



City of Ipswich

**IPSWICH
CITY
COUNCIL**

AGENDA

of the

COUNCIL SPECIAL MEETING

**Held in the Council Chambers
8th floor – 1 Nicholas Street
IPSWICH QLD 4305**

On Thursday, 11 August 2022
At 10 minutes after the conclusion of the Ipswich Central Redevelopment Committee

The purpose of the meeting is to consider:

1. Nicholas Street Precinct - Investment Strategy
2. Procurement - Venue Cinema Tenancy
3. Procurement: Tender Consideration Plan to vary contract 13245 Ipswich Central Civic Project

BUSINESS

- 1. OPENING OF MEETING:
- 2. WELCOME TO COUNTRY OR ACKNOWLEDGEMENT OF COUNTRY:
- 3. OPENING PRAYER:
- 4. APOLOGIES AND LEAVE OF ABSENCE:
- 5. DECLARATIONS OF INTEREST IN MATTERS ON THE AGENDA:
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Doc ID No: A8225309

ITEM: 6.1
SUBJECT: NICHOLAS STREET PRECINCT - INVESTMENT STRATEGY
AUTHOR: PROJECT MANAGER
DATE: 9 AUGUST 2022

EXECUTIVE SUMMARY

This is a report concerning the investment strategy for the Nicholas Street Precinct redevelopment as it relates specifically to the Venue Building and the Commonwealth Hotel. These two assets are key anchor tenants and critical to achieving an enduring and activate civic heart for the people of Ipswich.

The Venue and the Commonwealth Hotel are the next stages of the Nicholas Street Precinct Redevelopment and are subject of further reports presented to this committee which are a lease agreement for the cinema operator and the construction costs for the Venue Building and the historic Commonwealth Hotel.

As a result of cost escalations associated with the extensively publicised inflationary and supply chain issues the amount of Council funds required to be invested to complete the development of the Venue building and the Commonwealth Hotel have increased which will require an additional \$21.553 million in the 23/24 Financial Year.

This report is to confirm that Council is still supportive of the investment strategy for the key anchor assets of the Venue building and Commonwealth Hotel, given the cost increases incurred due to the current economic conditions being experienced in the construction industry nationally.

RECOMMENDATION/S

- A. That Council endorse the investment strategy to proceed with the development of the Venue Building and Commonwealth Hotel.**
- B. That the investment strategy as detailed in this report as it relates to the development of the Venue Building and the Commonwealth Hotel be funded through a future Council budget amendment.**

RELATED PARTIES

Councillor Fechner may have a potential conflict of interest in relation to this matter.
Councillor Madsen may have a potential conflict of interest in relation to this matter.

IFUTURE THEME

Vibrant and Growing

PURPOSE OF REPORT/BACKGROUND

The purpose of this report is to provide an overview to the background and drivers for the proposed NSP investment strategy and related decisions to be discussed at the 11 August 2022 Ipswich Central Redevelopment Committee meeting. Specifically, these decisions relate to Council entering into an Agreement for Lease (AFL) and associated documentation with the recommended Venue' cinema operator and a variation to the contract with J. Hutchinson Pty Ltd (trading as Hutchinson Builders) for the refurbishment of the Venue building and the extension to the Commonwealth Hotel.

History

In September 2018, Council's Executive Leadership Team in conjunction with the Interim Administrator developed a specific set of Strategic Objectives for the Nicholas St, Ipswich Central development. Council's six strategic objectives for the renewal of the Ipswich CBD and the Nicholas St project were:

1. Deliver an enduring and activated Civic Heart;
2. Deliver cultural and entertainment activities that complement other activity centres;
3. Provide space for growth of key employers and service providers;
4. Relocate Council's administration centre to the new Civic Heart;
5. Provide opportunities for private sector investment in the renewal;
6. Project governance - robust, resilient and replicable.

Since the adoption of these objectives and the commencement of on-site works, Council has continued to successfully deliver the revitalisation of the Ipswich's city centre with all civic works now completed. The initial retail phases are practically complete with leasing currently being undertaken for both the Metro B and Eats buildings.

NSP Investment Strategy Overview

The Venue's refurbishment and the extension to the Commonwealth Hotel represent Phase Two of the identified three phases for delivery that will complete the precinct. Redevelopment works to date have significantly transformed the precinct with wider positive impacts resulting in the nearby CBD. A cinema within the 'The Venue' complex has been identified by a range of industry experts (discussed below) as an anchor tenant that will play a vital role in supporting sales for many of the incoming and wider CBD hospitality businesses and motivate prospective tenants to commence and/or finalise their tenancy negotiations to be ready in time for the Venue's reopening. Council has conditioned its approval of the Venue's refurbishment on a cinema AFL being executed (discussed below).

Market feedback from prospective hoteliers/lessees interested in the Commonwealth Hotel indicated that the reconstructed Commonwealth Hotel was not of a sufficient size to interest the market for a contemporary inner city/CBD hotel offering. Council had also conditioned an approval of the extension to the Commonwealth Hotel on an AFL being in place with the proposed tenant, the AFL with the prospective lessee being executed on 10 March 2022.

Procurement – Venue Cinema Operator

The agenda for the 11 August 2022 Ipswich Central Redevelopment Committee meeting includes a paper entitled 'Procurement – Venue Cinema Tenancy' which seeks Council approval to enter into an AFL for the Venue's cinema tenancy. As background, following the completion of a Request for Tender (RFT) process, in December 2021 Council resolved to enter into an AFL with the proposed cinema operator in the Venue building. A detailed Probit Report on the RFT process accompanies the committee paper. In the period since December 2021, the commercial terms of the lease and the associated legal documentation have been finalised.

