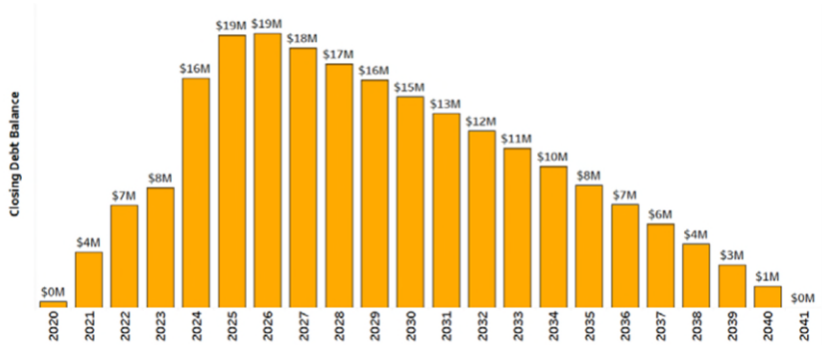




Chart 18: Outstanding Debt Profile at 30 June each year

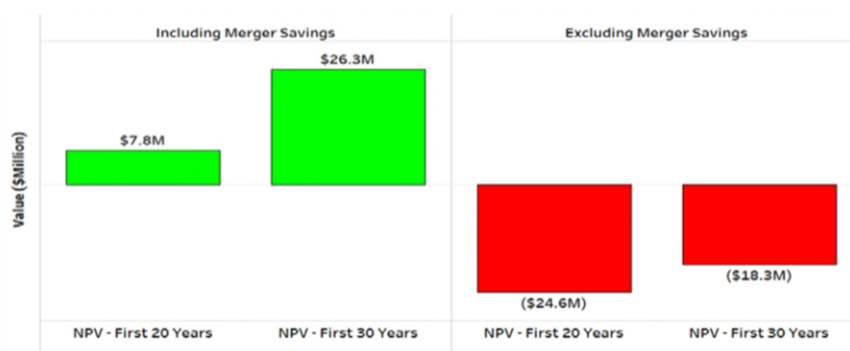




### 8.3 Option 3

1. The capital cost for Option 3 will be funded by grant funding, additional specific borrowings and subsequent proceeds from property sales, LPA and development proceeds.
2. *Chart 19* shows the Net Present Value of this option. *Chart 20* and *Chart 21* show the funding and debt compositions of this option.
3. The critical assumptions to this option are:
  - a. Estimated initial capital cost;
  - b. Estimated grant funding available;
  - c. Estimated property sales, LPA and development proceeds;
  - d. Estimated rental values for lettable areas;
  - e. Estimated savings in annual repairs, maintenance and operating costs for the existing 11 QPRC offices; and
  - f. Estimated merger savings.

**Chart 19: Option 3 Net Present Value**



**Chart 20: Initial and Final Funding Composition**

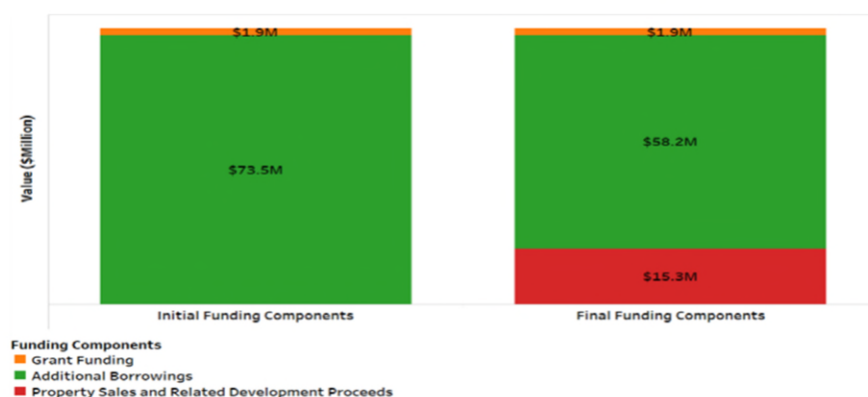
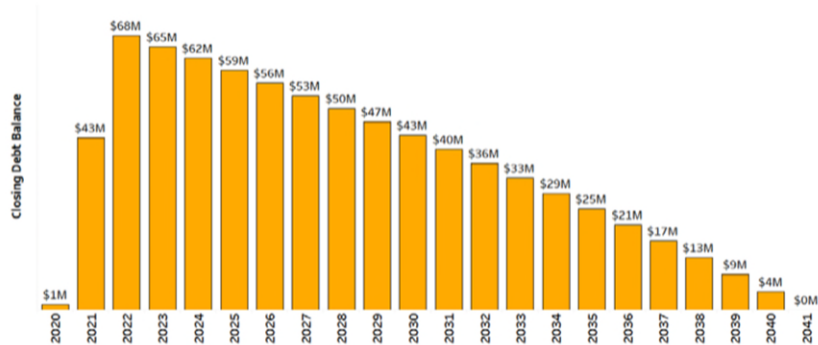




Chart 21: Outstanding Debt Profile at 30 June each year



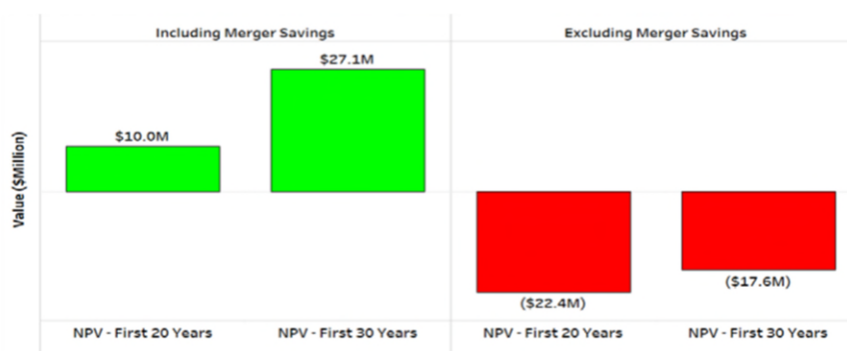




#### 8.4 Option 4

1. The capital cost for Option 4 will be funded by grant funding, additional specific borrowings and subsequent proceeds from property sales, LPA and development proceeds.
2. *Chart 22* shows the Net Present Value of this option. *Chart 23* and *Chart 24* show the funding and debt compositions of this option.
3. The critical assumptions to this option are:
  - a. Estimated initial capital cost;
  - b. Estimated grant funding available;
  - c. Estimated property sales, LPA and development proceeds;
  - d. Estimated rental values for lettable areas;
  - e. Estimated savings in annual repairs, maintenance and operating costs for the existing 11 QPRC offices; and
  - f. Estimated merger savings.

**Chart 22: Option 4 Net Present Value**



**Chart 23: Initial and Final Funding Composition**

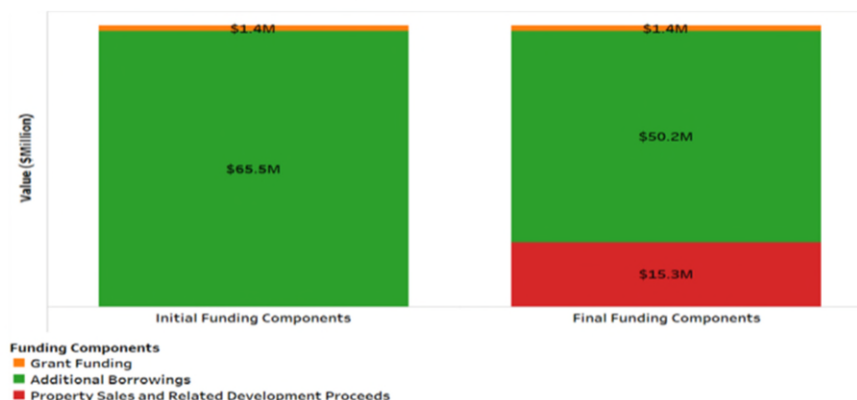
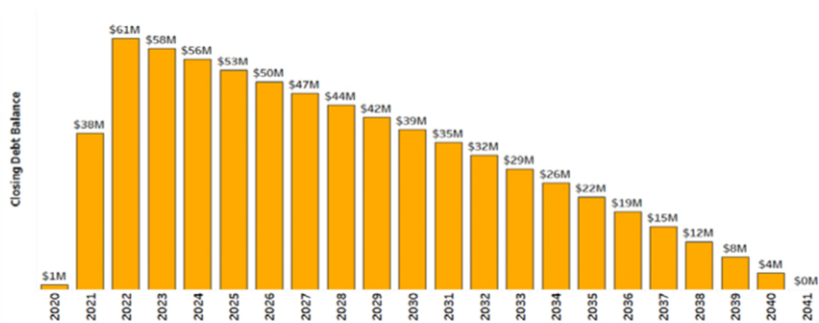




Chart 24: Outstanding Debt Profile at 30 June each year





## 8.5 Option 5

1. The capital cost for Option 5 will be funded by grant funding, additional specific borrowings and subsequent proceeds from property sales, LPA and development proceeds.
2. *Chart 25* shows the Net Present Value of this option. *Chart 26* and *Chart 27* show the funding and debt compositions of this option.
3. The critical assumptions to this option are:
  - a. Estimated initial capital cost;
  - b. Estimated grant funding available;
  - c. Estimated property sales, LPA and development proceeds;
  - d. Estimated rental values for lettable areas;
  - e. Estimated savings in annual repairs, maintenance and operating costs for the existing 11 QPRC offices; and
  - f. Estimated merger savings.

