



Ordinary Meeting of Council

SUPPLEMENTARY

AGENDA

23 October 2019

Commencing at 5.30pm

Bungendore Council Chambers

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

List any inspections or indicate “Nil”

1 SUPPLEMENTARY REPORTS

1.1 Queanbeyan Civic and Cultural Precinct1

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

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.

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.**
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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

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
2B	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
3C	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
6	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

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 ²)	North Tower NLA (M ²)	South Tower NLA (M ²)	Total NLA (M ²)		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
Ground	1,066	406	293	699	COMMUNITY / COMMERCIAL / 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.

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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.

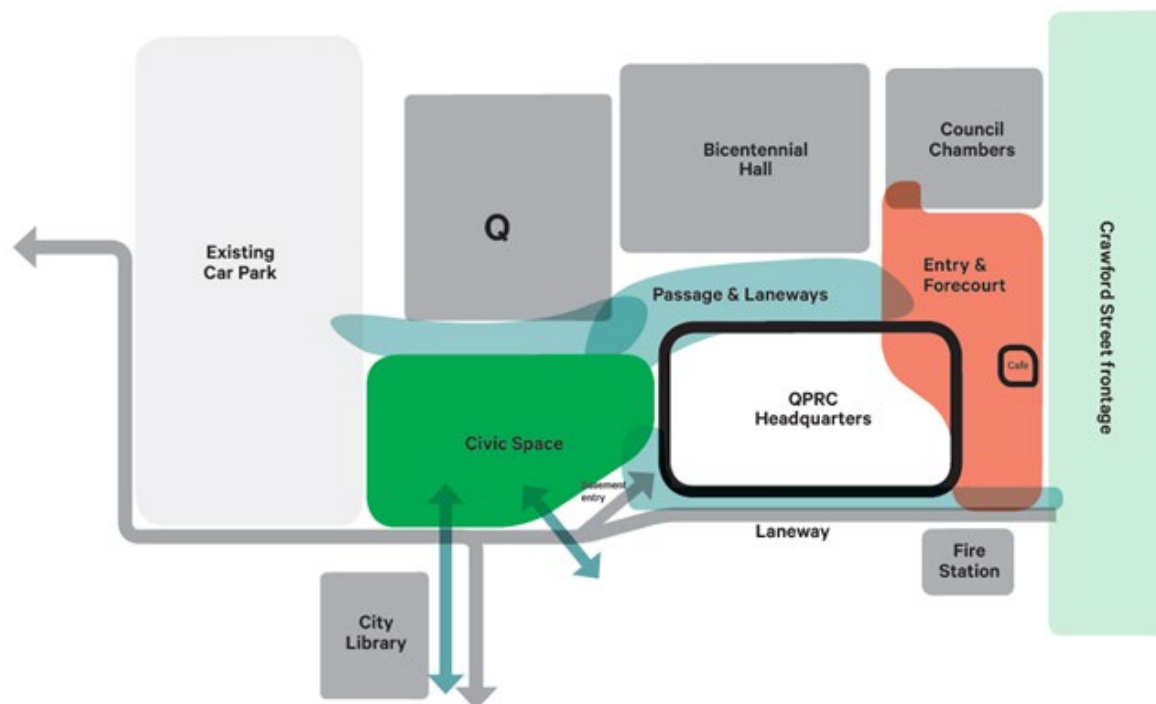
The Policy calls for third party certification, which may include Green Star or Property Council of Australia (PCA) 'Guide to Office Building Quality' Grade A building principles.

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.



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

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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

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	%
Community (meetings, exhibition, integration, parking, public realm, library, pedestrian access)	13,136	31.322	41.9
Commercial (government office, lettable office, commercial tenancy/smart hub)	2,068	16.802	22.5
Council (office, meeting, service desk, support, end trip)	3,309	26.678	35.6

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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

	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Canberra</i>	<i>Hobart</i>
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:

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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 LTFFP - 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

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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.

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.		Asset sales Reserves Grants and contributions	Assets sales Loans	Loans
Individual projects include: Rutledge walkway, Smart City, Queanbeyan Head Office and Smart Hub, Civic plaza, Lowe St pedestrian corridor, Morisset St improvements and more.				

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:

- i. Basement parking
- ii. Public realm, rooftop garden and pedestrian flows
- iii. Integration of library
- iv. Integration with Bicentennial and Q Theatre
- v. 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

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Attachment 2	Business Case – executive Summary (<i>Under Separate Cover</i>)
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Attachment 5	Block and Stack for preferred Option 5 (<i>Under Separate Cover</i>)