



City of
Ipswich

**IPSWICH
CITY
COUNCIL**

AGENDA

of the

IPSWICH CENTRAL REDEVELOPMENT COMMITTEE

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

**On Thursday, 14 July 2022
At 10 minutes after the conclusion of the Environment and Sustainability Committee**

<u>MEMBERS OF THE IPSWICH CENTRAL REDEVELOPMENT COMMITTEE</u>	
Councillor Marnie Doyle (Chairperson) Councillor Nicole Jonic (Deputy Chairperson)	Mayor Teresa Harding Councillor Kate Kunzelmann Councillor Russell Milligan

IPSWICH CENTRAL REDEVELOPMENT COMMITTEE AGENDA
10 minutes after the conclusion of the Environment and Sustainability
Committee on Thursday, 14 July 2022
Council Chambers

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** Item includes confidential papers

IPSWICH CENTRAL REDEVELOPMENT COMMITTEE NO. 6

14 JULY 2022

AGENDA

WELCOME TO COUNTRY OR ACKNOWLEDGEMENT OF COUNTRY

DECLARATIONS OF INTEREST IN MATTERS ON THE AGENDA

BUSINESS OUTSTANDING

CONFIRMATION OF MINUTES

1. **CONFIRMATION OF MINUTES OF THE IPSWICH CENTRAL REDEVELOPMENT COMMITTEE NO. 2022(05) OF 16 JUNE 2022**

RECOMMENDATION

That the Minutes of the Meeting held on 16 June 2022 be confirmed.

OFFICERS' REPORTS

2. **NICHOLAS STREET PRECINCT - RETAIL SUB-PROJECT STEERING COMMITTEE JUNE 2022**

This is a report concerning the June 2022 report from the Retail Sub-Project Steering Committee on the status of the leasing program and associated developments with the retail component of the Nicholas Street Precinct redevelopment.

RECOMMENDATION

That the June 2022 Retail Sub-Project Steering Committee Report be received and the contents noted.

-
3. **NICHOLAS STREET PRECINCT - COMMUNICATIONS, ENGAGEMENT AND EVENTS REPORT JUNE 2022**

This is a report concerning the communications, engagement and events activity undertaken and planned for the Nicholas Street Precinct in June 2022.

RECOMMENDATION

That the Nicholas Street Precinct Communications, Engagement and Events Monthly Report be received and the contents noted.

4. **NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B04

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B04 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B04 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B04") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
 - B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B04 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
 - C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B04 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B04 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
 - E. That Council be kept informed as to the progress and outcome of the execution and publication of details.
-

5. **NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B05

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B05 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B05 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B05") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B05 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B05 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B05 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

6. **NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR EATS TENANCY T3

This is a report concerning an agreement for lease for council's consideration associated with tenancy T3 within the Nicholas Street Precinct's Eats Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy T3 in the Eats Building (impacting lots 2RP209886, 3RP212242 and 1SP307972) ("Tenancy T3") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy T3 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy T3 to the proposed lessee, that the Ministerial exemption under s236 (f) of

the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy T3 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

7. ****NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B11**

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B11 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B11 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B11") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B011 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B11 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B11 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

8. ****NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B14**

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B14 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B14 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B14") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B14 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B14 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B14 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

NOTICES OF MOTION

MATTERS ARISING

IPSWICH CENTRAL REDEVELOPMENT COMMITTEE NO. 2022(05)

16 JUNE 2022

MINUTES

<u>COUNCILLORS' ATTENDANCE:</u>	Councillor Marnie Doyle (Chairperson); Mayor Teresa Harding, Councillors Kate Kunzelmann, Russell Milligan and Nicole Jonic (Deputy Chairperson)
<u>COUNCILLOR'S APOLOGIES:</u>	Nil
<u>OFFICERS' ATTENDANCE:</u>	Chief Executive Officer (Sonia Cooper), General Manager Planning and Regulatory Services (Peter Tabulo), General Manager Infrastructure and Environment (Sean Madigan), Chief of Staff – Office of the Mayor (Melissa Fitzgerald), Senior Policy and Communications Officer (David Shaw), Project Manager (Greg Thomas), Chair – Retail Sub-Project Sub-Committee Project Officer (Courtney Strow), Project Manager – Ipswich Central (Erin Marchant), Manager Economic and Community Development (Cat Matson) and Theatre Technician (Trent Gray)

WELCOME TO COUNTRY/ACKNOWLEDGEMENT OF COUNTRY

Councillor Marnie Doyle (Chairperson) delivered the Acknowledgement of Country.

DECLARATIONS OF INTEREST IN MATTERS ON THE AGENDA

Nil

BUSINESS OUTSTANDING

Nil

CONFIRMATION OF MINUTES

1. **CONFIRMATION OF MINUTES OF THE IPSWICH CENTRAL REDEVELOPMENT COMMITTEE NO. 2022(04) OF 5 MAY 2022**

RECOMMENDATION

Moved by Councillor Marnie Doyle:
Seconded by Councillor Russell Milligan:

That the minutes of the Ipswich Central Redevelopment Committee held on 5 May 2022 be confirmed.

AFFIRMATIVE

Councillors:

Doyle

Harding

Kunzelmann

Milligan

Jonic

NEGATIVE

Councillors:

Nil

The motion was put and carried.

OFFICERS' REPORTS

2. IPSWICH CENTRAL REVITALISATION - BETTER BLOCK AND TOWN TEAMS PLACEMAKING EVENT

International placemaking organisation, Better Block Foundation, has chosen Ipswich as a demonstration site as part of their upcoming Australian tour in August 2022. This report outlines the partnership between Better Block Foundation, Town Team Movement and Council to host a placemaking event to be held in Ipswich Central on Friday 12 August.

RECOMMENDATION

Moved by Councillor Marnie Doyle:

Seconded by Councillor Kate Kunzelmann:

That the report be received and the contents noted.

AFFIRMATIVE

Councillors:

Doyle

Harding

Kunzelmann

Milligan

Jonic

NEGATIVE

Councillors:

Nil

The motion was put and carried.

3. IPSWICH CENTRAL REVITALISATION - SIX MONTHLY REPORT

This is report regarding Ipswich Central Revitalisation, a catalyst project identified in the iFuture Corporate Plan for 2021-2026. This report highlights the progress that has been made since the endorsement of the Ipswich Central Revitalisation documents and showcases key activities and case studies.

RECOMMENDATION

Moved by Councillor Marnie Doyle:
Seconded by Councillor Russell Milligan:

That the report be received and contents noted.

AFFIRMATIVE

Councillors:

Doyle

Harding

Kunzelmann

Milligan

Jonic

NEGATIVE

Councillors:

Nil

The motion was put and carried.

4. NICHOLAS STREET PRECINCT - COMMUNICATIONS, ENGAGEMENT AND EVENTS REPORT MAY 2022

This is a report concerning the communications, engagement and events activity undertaken and planned for the Nicholas Street Precinct in May 2022.

RECOMMENDATION

Moved by Councillor Marnie Doyle:
Seconded by Councillor Russell Milligan:

That the Nicholas Street Precinct Communications, Engagement and Events Monthly Report be received and the contents noted.

AFFIRMATIVE

Councillors:

Doyle

Harding

Kunzelmann

Milligan

Jonic

NEGATIVE

Councillors:

Nil

The motion was put and carried.