**Chart 25: Option 5 Net Present Value**

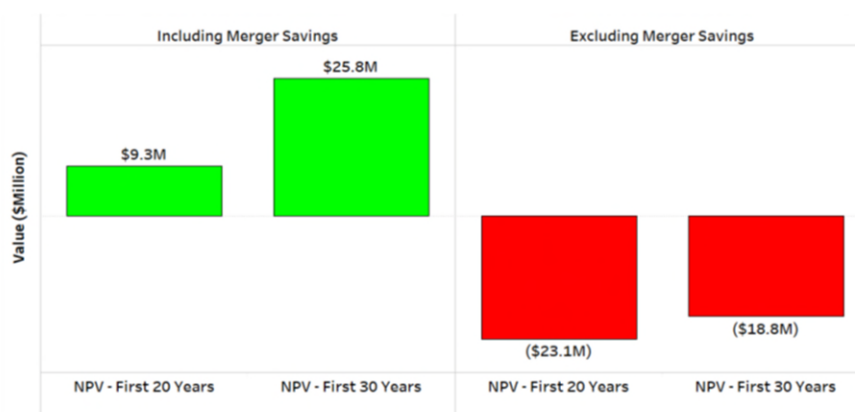




Chart 26: Initial and Final Funding Composition

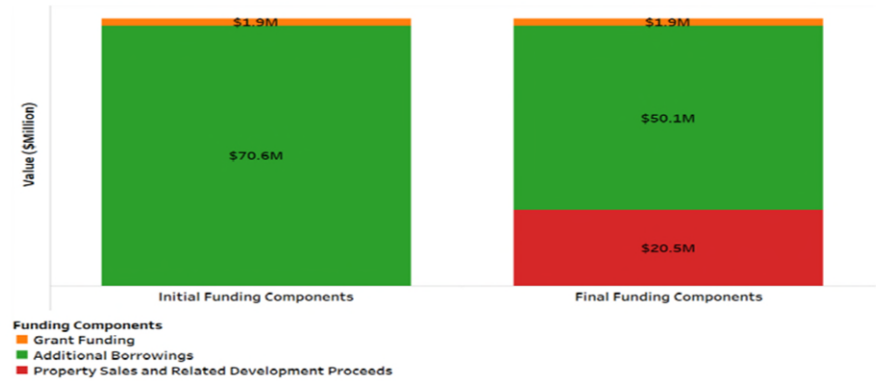
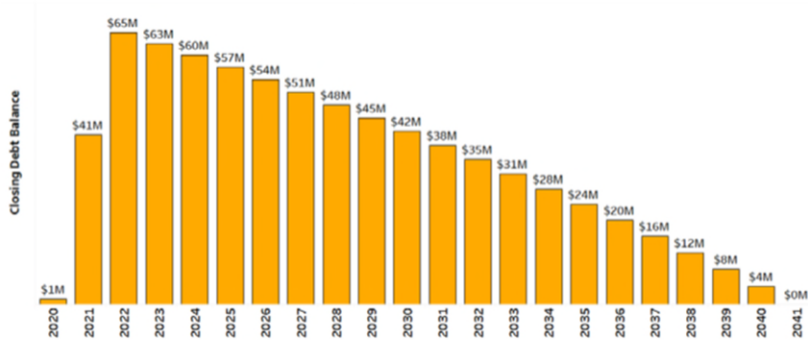


Chart 27: Outstanding Debt Profile at 30 June each year





## 9 Estimated Financial Outcomes to the LGA

1. The financial impact of each option to the QPRC community is a critical component of the business case to fully understand the financial benefits available under each option. This captures the full financial outcomes of each option across the LGA for the assessment horizon.

### 9.1 Methodology

1. The Area Economic Impact Model has been used as the primary source of data to evaluate the financial impact on the community. This model incorporates multiplier effects of both the initial construction value of each option and also the ongoing increases to employment in the area, in particular the direct new NSW government employment in the area made possible in Option 3, Option 4 and Option 5.

### 9.2 Key Results

1. The broader economic benefits of Options 3, 4 and 5 are significant to the community. The multiplier effects of both the initial construction of the precinct and the ongoing employment from the new jobs in the precinct will create material and ongoing economic benefits for businesses in the area and the community. This is summarised within *Table 5*.

**Table 5 - Total Estimated Economic Value Added by Option (first 10 years)**

Option	Total Estimated Economic Value Added (\$Million)
Option 1	\$2
Option 2	\$41
Option 3	\$634
Option 4	\$620
Option 5	\$629

2. The following charts summarise the key results from the Area Economic Impact Model over the first 10 years of the assessment horizon. Option 1 and Option 2 deliver only very small relative economic value to the community as they do not facilitate the transformation of the CBD and do not attract additional ongoing employment to the CBD. In contrast, Options 3, 4 and 5 all deliver materially significant economic value to the community through both the large initial investment and the new direct employment created within the precinct, in particular from the NSW Government.
3. Options 3, 4 and 5 deliver significant ongoing economic benefits to the community which are not available under Options 1 or 2. The ongoing multiplier benefits indicate that Options 3, 4 and 5 have the ability to be a strong catalyst for private sector development and growth in the CBD.



Chart 28: Total Estimated Economic Value Added by Option (\$Million)

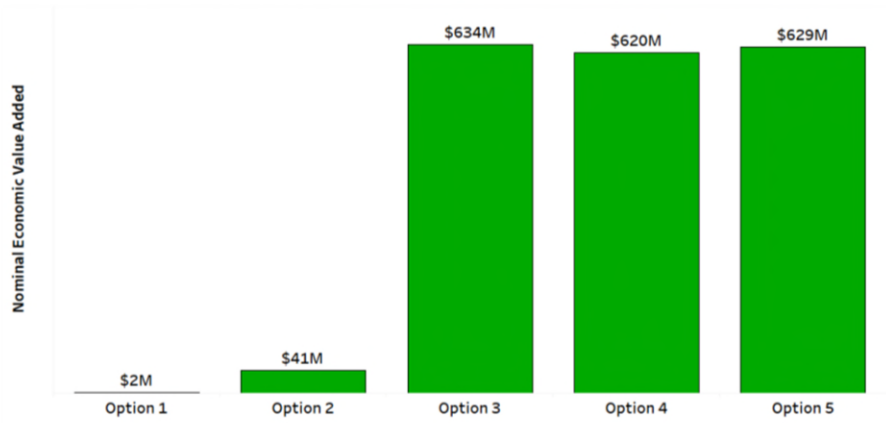


Chart 29: Total Estimated Economic Value Added by Option and Category (\$Million)

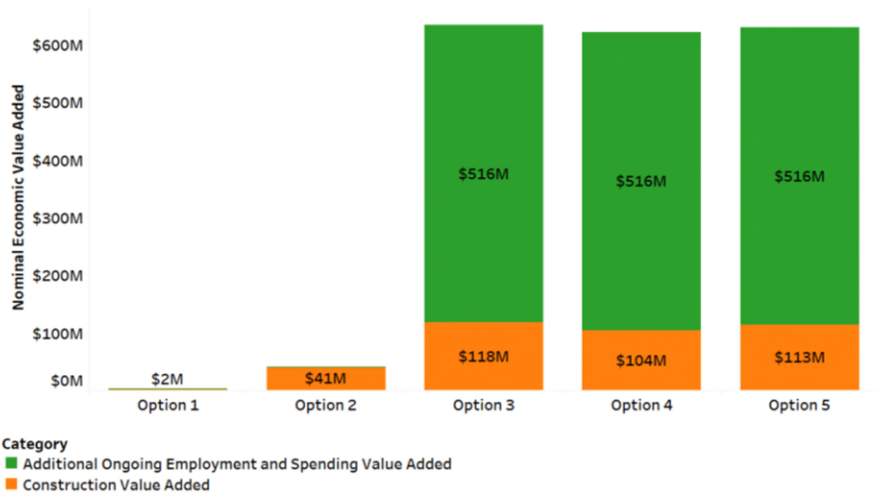






Chart 30: Total Estimated Economic Value Added by Option and Year (\$Million)

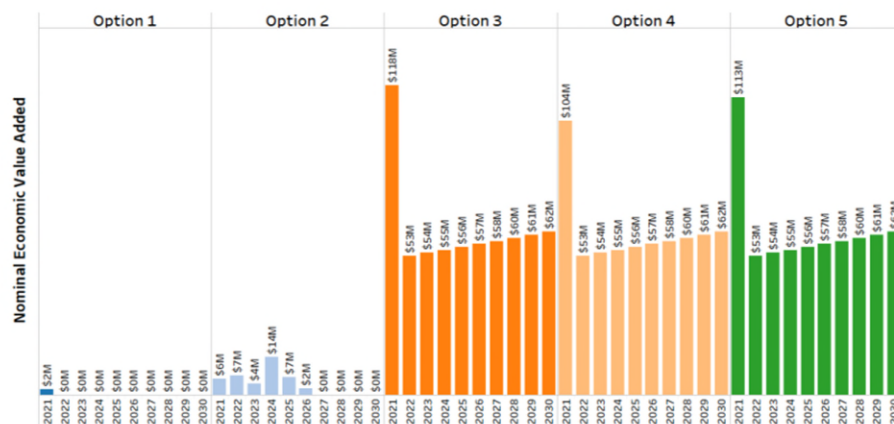
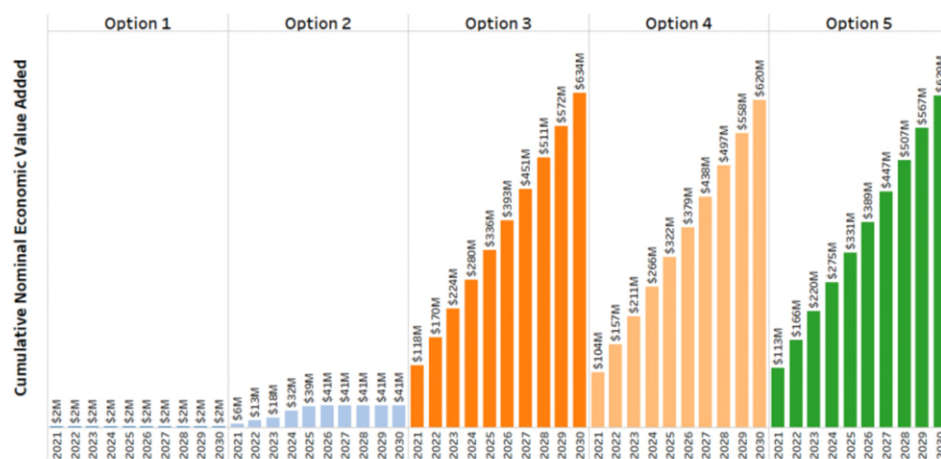


Chart 31: Cumulative Total Estimated Economic Value Added by Option and Year (\$Million)





## 10 Option Analysis

### 10.1 Option Comparison

- The below *Table 6* summarises the ability of each option resolving each identified problem.