Location IQ (refer Attachment 1), a property economics consultancy was engaged to provide an independent assessment of the likely demand, forecast demand/attendance and revenue for a proposed cinema complex within the precinct. Utilising an established Queensland benchmark (9.7 screens/100,000 residents), the resulting report noted an under-provision of 10 screens existed within the main trade area, which will increase with the significant population growth projected for this Ipswich local government area.

Contract Variation - J. Hutchinson Pty Ltd

In line with the recommended Investment Strategy, on 11 August 2022 Council will be requested to consider a report recommending the adoption of a Tender Consideration Plan (TCP) to vary the existing contractual arrangement between Council and J. Hutchinson Pty Ltd. The purpose of the TCP is to provide justification (as required by s231 of the *Local Government Regulations 2012*) for Council to vary the existing contractual arrangement associated with the delivery of the Ipswich Central Civic Project. The resulting variation will enable J. Hutchinson Pty Ltd to refurbish the Venue building (including the cinema complex) and deliver the extension to the Commonwealth Hotel.

Cost Escalation

Cost escalation and abnormal market conditions are impacting the Queensland construction economy. As a result, supply chain issues continue to impact all projects resulting in increased costs and extended project durations. The market is flooded with work and contractors are experiencing difficulties obtaining reasonable levels of market coverage from sub-contractors as well as obtaining staff as there is a significant labour shortage due to social and economic factors. Due to the above drivers, the market experienced significant escalation in 2021/22 and as a result the precinct's quantity surveyor's (Rider Levett Bucknall - RLB) Tender Price Index rose by 9.6%. RLB's current forecast escalation for the period January to December 2022 is between 8%-10% and 5% for 2023.

Bull and Bear Economics (Bull & Bear)

Bull & Bear were engaged to undertake a social and economic impact analysis for the investment and development of the Nicholas Street Precinct's civic and retail projects to further inform Council's decision making. The report (refer Attachment 2) was commissioned to provide an independent assessment of the projected economic contribution of business activities within the precinct and projected employment within the Ipswich Central area as a result of the Nicholas Street Redevelopment. The assessment of economic activity looked at both the construction stimulus (based on construction costs) and

operational stimulus (created when new businesses locate within the precinct). The report identified that the precinct will over the next ten years significantly contribute to Ipswich Central's output, value add and employment numbers.

The highlights of the Bull and Bear Report are that the Nicholas Street Precinct will achieve a total direction contribution of \$1.196 billion to the local government area for the period from 2020 through to 2032.

Additionally, the Nicholas Street Precinct Redevelopment is expected to create up to 480 new city centre jobs for the people of Ipswich.

Queensland Treasury Corporation (QTC)

In December 2021 as part of their engagement to provide advisory services to the NSP project, QTC commenced assessment of various investment strategies to increase the value of the Venue building and protect the value already created in the precinct.

Existing precinct valuation assessments had assumed the Venue had an operational cinema that acted as a precinct anchor (driving increased activation/customer footfall). It was important for Council to understand the value impact of different leasing strategies and associated options for the Venue building's future, its supporting role and the resulting impacts to the precinct and the wider Ipswich Central.

The outcome of this consultancy concluded that Council should continue to invest into the Venue phase and attract a cinema operator as an anchor tenant to preserve the precinct's value and support the current leasing strategy. Refer Confidential Attachment 3 for the detailed confidential QTC report. The report is confidential due to the nature of the commercial information contained in it that would be detrimental to ongoing commercial negotiations for the precinct.

KPMG

As part of the tender process of the cinema offering, Council engaged KPMG to provide an evaluation assessment on the commercial proposals and associated commercial terms of the each of the tenderers involved with the open market procurement process to select a precinct cinema operator. This confidential report is attached to the Venue Cinema Tenancy paper for the 11 August 2022 Ipswich Central Redevelopment Committee meeting. The resulting analysis identified that the commercial proposal from the recommended tenderer was strongest.

In summary, based on all of the available information for the Nicholas Street Precinct including the Bull and Bear Social and Economic Analysis report, the Location IQ report and the analysis by QTC on the Venue Building it is recommended that Council continue with the investment strategy to develop the Venue Building and the Commonwealth Hotel.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

Local Government Act 2009
Local Government Regulation 2012

RISK MANAGEMENT IMPLICATIONS

Should the proposed NSP investment strategy not be supported, it puts at risk the commercial success of the existing retail assets and city centre's future activation.

This is a significant investment by the Council in the precinct. As will all commercial investment decisions it carries a risk. Council officers have endeavoured to provide as much information to the elected representatives to ensure that their decision is fully and properly informed.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS
RECEIVE AND NOTE REPORT
No human rights that been negatively impacted by the recommendations in this report.

FINANCIAL/RESOURCE IMPLICATIONS

Ipswich Council has committed \$41.5 million in its 2022/23 budget for the next phase of work in the Nicholas Street Precinct redevelopment. An additional \$21.533 million is required in the 23/24 financial year to complete the redevelopment of the Venue Building and the Commonwealth Hotel. A budget amendment will be required to include this additional capital expenditure in Council's budget and long-term financial forecast.

COMMUNITY AND OTHER CONSULTATION

No community consultation was conducted in the preparation of this report.


Consultation occurred with the Queensland Treasury Corporation, the Nicholas Street Precinct Team and the ICC Corporate Finance team in the preparation of the confidential QTC report.



CONCLUSION

The recommendation of this report is for Council to endorse the development investment strategy for the Nicholas Street Precinct to achieve the stated outcome of an activated and enduring city heart.