5. NICHOLAS STREET PRECINCT - RETAIL SUB-PROJECT STEERING COMMITTEE MAY 2022

This is a report concerning the May 2022 report from the Retail Sub-Project Steering Committee on the status of the leasing program and associated developments with the retail component of the Nicholas Street Precinct redevelopment.

RECOMMENDATION

Moved by Councillor Marnie Doyle:
Seconded by Councillor Kate Kunzelmann:

That the May 2022 Retail Sub-Project Steering Committee Report be received and the contents noted.

AFFIRMATIVE

Councillors:

Doyle

Harding

Kunzelmann

Milligan

Jonic

NEGATIVE

Councillors:

Nil

The motion was put and carried.

NOTICES OF MOTION

Nil

MATTERS ARISING

Nil

PROCEDURAL MOTIONS AND FORMAL MATTERS

The meeting commenced at 1.38 pm.

The meeting closed at 2.01 pm.

Doc ID No: A8112576

ITEM: 2

SUBJECT: NICHOLAS STREET PRECINCT - RETAIL SUB-PROJECT STEERING COMMITTEE
JUNE 2022

AUTHOR: PROJECT MANAGER

DATE: 29 JUNE 2022

EXECUTIVE SUMMARY

This is a report concerning the June 2022 report from the Retail Sub-Project Steering Committee on the status of the leasing program and associated developments with the retail component of the Nicholas Street Precinct redevelopment.

RECOMMENDATION/S

That the June 2022 Retail Sub-Project Steering Committee Report be received and the contents noted.

RELATED PARTIES

Ranbury Management Group - Program Management Partner
Ranbury Property Services - Retail Leasing Agent

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 Retail Sub-Project Steering Committee (RSPSC) supports the Ipswich Central Redevelopment Committee (ICRC) in delivering the Nicholas Street Precinct redevelopment. The RSPSC reports monthly to the ICRC on the planning, development, delivery and operations of the Nicholas Street Precinct's retail and commercial assets.

The RSPSC met on 29 June 2022 and considered the status of retail leasing, the cinema tender process, the status of design development for both the Venue and Commonwealth Hotel and precinct governance. Refer Attachment 1 for the draft RSPSC 29 June 2022 minutes.

The table below identifies the status of tenancy negotiations as of 27 June 2022. Since the previous report, lease documents were issued for one tenancy within Metro B, with another five issued in final draft. It is anticipated that these five will be executed within the coming

weeks. Two tenancies (Sushi Hyo and Zambrero) within Metro B are due to commence fit-out in July 2022, with completion due late August 2022. Progress on the remaining tenancies has been slow, with uncertainty surrounding construction pricing and availability of materials and labour creating delays.

Deal Status	June 2022	Change from May 2022
HOA Signed (non-legally binding)	17	0
HOA Pending Approval by Council	1	0
Lease Documents Issued	17	+1
Lease Documents Being Prepared	0	-1
Leases Executed by Lessee	6	0
Leases Pending Approval by Lessor (Council)	0	0
Leases Executed by Lessor (Council)	6	0

In December 2021, Council endorsed entering into an AFL/lease with the preferred operator for the cinema complex within the Venue building. An exclusivity period allowed Council to finalise the AFL/lease, tenant fit-out design and Venue's design. Hutchinson Builders have finalised the design development with an associated contract sum to build due with council mid-July 2022. Council has conditioned its approval of the Venue's refurbishment on the cinema AFL being executed. Council's approval for the expenditure and contract variation will be sought in August 2022.

The AFL for the Commonwealth Hotel was executed on 10 March 2022, a condition by Council for the approved hotel extension to progress to construction. Hutchinson Builders have finalised the design development with an associated contract sum build due with council mid-July 2022. A detailed review by a third-party quantity surveyor has been completed. Council's approval for the associated contract variation with Hutchinson Builders will be sought in August 2022.

Practical completion has been achieved for Eats, Metro B, Metro A's façade and adjoining streetscapes. Terry White Chemmart and Gelatissimo both opened in late June 2022 and have been well supported by patrons and school holiday activations.

Due to the proximity of the July 2022 Ipswich Central Redevelopment Committee meeting to the end of the reporting month, the June 2022 Executive Report will be attached to the August 2022 Ipswich Central Redevelopment Committee meeting papers.

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

Challenges to retail leasing continue including but not limited to COVID-19 impacts, the pace of the retail market rebound, the securing of anchor and other tenants and the attractiveness of the offer from the lessor (Council) in the current market conditions.

The conversion of endorsed HOA's into legally binding AFLs/leases remains a critical outcome given the completion of the refurbishment works to the Eats and Metro B buildings.

The refurbishment of the Venue building is contingent on the execution of AFL with the prospective cinema operator.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS
RECEIVE AND NOTE REPORT
The recommendation states that the report be received, and the contents noted. The decision to receive and note the report does not limit human rights. Therefore, the decision is compatible with human rights.

FINANCIAL/RESOURCE IMPLICATIONS

The retail precinct's short-term commercial success remains dependent on identifying, attracting and securing a commercially viable tenancy mix through executed leases. Commercial success in the medium to longer term will require a comprehensive and ongoing activation and management strategy to support tenants and deliver a revitalised and activated precinct.



COMMUNITY AND OTHER CONSULTATION

The contents of this report did not require any community consultation.

CONCLUSION

The process to secure tenants continues as does the conversion of HOA's into AFL's/leases. Achieving an executed lease for the cinema remains a critical focus given that tenancies have commenced opening within the precinct.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Draft RSPSC Minutes 29.6.22  
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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”



IPSWICH CITY COUNCIL

MINUTES - RETAIL SUB-PROJECT STEERING COMMITTEE

Meeting: Retail Sub-Project Steering Committee – No 24
Venue: Claremont Room, Level 8 - 1 Nicholas Street
Date: 29 June 2022 (10:00 – 11:30 PM)

Members:	James Hepburn (Chair) (JH); Sean Madigan (GM I&E) (SM); Greg Thomas (Project Manager) (GT)	
Observers:	Cr Marnie Doyle, Cr Kate Kunzelmann, Sonia Cooper, Brent McKay (BM), Karyn Sutton (KS), Nicole Denman	
Apologies	Cr Nicole Jonic	
Chair / Minutes:	Chair – James Hepburn	Minutes – Nicole Denman
No.	OFFICER	DESCRIPTION
1	JH	Attendance / Apologies
2	JH	Previous Minutes & Actions Arising 1 June 2022 <ul style="list-style-type: none"> Item 3 - WMH – vacated LG Venue, future accommodation requirements discussed Item 4 – Venue and Commonwealth Hotel procurement and approval process Item 5 – AV presentation to be provided at conclusion of meeting Item 6 – Wayfinding to be discussed at Agenda Item 6 below
3	JH	Retail Leasing <ul style="list-style-type: none"> Retail PCG meeting outcomes 28 June 2022 Leasing - AFL status (distributed copy of latest leasing update) <ul style="list-style-type: none"> Identified potential Special Council Meeting 14 July 2022 to process up to 5 deals Leasing – HOA endorsements/ongoing negotiations/prospecting/new interest Cinema – Status update provided WMH update provided – Action: GT to coordinate calculation of base building costs associated with a tenancy within 143 Brisbane Street
4	JH	Retail Redevelopment <ul style="list-style-type: none"> Metro B/Eats – Status update provided <ul style="list-style-type: none"> Practical completion reached 27 June 2022 Commonwealth Hotel – Status update provided (copy of endorsement schedule distributed) <ul style="list-style-type: none"> Councillor briefing session 2 August 2022 Venue – Status update provided (copy of endorsement schedule distributed) <ul style="list-style-type: none"> Councillor briefing session 2 August 2022
5	KS	Precinct Activation and Events <ul style="list-style-type: none"> 2022/23 activation/event calendar <ul style="list-style-type: none"> Gelatissimo grand opening School Holidays Live Stage Shows Twilight Market contract period finalised Themed night offerings Update on working group - permits, licensing, mall gazettal etc. <ul style="list-style-type: none"> Action: KS – Related working group report to be shared via Infocouncil Action: KS – Renewed focus on obtaining and/or hosting a farmers market Nicholas St stakeholder engagement and update session <ul style="list-style-type: none"> Earmarked for 13 July 2022 - Notification of event provided to local stakeholders Metro B Walkway – Action: KS – future committee report to be prepared recommending a social media campaign seeking community feedback for an appropriate walkway name.
6	JH/KS	Precinct Management <ul style="list-style-type: none"> Tenancy openings Marketing, social media and website Wayfinding – Status update provided <ul style="list-style-type: none"> Signage package currently underway Urgent requirement to test construction pricing and supply delivery programme