Table 6 – Summary Comparison of Options						
Option Description	Resolves Problem 1?	Resolves Problem 2?	Resolves Problem 3?	Resolves Problem 4?	Resolves Problem 5?	Resolves Problem 6?
<b>OPTION 1:</b> Do Absolute Minimum.	x	x	x	x	x	x
<b>OPTION 2:</b> Refurbish Existing Facilities	x	x	x	x	x	✓
<b>OPTION 3:</b> Build All Identified Functionality.	✓	✓	✓	✓	✓	✓
<b>OPTION 4:</b> Reduced Version of Option 3.	✓	✓	✓	✓	✓	✓
<b>OPTION 5:</b> Reduced Version of Option 3 With a Library.	✓	✓	✓	✓	✓	✓



2. The comparison of pros and cons of each option is contained within Table 7.

**Table 7 – Summary Comparison of Options**

	Option 1	Option 2	Option 3	Option 4	Option 5
<b>List of Pros</b>					
Increase public perception of the CBD leading to increased foot traffic, spending and investment.			●	●	●
Creation of a clear civic and public space within the CBD.			●	●	●
Increased workforce in the CBD increasing the retail spend.			●	●	●
Increased community spaces within the CBD allowing community groups to thrive			●	●	●
Unlocks land for further development within the CBD			●	●	●
Increased cultural offering within the CBD			●	●	●
Increased hire of performing arts spaces and other venues increasing revenue			●	●	●
Increased staff productivity due to improved work environment and centralised staff			●	●	●
Centralised location for all QPRC services			●	●	●
Provides growth space for the QPRC workforce					●
A new accessible public library					●
No capital expenditure required from QPRC	●				
High NPV			●	●	●
<b>List of Cons</b>					
Continued negative perception of the CBD further suppressing investment	●	●			
Increased maintenance costs on end of life assets including the requirement in the short term for major reactive maintenance works.	●	●			
Inherent uncertainty of the level of required maintenance needed on the assets to ensure safe operation	●	●			
Increased liability risk resultant from non-DDA compliant facilities	●	●			
Diminished cultural offering and diversity of the LPA	●	●			
foot traffic within the CBD remains unchanged resulting in continued escaped expenditure from the CBD	●	●			
No consideration of future growth of the QPRC.	●	●			
Not providing accommodation expected in a modern workplace increasing staff absenteeism, decreasing staff morale and making it harder to attract and retain staff	●	●			
The workforce is still split geographically decreasing productivity	●	●			
Large Capital Expenditure required from QPRC		●	●	●	●



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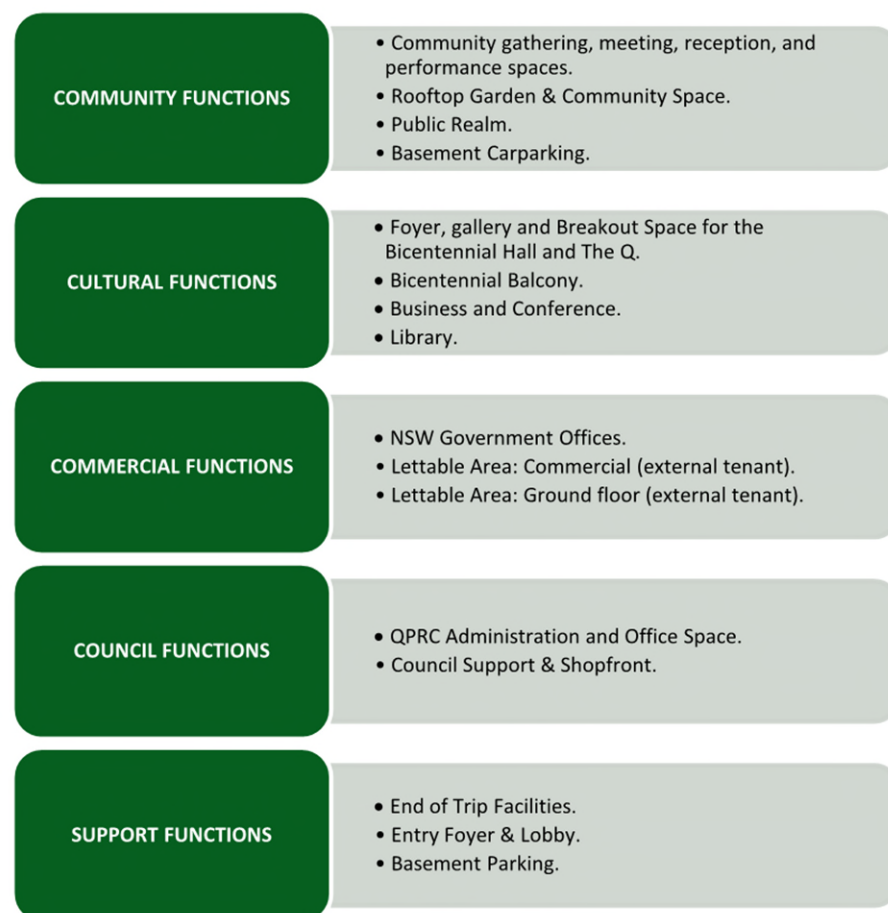
## 10.2 Option Recommendation

1. This study investigated several options culminating in the recommendation of Option 5, as on balance, it was the most suitable option to address the problems and realise the benefits whilst still remaining financially viable.
2. This option proposes to deliver a new QCCP building in the CBD.
3. The new facility is proposed to be located adjacent to the current council chambers, Bicentennial Hall and The Q on Crawford Street.
4. The new building will be the heart of a cultural and civic precinct in this area, designed as a landmark civic building which promotes civic pride, is an anchor point and a transformation trigger to the CBD.



### 10.3 Scope of Capital Works

1. The scope required to deliver Option 5 is to include the detailed design and construction of the QCCP building.
2. *Figure 9* lists the new building will include the following elements:



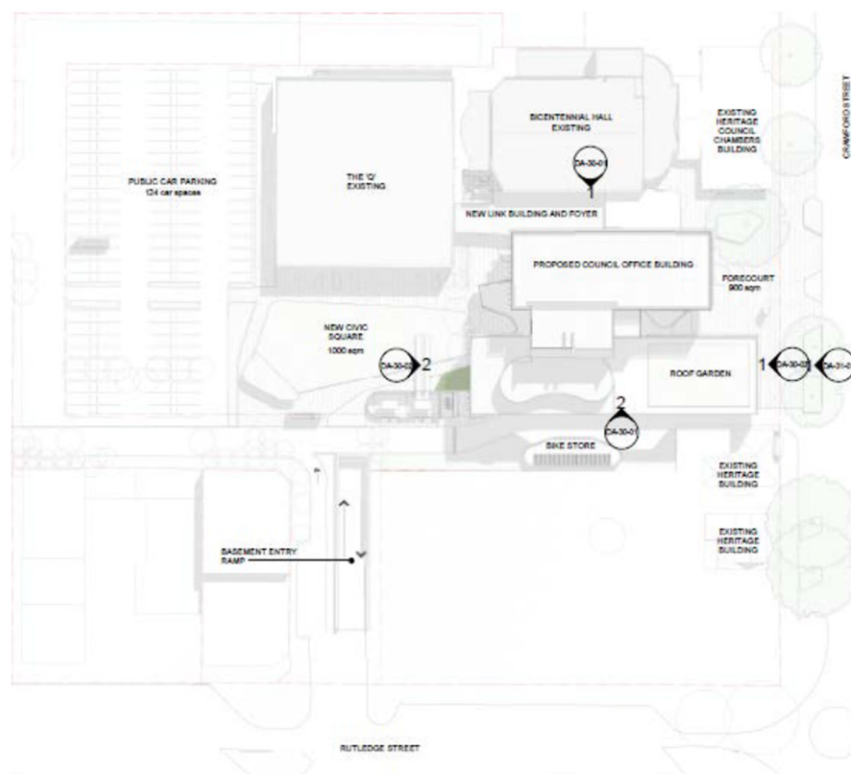
*Figure 9 - Functions Being Delivered through the Capital Works*

3. Refer to **Appendix A** for further details on the preliminary sketch plan report. Whilst this reflects the scope of Option 3, much of the suggested design is applicable.



#### 10.4 Option 5 Site Assessment

1. The QCCP building is proposed to be located next to the existing council chambers located on Crawford Street.
2. The area is characterised by a number of arts, cultural and civic buildings including the Bicentennial Hall, The Q Performance space, the local library and council chambers as shown in *Figure 10*.
3. The council chambers and old fire station are heritage buildings and have cultural and heritage significance to the community.
4. The former Queanbeyan City Council Administration building and Library has been demolished and the site is vacant to allow for future construction works.
5. The new Queanbeyan head office will collocate over 200 staff to contemporary and fit for purpose facility, increasing the productivity of the QPRC staff.
6. The QPRC enquiries desk will relocate from 256 Crawford Street.



**Figure 10 - The Site**





## 11 Risks & Mitigations

1. A high-level assessment was undertaken of the risks and associated mitigation strategies associated with Option 5. Refer to *Table 8* below:

*Table 8 – Risks and Mitigations*

Risk	Mitigation
The ability to design, tender and fully deliver the project within the estimated cost and timing assumptions.	<ul style="list-style-type: none"> <li>• Appointment of suitably qualified project team to manage the design, procurement and project delivery.</li> <li>• Creation of a master programme for the overall project including design, procurement and construction activities.</li> <li>• Clearly defined and documented scope management processes.</li> </ul>
There may be negative public perception regarding the amount of capital expenditure for QPRC staff accommodation.	<ul style="list-style-type: none"> <li>• Communication and community consultation to occur on the project focussing on the benefits to the community.</li> <li>• Broader community aspects as identified in section 9 to be made publicly available</li> </ul>
There are risks associated the 2020 Council election and council caretaker period.	<ul style="list-style-type: none"> <li>• Project programme to account for Council election.</li> <li>• Council decision and approval to proceed to be obtained prior to election.</li> <li>• Procurement activities to be undertaken prior to caretaker period.</li> </ul>
Successful execution of NSW Government purchase/lease of relevant elements including quantum and timing.	<ul style="list-style-type: none"> <li>• Negotiations with NSW Government to commence immediately</li> <li>• Head of agreement to be entered into with NSW agency prior to construction</li> </ul>
Successful execution commercial leases of relevant elements including quantum and timing.	<ul style="list-style-type: none"> <li>• Tenders for commercial leases to be released early to secure tenants</li> <li>• Appointment of suitably qualified property and commercial manager to manage the leasing.</li> </ul>



**Table 8 – Risks and Mitigations**

Development application approval timeframes.	<ul style="list-style-type: none"> <li>• Appointment of suitably qualified architect to prepare DA submission</li> <li>• DA process to be commenced early in the project</li> <li>• DA determined independently by JRPP</li> </ul>
Design approval timeframes	<ul style="list-style-type: none"> <li>• Clear project governance to be established with approval at design gates</li> <li>• Key stakeholders to be identified and engaged with by the project team</li> </ul>
Ability to attract quality tenants at a market rent for lettable areas in order to generate the rental revenues that have been estimated	<ul style="list-style-type: none"> <li>• Tenders for commercial leases to be released early to secure tenants</li> <li>• Appointment of suitably qualified property and commercial manager to manage the leasing.</li> </ul>
Successful execution of Downtown Q LPA including quantum and timing - including DA process and revenues and LPA settlement quantum and timing.	<ul style="list-style-type: none"> <li>• Head of agreement to be entered into for Downtown Q</li> <li>• Appointment of suitably qualified property and commercial manager to assist with commercial negotiation</li> </ul>
Successful execution of sale of existing Library site and other QPRC sites including realisation of quantum of sale costs and timing.	<ul style="list-style-type: none"> <li>• Head of agreement to be entered into for land sale</li> <li>• Appointment of suitably qualified property and commercial manager to assist with commercial negotiation</li> </ul>
Ability to obtain maximum grant funding for the relevant elements	<ul style="list-style-type: none"> <li>• Early application and engagement with grant providers.</li> <li>• Project contingency to be allocated to grant funding risk</li> </ul>
Poor construction performance leading to negative public perception of the project	<ul style="list-style-type: none"> <li>• Appointment of suitably qualified Head Contractor for the project</li> </ul>