As identified in the Bull and Bear Social and Economic Analysis report the Council's investment in the Nicholas Street Precinct has broader economic benefits for the Ipswich economy and will create new jobs for the community.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1. Location IQ Report ↓ 

2.	Bull and Bear Economics Report  
	CONFIDENTIAL
3.	QTC Report - Venue Building

Greg Thomas
PROJECT MANAGER

I concur with the recommendations contained in this report.

Sean Madigan
GENERAL MANAGER - INFRASTRUCTURE AND ENVIRONMENT

“Together, we proudly enhance the quality of life for our community”



NICHOLAS STREET PRECINCT, IPSWICH

Cinema Complex Potential

Prepared for Ipswich City Council
July 2021

LOCATION 

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INTRODUCTION

This report presents an independent assessment of the likely demand and forecast attendance rates and revenue for a proposed cinema complex as part of the Nicholas Street Precinct in the Ipswich Central Business District (CBD).

The key findings format report has been prepared in accordance with instructions from Ipswich City Council and KPMG and is presented in an executive summary format, outlining the following key information:

- A review of the proposed site.
- An overview of the Nicholas Street Precinct vision.
- Definition of the resident trade area which would be served by the cinemas in Ipswich, including current and projected population and cinema spending levels over the period to 2036.
- A summary of additional customer segments, namely workers, students, and tourists/visitors.
- An overview of the cinema industry in Australia, including provision of screens by location.
- An audit of the cinema market and provision of screens in the region.
- A comparison of the cinema screen provision in similar Queensland locations.
- Forecast attendance rates and cinema revenue. The indicative size, number of screens and gross rents are also reviewed.

Figures, maps and tables are provided at the end of the report.



KEY FINDINGS

The key findings of this independent assessment of the likely demand and forecast attendance rates and revenue for a proposed cinema complex as part of the Nicholas Street Precinct in the Ipswich Central Business District (CBD) are as follows:

Site Location

- i. Ipswich is centrally located in South East Queensland, some 40 km west of the Brisbane Central Business District (CBD). To the west of Ipswich are the rural and agricultural areas of the Brisbane, Lockyer and Fassifern Valleys.
- ii. As Queensland's oldest provincial city, Ipswich has a rich history. It is renowned for its architectural, natural and cultural heritage. Ipswich proudly preserves and still operates from many of its historical buildings and homes, with more than 6,000 heritage-listed sites. Ipswich has a large and growing resident population.
- iii. Over the next two decades, Ipswich is set to become one of the most exciting economic growth zones in Australia with investment including:
 - RAAF Base Amberley will create 2,800 jobs by 2020.
 - \$5 billion contract to build army reconnaissance vehicles will create more than 330 permanent local jobs.
 - \$124 million funding package announced for the expansion of the Ipswich Medical Precinct. Construction due to commence in 2020.
 - Smart Digital City services will bring \$470 million into the Ipswich economy over the next decade.
 - Planned high-frequency passenger transport service taking in Yamanto-Ipswich-Redbank Plains-Springfield.
 - Planned Southern/Inland Rail Freight Corridor and Western Ipswich Bypass.
 - Suggested freight link between Cunningham Highway and Logan Motorway.



- iv. The Ipswich CBD is on the southern side of the Bremer River and extends to Roderick Street in the south, Ellenborough Street, Roderick Street and Darling Street east to the west, and Thorn Street in the east. The CBD is the major employment, civic, recreation, and entertainment hub for the wider region.

Nicholas Street Precinct Overview

- i. The urban heart of a revitalised Ipswich, Nicholas Street Precinct is the city's leading lifestyle, leisure, entertainment and cultural destination (refer Figure 1). The precinct is well located in the Ipswich CBD and is easily accessible for the local and wider region population, as well as workers, students, tourists/visitors (refer Map 1).
- ii. The largest transformation to be undertaken in the Ipswich CBD in over three decades. The Ipswich Central redevelopment project will see Nicholas Street become a highly sought-after entertainment destination and put Ipswich squarely on the map.
- iii. World-renowned Australian architectural firm Buchan Group has designed an engaging masterplan to support the high rates of foot traffic critical to successful retail trade. Tourists, shoppers, residents and diners alike will enjoy a tree-lined, pedestrian-focused high street featuring unique retailers, restaurants, cafes and entertainment venues.
- iv. Thoughtful placemaking initiatives – such as iconic public art, an extensive façade illumination and fine-grained laneway experiences, coupled with simple but necessary public amenities like shading, ample seating, water features and free public Wi-Fi – will create an enduring sense of place for residents, workers and visitors.
- v. Regularly programmed activations – from small, grassroots activities through to major cultural and music events in the adjacent public piazza with capacity for 3,000 people – will entrench Nicholas Street as the most desired recreation destination in the future Ipswich CBD.
- vi. Some key highlights of the Nicholas Street Precinct include:
- 9,000 CBD workers
 - 1,083 underground car parks over six levels
 - 53 on-street bike parks
 - 14,500 sq.m public realm
 - 150 metres activated retail frontage
 - 3,000-capacity Civic Piazza
 - Immersive projection experience
 - Direct connection to Bradfield Bridge
 - Water-play zone
 - New library



- vii. The focus of this report is the potential for a cinema complex as part of the Nicholas Street Precinct, which will be situated at The Venue, generally at the north-west corner of Brisbane Street and Ellenborough Street, with access to Nicholas Street (refer Figure 1 and Map 1). Car parking is situated under the Civic Square with a free period planned upon cinema ticket redemption. A range of food catering venues will be provided in the run from Civic Square to the Venue at the Eats, Metro, and Commonwealth Hotel sites.
- viii. Importantly, the cinema complex would be part of a major leisure, entertainment, community, and dining precinct. This is consistent with best-in-class cinema complexes and would be a significant upgrade over the existing Ipswich cinema complex as detailed later in this report.