Item 2 / Attachment 1.

7	GT	Procurement <ul style="list-style-type: none"> • Current – Commercial agent, Cinema operator, Venue PM, Senior PM - Retail Development • Future – Commonwealth Hotel/Venue D&C, Tulmur Bar design
8	JH	Financials <ul style="list-style-type: none"> • 2022/23 Operational budget update provided • 2022/23 Capital budget update provided
9	GT	July 2022 ICRC/Council Reports <ul style="list-style-type: none"> • June 2022 RSPSC Report • Communications Engagement and Events Reports • NSP Governance Report. • Potential inclusion of leasing papers – pending AFL execution
10	GT	Retail Ministerial Exemption <ul style="list-style-type: none"> • June 2022 quarterly report (completed), June 2022 half-yearly report (due late July)
11	GT	Precinct Strategy <ul style="list-style-type: none"> • QTC/councillor workshop 5 July 2022 – management/future options
12	GT	General Business <ul style="list-style-type: none"> • Submission of paper on NSP Branch's structure and staffing to be submitted to WRC • Existing delegations for precinct management • Status of property issues discussed Action: GT to prepare a simplified executive summary to accompany letter draft to QR • Tulmur Place – vegetation management • Trades Halls –meeting to be held PM 29.6.22 re outstanding issues
13	JH	Next Meeting – 27 July 2022

Doc ID No: A8151286

ITEM: 3

SUBJECT: NICHOLAS STREET PRECINCT - COMMUNICATIONS, ENGAGEMENT AND EVENTS
REPORT JUNE 2022

AUTHOR: COMMUNICATIONS, EVENTS AND ENGAGEMENT MANAGER

DATE: 30 JUNE 2022

EXECUTIVE SUMMARY

This is a report concerning the communications, engagement and events activity undertaken and planned for the Nicholas Street Precinct in June 2022.

RECOMMENDATION/S

**That the Nicholas Street Precinct Communications, Engagement and Events
Monthly Report be received and the contents noted.**

RELATED PARTIES

The General Manager of Infrastructure and Environment has declared a conflict of interest in relation to the Handmade Expo Markets operation. The conflict of interest has been declared to the Chief Executive Officer and the General Manager and has not been involved in relation to this aspect of the program.

ADVANCE IPSWICH THEME

Strengthening our local economy and building prosperity

Caring for the community

PURPOSE OF REPORT/BACKGROUND

The purpose of this report is to provide a summary of activity held in June and inform of activity upcoming.

EVENTS

In June the Nicholas Street Precinct hosted the Ipswich Twilight Markets, Handmade Market Expo, Ipswich Plant & Garden Fair, lunchtime food trucks, The Ipswich Cup Barrier Draw and Auslan Yoga, and commenced an extensive school holiday program featuring daily changing licenced stage shows, mini markets and the prehistoric creatures display. All events were well attended by the community with positive visitation numbers and feedback.

The Ipswich Twilight Markets held their final market in Tulmur Place on Friday, 3 June and with the scheduled event period now complete no further dates for this event are

scheduled. The market had been in operation for approximately 18 months and served as a great evening offer for the community to reignite night-time economy, and the events team are now in the process of formulating a new evening offering to launch in the spring months.

The precinct welcomed the opening of Terry White Chemmart to its new location closer to Tulmur Place on Monday, 20 June, and on Saturday, 25 June Gelatissimo officially opened to the community with a grand opening event that included free games, activities, face painting and free scoops for a two-hour period. Over 500 people attended the Gelatissimo opening, with local franchisee owners thankful for the support.

Marketing

The Nicholas Street marketing team are seeking to invite community consultation in regard to the naming of a key walking thoroughfare within the project that links Nicholas Street to the Ipswich train station, and is currently known as 'Metro B'. The thoroughfare will be home to service type retail tenancies and suggestions for the naming include Bremer Walk, Limestone Walk, Tulmur Link, Union Arcade, Central Arcade, City Link and Metro. A two-week social media campaign will be launched in late July to invite the community to vote on these names and offer additional suggestions.

The marketing team is also actively building a dedicated precinct focused database to support tenant openings and event visitation, and targeted industry advertising continued during June in both The Urban Developer and Shopping Centre News, with branded content across display ads, print and database email inclusion to leverage overall brand awareness.

LEGAL/POLICY BASIS

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

Local Government Act 2009

RISK MANAGEMENT IMPLICATIONS

Comprehensive COVID-19 plans are in place for all events in addition to the enforcement of the issues and crisis plan, emergency plan and engagement of 1800-medics to support as appropriate.

FINANCIAL/RESOURCE IMPLICATIONS

The initial draft of the 2022-2023 precinct activation budget has been completed and is currently under management review.

COMMUNITY AND OTHER CONSULTATION

Internal and external consultation included key precinct stakeholders (landlords and business owners), project partners and contractors (Ranbury, Hutchinsons, event organisers, etc).

CONCLUSION

Commercial success for the precinct in the medium and long term is reliant on a comprehensive and ongoing management strategy and complementing activation plan to support tenants and deliver a revitalised precinct that encourages the community to 'explore more'.

Karyn Sutton

COMMUNICATIONS, EVENTS AND ENGAGEMENT 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"

Doc ID No: A8145583

ITEM: 4

SUBJECT: NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B04

AUTHOR: PROJECT MANAGER

DATE: 28 JUNE 2022

EXECUTIVE SUMMARY

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B04 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATIONS

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B04 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B04") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B04 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B04 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B04 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

RELATED PARTIES

Ranbury Property Services - Retail Leasing Agent

Knight Frank Valuation & Advisory Queensland – Independent Market Appraisal
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

In 2019 council was granted a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases and sub-leases) associated with the Nicholas Street Precinct redevelopment. To ensure council had sufficient time to fully implement its retail strategy, council sought and was granted an exemption until 30 June 2023. The goal of the exemption was to allow council to efficiently and effectively implement its retail strategy through the disposal of leases and State sub-leases (held by council) by more appropriate, market accepted, transactional means other than by a tender or auction process mandated under section 227 of the Regulation.