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## 12 Delivery Model Analysis

### 12.1 Delivery Model Options

2. A procurement workshop was held on 30 July 2019 that analysed and determined the most suitable method to deliver the project.
3. The available delivery models are broadly described as follows:
  - 3.1. **Lump Sum Head Contractor – Traditional Form of Delivery.**

The client selects the design team and produces a fully documented design. The contractor is then sourced to undertake construction of the works only.
  - 3.2. **Lump Sum Design & Construct.**

The contractor assumes responsibility for managing both the design and construction phases of the works within a tendered lump sum figure. The design team is selected and managed by the design and construct contractor.
  - 3.3. **Managing Contractor.**

A contractor is procured through competitive bids to manage the design and construction phases of the works on a lump sum basis. Trade and design costs are treated as pass through reimbursable costs. Trades are competitively tendered during the course of the project.
  - 3.4. **Construction Management.**

A contractor is procured through competitive bids to provide superintendence services on site during construction of the works. The design team will be engaged and managed by the Client.
  - 3.5. **Private Public Partnership.**

A delivery method that relies on private sector funding to design and construct a facility in return for a fee obtained during the operating of the facility. This method is typically used for large high-risk projects with high levels of uncertainty and are more suited to infrastructure projects.
  - 3.6. **Early Contractor Involvement.**

This is a collaborative procurement method whereby multiple contractors are engaged to work with the Client and designers in parallel to develop their own design, a detailed project plan, programme and commercial proposal for the construction phase.



## 12.2 Delivery Model Analysis

1. A total of eight parameters were used to evaluate the most appropriate delivery method. Table 9 details the importance of each parameter and its applicability to this project.

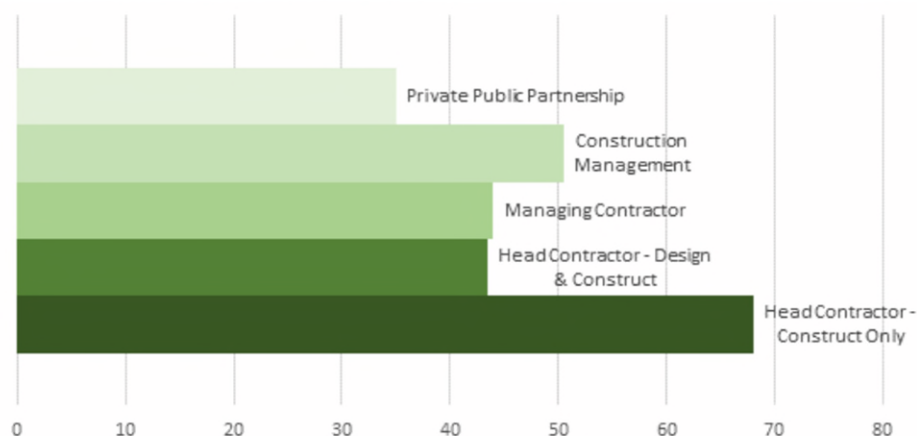
Table 9 – Delivery Model Parameter Assessment		
Parameter	Rating	Comments
<b>Certainty of time</b> – <i>Is completion by a drop-dead definitive date important?</i>	<i>somewhat important</i>	The staff to be located within the new building are currently housed in various buildings across Queanbeyan. As future plans, including sale, for these facilities are known there may be some requirements to have staff relocated into the facility by certain dates however the extent of this is not known at this point in time.
<b>Certainty of cost</b> – <i>Is adherence to a definitive budget important?</i>	<i>highly important</i>	Cost certainty is of high importance to QPRC. A delivery model that reduces variation exposure is required.
<b>Design control</b> – <i>Is full control of the design important?</i>	<i>highly important</i>	The facility is designed to be an icon and ‘transformational architectural piece’ for QPRC. As such retaining design control is highly important.
<b>Flexibility</b> – <i>How significant is the risk that scope changes will be made after the engagement of the contractor?</i>	<i>somewhat unimportant</i>	QPRC believe that once the design is finalised there will be minimal changes required. However, it is noted that some flexibility will be required for the tenant space.
<b>Multiple contractors</b> – <i>How likely is it that there will be multiple contractors on the same site (Such as a separate fitout Contractor before the base building works are completed)</i>	<i>somewhat unimportant</i>	There may be some risk of tenants requesting their own contractors to complete their fitout works. This risk can be managed during tenancy negotiations.
<b>Complexity</b> – <i>How likely is that the project involves a highly specialised, technologically advanced or highly serviced building?</i>	<i>neutral</i>	The building has no added complexity other than the site constraints and the brief to achieve an A grade green star building.
<b>Quality / WOL</b> – <i>Is high quality of the product, in terms of material,</i>	<i>highly important</i>	The quality and whole of life considerations for the building are of high importance noting



**Table 9 – Delivery Model Parameter Assessment**

<i>workmanship, design and Whole of Life outcomes important?</i>	QPRC will be owning the building in perpetuity.
<b>Contractual Framework</b> – <i>How highly important is it to utilise a readily available contract mechanism that is familiar to the industry?</i>	The use of an industry standard contract form is considered important to increase market interest in the project.

- Figure 11 provides the summary of the assessment of each delivery method against the established parameters. It was identified that the Lump Sum Head Contractor – Traditional Form of Delivery was the most suitable.



**Figure 11 - Delivery Options Analysis**

### 12.3 Recommended Delivery Model

- The recommended delivery model for the QPRC Head office project is a construct only delivery method for the following reasons:
  - It provides cost certainty;
  - It allows QPRC to retain control of the design and over quality outcomes; and
  - It is a well-known and utilised delivery method within the industry.
- The 'for construction' fully-documented design should be undertaken by a consultancy team procured as a separate process to the construct only tender.
- The construct only tender could be run as a two-stage procurement with an open market Expression of Interest (EOI) followed by a shortlisted select Request for Tender (RFT).





## 13 Timeline

### 13.1 Project Timeline

1. Table 10 provides the indicative key milestones for the project.

Table 10 - Milestone dates	
Task	Date
Business case approval	October 2019
DA drawings prepared & lodged	December 2019
Complete 100% 'for construction' drawings	June 2020
Complete head contractor tender and award building contract	September 2020
Construction commencement	October 2020
Construction completion	April 2022

### 13.2 Decision Points

1. Key project decision points for the work included within this business case include:
2. Approval of the DA drawings and the 100% 'for construction' drawings; and
3. Approval of the recommended head contract tenderer.

### 13.3 Staging of works

1. The project will likely be constructed in the below stages to minimise disruption to existing operations:
  - 1.1. Stage 1: Early works: Relocation and demolition of substation structure.
  - 1.2. Stage 2: Basement construction complete.
  - 1.3. Stage 3: Partial demolition works to Bicentennial Hall & The Q foyer & link completed.
  - 1.4. Stage 4: New Bicentennial Hall & The Q foyer & link Completed.
  - 1.5. Stage 5: New QCCP building completed.
  - 1.6. Stage 6: Service lane completed.
  - 1.7. Stage 7: External works completed.





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## 14 Recommendation

### 14.1 Recommendation

1. This study investigated three strategic options to address the problems identified. They are:
  - i. Do the absolute minimum, culminating in Option 1. This approach did not attempt to solve any of the identified problems but included what was considered the bare minimum to maintain QPRC's existing operations.
  - ii. Complete a refurbishment and refresh of the existing assets to increase the life span and bring the buildings to a code compliant standard, culminating in Option 2.
  - iii. The third strategic option is the construction of a new QCCP. Three variants of this strategic option were looked at, being build all identified functionality, a reduced building or a hybrid version with a library, culminating in Options 3, 4 and 5 respectively.
2. After financial modelling and detailed analysis of each option, Option 5 is the recommended option as it demonstrates value for money to QPRC and the community. While this option does not have the highest net present value compared with other options it contains significant non-financial benefits far superior to the other options, in particular the construction of a new library.
3. This option will include the construction of a new QCCP building that addresses the problems and achieves the benefits identified specifically by:
  - i. Creating a civic precinct by connecting the new building to the existing civic buildings of The Q and the Bicentennial Hall;
  - ii. Amalgamating the Queanbeyan based QPRC workforce into a single consolidated, purpose-built facility;
  - iii. Increasing the working population within the CBD through the introduction of NSW Government offices and additional jobs;
  - iv. Increasing the diversity of commercial and retail/hospitality through the introduction of tenanted spaces and increase workforce population;
  - v. Setting a new benchmark of quality within the CBD;
  - vi. Providing new spaces for community use and extending the usability of the Bicentennial Hall' and
  - vii. Providing a new accessible library.
4. This project is recommended to be delivered as a traditional procurement model with a fully-documented 'for construction' design being procured prior to a construct only head contractor.

# **QUEANBEYAN-PALERANG REGIONAL COUNCIL**

Council Meeting Attachment

**22 MARCH 2023**

ITEM 9.5            QCCP PROGRESS REPORT

ATTACHMENT 2    QCCP COUNCIL REPORT



**Ordinary Meeting of Council**  
**SUPPLEMENTARY**  
**AGENDA**

**23 October 2019**

**Commencing at 5.30pm**

**Bungendore Council Chambers**



**QUEANBEYAN-PALERANG REGIONAL COUNCIL**  
**BUSINESS PAPER AGENDA – 23 October 2019 Page i**

**\*\*On-site Inspections\*\***

List any inspections or indicate “Nil”

**1 SUPPLEMENTARY REPORTS**

1.1 Queanbeyan Civic and Cultural Precinct ..... 1

**LIST OF ATTACHMENTS –**

*(Copies available from General Manager’s Office on request)*

**Open Attachments**

- Item 1.1 Queanbeyan Civic and Cultural Precinct
- |              |   |
|--------------|---|
| Attachment 1 | Queanbeyan Head Office - Resolutions (Under Separate Cover)       |
| Attachment 2 | Business Case - Executive Summary (Under Separate Cover)          |
| Attachment 3 | Floor Layout Example (Under Separate Cover)                       |
| Attachment 4 | Proposed Subdivision Plan for QCCP Project (Under Separate Cover) |
| Attachment 5 | Block and Stack for preferred Option 5 (Under Separate Cover)     |

**Closed Attachments**

*Nil*





## ORDINARY MEETING OF COUNCIL

23 OCTOBER 2019

### Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)

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**File Reference:** Project ID 100265

#### Summary

Presenting report with business case, concepts and options to progress the proposed Queanbeyan Civic and Cultural Precinct (QCCP) including the QPRC Head Office, to development application.