Resident Main Trade Area

- i. Map 2 illustrates the defined main trade area for the proposed cinema complex at Nicholas Street Precinct taking into consideration the draw of the wider Ipswich CBD and the trade area served by Ipswich Riverlink Shopping Centre – the major enclosed shopping centre in the region.
- ii. The main trade area is defined to include one primary sector and three secondary sectors. The main trade area generally extends 25 km to the north, 8 km to the east, and 50 km to the south and west, and is limited by the existing provision of cinema complexes to the east at Redbank and Orion Springfield Central and at Toowoomba in the west. This is the same as the main trade area served by Ipswich Riverlink.
- iii. Table 1 outlines the main trade area current and projected population levels. As shown, the main trade area is currently estimated at 186,680 persons (2021), including 91,550 persons within the primary sector.
- iv. Based on new dwelling approvals data sourced from the ABS over the period from 2011/12 to 2019/20, an average of 1,007 new dwellings have been approved annually throughout the main trade area over this period (refer Chart 1), including an average of 396 in the primary sector.
- v. There is significant land available for further residential development within the Nicholas Street Precinct main trade area. This available land is illustrated on Map 3 which outlines the designated broadhectare lands for future development of predominately detached housing. A significant focus of the future residential development is indicated to be provided in the southern portion of Ipswich (Ripley Valley) which will potentially develop into 50,000 dwellings to accommodate a population of 120,000 people.
- vi. The main trade area population is projected to increase to 317,030 by 2036, including 115,950 persons in the primary sector. The main trade area population is projected to grow at an average annual growth rate of 3.6% over the period to 2036, with the primary sector growth rate at 1.6% per annum. The Australian average population growth rate over the same period is 1.3% per annum.



- vii. Table 2 summarises the socio-economic profile of the main trade area population by sector, as compared with the South-East Queensland and Australian benchmarks. Overall, the main trade area is characterised by a younger, Australian born, family-based population, who earn lower average income levels. Table 3 outlines the key changes of the socio-economic profile of the main trade area population between the 2006 and 2011 Census periods.
- viii. Chart 2 provides an illustration of estimated per capita cinema expenditure across the main trade area, which varies across sectors, but is generally lower than benchmark levels. This may reflect the limited provision of cinema screens as well as the existing quality of cinema complexes.
- ix. Table 4 summarises the cinema expenditure of the main trade area population. The main trade area cinema spending market of \$12.4 million is projected to increase to \$35.2 million by 2036. The primary sector cinema spending market of \$5.9 million is projected to increase to \$13.0 million by 2036.

Additional Customer Segments

- i. In addition to residents, the Ipswich CBD location of the Nicholas Street Precinct will also appeal to other customer segments include:
 - Workers
 - Students
 - Tourists/visitors

Workers

- i. The following sub-section presents a profile of the workforce within the defined region. This information is based on Journey to Work data released by the Australian Bureau of Statistics (ABS) as part of the 2016 Census of Population and Housing.
- ii. To calculate the relevant worker market, it is important to identify how far a worker is likely to travel during their lunchtime, before and after work for retail items. This distance is typically up to around 1 km from their place of work, or around a 5 – 10-minute walk. Map 4 shows the defined worker main trade area which is based on travel zones (as defined by the ABS).
- iii. As at the 2016 Census, the worker trade area population was 8,930, with an estimated 9,680 workers in 2021. Over the period to 2036, the worker population is projected to increase to 11,380 (refer Table 5).
- iv. Table 6 provides a snapshot of worker characteristics, as compared with the South East Queensland benchmark with key points to note including:



- Average age is older than the Brisbane metropolitan average (41.4 vs 39.9).
- Average income for workers is ~5% higher than the Brisbane metropolitan average (\$66,912 vs \$63,626).
- There is a high proportion of white-collar workers (85.5% vs 71.8%).

Students

- i. There is a significant student population nearby, provided across two main institutions, namely:
 - University of Queensland's Clinical School
 - University of Southern Queensland's Ipswich Campus
- ii. As shown on Map 5, both facilities are within 0.5 - 1.5 km of the Nicholas Street Precinct. Over 1,700 students attend these two campuses.
- iii. It is likely that students at these facilities will direct a portion of their spending to retail and entertainment facilities in the Ipswich CBD.

Tourists/visitors

- i. The Ipswich region attracts a significant and growing (pre COVID-19) tourist population. Table 7 summarises information sourced from .id Consulting and Tourism Research Australia for the City of Ipswich indicates based on the average of the last five years, indicates the following:
 - Total overnight visitation was 353,000, including 24,000 international overnight visitors (7%) and 329,000 domestic overnight visitors (93%).
 - A total of 1.55 million nights stayed in the region, with an average of 20.4 nights for international visitors and 3.2 nights for domestic visitors.
 - 1.15 million day-trippers
 - Total visitors numbers in 2020 were down on the previous year, after three successive years of growth. International visitor nights were down 38%, with domestic overnight numbers down 33%. Day tripper numbers were 11% lower.
- ii. Taking the combined international and domestic visitor nights (1.55 million), and dividing this figure by 365 days in the year, indicates that overnight visitors were the equivalent of 4,232 permanent residents, or 2% of the City of Ipswich LGA population.