This exemption was sought as retail leasing is generally not undertaken through a tender or auction process. It is a specialised process undertaken by experienced retail leasing firms with relationships with the types of tenants targeted for a project. These relationships allow conversations to explain a project and the opportunities tailored to each prospective tenant. The retail leasing agent, appointed by council, has and continues to actively market the subject tenancies to prospective tenants.

Further, industry advice confirmed it would be highly likely that any tender or auction process for the retail tenancies would receive very limited responses and that any response would not contain the commercial terms sought by council. In addition, these processes would be inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage and entertainment/leisure tenancies.

As part of the exemption approval process, council committed to adhere to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*, specifically through a number of proposed safeguards to ensure openness and transparency with regard to the related transactions. Correspondence from the then Minister of Local Government dated 24 September 2019 (refer Attachment 1) confirmed approval of the exemption (for both council's retail and commercial tenancies). Further, this approval conditioned the exemption on compliance with the activities proposed by council to address the sound contracting principles as outlined in council's letter to the then Department of Local Government, Racing and Multicultural Affairs dated 10 September 2019 (refer Attachment 2). Specifically, this requires the following condition be met "each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution (agendas, papers and minutes all publicly accessible)". **(Note: all related precinct matters are now managed by the Ipswich Central Redevelopment Committee).** This process will be utilised for each individual retail (and future commercial) lease arrangement.

This paper is seeking council's approval to enter into an agreement for lease for a food tenancy associated with the Nicholas Street Precinct redevelopment utilising the process detailed above. The agreement for lease relates to a sub-lease for one of terrace tenancies in the Metro B building which fronts/overlooks Union Place being 2B04 tenancy (72 m²). Council holds the leasehold interest from Queensland Rail (Lease No. 601375840) over the Metro B Building with the long-term lease expiring on 27 November 2077. The Metro B Building impacts part of lot 1RP157021 (over the rail line).

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 names associated with each 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. Announcements relating to Metro B lessees are planned to be released in batches in 2022. 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 and proposed tenure length are contained in confidential Attachments 4 - 6).

Council engaged Knight Frank Valuation & Advisory Queensland to provide an independent market appraisal of each 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). This advice is considered by council prior to the Chief Executive Officer endorsing any Heads of Agreement progressing to the preparation of related legal documentation including agreements for lease, leases and associated documentation. Knight Frank's review of Metro B tenancy 2B03 is attached (refer confidential Attachment 5). Also attached is the Lease Deal Approval Report for Metro B tenancy 2B04 (refer confidential Attachment 6). Confidential Attachment 4 details material changes with the commercial terms from the Knight Frank review of the initial deal proposed

in the adjoining Metro B tenancy 2B03 to the preparation of the agreement for lease for the current proposal for Metro B tenancy 2B04.

This paper seeks approval for council to enter into an agreement for lease for a food 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 Metro B tenancy 2B04 and ensure the lessee can commence their fit-out works and opening as soon as possible.

Post the execution of the lease documentation for each tenancy, council will be provided with a subsequent report detailing lessee specifics and their offering.

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 medium to long-term success and viability of both the retail precinct and the overall Ipswich Central CBD Redevelopment is heavily dependent on the retail leasing program delivering a tenancy mix comprising high-quality, commercially successful tenants. The approval and subsequent execution of further agreements for lease will send a positive signal to the retail leasing market around the precinct's future success.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	<p>Recommendation A relates to Council entering into an agreement for lease and an associated document for Metro B 2B04 tenancy.</p> <p>Recommendation B relates to Council entering into a lease for Metro B 2B04 tenancy.</p> <p>Recommendation C outlines how Council will apply a ministerial exemption to the disposal of a leasehold interest in the Metro B Building.</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?	No human rights are affected by this decision. This is because the prospective lessee is a company (only individuals have human rights).
(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

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 the retail leasing agent's payments and any associated landlord contributions is incorporated into the project's budget.

COMMUNITY AND OTHER CONSULTATION

The contents of this report did not require any community consultation.

Detailed consultation has occurred with the Department of State Development, Infrastructure, Local Government and Planning on the both the conditioned process and the associated documentation to be provided to council for AFL/lease approvals.



Council's Legal Services team have been consulted on the form and contents of this report and its attachments.

CONCLUSION

The flexibility provided by the ministerial exemption over the Regulation's tender and auction provisions allows council to optimise the tenancy mix, the commercial outcomes and the long-term success for each tenancy and the project overall.

As a priority, the focus is to progress the conversion of endorsed Heads of Agreement into agreement for leases particularly as refurbishment works on both the Eats and Metro B buildings is completed. Approval of this agreement for lease within Nicholas Street Precinct's Metro B will continue the positive message to the Ipswich community and the market that the redevelopment is moving forward.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Ministerial Exemption Approval 24.9.19 
2.	Ministerial Exemption ICC Clarifications 10.9.19 
	CONFIDENTIAL
3.	NSP Retail Leases - Legal Advice

- | | |
|----|---|
| 4. | Confidential Report - Metro B 2B04 |
| 5. | Knight Frank Assessment - Metro B 2B03 |
| 6. | Lease Deal Approval Report - Metro B 2B04 |

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”



Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

Our ref: MC19/4387

24 SEP 2019

Mr Greg Chemello
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ABN 65 959 415 158

Dear Greg

Thank you for your letter of 12 August 2019, seeking an exemption from compliance with the tender or auction requirements in section 227 of the Local Government Regulation 2012 (the Regulation) for the disposal of the Ipswich City Council's interest in land within the Ipswich Central Business District precinct.

I am advised that officers of the Department of Local Government, Racing and Multicultural Affairs subsequently met with Council officers to discuss the scope of the application and additional information necessary to assess the Council's application. Following this meeting, the Council provided the Department with a letter dated 10 September 2019, reducing the scope of its application to solely the leasing and sub-leasing component of the Council's original request, and providing the additional information requested by the Department.

Following an assessment of the Council's request, I have approved an exemption under section 236(1)(f) of the Regulation from compliance with section 227 of the Regulation for the leasing and sub-leasing of the Council's interest in land within the Ipswich Central Business District precinct, subject to the following conditions:

- The exemption relates to the properties identified in Attachment 1 to the Council's letter to the Department dated 10 September 2019, which provided additional information regarding the Council's application.
- The exemption is for a period up to 30 June 2023.
- The Council must comply with the activities proposed by the Council to address the sound contracting principles in section 104(3) of the *Local Government Act 2009*, as outlined in the Council's letter to the Department dated 10 September 2019.
- For the period of the exemption, the Council must provide a quarterly report to me detailing the exercise of this exemption. The report must include details of the status of all lease arrangements, an independent market appraisal of the lease, reasons for any lease being under market value and details of any conflicts of interest (COI) or material personal interest (MPI) held by the Interim Administrator, members of the Interim Management Committee, Councillor or employee of the Council in relation to each lease and how the COI or MPI was managed.

- For the period of the exemption, the Council must provide a six-monthly report to me on the CBD redevelopment project's overall implementation and achievements and its impacts on the wider Ipswich economy.

I have asked for Ms Rebecca McAnalen, Principal Regional Advisor (South), Local Government Division in the Department to assist you with any further queries. You may wish to contact Ms McAnalen on 3452 6738 or by email at rebecca.mcanalen@dlgrma.qld.gov.au.