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#### Recommendation

**That Council:**

1. **Note the report on the Queanbeyan Civic and Cultural Precinct, including the QPRC head office.**
  2. **Endorse the concept, uses, business case, and the plan of subdivision for the Queanbeyan Civic and Cultural Precinct and head office building shown as Option 5.**
  3. **Place the design and business case on public exhibition, and report back to Council with feedback.**
  4. **Lodge a Development Application for the Queanbeyan Civic and Cultural Precinct.**
  5. **Submit a capital expenditure report for NSW Office of Local Government and NSW Treasury Corp, to enable the raising of debt as outlined in the report.**
- 

#### Background

Several public reports and councillor workshops have been provided on the matter of consolidating over 200 Queanbeyan-based staff into a single modern head office, in turn releasing several CBD properties for sale or redevelopment. Relevant resolutions are at Attachment 1.

Having confirmed the preferred site for the office at 257 Crawford St and authorised the demolition of the old administration building built in 1970s, several Councillor workshops were held to examine head office site options, concept designs, financials and feasibility over the past 18 months. Workshops were also held with Downtown Q (DQPL) to explore the proposed adjacent site redevelopment of the cottages to be vacated in Rutledge St, and the repurposed heritage buildings (Old Fire Station and Dutton's Cottage). The redevelopment is subject to a heads of agreement (HoA) and proceeding in accord with the stages of that agreement.

The Civic and Cultural Precinct/head office building options considered:

- floor plate
- height
- impact on adjacent potential redevelopment
- impact on adjacent heritage buildings
- impact on or by existing infrastructure
- different levels between buildings
- integration with the Q, Bicentennial and chambers, and potentially the library
- space to accommodate future growth
- internal uses (reception, customer, exhibition, meeting rooms, conference space, future chambers, government office, smart hub, commercial office space, QPRC office space, green spaces)
- external uses (basement and at-grade parking, public realm, pedestrian flows)
- alignment with QCBD spatial masterplan
- financial implications

## ORDINARY MEETING OF COUNCIL

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### Item 1.1 Queanbeyan Civic and Cultural Precinct(Continued)

Cox Architecture presented several options and floorplates to achieve an efficient building that met Council's sustainability policy and PCA A-Grade office building principles. Staff have been engaged on floor layout and the functional brief.

At the workshop held on 18 October 2019, councillors narrowed the base case building options to three, reducing floor plate and modifying uses – ultimately preferring Option 3C below:

OPTION	FEATURE
<b>2B</b>	Fully removes Level 1 NSW Gov offices on top 2 levels (part floors) QPRC on full 2 levels & access to roof top garden Retains business / conference / breakout / community space
<b>3C</b>	Reduces building by half floor Replaces Smart Hub with Library on Mezzanine, with some services on ground floor NSW Gov offices on top 2 levels (part floors) Introduces lettable office area on top level QPRC on full 2 levels & access to roof top garden Retains breakout / community space Reduces business / conference
<b>6</b>	Reduces building by half floor Removes Smart Hub Retains business / conference / breakout / community space Introduces lettable office area on top level NSW on single level QPRC on three level & access to roof top garden

The Business Case (executive summary attachment 2), assigned those options to:

1. Do Nothing
2. Reactive maintenance and refurbishment of existing buildings
3. Build all functional requirements, including one level commercial
4. Reduced version of 3 (formerly 2B)
5. Reduce version of 3, adding library (formerly 3C)

Option 5 includes:

- i. two towers (3 and 5 levels, with mezzanine connected to Bicentennial)
- ii. ~7500m2 NLA with ~ 3000m2 QPRC office space
- iii. ~6500m2 public realm
- iv. public library space (+ integrating service desk and staff areas into head office)
- v. meeting rooms and break-out spaces (for receptions and conference)
- vi. space for government offices (sold as strata)
- vii. lettable commercial space (available initially for rental return, then for future growth)
- viii. gallery connecting office building to the chambers, Bicentennial Hall and Q Theatre
- ix. ~100 csp office and public basement parking
- x. rooftop garden

## ORDINARY MEETING OF COUNCIL

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### Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)

The table below illustrates the approximate area and use per level per tower, at a total construction estimate of \$52.8m and a further \$22m in oncosts such as consultants and contingency:

	Area				Use	COSTS (\$M)			
	GFA (M <sup>2</sup> )	North Tower NLA (M <sup>2</sup> )	South Tower NLA (M <sup>2</sup> )	Total NLA (M <sup>2</sup> )		Build Cost	Fitout Cost	Trade Cost	Total With on-costs
Level 5	827	637		637	COMMERCIAL	2,475	393	2,867	4,060
Level 4	816	637		637	COMMERCIAL	2,718	332	3,049	4,317
Level 3	1,320	605	488	1093	COMMERCIAL	5,240	608	5,848	8,280
Level 2	1,736	605	903	1508	QPRC ADMIN	4,386	2,580	6,966	9,863
Level 1	1,737	605	903	1508	QPRC ADMIN	4,789	2,881	7,671	10,860
Mezzanine	1,347	507	650	1157	COMMUNITY	3,651	2,073	5,724	8,104
					COMMUNITY / COMMERCIAL				
Ground	1,066	406	293	699	/ COUNCIL	6,595	3,438	10,034	14,206
Integration	330	308		308	COMMUNITY	2,527	403	2,930	4,149
Public realm	6,500	6,500			COMMUNITY	3,702	334	4,036	5,715
Basement	4,466	4,466			COMMUNITY	3,706	-	3,706	5,247

A councillor workshop on the business case is scheduled on 22 October 2019.

### Implications

#### Legal

Several legislative obligations rest with the *Local Government Act 1993* (s8A, 8B) and the *Workplace Health and Safety Act 2011*. In relation to the LG Act:

- 8A (a) Councils should provide strong and effective representation, leadership, planning and decision-making.
- (b) Councils should carry out functions in a way that provides the best possible value for residents and ratepayers.
- (f) Councils should manage lands and other assets so that current and future local community needs can be met in an affordable way.
- (i) Councils should be responsible employers and provide a consultative and supportive working environment for staff.
- 8B (a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- (b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community
- (c) Councils should have effective financial and asset management

#### Policy

The Cost Attribution and Sustainable Design for Buildings Policy have been considered in the design and funding models for the head office. In line with procurement practice, the following elements were considered as critical to delivery of the QCCP project, and on balance, proceeding with a separate architectural design contract and a head construction contract was considered optimal.

**ORDINARY MEETING OF COUNCIL**

**23 OCTOBER 2019**

**Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)**

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- a) **Certainty of Time** – *Completion by a drop-dead definitive date;*
- b) **Certainty of cost** – *Adherence to a definitive budget;*
- c) **Design Control** – *The extent that full design control is important;*
- d) **Flexibility** – *Flexibility to change the design after engagement;*
- e) **Multiple Contractors** – *The likelihood of multiple contractors working on the site;*
- f) **Complexity** – *Highly specialised, technologically advanced, or highly serviced building/s;*
- g) **Quality / Whole of Life (WOL)** – *High quality of the product, in terms of material, workmanship, design and WOL outcomes;*
- h) **Contractual Framework** – *Use of a readily available contract mechanism.*

**Sustainability**

The QPRC Sustainable Design for Buildings Policy goals includes:

- Reduced energy consumption, water use and waste;
- Reduced on-going operating and maintenance costs;
- Demonstrating community leadership in implementing renewable energy and passive solar design;
- Using alternative water sources and improving stormwater water quality;
- Better occupant health and comfort;
- Continued Council growth and development with reduced environmental footprint;
- Increased staff and community awareness of sustainability

Energy, thermal, water and waste efficiency, together with proposed renewable energy infrastructure, is incorporated into the design.

The Policy calls for third party certification, which may include Green Star or Property Council of Australia (PCA) 'Guide to Office Building Quality' Grade A building principles.

**Asset**

Concept design renders are illustrated below, together with public realm and pedestrian flows between the buildings. Further detail will be provided with the public exhibition and DA.



**ORDINARY MEETING OF COUNCIL**

**23 OCTOBER 2019**

**Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)**

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Page 5 of the Ordinary Meeting of the QUEANBEYAN-PALERANG REGIONAL COUNCIL held 23 October 2019.

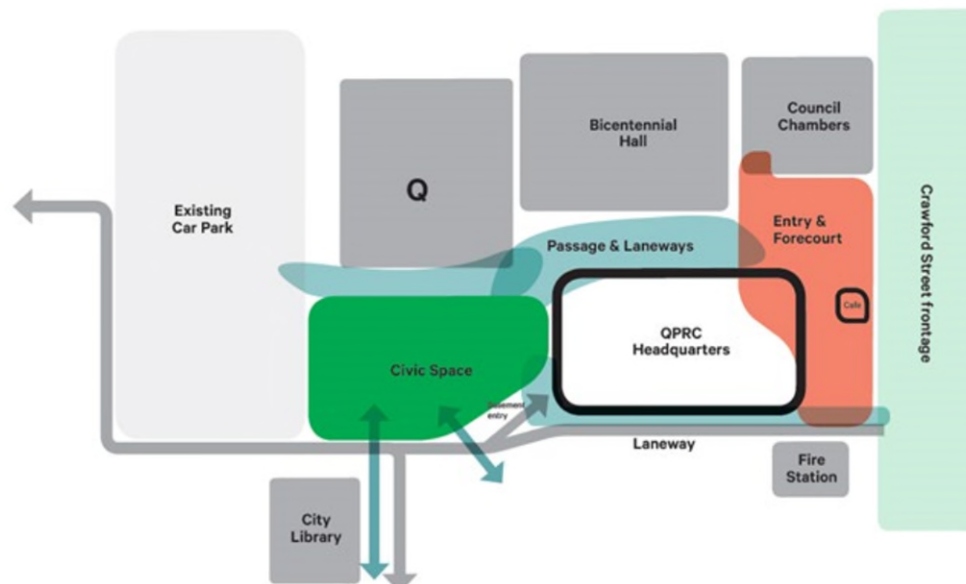
Cr Tim Overall – Mayor, Chairperson

ORDINARY MEETING OF COUNCIL

23 OCTOBER 2019

Item 1.1 Queanbeyan Civic and Cultural Precinct(Continued)

## Public Realm



Subject to detail design, the key features of the ground floor and mezzanine levels, together with a typical office floor layout, are at Attachment 3.