Australia Cinema Industry Overview

- i. Table 8 shows key information relating to cinemas in Queensland and Australia. As shown, the cinema screen provision across Queensland is 10.3 per 100,000 persons, which is higher than the Australian benchmark of 9.1 per 100,000 persons.
- ii. The past 18 months has been challenging for cinema operators given the forced restrictions stemming from COVID-19. As restrictions ease in some states and territories and the vaccination rollout continues, the industry is expected to rebound.
- iii. For the year 2020, high-level statistics for the cinema industry in Australia include:
 - Total admissions dropped to 28.2 million, or 1.1 admissions per person. In 2019, these figures were 84.7 million and 3.3, respectively.
 - Box office earned by films decreased by 67.2% to \$401.2 million.
 - Average ticket prices fell 1.9% to \$14.23.
 - The number of theatres fell 7% to 483.
 - The number of screens declined to 2,241 (a 3% fall).
- iv. Other issues facing the Australian cinema industry include:
 - Reduced content and reduced cinema release content.
 - Increased take up rate of Netflix, Amazon Prime and the like comprising exclusive content.
 - Television and sound system technology improvements.
- v. The cinema industry has and will continue to evolve with operators investing heavily in the cinema experience and ticket prices falling. With easing COVID-19 restrictions, more than ever people may be seeking an away from home experience.
- vi. Table 9 details the attendance rate and frequency by age group for Australia. As shown, younger age groups frequent cinemas more regularly. The main trade area population encompasses a higher proportion of younger persons.



Resident Main Trade Area Cinemas

i. The previous Map 2 shows the cinema complexes in the main trade area and surrounding region. There is only one cinema complex in the main trade area, with details as follows:

- Limelight Cinemas at Ipswich Riverlink Shopping Centre is an eight-screen offer located in the eastern part of the property near Pine Street. The complex is adjacent to iPlay, Café 63, Ruby Chews, I Sushi, Coffee Club, Baskin Robbins, and Goodlife Health Club. At grade and underground car parking is provided with the Limelight Cinemas website indicating some 2,000 car spaces are available, free of charge. This is understood to be the number of car spaces across the Ipswich Riverlink Shopping Centre, with car parking close to the cinema a fraction of this number and with customers competing with other users including of Aldi, the gym, and the like.

Limelight Cinemas have only two locations, namely Ipswich and Tuggeranong in Canberra.

The Limelight Cinemas cinematic experience is described as follows:

- *State of the Art Digital Projection and Sound equipment in all eight Cinemas.*
- *Two "XD" screens featuring huge wall to wall, floor to ceiling screens, wrap around 7.1 sound, 4K digital projection and leather seating – all designed for maximum comfort and an extreme sensory experience from every seat.*
- *"The Lounge" theatres – two premium cinemas featuring an intimate cinema surrounding, fully licensed bar and kitchen with service to your cinema seat. It's premium cinema without the price.*
- *Four Traditional screens all with stadium seating, plush high back chairs and heaps of leg room.*

ii. Beyond the main trade area, the nearest cinema complexes are:

- At Redbank Plaza, 15 km to the north-west, there is a Cineplex Australia complex on Level Three. A total of eight screens are provided. This offer is known for its discount ticket prices and has seven locations across South East Queensland. This offer is on the upper level of a double discount department store based shopping centre and has an adjacent iplay as well as some six dining options.
- Orion Springfield Central is 22 km to the south-east and includes eight screens. The complex includes original screens (six), and two V-Max, and two Gold Class screens. Seating capacity is 2,000 seats. The cinema complex is on an upper level with Timezone and a town square dining precinct on the ground level.



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ITEM: 6.2
SUBJECT: PROCUREMENT - VENUE CINEMA TENANCY
AUTHOR: CATEGORY SPECIALIST
DATE: 9 AUGUST 2022

EXECUTIVE SUMMARY

This is a report concerning the procurement and recommendation of a lessee to operate a Cinema in 'The Venue', located at 163 Brisbane Street, Ipswich QLD 4305, Lot 1 on RP209886.

RECOMMENDATION

- A. That pursuant to Section 228 of the *Local Government Regulation 2012* (Regulation), Council award Tender number 16041 for the disposal of interest in land at 163 Brisbane Street, Ipswich QLD 4305 more particularly described as part of Lot 1 and Plan RP209886 (Cinema Tenancy), to the proposed Lessee, for the permitted use of a Cinema.
- B. That Council enter into an Agreement for Lease and associated documents of the Agreement for Lease with the proposed lessee for the Cinema Tenancy under the commercial terms detailed in the confidential attachments to this report.
- C. That conditional upon Council satisfactorily executing the Agreement for Lease with the proposed Lessee, Council will enter into a Lease for the Cinema Tenancy with the proposed Lessee as detailed in the confidential attachments to this report.
- D. That pursuant to Section 257(1)(b) of the *Local Government Act 2009*, Council resolve to delegate to the Chief Executive Officer the power to take "contractual action" pursuant to section 238 of the Regulation, in order to implement Council's decisions a Recommendations A, B and C.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

RELATED PARTIES

The related party, being the proposed Lessee, is detailed in the attachments to this report.

IFUTURE THEME

Vibrant and Growing

PURPOSE OF REPORT/BACKGROUND

On 9 December 2021, following a Request for Tender (RFT) process, Council resolved to enter into an agreement for lease and subsequent lease agreement with the proposed Lessee for the premises located at 163 Brisbane Street, Ipswich QLD 4305 more particularly described as part of Lot 1 and Plan RP209886, for the permitted use of a Cinema. The RFT process established a base level position between Council and the proposed Lessee for the agreement for lease and lease agreement, as detailed in Confidential Attachment 1.

The proposed Lessee's board met on the 25 February 2022 and resolved to move to the next stage and undertake the legal documentation, schematic design and updated costings before the final board sign off.

Comprehensive designs and costings have been undertaken by both parties, with the agreed Lessors works being included as part of works proposed in the detailed in committee report [14683] Procurement: Tender Consideration Plan to Vary Contract 13245 Ipswich Central Civic Project.