Yours sincerely



STIRLING HINCHLIFFE MP
Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

Greg Thomas
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Kent Wain
Manager Southern Region
Department of Local Government, Racing and Multicultural Affairs
Level 3, 12 First Avenue
Maroochydore QLD 4558

10 September 2019

Dear Mr Wain

Re: Additional information re Ipswich City Council's request for exemption under section 236 (1)(f) of the *Local Government Regulation 2012* - Nicholas Street - Ipswich Central (CBD Redevelopment)

With reference to departmental correspondence dated 26 August 2019 and the 28 August 2019 meeting between council, its consultants and officers of the Department of Local Government, Racing and Multicultural Affairs (DLGRMA), this correspondence provides the requested executive summary outlining (at a high-level) reasoning for pursuing the above ministerial exemption (exemption) together with responses to other clarifications sought by DLGRMA.

At the 28 August 2019 meeting, discussions occurred on both the scope and complexity of council's application dated 12 August 2019. As a result, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application. Council proposes that any future divestments within the precinct will be the subject of separate site-specific exemption applications. Given this, a number of the clarifications sought by your department specifically relating to the disposal of freehold or leasehold land are not dealt with in this correspondence (refer Attachment 8).

Executive Summary

Council is seeking a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases/sub-leases) associated with its Nicholas Street - Ipswich Central CBD redevelopment (the project). The exemption will allow council to efficiently and effectively implement its retail strategy through the disposal of related non-current assets (leases/sub-leases) by more appropriate, market accepted,

transactional means other than by a tender or auction process as required under section 228 of the Regulation.

Background

Since 2009 Council's subsidiary, Ipswich City Properties Pty Ltd (ICP), has purchased the majority of the Nicholas Street assets (freehold and leasehold) with the vision of leading the redevelopment of the Ipswich CBD. Due to a number of factors, significant delays were experienced in progressing the redevelopment. As a result, the CBD is currently underutilised and the ongoing delays have contributed to its decline, significantly impacting commercial activity and community perception of the precinct.

Council's overarching goal for the project is to revitalise the precinct into a vibrant, mixed-use development ultimately incorporating civic functions, retail, commercial, entertainment and public spaces. The project's success is critical to allow council to regain the local community's trust and rebuild the positive sentiment which has been eroded by recent political events. Council's strategic objectives for the CBD's renewal also include the creation of an enduring and activated civic heart, the relocation of council's administration centre and a civic space capable of delivering cultural and entertainment activities (refer schematic Attachment 6).

Council's ultimate redevelopment of the Nicholas Street/Union Place precinct will include up to 46 retail and four commercial tenancies with up to 13 floors of commercial office space (refer Attachments 3 to 5 for the latest schematics of the retail tenancies).

Application Driver

To progress the delayed redevelopment and as part of the process to deregister ICP due to prior governance concerns and poor public perception, all of ICP's land holdings and interests in the CBD precinct transferred to council on 27 June 2019. Due to the Regulation's requirements, the change in ownership of these non-current assets (refer Attachments 1 and 2) has impeded council's ability to implement ICP's leasing and divestment strategy (refer pp 18-21 of Business Case - Attachment 3). This strategy was underpinned by ICP's ability to successfully lease the retail and commercial tenancies to a predetermined mix and at a future date, divest itself of what are essentially non-core local government assets. Attachment 2 identifies the leasing or sub-leasing proposal for each precinct asset.

Under section 228 of the Regulation, disposal of non-current assets must be through a tender or auction process unless an exemption is granted under section 236 (1)(f). Under ICP's strategy now adopted by council, the proposed disposal of non-current assets specifically relates to the leasing and future sale of freehold land and the sub-leasing or future sale of State leases. Following the meeting with DLGRMA on 28 August 2019, council has modified its request for an exemption to the solely the leasing and sub-leasing component of the original application dated 12 August 2019. It is council's position sub-optimal outcomes for both the project and the Ipswich community will result if disposal of the leases and sub-leases occurs through either a tender or auction process.

Industry Practice

Retail and commercial leasing is generally not undertaken through a tender or auction process. It is a specialised process best undertaken by experienced retail leasing executives who have relationships with the types of tenants targeted for a project. Given these relationships, the retail leasing executives are able to conduct trusted conversations to adequately explain a project and its

opportunities tailored to that particular tenant and as a result, gather an understanding of their tenancy requirements.

Traditional industry practice (especially for a development of this size) is that an independent assessment of likely market rents is first prepared with a schedule of asking rents determined. Properties are then marketed and advertised widely. ICP had until 27 June 2019 undertaken this approach and appointed a leasing agent (secured after a competitive process). This agent, now directly appointed by council, has and is continuing to actively market the subject properties to prospective retail tenants with a number confirming strong interest. Further a number of parties have submitted signed lease offers to both ICP/council with a majority of the offers received meeting or exceeding council's target rental levels.

Why an Exemption?

Industry advice confirms that it would be highly likely that any tender or auction process for the retail or commercial tenancies would receive very limited responses and that those that were received would not contain the commercial terms sought by council. In addition, these processes are inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage and entertainment areas. Council's reasons for pursuing the exemption option are clarified below.

Why wouldn't a tender or auction process deliver optimal outcomes or the commercial terms desired by Council? Advice from council's retail leasing team is that the retail leasing market would not adequately respond to a tender or auction process for retail or commercial tenancy opportunities. Traditionally this market operates and responds to experienced retail leasing executives who have developed relationships and trust with retailers to individually and specifically introduce such opportunities directly to them.

A tender or auction process does not spread the 'net' wide enough to capture all parties that would or could be interested in the precinct or identified for targeting by council. Prospective tenants sought would simply not engage in such processes given opportunities are generally historically introduced to them on a specific and individual basis. In short, generally these entities do not need to engage in a tender or auction process to secure space to expand their businesses.

Interstate operators would not receive or be aware of local or state-based public tender processes. In contrast, the direct contact leasing approach to date has introduced the project and its specifically targeted opportunity to approximately 300 retailers. A previous EOI campaign conducted by ICP in relation to the entertainment venue and a component of the food and beverage offer only received limited responses.

Generally speaking retail space is never auctioned. While multiple offers might be entertained for an individual site, there is no bidding process to drive an improved commercial outcome. Also with retail, the highest bidder for a particular tenancy may not be provide the lessor with the best result for the development overall. The quality of offer, fit-out, covenant, brand and overall experience a customer can expect are far more important drivers for the appropriate commercial decision and long-term viability of the both the tenancy and the overall retail development. This is especially so in the case of this project where the strategy is to create an enduring point of difference over both Riverlink Shopping Centre and other food and beverage and entertainment providers in the Ipswich area.

Why wouldn't an appropriately drafted tender process deliver the desired tenancy mix for the CBD?

The tenancy mix for a project is a carefully considered strategic approach, followed by strategic targeting of tenants who are deemed most appropriate for that mix, with direct contact established to introduce and articulate the project opportunity. It is common industry practice that this is the process by which tenants receive their tenancy opportunities for consideration.

The tenancy mix is critical as in reality it is tailoring the targeted tenants to suit the environment and precincts that are being created together with ensuring longevity of the lease. Rather than taking an ad-hoc approach to the market and inviting anyone to tender, the general industry approach is to take a more precise approach. By leveraging retailer relationships, better engagement and interest is achieved. In this project's case, irrespective of how well defined a tender process may have been designed, it is considered highly unlikely that some of the extremely interested prospective tenants (who have already submitted offers) would be regularly reviewing the LG Tender Box or local papers or the internet to identify potential tenders to participate in.