The QCCP project brings together several key responses to asset management of civic buildings, car park and public realm infrastructure in the Lowe precinct:

- i. Asset renewal and upgrade
  - a. The former administration building has reached the end of life, while the cottages along Rutledge Street, the RB Smith centre, heritage buildings, Visitor Centre and old Rugby Club are not fit for purpose as office accommodation, and require significant renewal
  - b. Those buildings do not meet national construction or disability standards for use as offices
  - c. The heritage buildings are proposed for refurbishment and repurposing as part of a private redevelopment
  - d. The library does not meet contemporary access standards
- ii. Facility integration
  - a. Brings together the head office (meeting rooms, service desk, reception) and connects to the heritage chambers, Bicentennial Hall and Q Theatre
  - b. Mitigates existing multi-grade discrepancies between current buildings
  - c. Incorporates public library
- iii. Recycling assets
  - a. Replaces at-grade car park with basement parking
  - b. Converts that ground level surface to smart public realm/civic plaza
  - c. Refurbishes Crawford forecourt and existing Lowe car spaces



**ORDINARY MEETING OF COUNCIL**

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**Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)**

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- iv. Property operational and maintenance costs
  - a. Consolidating staff from 11 buildings into the new head office mitigates the capital expense of upgrading those buildings to acceptable standards
  - b. Removes cost of maintenance and operations (water, energy etc) of those buildings, currently used as office accommodation
  - c. New buildings has reduced energy and water consumption footprint
- v. Community centres
  - a. Potentially returns RB Smith centre and part of existing 253 Crawford St building to community uses

The old administration building was demolished in late 2019 and replaced with temporary car park and grassed area.

The renewal and upgrade of the assets mitigates several elements of the asset backlog and associated financial ratios.

The existing and proposed subdivision layout is attached, with the head office, Bicentennial, Q Theatre, civic plaza and carpark residing on new Lot 1. The adjacent Lot 2 is the site to be sold to DQPL for redevelopment, subject to progressing through the stages of the heads of agreement and DA. Council had previously endorsed the subdivision process.

The project proposes to sell (under the terms of the HoA with DQPL; by EOI; or by strata) the following properties, and forms part of the capital funding of approx. \$20m:

- i. 10-16 Rutledge Street (cottages)
- ii. Part 257 Crawford Street (heritage buildings)
- iii. 6 Rutledge Street (library)
- iv. Strata floor level/s of new building

The independent business case prepared by APP (provided under separate cover for councillors), considers the following scenarios:

- 1. Do Nothing (absolute minimum)
- 2. Refurbishment of existing buildings
- 3. Build all functional requirements, including one level commercial
- 4. Reduced version of 3
- 5. Reduced version of 3 plus library

Key elements of the business case include:

- Needs analysis
- Benefits and expected outcomes
- Options analysis
- Financial assessment
- Estimated outcomes by option
- Risks and mitigation
- Delivery model analysis
- Timeline

## ORDINARY MEETING OF COUNCIL

23 OCTOBER 2019

### Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)

#### **Social / Cultural**

The proposal brings together a number of benefits:

##### Community

- Community gathering, meeting, reception, and performance spaces
- Smart public realm and parking; feature building lighting; cladding sympathetic to adjacent heritage; materials endemic to QBN (rock, water, timber etc)
- Improved interaction with and access to staff
- Activation of civic square, heritage buildings, Crawford Street, and retention of significant trees
- Pedestrian access through Crawford to Lowe public realm

##### Commercial

- Office workers, smart hub activation, start-ups, central meeting/collaboration space, online education space, retail spaces, café (fire station) patronage
- Site/s redevelopment is catalyst for QCBD transformation
- (potential) NSW office presence

##### Culture

- New foyer, gallery to Bicentennial and Q
- Integration head office with chamber, conference and performance spaces
- Civic receptions, break-out space, exhibition space
- Library integration, utilising common reception, meeting, lifts, amenities space

##### Council

- Consolidates 200+ staff from 11 buildings (cottages, club buildings) into contemporary 'activity based work' (ABW) head office, with improved productivity
- Incorporates room for office expansion and integration
- Integrated use of meeting rooms and break-out spaces to support conference uses
- Integrated service centre – library, customer
- Efficient use of solar access, energy, water, movement and meeting spaces; promotes active transport
- Improved interaction with and access to staff
- Community and QPRC secure car parking
- Building/s with strong civic presence

The table below summarises the mix of uses, area (m2) and estimated costs:

Use	Area m2	Est Cost \$m	%
<b>Community</b> (meetings, exhibition, integration, parking, public realm, library, pedestrian access)	13,136	31.322	41.9
<b>Commercial</b> (government office, lettable office, commercial tenancy/smart hub)	2,068	16.802	22.5
<b>Council</b> (office, meeting, service desk, support, end trip)	3,309	26.678	35.6

## ORDINARY MEETING OF COUNCIL

23 OCTOBER 2019

### Item 1.1 Queanbeyan Civic and Cultural Precinct(Continued)

#### **Economic**

Project construction around \$70m generates an economic multiplier of 1.83. The combination of all direct, industrial and consumption effects would result in total estimated rise in output of \$128.24m in the Queanbeyan-Palerang Regional Council area economy.

The potential government offices and lettable offices may accommodate 160 workers, in turn generating \$51.9m of ongoing output and business activity into the Queanbeyan region economy.

Similarly, the vacated properties sold for redevelopment and uses (such as serviced apartments, townhouses, repurposed heritage and offices) generates an economic multiplier of \$34.4m for the Queanbeyan region economy.

(Source: National Institute of Economic and Industry Research (NIEIR) ©2019. Compiled and presented in economy.id).

Should part of the lettable office space be utilised as a smart hub (as initially proposed), that area may be let to a smart hub/co-work operator or directly managed by Council. Recent reports on hubs indicate the following turnover:

#### REGIONAL BREAKDOWN

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Canberra	Hobart
Average contract value	\$19,065	\$17,183	\$9,148	\$9,819	\$9,978	\$7,687	\$3,554
Average desks per rental	3.6	3.6	3.6	2.4	3.3	2.2	1.8
Average enquiry to move-in (days)	37	34	34	30	35	35	24
Average term (months)	7.3	9.02	9.02	8.38	7.44	4.32	3.61

#### **Strategic**

The proposed QCCP becomes the catalyst for the QCBD transformation, by releasing up to 11 CBD sites currently used for staff accommodation for redevelopment, and demonstrating the recycling of car parks into public realm and green corridors, and repurposing of heritage buildings into different uses, such as a café and reception centre.

The project provides for A Grade office accommodation to attract government and commercial occupancy, potentially adding 160 workers into the CBD.

As outlined in previous reports, an independent party will be engaged to assess the DA, while the Joint Regional Planning Panel (JRPP) will determine the application.

The illustration below is extracted from the CBD Spatial Masterplan Block B for the Lowe precinct:

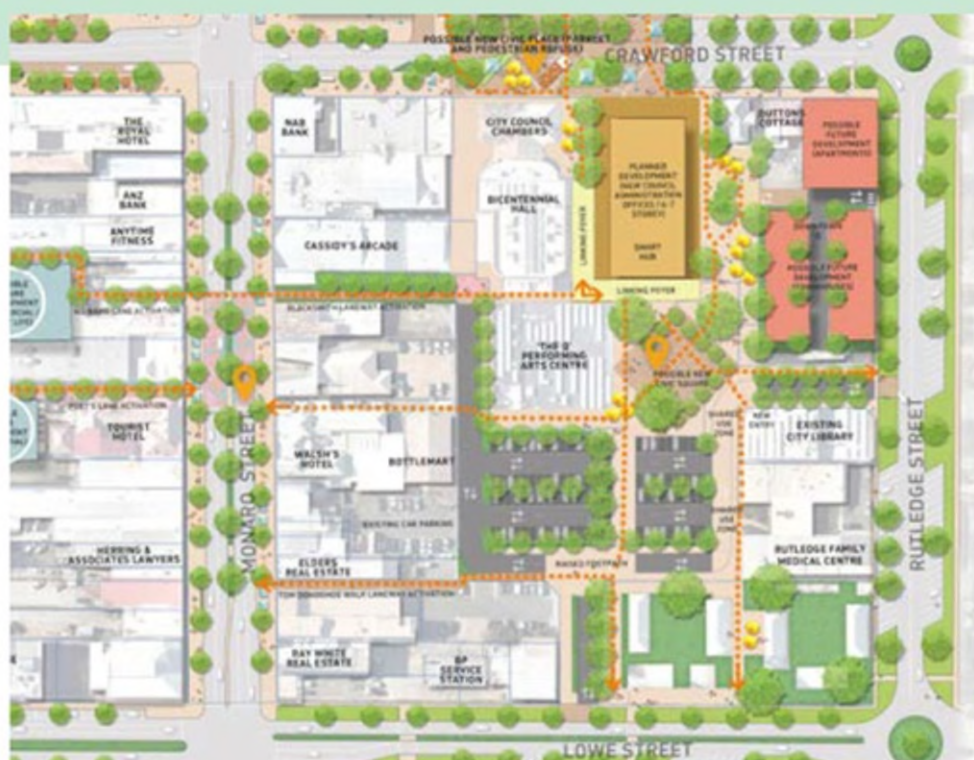
## ORDINARY MEETING OF COUNCIL

23 OCTOBER 2019

### Item 1.1 Queanbeyan Civic and Cultural Precinct(Continued)

#### Key Moves

- New Council including Smart Hub, co-working space and public foyer, linking the building to The Q Theatre, Bicentennial Hall and new civic square
- New parklet and pedestrian refuge in front of Council for events/activity
- New Civic square adjacent to The Q Theatre for hosting events
- Possible redevelopment of property along Rutledge including apartments and townhouses
- Possible refurbishment and re-purposing of old fire station and cottage into cafe/gallery or commercial
- New pedestrian connectivity throughout the block
- Activated laneways including Blacksmiths Lane and Tom Donoghoe Walk
- New pedestrian refuge across Monaro Street adjacent to Blacksmiths Lane
- Widening and refurbishment of footpaths on Monaro and Crawford St
- Possible Crawford Street Civic Plaza adjacent Council



The QCCP provides for the new building, civic square adjacent to the Q, pedestrian connectivity and Crawford St forecourt. The refurbishment of the laneways will be considered with the Monaro corridor stage of the QCBD transformation works.

#### Engagement

It is proposed to engage the community with the concept design, uses, funding and narrative on pros and cons, as well as exhibit the business case in November. The scheduled November community forums, exhibition space in Riverside Plaza and social media posts, will form part of that engagement. Feedback will be reported back to Council.

**ORDINARY MEETING OF COUNCIL**

**23 OCTOBER 2019**

**Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)**

The project will progress to lodge a development application, be publicly notified and be independently assessed and determined (by JRPP).

**Financial**

At \$74.8m, the civic and cultural project is significant, raises substantial debt and has grants and property sales (or planning agreement) in prospect to support the capital expenditure. The value of the public realm is supported by these works being undertaken by Downtown Q (DQPL), or the cost recovered through a planning agreement (LPA).

The debt is to be serviced by lease income, and savings generated by merger, vacated buildings, and other savings identified in service reviews. Project management will be administered in house.

No special rates allocations or an SRV are proposed.

The building, public realm and parking, and integration with The Q and Bicentennial is estimated at \$52.8m (based on QS estimates). In addition - project management, consultant and architectural fees, and provisions for cost escalation and contingencies – equate to a further 40% (\$22m).