In response to market conditions, the proposed Lessee's board revised their initial offer to Council, the revised Heads of Agreement are included in Confidential Attachment 2. Contract negotiations between the parties have finalised and the proposed Lessee is undertaking final checks prior to execution of the agreement for lease and associated documents. The revised offer remains consistent with the Sound Contracting Principles of the *Local Government Act 2009*.

This paper is seeking council's approval to enter into an agreement for lease for the Cinema Tenancy associated with the Nicholas Street Precinct redevelopment utilising the process detailed above.

A lease is a contract by which one party conveys land, property, services, etc. to another for a specified term, and in this instance in return for a periodic payment. The lease agreement outlines all of the aspects of the lease arrangement so that each party understands their rights and obligations under the lease. An agreement for lease is necessary when the party owning the land is investing significant capital into refurbishing or building new space for the potential lessee. The agreement for lease pre-empts and contractually links to the final lease document whilst committing both parties to enter into a lease on occupation and/or opening of the space. Essentially an agreement for lease de-risks the landlord's capital expenditure with a contracted outcome.

The Nicholas Street Precinct team will be negotiating up to 40 retail, food and beverage and leisure deals over the next few years. During this process and with the desire to drive the best financial outcome for council and its constituents, the precinct team need to protect this outcome by maintaining a competitive advantage during the negotiations, which can only happen with an element of confidentiality. The lessees will also seek and in most cases secure contractual obligations on both parties to maintain a level of confidentiality around commercially sensitive material. This is likely to be around key terms like rent, term, options to extend, landlord's contributions, sales data access and general operational costs of the tenancy.

The brand name associated with this executed agreement for lease will be released prior to the tenant's opening with the precinct team's desire being to drive marketing reach across relating real estate and retail industry media channels to best serve the leasing uptake. As a result, the lessee's details and agreed commercial terms to be reflected in the lease documentation are Commercial in Confidence. A memorandum of advice detailing the Commercial in Confidence nature of the content of this report is attached (refer Confidential Attachment 3). Specific details on the lessee, the commercial terms, tenure and associated independent reviews (both the procurement and assessment processes) are contained in Confidential Attachments 4 - 7).

Council engaged Knight Frank Valuation & Advisory Queensland to provide an independent market appraisal of the proposed lease arrangement's commercial terms as detailed in a Heads of Agreement (a precursor to an agreement for lease/lease detailing agreed commercial terms between the parties). Knight Frank's review of the revised HOA for the Cinema Tenancy is attached (refer Confidential Attachment 4). Confidential Attachment 5 discusses the final commercial terms and details any material changes from Knight Frank's review to the final draft of the agreement for lease. Refer Confidential Attachment 6 for KPMG's evaluation assessment on the commercial proposals and terms of the each of the cinema tenderers.

This paper seeks approval for council to enter into an agreement for lease for a Cinema tenancy associated with the Nicholas Street Precinct redevelopment. The delegation to the Chief Executive Officer will enable council's execution of the agreement for lease, the lease and associated documentation for the Cinema Tenancy and ensure the lessee can commence their fit-out works and open as soon as possible (following completion of the Venue's refurbishment). Post the execution of the lease documentation, Council will be provided with a subsequent report detailing lessee specifics and their offering.

The proposed lease contains an option to renew, this is a contractual right that can be exercised by the lessee/tenant, under the *Retail Shop Leases Act 1994* and *Property Law Act 1974*. The right of the lessee to exercise the option is subject to certain conditions, including giving notice to the lessor that they wish to exercise the option during the timeframe specified in the lease (for example, between six and three months prior to the expiry of the lease) and not being in breach of the lease when they give notice that they wish to exercise the option. Provided that the lessee meets the conditions, the lessor must grant the lessee the option. The effect of an option being exercised is that the lessee continues to lease the premises on the same terms and conditions for the length of the option.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:
Local Government Act 2009
Local Government Regulation 2012

RISK MANAGEMENT IMPLICATIONS

The risk management implications have been considered in Confidential Attachment 1. The risks have not changed since the previous Council resolution on 9 December 2021.

Refer Confidential Attachment 7 for the Probity Report relating to the procurement process for the precinct's cinema operator.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	<p>Recommendation A related to Council awarding the tender for the Cinema tenancy.</p> <p>Recommendation B relates to Council entering into an agreement for lease and associated documents for the Cinema tenancy.</p> <p>Recommendation C relates to Council entering into a lease for the Cinema tenancy.</p> <p>Recommendation D delegates to the CEO the power to execute related lease documentation.</p> <p>Recommendation E relates to the provision of an update to council.</p>
(b) What human rights are affected?	<p>No Human Rights are affected in the making of this decision because the tenderers are all companies (only individuals have human rights).</p> <p>Further, the subject matter of the contract will not impact on the human rights of any third parties.</p>
(c) How are the human rights limited?	Not applicable
(d) Is there a good reason for limiting the relevant rights? Is the limitation fair and reasonable?	Not applicable
(e) Conclusion	The decision is consistent with human rights.

FINANCIAL/RESOURCE IMPLICATIONS

Ipswich City Council has committed \$41.5 million in its 2022/23 budget for the next phase of work in the Nicholas Street Precinct redevelopment. \$32.5 million of this 2022/23 budget is allocated to the Venue building.

The retail precinct's short-term commercial success remains dependent on identifying, attracting and securing a commercially viable tenancy mix through executed leases and sub-

leases. Funding for any associated landlord contributions is incorporated into the project's budget.

COMMUNITY AND OTHER CONSULTATION

No community consultation was conducted during the tender or negotiation process.