Why wouldn't a tender or auction process achieve commercially sound bids due to the CBD redevelopment project's chequered history? As discussed above, prospective tenants generally do not participate in tender or auction processes. This is certainly the case for projects that have had significant challenges and/or history such as in the case with the Ipswich CBD redevelopment. The personalised approach with prospective tenants including open communication with interested or targeted parties has and will enable the leasing team to address and clear up any pre-existing and or ill-conceived perceptions of council or Ipswich due to recent events and reinforce the opportunity. A degree of 'sales' prowess is required for this project which is why a personalised approach will always yield superior results.

How will council deal with the sub-leases that it has with State agencies and are there any restrictions within these sub-leases which would impact tender or auction options? As with any other leases, council will abide by the terms and the conditions of any existing sub-leases with State agencies for the duration of that sub-lease. Council has the following existing arrangements in the CBD precinct:

- Queensland Health – Two sub leases on ground and lower ground of 2 Bell Street respectively, both expiring 30 November 2019, post this date only the lower ground tenancy will remain but on a licence arrangement for three years;
- West Moreton Health – Licence on Level 1 of 2 Bell Street has expired, currently operating on a month by month basis; and
- Seqwater – lease for 200 car park spaces in Civic Square (not relevant to this application).

A review of the sub-leases did not identify any restrictive clauses with regard to a tender or auction process taking place. It did identify a requirement for a standard advance notification to the tenant where a sale or a change in ownership is to occur.

Council will need to consult and obtain the written approval of Queensland Rail as the Lessor to enter into any new lease or sub-lease arrangement for the existing registered leases located at 25 Ipswich City Mall and 2 Bell Street.

Is there a possibility of staging an exemption approval for parts of the project, that is delaying leasing certain properties or the divestment strategy? As discussed above, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application dated 12 August 2019 with any future sale within the precinct to be a site-specific exemption application.

While a number of permutations exist for the staging the delivery of the retail portfolio including realigning the timing for some food and beverage offerings with the administration centre opening around July 2021, council's position is that the exemption should cover all of the retail and commercial tenancies for the following reasons:

- Council's staging delivery is yet to be finalised and as such, a restricted exemption approval at this time based on a reduced number of tenancies may be premature and cause subsequent delays to the project;
- Flexibility is crucial in retail leasing to accommodate specific tenants needs as negotiations are advanced in the leasing process, the mix and tenant requirements are constantly reviewed and revised as interest is firmed up through the process; and
- The exemption term sought (see below) is to 30 June 2023 – if granted this will allow council sufficient time to either fully implement its retail strategy or if required modify its delivery program to stage parts of the retail and commercial development.

Exemption Term

To ensure council has a sufficient period to fully implement its retail strategy and maximise the leasing take-up on the numerous retail and commercial leases within the precinct, council is seeking the exemption be granted until 30 June 2023. The success of the precinct is predicated on commercial arrangements for the majority of the tenancies (food and beverage and entertainment) being in place to allow them to commence operation from the middle to the end of 2021. Based on the projected success of the development and the requested exemption timeline to 30 June 2023, council anticipates it will have significantly achieved its leasing strategy by this time.

Depending on the success of any future divestment strategy, if the leasing outcome sought is not likely to be achieved by 30 June 2023, council will in the period leading up to the expiration date lodge a further exemption application.

Transparency and Safeguards

Should council's application for an exemption for the project's leasing and sub-leasing be approved, council understands that associated conditions will apply for the term of the exemption. In anticipation, council commits to adhering to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*. Council will ensure openness and transparency with regard to the related transactions through, but not be limited to:

S 104(3) Principle	Proposed Activity
a) value for money	<ul style="list-style-type: none"> • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal to ensure lease terms proposed are market aligned • Each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution – agendas, papers and minutes all publically accessible • Regular reporting to DLGRMA of the application of the exemption including: <ul style="list-style-type: none"> • changes in project strategy/scope/deliverables

S 104(3) Principle	Proposed Activity
	<ul style="list-style-type: none"> • lease arrangements/lessee • market appraisal v actual lease terms • reasons why a lease may not achieve market value
b) open and effective competition	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • Continued public presentations and other communications outlining the project and promotion of its opportunities to prospective tenants • Publically available monthly reports to council on status of the leasing strategies including confirmation of signed leases (less confidential information) • Regular reporting to DLGRMA on the status of the leasing strategy including confirmation of signed leases etc.
c) development of competitive local business and industry	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • For the exemption's duration, six monthly high-level reporting to DLGRMA on the project's overall implementation and achievements and its impacts of the surrounding and wider Ipswich economy
d) environmental protection	<ul style="list-style-type: none"> • Council will balance the development needs with environment needs and ensure all leases and sub-leases meet regulated environmental requirements
e) ethical behaviour and fair dealing	<ul style="list-style-type: none"> • Release of regular updates (press releases) to the media regarding key tenants secured (once leases are binding and the tenant agrees) • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal • Monthly reports to council on status of the leasing strategies including details of any conflicts of interest of the Interim Administrator, Interim Management Committee, councillors, council employees or project consultants • Regular reporting to DLGRMA to include: <ul style="list-style-type: none"> • report on process probity by independent, external reviewer • reasons for any lease being under market value • details of any conflicts of interest

Summary

The granting of an exemption will enable council to both counter-sign the existing lease offers achieved under ICP and continue the active marketing and acceptance of lease offers for the remaining tenancies. The success of the redevelopment is largely based on council's ability to identify and lock-in a high-quality, diverse tenancy mix that will on an ongoing basis draw the community into the precinct. In terms of momentum, communicating to prospective tenants, the quantum and type of leases already locked in to the development will greatly assist council in promoting the attractiveness of the opportunity. This is now at a critical point in time for the project, where further delay could have adverse impacts to ongoing leasing success.

Should council not be provided with the exemption, it is highly likely that sub-optimal commercial outcomes will result together with an inability to obtain the desired mix of retail and commercial leases and the ongoing devaluation of the council's assets. Further leasing momentum has been built through recent activities with approximately 300 prospective tenants communicated with to date and a number of lease offers received or under negotiation. Should the exemption not be granted, the project runs the risk of confidence being eroded once again if there are further delays with prospective tenants likely 'going cold' on the opportunity.

In line with a divestment strategy underpinned by the belief that it should not be the long-term owner of significant CBD holdings, it is council's medium to long-term intention to dispose of the leased/subleased assets to the private sector. Site specific ministerial exemptions will be sought at that time, likely once all or the majority of leases are in place and the precinct fully established and activated, strengthening each property's valuation and subsequent return to council upon sale.

This correspondence includes a number of attachments that provide additional supporting information and schematics to previously provided documentation. Attachment 7 contains a guide of detailed references in the correspondence and the business case dated 12 August which support the discussion above.

In summary, approval of a section 236 exemption for the disposal of non-current assets (via leases or sub-leases) for the Nicholas Street – Ipswich Central project will allow council to utilise traditional retail industry practices to significantly or fully lease/sub-lease the subject assets, assist council achieve its retail strategy goals and ultimately fully realise the value of each property and maximise the financial returns for the Ipswich community. The period of the ministerial exemption sought is to 30 June 2023.

Should you require further discussion or information on this matter, please contact me at greg.thomas@ipswich.qld.gov.au or on (07) 3810 7080 or 0447200008.

