

20.1 LATE ITEM - CITY'S MIXED USE RESIDENTIAL DEVELOPMENT

File No:	CP.1425
Responsible Executive Officer:	Director Strategic Projects & Infrastructure
Reporting Author:	Manager Infrastructure Projects
Date of Report:	4 October 2021
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Confidential – Tender Evaluation Report

PURPOSE

For Council to consider the tender for the City's Mixed Use Residential Development Tender, offered under RFT 01-21/22.

BACKGROUND

In December 2020, the City appointed design and cost management consultants to progress the concept design and feasibility report for a mixed use development including residential apartments, commercial and community space on Lot 7020 and portion of Lot 7018, located on Sharpe Avenue, Welcome Road and Dampier Road in the Karratha CBD.

The City then produced and released a Business Plan for public comment as per statutory requirements, as it proposed entering into a major land transaction involving investing City resources into the acquisition of Lot 7020 and part of Lot 7018 for the proposed development.

The objectives of the development are proposed to include:

- a) A development that provides an appropriate gateway statement to Karratha City Centre (similar in scale to the Pelago, East and West Development at the opposite end of Sharpe Avenue);
- b) A building that will be owned by the City for the immediate future and as a result, an optimal financial balance is achieved between capital and operating costs (including maintenance requirements and utility demand);
- c) A range of residential design configurations and associated onsite amenities to optimise long term rent and marketability;
- d) The development proposal currently envisages the following considerations:
 - i) Ground floor activation along Sharpe Avenue and Welcome Road;
 - ii) Commercial tenancy space; delivered as a cold shell;
 - iii) Community tenancy space, delivered as a cold shell;
 - iv) Range of residential options, delivered as built to rent model;
 - v) First floor residential amenities; and
 - vi) On grade car parking, services, utilities, and stores.
- e) Sustainability principles into the design and maximise the opportunity for ecological sustainability initiatives during the construction and operating phase; and
- f) Utilisation of best industry practices to deliver high-quality design and construction outcomes which achieve value for money in the delivery of the building.

At its meeting of 23 August 2021, Council resolved to call tenders for the Architectural Design/Lead Consultant Services for the design of the Mixed Use Residential Development.

The tender for the Architectural Design/Lead Consultant Services was developed to include separable portions to progress the various stages of design with 'stop-go' points at each of the following stages including:

- a) Schematic design phase;
- b) Development application phase;
- c) Commencement of the proposed early contractor involvement of a builder;
- d) Detailed design phase together with progressive value management;
- e) Tendering and contract documentation phase; and
- f) Award and construction management phase.

In addition to this, the Architectural Design/Lead Consultant will be preparing the submissions to facilitate obtaining all planning and building approvals for proposed design and construction.

As a first stage of engagement, it is proposed that the Architectural Design/Lead Consultant be required to develop the approved concept design based on the proposed apartment mix and yield, and to establish the overall scope and further the functions of the proposed mixed-use development. Officers note a separate report has been prepared for this Agenda that seeks to define the intended use of the community space in the development. Defining this use is a critical element to ensure the Architectural Design/Lead Consultant is provided clarity to inform the initial stages of design and can deliver in accordance with the project timeline.

Tenders were advertised on 25 August 2021 and closed 29 September 2021.

Three (3) tenders were received by the closing date from:

- DKO Architecture (VIC) Pty Ltd
- Hunt Architects Pty Ltd
- Plus Architecture Western Australia Pty Ltd

The tenders were evaluated by a three (3) person panel comprising of:

- Chief Executive Officer
- Director Strategic Projects & Infrastructure
- Manager Infrastructure Projects

The tenders were first assessed for compliance with the tender documents. The tenders were then assessed against the qualitative criteria that were weighted.

The criteria and associated weightings were:

Criteria	Weighting
Relevant Experience in Providing Similar Work of Service	15%
Resources and Capability	15%
Methodology to Deliver	20%
Price	50%

A copy of the Evaluation Report is contained within the confidential section of the agenda.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of social and economic issues, together with the Council's ability to perform its role.

STATUTORY IMPLICATIONS

Tenders were called in accordance with Section 3.57 of the *Local Government Act 1995* and associated regulations.

At its August 2021 Ordinary Meeting, Council by ABSOLUTE Majority pursuant to Section 3.59 (provides for Major Land Transaction) of the *Local Government Act 1995* resolved to:

1. NOTE that no submissions were received about the proposed acquisition and development of Lot 7020 and part Lot 7018 Welcome Road, Karratha during the six (6) week notice period from 9 July 2021 to 20 August 2021; and
2. PROCEED with the proposed acquisition and development of Lot 7020 and part Lot 7018 Welcome Road, Karratha so that it is not significantly different from what was proposed in the Major Land Transaction Business Plan.