Preliminary estimates for the head office and smart hub in the 2018 Delivery Program and LTFP - excluding those oncost provisions, and excluding the integration of library, Bicentennial, Q, parking and public realm - was \$42m.

The independent business case prepared by APP will also form the basis of the capital expenditure review report for submission to NSW Office of Local Government and Treasury Corp. That report seeks approval to raise debt, confirming the project does not place Council in an unsustainable financial position and compromise key financial ratios.

Pending Council's decisions and the result of tenders, the financial plan will be updated next year. The business case indicates the key financial ratios (asset, debt service, operating result) remain in the sustainable range.

Subject to detailed design, updated QS estimates and any shifts in contingencies, the tables below summarises the capital funding and debt servicing sources.

Program Code	Expense Type	Funding source	Amount
	Capital	Debt (after sales)	\$m 50.926
		Grant (culture/library)	1.923
		Sale (by strata)	12.796
		Sale (by LPA)	3.956
		Sale (by EOI)	3.000
		Project management (internal)	2.245



## ORDINARY MEETING OF COUNCIL

23 OCTOBER 2019

### Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)

Principal and interest payments are estimated at 2.5% fixed for 20 years (*currently 2.25%: source NSW TCorp*):

Program Code	Expense Type	Funding source	Amount
	Operating	Merger and procurement savings	\$m 1.848
		Buildings (vacated) operational savings	0.330
		Cost Attribution (water, sewer, waste)	0.817
		Lease income	0.272

As the Business Case illustrates, the project will be fully debt funded initially (\$72.6m), with proceeds of sale (government strata, cottages LPA, and library \$19.7m) reducing that debt early. In that circumstance, two loans would be drawn in tranches commencing in FY20 (to recoup initial spend on architectural and demolition expenses):

1. \$50.9m @ 20yrs (*TCorp currently 2.25%*)
2. \$20m @ 5yrs (*TCorp currently 1.89%*)
3. \$2m @ 2yrs (*internal at 2.5%*)

An alternative to above may include internal borrowings (at 2.5% interest) for the value of those sales (\$19.7m) and/or grants (\$1.923m) from Sewer Fund, repaying the Fund upon receipt of those sales and grants.

It is also noted, Sewer Fund gains the benefit of the sale of 256 Crawford Street, once vacated as staff accommodation.

#### Risks

1. Should the sale by strata for the government offices not proceed, the value of those floor level/s (~\$10m) would be removed from the project scope before construction, through modification to the DA and tender. However, it is proposed the full scope for the shared reception and basement parking (~\$2.8m) would remain in scope:
  - A. Option 5 (full scope): debt \$50.926m (nett of proceeds from sales and grants)
    - a. P&I \$3.267/yr
  - B. Option 5 (strata levels removed): debt \$53.793 (nett of proceeds sales and grants)
    - a. P&I \$3.450/yr
2. Should the grants (Bicentennial and Library) not be realised, the debt increases to \$52.849m
  - C. Option 5 (full scope): debt \$52.849 (nett of proceeds of sales)
    - a. P&I \$3.390/yr

#### Resources (including staff)

A 3% (\$2.245m) provision is allowed in the QS estimates for external project management. It is proposed staff from Council's internal project support office (PSO) will continue on this project, with those costs capitalised. The PSO will progress to detail design with Cox architects and arrange tenders for the construction of the building and other infrastructure, and administer relevant contracts.

## ORDINARY MEETING OF COUNCIL

23 OCTOBER 2019

### Item 1.1 Queanbeyan Civic and Cultural Precinct (Continued)

#### ***Integrated Plan***

The Delivery Program and Operational Plan provided for the head office project as part of the QCBD transformation.

Queanbeyan CBD Transformation	Estimated Cost \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000
The Queanbeyan CBD Transformation Strategy draws on previous work undertaken by Council, including the CBD Master Plan. It aims to increase the number of residents and workers in the CBD to increase patronage into the retail and lifestyle precincts. To build confidence in business to invest in the CBD, Council is proposing to initially bring all of its Queanbeyan office-based staff to a single building to enable the other 11 buildings and cottages to be vacated and redeveloped into a mix of residential, commercial and aged care developments by the private sector.	65,947	3,022	12,665	50,260
Improving the amenity and safety of the CBD involves centralising carparking into undercover decked carparks in Morisset and Crawford Sts, and converting part of the Rutledge, Lowe and Morisset carparks into public domain to act as green pedestrian corridors between the Queanbeyan parks and the River.				
Individual projects include: Rutledge walkway, Smart City, Queanbeyan Head Office and Smart Hub, Civic plaza, Lowe St pedestrian corridor, Morisset St improvements and more.				
	Source of funds			
	Asset sales Reserves Grants and contributions	Assets sales Loans		Loans

#### **Conclusion**

The proposed head office project has progressed over several years – initially contemplated as an extension and refurbishment of the former administration building by QCC, then deferred pending the merger. The first proposition in 2017 following the merger was based at 50 Lowe St behind The Q, with a government tenancy. That proposal subsequently did not proceed, prompting reconsideration of alternative sites. Rebuilding on the 257 Crawford St was supported, then incorporated into the thinking behind the CBD transformation and spatial masterplan in 2018. Cox was engaged to prepare concepts that have been workshopped with councillors.

The project scope has expanded from just consolidating 11 buildings into a single office to accommodate over 200 staff, and allow for growth, to now include:

- Basement parking
- Public realm, rooftop garden and pedestrian flows
- Integration of library
- Integration with Bicentennial and Q Theatre
- Incentivises the refurbishment and repurposing of the heritage buildings

As a consequence, over one-third of the project cost is each for community and council purposes, while around a quarter of the cost is for commercial purposes.

The 'do nothing' option 1 does not yield those additional public realm, integration and parking outcomes, and does not become a catalyst for the QCBD transformation.

Importantly, that option requires maintenance of those buildings which has been deferred for several years; significant refurbishment to bring them towards NCC and DDA standards; imposes dislocation costs as alternative temporary accommodation would be required while those works are carried out; and does not provide scope for future growth.

This report seeks endorsement of Option 5 to progress to DA and enable community engagement and lodgement of the capital expenditure review to Government to enable borrowings with TCorp.

#### **Attachments**

Attachment 1	Queanbeyan Head Office – Resolutions ( <i>Under Separate Cover</i> )
Attachment 2	Business Case – executive Summary ( <i>Under Separate Cover</i> )
Attachment 3	Floor Layout Example ( <i>Under Separate Cover</i> )
Attachment 4	Proposed Subdivision Plan for QCCP Project ( <i>Under Separate Cover</i> )
Attachment 5	Block and Stack for preferred Option 5 ( <i>Under Separate Cover</i> )



# **QUEANBEYAN-PALERANG REGIONAL COUNCIL**

Council Meeting Attachment

**22 MARCH 2023**

ITEM 9.5 QCCP PROGRESS REPORT

ATTACHMENT 3 QCCP LOAN PROGRAM - COUNCIL REPORT

**ORDINARY MEETING OF COUNCIL**

**28 OCTOBER 2020**

**REPORTS TO COUNCIL - ITEMS FOR DETERMINATION**

**9.10 Loan Borrowing Program - 2020/21 (Ref: ; Author: Knight/Monaghan)**

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**File Reference:** 43.1.1-09

**Summary**

Council has resolved a borrowing program of up to \$87,694,000 in the current financial year through the adoption of the 2020-21 Operational Plan. The total amount allows for \$70.8m upfront financing for the Queanbeyan Civic and Cultural Precinct (QCCP) as an option, however drawdown may ultimately be spread over 3 years to match project expenditure.

Additionally to the 2020-21 Operational Plan, two loans totalling \$750,000 were included within the 2019-20 Operational Plan and were not drawn-down within the financial year due to changes in the timing of project expenditure for the Braidwood Office and Cultural Space (\$250,000) and the upgrade of the Bicentennial Hall (\$500,000).

The maximum proposed borrowings in 2020/21 is \$88,444,000. This report provides a risk analysis over the financing strategy and recommends a preferred approach.

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**Recommendation**

**That Council:**

- 1. Approve the recommended borrowings for 2020-21 and authorise the Mayor and Chief Executive Officer to submit an application to TCorp for a total \$36,645,000, including \$19,752,000 for the first year of QCCP, and \$16,893,000 for the capital projects detailed in Table 1.**
  - 2. Authorise the Mayor and Chief Executive Officer to submit a further application to TCorp for \$32,605,000 for the remainder of the eligible components of the loan for QCCP over the next 2 financial years.**
  - 3. Note the commercial and leased elements of QCCP are ineligible for loan financing through TCorp, and an additional commercial loan will be sought in the amount of \$20,567,000 over the next 2 financial years.**
  - 4. Seek competitive quotes from commercial lenders for 2020-21 loans, to ensure best value for money is obtained.**
- 

**Background**

Council has adopted a financial strategy which takes advantage of the current low interest rate and high capital grant environment, to invest in new community infrastructure and capital renewal. New loans included in the 2020-2030 Long Term Financial Plan are summarised in the following table. This report recommends 2020-21 loan drawdowns of \$36,645,000; based on the estimated capital outlay requirements in the 2020/21 financial year.

ORDINARY MEETING OF COUNCIL

28 OCTOBER 2020

9.10 Loan Borrowing Program - 2020/21 (Ref: ; Author: Knight/Monaghan)  
(Continued)

Table 1: Capital projects with debt financing (2020-2030 LTFP - \$'000)

Project	Capex	New Loans	Includes 2020-21 Loans	Asset sale	Capital Grants / Contributions	P&I per annum
Efficient street lighting upgrades	3,432	3,300	3,300	-	-	203
Regional Sports Complex - Stage 1	25,048	15,000	10,000	-	10,000	932
Queanbeyan Civic & Cultural Precinct	74,847	72,924	19,752	6,956	1,923	4,287
Carpark off Ellendon St	1,747	1,023	1,023	597	60	63
Carpark Wallace St	853	820	820	-	-	51
Braidwood Office smart hub/cultural space	3,340	250	250	-	3,000	15
Upgrade Bicentennial Hall - RCF Stage 1 & 2	3,259	500	500	-	1,549	31
Memorial Park Development	7,540	4,000	1,000	-	-	251
Queanbeyan Sewage Treatment Plant Upgrade	124,998	46,250	-	-	42,250	2,919
Crawford Street Carpark	5,000	5,000	-	-	-	316
Morriset carpark (south) and public domain	13,964	13,950	-	-	-	880
Monaro St & Poets Laneway Refurb Stage 1	15,700	5,250	-	-	10,000	331
New Bungendore Pool	10,000	5,000	-	-	5,000	316
	<b>289,728</b>	<b>173,267</b>	<b>36,645</b>			<b>10,595</b>

NSW Treasury Corporation (TCorp) is the central borrowing authority for NSW Government and is Council's preferred lender as it is able to provide cheaper financing at Government rates. The most recent quoted TCorp interest rate is 2.15% for 20-year fixed term loans.