Yours sincerely

Greg Thomas
PROJECT MANAGER

ATTACHMENTS:

Attachment	Title
Attachment 1	Subject Precinct Properties – Retail/Commercial Tenancy Yield
Attachment 2	Schematic – Retail Leasing – Impacted Freehold/Leasehold Properties
Attachment 3-5	Retail and Commercial Tenancies - Architectural Drawings 26.8.19
Attachment 6	Precinct Site Plan – Completion Dates – Civic Space/Council Building/Library
Attachment 7	References - Letter and Business Case
Attachment 8	26 August 2019 DLGRMA Sale Related Clarifications

Doc ID No: A8135326

ITEM: 5

SUBJECT: NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B05

AUTHOR: PROJECT MANAGER

DATE: 28 JUNE 2022

EXECUTIVE SUMMARY

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B05 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B05 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B05") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B05 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B05 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B05 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

RELATED PARTIES

Ranbury Property Services - Retail Leasing Agent
Knight Frank Valuation & Advisory Queensland – Independent Market Appraisal
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

In 2019 council was granted a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases and sub-leases) associated with the Nicholas Street Precinct redevelopment. To ensure council had sufficient time to fully implement its retail strategy, council sought and was granted an exemption until 30 June 2023. The goal of the exemption was to allow council to efficiently and effectively implement its retail strategy through the disposal of leases and State sub-leases (held by council) by more appropriate, market accepted, transactional means other than by a tender or auction process mandated under section 227 of the Regulation.

This exemption was sought as retail leasing is generally not undertaken through a tender or auction process. It is a specialised process undertaken by experienced retail leasing firms with relationships with the types of tenants targeted for a project. These relationships allow conversations to explain a project and the opportunities tailored to each prospective tenant. The retail leasing agent, appointed by council, has and continues to actively market the subject tenancies to prospective tenants.

Further, industry advice confirmed it would be highly likely that any tender or auction process for the retail tenancies would receive very limited responses and that any response would not contain the commercial terms sought by council. In addition, these processes would be inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage and entertainment/leisure tenancies.

As part of the exemption approval process, council committed to adhere to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*, specifically through a number of proposed safeguards to ensure openness and transparency with regard to the related transactions. Correspondence from the then Minister of Local Government dated 24 September 2019 (refer Attachment 1) confirmed approval of the exemption (for both council's retail and commercial tenancies). Further, this approval conditioned the exemption on compliance with the activities proposed by council to address the sound contracting principles as outlined in council's letter to the then Department of Local Government, Racing and Multicultural Affairs dated 10 September 2019 (refer Attachment 2). Specifically, this requires the following condition be met "each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution (agendas, papers and minutes all publicly accessible)". **(Note: all related precinct matters are now managed by the Ipswich Central Redevelopment Committee).** This process will be utilised for each individual retail (and future commercial) lease arrangement.

This paper is seeking council's approval to enter into an agreement for lease for a food and beverage tenancy associated with the Nicholas Street Precinct redevelopment utilising the process detailed above. The agreement for lease relates to a sub-lease for one of terrace

tenancies in the Metro B building which fronts/overlooks Union Place being 2B05 tenancy (492 m²). Council holds the leasehold interest from Queensland Rail (Lease No. 601375840) over the Metro B Building with the long-term lease expiring on 27 November 2077. The Metro B Building impacts part of lot 1RP157021 (over the rail line).

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 names associated with each 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. Announcements relating to Metro B lessees are planned to be released in batches in 2022. 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 and proposed tenure length are contained in confidential Attachments 4 - 6).

Council engaged Knight Frank Valuation & Advisory Queensland to provide an independent market appraisal of each 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). This advice is considered by council prior to the Chief Executive Officer endorsing any Heads of Agreement progressing to the preparation of related legal documentation including agreements for lease, leases and associated documentation. Knight Frank's review of Metro B tenancy 2B05 is attached (refer confidential Attachment 5). Also attached is the Lease Deal Approval Report for Metro B tenancy 2B05 (refer confidential Attachment 6). Confidential Attachment 4 details material changes with the commercial terms from the Knight Frank review to the preparation of the agreement for lease.

This paper seeks approval for council to enter into an agreement for lease for a food and beverage 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 Metro B tenancy 2B05 and ensure the lessee can commence their fit-out works and opening as soon as possible.

Post the execution of the lease documentation for each tenancy, council will be provided with a subsequent report detailing lessee specifics and their offering.

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 medium to long-term success and viability of both the retail precinct and the overall Ipswich Central CBD Redevelopment is heavily dependent on the retail leasing program delivering a tenancy mix comprising high-quality, commercially successful tenants. The approval and subsequent execution of further agreements for lease will send a positive signal to the retail leasing market around the precinct's future success.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	<p>Recommendation A relates to Council entering into an agreement for lease and an associated document for Metro B 2B05 tenancy.</p> <p>Recommendation B relates to Council entering into a lease for Metro B 2B05 tenancy.</p> <p>Recommendation C outlines how Council will apply a ministerial exemption to the disposal of a leasehold interest in the Metro B Building.</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?	No human rights are affected by this decision. This is because the prospective lessee is a company (only individuals have human rights).
(c) How are the human rights limited?	Not applicable.
(d) Is there a good reason for limiting	Not applicable.

the relevant rights? Is the limitation fair and reasonable?	
(e) Conclusion	The decision is consistent with human rights.

FINANCIAL/RESOURCE IMPLICATIONS

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 the retail leasing agent's payments and any associated landlord contributions is incorporated into the project's budget.

COMMUNITY AND OTHER CONSULTATION

The contents of this report did not require any community consultation.

Detailed consultation has occurred with the Department of State Development, Infrastructure, Local Government and Planning on the both the conditioned process and the associated documentation to be provided to council for AFL/lease approvals.





Council's Legal Services team have been consulted on the form and contents of this report and its attachments.

CONCLUSION

The flexibility provided by the ministerial exemption over the Regulation's tender and auction provisions allows council to optimise the tenancy mix, the commercial outcomes and the long-term success for each tenancy and the project overall.

As a priority, the focus is to progress the conversion of endorsed Heads of Agreement into agreement for leases particularly due to the completion of refurbishment works on both the Eats and Metro B buildings. Approval of this agreement for lease within Nicholas Street Precinct's Metro B will continue the positive message to the Ipswich community and the market that the redevelopment is moving forward.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Ministerial Exemption Approval 24.9.19  
2.	Ministerial Exemption ICC Clarifications 10.9.19  
	CONFIDENTIAL
3.	NSP Retail Leases - Legal Advice
4.	Confidential Report - Metro B 2B05
5.	Knight Frank Assessment - Metro B 2B05
6.	Lease Deal Approval Report - Metro B 2B05

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”



Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

Our ref: MC19/4387

24 SEP 2019

Mr Greg Chemello
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ABN 65 959 415 158

Dear Greg

Thank you for your letter of 12 August 2019, seeking an exemption from compliance with the tender or auction requirements in section 227 of the Local Government Regulation 2012 (the Regulation) for the disposal of the Ipswich City Council's interest in land within the Ipswich Central Business District precinct.

I am advised that officers of the Department of Local Government, Racing and Multicultural Affairs subsequently met with Council officers to discuss the scope of the application and additional information necessary to assess the Council's application. Following this meeting, the Council provided the Department with a letter dated 10 September 2019, reducing the scope of its application to solely the leasing and sub-leasing component of the Council's original request, and providing the additional information requested by the Department.