Leasing Update

To date, initial pre-leasing of the residential, community and commercial tenancy space of the development exceeds 70% of the lettable area ensuring that the development feasibility is in line with the Business Plan.

A key factor to the design is the apartment mix and yield with more requests for larger 3x2 and 2x2 apartments compared to studio and 1x1. This resulted in four options being prepared to consider how demand could be accommodated without impacting on the internal rate of return proposed in the Business Plan.

In order to address demand and not increase the building footprint and hence cost, a number of 82 apartments is proposed instead of the initial 97. Despite this reduction, the revenue generated from the larger apartments is in line with the internal rate of return proposed in the Business Plan.

COUNCILLOR/OFFICER CONSULTATION

The City's Housing and Land Development Initiative has been the subject of Councillor Briefing Sessions regularly for the past twenty-two months including each month of 2021.

Officers have undertaken consultation across all Departments, to draft the tender documents and update the accumulated project knowledge.

COMMUNITY CONSULTATION

A Business Plan was released for public comment as a requirement under section 3.59 of the *Local Government Act 1995*, as the City proposed to enter into a major land transaction involving investing City resources into the acquisition of Lot 7020 and part of Lot 7018 for the development of residential apartments, commercial and community space.

POLICY IMPLICATIONS

Council Policy CG12 – Purchasing is applicable.

FINANCIAL IMPLICATIONS

The Business Plan indicated an estimated \$3.9m to \$4.1m (excl. GST) would be required for Architectural Design/Lead Consultant Services and design team fees to deliver the proposed Mixed Use Residential Development.

All received tender submissions are within this estimate.

Council's 2021/22 Annual Budget includes \$250k to commence the design element of the proposed Mixed Use Residential Development. Subject to Council's consideration, and the

proposed timeline for the design stages being achieved, a budget amendment to reflect the anticipated expense up to \$600k of the contract value may be required in the current financial year.

It is proposed that consideration will be required as part of Council's Budget Review process in March 2022.

Should Council agree to award a contract, the next major milestone is February 2022, where Council will be requested to consider the schematic design, updated cost estimate and status of project feasibility including leasing update.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and the Corporate Business Plan 2020-2025. In particular, the Operational Plan 2021-2022 provided for this activity:

Programs/Services: 2.c.1.2 Land Development and management
 Projects/Actions: 2.c.1.2.21.7 Commence Design documentation for development and construction of Lot 7020.

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	High	If supported by Council, funding of approximately \$55m to \$65m is to come from City Reserve and borrowings from Northern Australia Infrastructure Facility (NAIF) and or the WA Treasury Corporation (WATC). The preferred tender price is contained within the estimates included in the Business Plan for a Major Land Transaction.
Service Interruption	Low	Nil
Environment	Low	If supported by Council, the design documentation and construction will be in accordance with all statutory and relevant standards. Noise output and dust pollution throughout construction, will be managed by the contractor.
Reputation	Moderate	If supported by Council, a quality inner City development and a decisive response to the housing issue is likely to deliver positive reputational impact for Council.
Compliance	Low	Tenders were called in accordance with relevant legislation and Council policies. Design works are expected to comply with all statutory requirements and relevant standards.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation. Management of the potential successful tenderer is afforded within existing resources.

RELEVANT PRECEDENTS

The City has previously appointed Architectural Design/Lead Consultants for significant community related design services for capital works projects, including the Karratha Leisureplex, Karratha Airport, Red Earth Arts Precinct, Dampier Community Hub and Wickham Community Hub.

VOTING REQUIREMENTS

Simple Majority.

OPTIONSOption 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to AWARD the tender for City's Mixed Use Residential Development under RFT 01-21/22 to _____.

Option 3

That Council by SIMPLE Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to REJECT all tenders for City's Mixed Use Residential Development under RFT 01-21/22 and READVERTISE the tender.

CONCLUSION

The Evaluation Panel believes the recommended tenderer has the capacity to deliver the works to the standards expected by the City and provides the most advantageous outcome for the project. Should Council support the Officer's recommendation and the project's design proceeds in a timely manner, then it is likely that a budget amendment will be required at Council's March 2022 Budget Review.

OFFICER'S RECOMMENDATION

That Council by SIMPLE Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to:

- 1 **ACCEPT** the tender submitted by Plus Architecture, Western Australia Pty Ltd ABN 52 618 393 338 as the most advantageous tender to form a contract, based on the assessment of the compliance criteria, qualitative criteria and pricing structures offered under RFT 01-21/22 City's Mixed Use Residential Development; and
- 2 **EXECUTE** a contract with Plus Architecture Western Australia Pty Ltd, **SUBJECT** to any variations of a minor nature.