Council has continued to inform the public on the vision for Nicholas Street Precinct via media release, these are but not limited to the following media articles regarding the refurbishment of the Venue and occupancy:

- 13 December 2019 - New cinema complex and indoor go kart track part of plans for Ipswich CBD redevelopment
- 5 May 2021 - New cinema operator for Nicholas Street Precinct set by August
- 6 April 2022 - Next stage of \$250 million Nicholas Street Precinct revealed in Ipswich CBD
- 30 June 2022 - Ipswich CBD revitalisation gets \$41.5 million budget boost

External consultants assisted throughout the RFT process, these consultants and their roles are detailed in Confidential Attachment 1.

Knight Frank group was consulted to review the revised HOA, this report is attached a Confidential Attachment 4.

CONCLUSION

The recommendations and information contained within this report aligns with Council's iFuture Corporate Plan 2021-2026. The redevelopment of the Ipswich Central Business District is a crucial part of revitalising the heart of Ipswich and an executed Agreement for Lease with an anchor tenant for the Venue is a significant part of this revitalisation and the precinct's future success.

The recommendation within this report is to be read in conjunction with the recommendation detailed in committee report [14683] Procurement: Tender Consideration Plan to Vary Contract 13245 Ipswich Central Civic Project., as a proportion of that variation includes the lessor works required for handover of the Cinema Tenancy.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1.	Committee Report and Attachments 9.12.21
2.	Revised HOA
3.	NSP Retail Leases - Legal Advice
4.	Knight Frank Assessment - Cinema Tenancy
5.	Confidential Report - Cinema Tenancy
6.	KPMG Procurement Report 23.11.21
7.	Probity Report

Shyanne Ward
CATEGORY SPECIALIST

I concur with the recommendations contained in this report.

Juliana Jarvis
GOODS AND SERVICES CATEGORY MANAGER

I concur with the recommendations contained in this report.

Richard White
MANAGER, PROCUREMENT

I concur with the recommendations contained in this report.

Greg Thomas
PROJECT MANAGER

I concur with the recommendations contained in this report.

Sean Madigan
GENERAL MANAGER - INFRASTRUCTURE AND ENVIRONMENT

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Doc ID No: A8225317

ITEM: 6.3

SUBJECT: PROCUREMENT: TENDER CONSIDERATION PLAN TO VARY CONTRACT 13245
IPSWICH CENTRAL CIVIC PROJECT

AUTHOR: CATEGORY SPECIALIST

DATE: 9 AUGUST 2022

EXECUTIVE SUMMARY

This is a report concerning the redevelopment of Council owned retail assets which form part of the Ipswich Central Civil Project within the Nicholas Street Precinct. Information detailed within this report shall provide clarity and justification for adoption of a Tender Consideration Plan by Council to vary the existing contractual arrangement between Council and J. Hutchinson Pty Ltd.

RECOMMENDATION

- A. That pursuant to Section 230(1)(a) of the *Local Government Regulation 2012* (Regulation), Council resolve to prepare Tender Consideration Plan to vary contractual arrangement 13245 Ipswich Central Civic Project – Design & Construction of Administration Building, Civic Precinct, Library and Carpark Upgrade with J. Hutchinson Pty Ltd.**
- B. That pursuant to Section 230(1)(b) of the *Local Government Regulation 2012* (Regulation), Council resolve to adopt Tender Consideration Plan that has been prepared to vary contractual arrangement 13245 Ipswich Central Civic Project – Design & Construction of Administration Building, Civic Precinct, Library and Carpark Upgrade with J. Hutchinson Pty Ltd.**
- C. That in accordance with the Tender Consideration Plan, Council contractual arrangement 13245 Ipswich Central Civic Project – Design & Construction of Administration Building, Civic Precinct, Library and Carpark Upgrade with J. Hutchinson Pty Ltd for an approximate purchase price of \$36,544,959 excluding GST, aggregated as follows:**
- (a) Venue – \$28,413,314**
 - (b) Commonwealth Hotel – \$8,031,645**
- D. That pursuant to Section 257(1)(b) of the *Local Government Act 2009*, Council resolve to delegate to the Chief Executive Officer the power to take “*contractual action*” pursuant to section 238 of the Regulation, in order to implement Council’s decision.**

RELATED PARTIES

- J. Hutchinson Pty Ltd; and
- Ipswich City Council

There were no declarations of conflict of interest

IFUTURE THEME

Vibrant and Growing

PURPOSE OF REPORT/BACKGROUND

The purpose of this report is to seek Council adoption of the Tender Consideration Plan. The Tender Consideration Plan has been prepared to provide justification required by s231 of the Local Government Regulations 2012 for Council to vary contractual arrangement 13245 Ipswich Central Civic Project – Design & Construction of Administration Building, Civic Precinct, Library and Carpark Upgrade with J. Hutchinson Pty Ltd for an approximate purchase price of \$36,544,959 excluding GST, aggregated as follows:

- Venue – \$28,413,314
- Commonwealth Hotel – \$8,031,645

For this to occur, Council must:

- (a) decide, by resolution, to prepare a quote or tender consideration plan; and
- (b) prepare and adopt the plan.

The tender consideration plan has been prepared to include but not limited to the following:

- (a) the objectives of the plan; and
- (b) how the objectives are to be achieved; and
- (c) how the achievement of the objectives will be measured; and
- (d) any alternative ways of achieving the objectives, and why the alternative ways were not adopted; and
- (e) the proposed terms of the contract for the goods or services; and
- (f) a risk analysis of the market from which the goods or services are to be obtained.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

Local Government Act 2009

Local Government Regulation 2012

RISK MANAGEMENT IMPLICATIONS

Should the recommendations not be adopted by Council, the desired activation of the Nicholas Street Precinct and revitalisation of the Ipswich CBD will not be achieved.