At the May Council meeting, Council considered a report on the QCCP loan financing options and risks; which was based on the market assumptions at the time, and on the NSW Government announcement about changes to the way TCorp funds could be used. In April 2020, as part of the NSW Government COVID-19 economic stimulus package for local government, the Office of Local Government (OLG) announced a two-year moratorium on TCorp loans for capital works for Council Chambers and administrative buildings.

Subsequently, as an outcome of dialogue with the OLG and TCorp, it was agreed that this moratorium only applies to buildings solely used for council purposes (i.e. if a building / project has a joint use element such as a library, cultural centre or community space as well as an element for council use, then TCorp can provide the loan funding for the building / project).

Council's ability to access funding remains subject to TCorp's board and credit policies which prohibit TCorp from funding any component of a project which may compete with the commercial sector and which do not comply with TCorp's credit criteria. TCorp loans are prohibited for use for commercial activities, including the commercial / leased components of the QCCP. Council has engaged a quantity surveyor to provide a financial split of the QCCP

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project budget, who has calculated a financial allocation of \$54.2 million for the council administration and community elements, and \$20.6 million for the commercial elements.

**Implications**

***Legal***

NSW councils can borrow funds under section 621 of the *Local Government Act 1993*. The intention to borrow must be outlined in the council's Operational Plan.

Councils must also apply to the NSW Office of Local Government (OLG), returning an annual loan borrowing request issued in May each year. If, during the year, Council is required to increase its proposed borrowings or change the purpose of the initial request, a council resolution must be passed prior to drawing down any funds. If there is an increase, Council must also notify the Office of Local Government by re-submitting the electronic loan borrowing request form including the updated amounts.

Council submitted its loan borrowing return for 2020-21, with maximum borrowings of \$88,444,000, for 8 capital projects – as per table 1, above.

Of the 8 projects, 2 require Capital Expenditure Reviews to be completed and approved by the OLG – the QCCP and the Regional Sports Complex. The Reviews allow the OLG to ensure that Council's investment decisions in major projects includes consistent and rigorous evaluation of the capital expenditure, including the merits of project and resource allocation. The Review for the QCCP has been submitted, and informal approval has been received, with the OLG still to provide written approval. The Review for the Regional Sports Complex is currently still in progress.

***Economic***

Economic commentators have formed a general consensus view that interest rates will fall in the short term and remain low over time (out to three years). The current cash rate is 0.25%, and while the RBA left the rate on hold at its October meeting, it strongly hinted at further easing to come, noting that it "continues to consider how further monetary measures could support jobs as the economy opens up further."

In response to the COVID-19 economy, and with the Federal Budget, the Government and RBA have injected additional cash into the economy, making cash more available whilst cutting the cash rate. Following the market crash in February, the RBA established a guaranteed lending facility – allowing banks to borrow for three years at a guaranteed fixed rate of 0.25%; in turn allowing banks to access cash and offer lower interest rates to borrowers.

The following two figures show the change in short end interest rates since 2019, and the current swap rates (BBSW) out to 30 years. The swap rates indicate the price of a AAA government bond, i.e. the risk-free lending rate to banks.

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Figure 1 RBA Cash vs 3-month vs 6-month BBSW

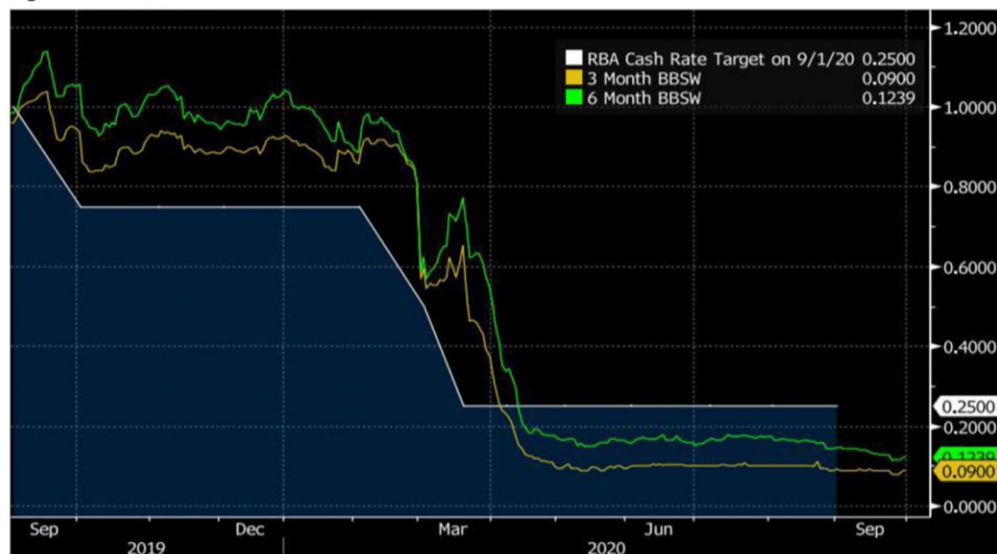


Figure 2 BBSW as at 8 October 2020

1 Month	2 Month	3 Month	4 Month	5 Month	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year	30 Year
0.09	0.08	0.08	0.09	0.095	0.1071	0.068	0.0865	0.123	0.209	0.2895	0.495	0.7839	1.085	1.2025	1.24

Figure 2 illustrates the price impact of market expectations for a further fall in interest rates, with 1 and 2 year yields lower than the 1-month yield.

Markets are pricing in a further cut in the cash rate, with predictions that the RBA's November meeting forecasts may show that its employment and inflation objectives are still not going to be met over the next two years at least. It may decide not to raise the cash rate until full employment is reached and inflation is sustainably within the 2-3% target band.

TCorp is currently offering to lend for 20 years at a fixed term of 2.15% - being a 0.95% margin over the 20-year BBSW rate of 1.2025%. The 0.95% margin is very tight based on normal levels and may be indicative of the availability of cash and willingness of banks (in general) to find lenders and place funds.

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***Financial***

**2020/21 Loan Program**

The proposed borrowings for 2020/21 are included in the adopted Operational Plan. The amounts in the table below are the estimated cost of interest for the life of the 2020/21 loan amount of \$36.6m calculated at 2.15% for a 20-year term.

<b>Program Code</b>	<b>Expense Type</b>	<b>Funding source</b>	<b>Amount</b>	<b>Loan Period</b>
31.4.8 Traffic / Safety (street lighting)	Interest	Energy Savings	\$769,000	20 years
4.3 Sports Fields	Interest	Sports Centre Fees	\$2,330,000	20 years
31.5 Parking	Interest	General Revenues	\$429,000	20 years
2.9 Customer	Interest	General Revenues	\$58,000	20 years
1.3 Community Gathering	Interest	General Revenues	\$117,000	20 years
12.2 Cemetery	Interest	Cemetery Fees	\$233,000	20 years
35.1 Buildings	Interest	General Revenues	\$4,602,320	20 years

**QCCP Loan**

The Queanbeyan Civic and Cultural Centre project is significant, raises substantial debt and has capital grants and property sales in prospect. Council considered the business case and resolved to use loan financing for the project, with repayments funded through merger savings, lease income, efficiency savings from organisational service reviews and attributions from its water supply and sewerage businesses.

The total project cost is \$74.847m, with grants being sought for the library and cultural spaces of \$1.923m, and debt financing for the remaining \$72.924m.

Staff have modelled various financing options and are recommending the preferred approach for the loan to be drawn over 3 financial years, with the timing of the loan drawdown to match project costs. The loans would be repaid on a fixed term over 20 years, with the exception of the commercial component of the building – which will receive lease income and is recommended to be repaid over a 30 year term to return a positive cashflow result. This report recommends that the loan application be made with TCorp, with additional quotes sought from commercial banks, to determine the best value financing option.

The estimated annual principal and interest repayment is \$4.29m, based on current market forecasts. The table below summarises the debt servicing funding sources.



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Program Code	Expense Type	Funding source		Amount
35.1 Buildings	Operating	Merger and procurement savings	\$'000	2,175
32,33,34	Operating	Cost Attribution (water, sewer, waste)		1,071
35.1	Operating	Lease income		1,040

**Financing Risks**

A comprehensive financing risk analysis was presented to the May 2020 Council meeting – based on the market assumptions at the time. The following commentary provides an update; noting that risks are significantly reduced, primarily due to the shift in the Government restrictions on TCorp and the availability of TCorp loan financing.

Availability Risk

Availability Risk is the risk that Council might be unable to secure financing, resulting in the project being prevented or delayed until a solution was found. Consequentially, any project delay would lead to construction cost escalation, and risk the sunk costs that have already been invested.

If Council's application to TCorp is successful, it is expected that TCorp will approve the full loan upfront, guaranteeing the availability of finance for the non-commercial components. The interest rate would be determined at each annual drawdown date.

A loan will be sought from one of the four major banks for the commercial component. Availability risk is considered low since current market conditions favour borrowers, with substantial liquidity in the sector due to RBA and Government stimulus.

Interest Rate Risk

Most councils favour fixed interest rates to lock in certainty for repayments over time. This approach is also supported by TCorp's practice of only offering fixed rate loans.

Interest rate risk is that interest rates may increase until a fixed rate is contracted with a lender (or may decrease after the loan is fixed.)

In the current economic environment, rates are expected to decrease further and remain at low levels. Whilst there is always a risk of upwards rate movement over the three-year borrowing period before Council fixes its loans – large movements are considered unlikely.

The following model was used to consider the impact on total principal and interest repayments for movement in interest rates. The middle column is highlighted as the primary option.

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					Total Principal and Interest Payments					
		Loan Drawdown	Loan Balance	Years Amort	TCorp rates:	1.15%	1.65%	2.15%	2.65%	3.15%
					Bank rates:	1.95%	2.45%	3.05%	3.45%	3.95%
Loan 1	Jun-21	19,752	19,752	20		1,107	1,162	1,218	1,276	1,335
Loan 2	Jun-22	30,574	50,326	20		2,820	2,959	3,103	3,250	3,401
Loan 3	Jun-23	2,031	52,357	20		2,943	3,088	3,228	3,391	3,549
Loan 4 (Bank Rates)	Jun-23	20,567	72,924	30		3,850	4,058	4,277	4,494	4,722

Council has also applied for a Deed of Indemnity over the commercial component of the loan, offered by the State Government to provide a loan guarantee to improve bank interest rates. Council is currently waiting for a response.

**Conclusion**

Council is required to approve the 2020-21 loan program, in order that application can be made with TCorp.

The QCCP project is now able to be financed with a combination of TCorp and commercial loans, and competitive interest rates will be sought to ensure the best value for money to Council.

**Attachments**

Nil