Council's quantity surveyor Rider Levett Bucknall reviewed the Offer from J. Hutchinson Pty Ltd in detail where a number of risks were identified, these are provided in detail within the confidential attachments listed below:

- (a) Recommendation Report Venue & Comm Hotel - Ranbury v1; and
- (b) Venue & Comm Hotel - QS Review – RLB.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	Act/Decision being made is detailed in the recommendations within this report
(b) What human rights are affected?	The parties involved are companies/corporations and the subject matter of the proposed engagement, act or decision being assessed will not affect human rights and further consideration is unnecessary.
(c) How are the human rights limited?	Not applicable
(d) Is there a good reason for limiting the relevant rights? Is the limitation fair and reasonable?	Not applicable
(e) Conclusion	The decision is consistent with human rights.

FINANCIAL/RESOURCE IMPLICATIONS

Financial and resource implications have been considered in making the recommendations within this report along with preparation of the Tender Consideration Plan.

Ipswich Council has committed \$41.5 million in its 2022-2023 budget for the next phase of work in the Nicholas Street Precinct redevelopment. A significant portion of these funds will be spent on the delivery of leisure, entertainment, food and beverage areas which includes the Venue and Commonwealth Hotel.

The detailed design process conducted by J. Hutchinson Pty Ltd has estimated an approximate cost of \$36,544,959 excluding GST for all works, aggregated as follows:

- (a) Venue – \$28,413,314
- (b) Commonwealth Hotel – \$8,031,645

These figures are based on J. Hutchinson Pty Ltd completing project works as one (resulting in economies of scale), any change to the scope could require repricing.

The confidential attachment “Venue & Comm Hotel - QS Review – RLB” details the escalation and abnormal market conditions in relation to the construction economy within Queensland and that it appears to be at an all-time industry high. As a result, supply chain issues continue to impact all projects resulting in increased costs and extended project durations. The market is flooded with work and contractors are experiencing difficulties obtaining

reasonable levels of market coverage from sub-contractors as well as obtaining staff as there is a significant labour shortage due to social and economic factors.

Council's quantity surveyor has identified that the Offer from J. Hutchinson Pty Ltd is fair and reasonable based on the scope of works required. However, there are further financial risks and cost implications which are deemed confidential that need to be considered, these are provided in further detail within the confidential attachments "Recommendation Report Venue & Comm Hotel - Ranbury v1" & "Venue & Comm Hotel - QS Review – RLB".

COMMUNITY AND OTHER CONSULTATION

Council has continued to inform the public on the vision for Nicholas Street Precinct via media releases, these are but not limited to the following media articles regarding the following Council assets:

- Venue:
 - 13 December 2019 - New cinema complex and indoor go kart track part of plans for Ipswich CBD redevelopment;
 - 5 May 2021 - New cinema operator for Nicholas Street Precinct set by August;
 - 6 April 2022 - Next stage of \$250 million Nicholas Street Precinct revealed in Ipswich CBD;
 - 30 June 2022 - Ipswich CBD revitalisation gets \$41.5 million budget boost.
- Commonwealth Hotel:
 - 14 June 2019 - Commonwealth Hotel, of days gone by;
 - 16 June 2021 – Commonwealth Hotel has been put back together again;
 - 9 January 2020 - What's next for century-old Commonwealth Hotel;
 - 10 July 2020 – Council gives green light to Commonwealth Hotel reconstruction;
 - 12 November 2020 – Commonwealth Hotel rebuild well on the way as Ipswich CBD transformed;
 - 15 March 2022 - Hotelier takes the reins of iconic Ipswich pub in Nicholas Street Precinct;
 - 6 April 2022 - Next stage of \$250 million Nicholas Street Precinct revealed in Ipswich CBD;
 - 30 June 2022 - Ipswich CBD revitalisation gets \$41.5 million budget boost.

Internal Stakeholders

- Procurement Branch
- Nicholas Street Precinct Branch
- Legal and Governance Branch

External Stakeholders

- Ranbury Management Group– Project Management Consultancy Services
- Rider Levett Bucknall – Quantity Surveyor
- Bornhorst & Ward – Structural Design Consultancy Services
- WSP Australia – Schematic Design Consultancy Services
- McKenzie Group – Building, Surveying and Access Consultancy Services
- Tait Moreton Johnson – Architectural Design Consultancy Services
- Clayton Utz – Council’s External Legal Consultant
- J. Hutchinson Pty. Ltd.

CONCLUSION

In concluding this report, the recommendations and information contained within this report aligns with Council’s iFuture Corporate Plan 2021-2026. The redevelopment of the Ipswich Central Business District (CBD) is a crucial part of revitalising the heart of Ipswich and the refurbishment of Council assets is a vital part of this revitalisation and the precinct’s future success.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

	CONFIDENTIAL
1.	Tender Consideration Plan
2.	220725 Recommendation Report Venue & Comm Hotel - Ranbury v1
3.	220725 Venue & Comm Hotel - QS Review - RLB

David Niebling

CATEGORY SPECIALIST

I concur with the recommendations contained in this report.

Wayne Bichel

BUILDING CONSTRUCTION AND MAINTENANCE CATEGORY MANAGER

I concur with the recommendations contained in this report.

Greg Thomas

PROJECT MANAGER

I concur with the recommendations contained in this report.

Richard White

MANAGER, PROCUREMENT

I concur with the recommendations contained in this report.

Sean Madigan

GENERAL MANAGER - INFRASTRUCTURE AND ENVIRONMENT

“Together, we proudly enhance the quality of life for our community”