Following an assessment of the Council's request, I have approved an exemption under section 236(1)(f) of the Regulation from compliance with section 227 of the Regulation for the leasing and sub-leasing of the Council's interest in land within the Ipswich Central Business District precinct, subject to the following conditions:

- The exemption relates to the properties identified in Attachment 1 to the Council's letter to the Department dated 10 September 2019, which provided additional information regarding the Council's application.
- The exemption is for a period up to 30 June 2023.
- The Council must comply with the activities proposed by the Council to address the sound contracting principles in section 104(3) of the *Local Government Act 2009*, as outlined in the Council's letter to the Department dated 10 September 2019.
- For the period of the exemption, the Council must provide a quarterly report to me detailing the exercise of this exemption. The report must include details of the status of all lease arrangements, an independent market appraisal of the lease, reasons for any lease being under market value and details of any conflicts of interest (COI) or material personal interest (MPI) held by the Interim Administrator, members of the Interim Management Committee, Councillor or employee of the Council in relation to each lease and how the COI or MPI was managed.

- For the period of the exemption, the Council must provide a six-monthly report to me on the CBD redevelopment project's overall implementation and achievements and its impacts on the wider Ipswich economy.

I have asked for Ms Rebecca McAnalen, Principal Regional Advisor (South), Local Government Division in the Department to assist you with any further queries. You may wish to contact Ms McAnalen on 3452 6738 or by email at rebecca.mcanalen@dlgrma.qld.gov.au.

Yours sincerely



STIRLING HINCHLIFFE MP
Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

Greg Thomas
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Kent Wain
Manager Southern Region
Department of Local Government, Racing and Multicultural Affairs
Level 3, 12 First Avenue
Maroochydore QLD 4558

10 September 2019

Dear Mr Wain

Re: Additional information re Ipswich City Council's request for exemption under section 236 (1)(f) of the *Local Government Regulation 2012* - Nicholas Street - Ipswich Central (CBD Redevelopment)

With reference to departmental correspondence dated 26 August 2019 and the 28 August 2019 meeting between council, its consultants and officers of the Department of Local Government, Racing and Multicultural Affairs (DLGRMA), this correspondence provides the requested executive summary outlining (at a high-level) reasoning for pursuing the above ministerial exemption (exemption) together with responses to other clarifications sought by DLGRMA.

At the 28 August 2019 meeting, discussions occurred on both the scope and complexity of council's application dated 12 August 2019. As a result, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application. Council proposes that any future divestments within the precinct will be the subject of separate site-specific exemption applications. Given this, a number of the clarifications sought by your department specifically relating to the disposal of freehold or leasehold land are not dealt with in this correspondence (refer Attachment 8).

Executive Summary

Council is seeking a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases/sub-leases) associated with its Nicholas Street - Ipswich Central CBD redevelopment (the project). The exemption will allow council to efficiently and effectively implement its retail strategy through the disposal of related non-current assets (leases/sub-leases) by more appropriate, market accepted,

transactional means other than by a tender or auction process as required under section 228 of the Regulation.

Background

Since 2009 Council's subsidiary, Ipswich City Properties Pty Ltd (ICP), has purchased the majority of the Nicholas Street assets (freehold and leasehold) with the vision of leading the redevelopment of the Ipswich CBD. Due to a number of factors, significant delays were experienced in progressing the redevelopment. As a result, the CBD is currently underutilised and the ongoing delays have contributed to its decline, significantly impacting commercial activity and community perception of the precinct.

Council's overarching goal for the project is to revitalise the precinct into a vibrant, mixed-use development ultimately incorporating civic functions, retail, commercial, entertainment and public spaces. The project's success is critical to allow council to regain the local community's trust and rebuild the positive sentiment which has been eroded by recent political events. Council's strategic objectives for the CBD's renewal also include the creation of an enduring and activated civic heart, the relocation of council's administration centre and a civic space capable of delivering cultural and entertainment activities (refer schematic Attachment 6).

Council's ultimate redevelopment of the Nicholas Street/Union Place precinct will include up to 46 retail and four commercial tenancies with up to 13 floors of commercial office space (refer Attachments 3 to 5 for the latest schematics of the retail tenancies).

Application Driver

To progress the delayed redevelopment and as part of the process to deregister ICP due to prior governance concerns and poor public perception, all of ICP's land holdings and interests in the CBD precinct transferred to council on 27 June 2019. Due to the Regulation's requirements, the change in ownership of these non-current assets (refer Attachments 1 and 2) has impeded council's ability to implement ICP's leasing and divestment strategy (refer pp 18-21 of Business Case - Attachment 3). This strategy was underpinned by ICP's ability to successfully lease the retail and commercial tenancies to a predetermined mix and at a future date, divest itself of what are essentially non-core local government assets. Attachment 2 identifies the leasing or sub-leasing proposal for each precinct asset.

Under section 228 of the Regulation, disposal of non-current assets must be through a tender or auction process unless an exemption is granted under section 236 (1)(f). Under ICP's strategy now adopted by council, the proposed disposal of non-current assets specifically relates to the leasing and future sale of freehold land and the sub-leasing or future sale of State leases. Following the meeting with DLGRMA on 28 August 2019, council has modified its request for an exemption to the solely the leasing and sub-leasing component of the original application dated 12 August 2019. It is council's position sub-optimal outcomes for both the project and the Ipswich community will result if disposal of the leases and sub-leases occurs through either a tender or auction process.

Industry Practice

Retail and commercial leasing is generally not undertaken through a tender or auction process. It is a specialised process best undertaken by experienced retail leasing executives who have relationships with the types of tenants targeted for a project. Given these relationships, the retail leasing executives are able to conduct trusted conversations to adequately explain a project and its

opportunities tailored to that particular tenant and as a result, gather an understanding of their tenancy requirements.

Traditional industry practice (especially for a development of this size) is that an independent assessment of likely market rents is first prepared with a schedule of asking rents determined. Properties are then marketed and advertised widely. ICP had until 27 June 2019 undertaken this approach and appointed a leasing agent (secured after a competitive process). This agent, now directly appointed by council, has and is continuing to actively market the subject properties to prospective retail tenants with a number confirming strong interest. Further a number of parties have submitted signed lease offers to both ICP/council with a majority of the offers received meeting or exceeding council's target rental levels.

Why an Exemption?

Industry advice confirms that it would be highly likely that any tender or auction process for the retail or commercial tenancies would receive very limited responses and that those that were received would not contain the commercial terms sought by council. In addition, these processes are inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage and entertainment areas. Council's reasons for pursuing the exemption option are clarified below.

Why wouldn't a tender or auction process deliver optimal outcomes or the commercial terms desired by Council? Advice from council's retail leasing team is that the retail leasing market would not adequately respond to a tender or auction process for retail or commercial tenancy opportunities. Traditionally this market operates and responds to experienced retail leasing executives who have developed relationships and trust with retailers to individually and specifically introduce such opportunities directly to them.

A tender or auction process does not spread the 'net' wide enough to capture all parties that would or could be interested in the precinct or identified for targeting by council. Prospective tenants sought would simply not engage in such processes given opportunities are generally historically introduced to them on a specific and individual basis. In short, generally these entities do not need to engage in a tender or auction process to secure space to expand their businesses.

Interstate operators would not receive or be aware of local or state-based public tender processes. In contrast, the direct contact leasing approach to date has introduced the project and its specifically targeted opportunity to approximately 300 retailers. A previous EOI campaign conducted by ICP in relation to the entertainment venue and a component of the food and beverage offer only received limited responses.

Generally speaking retail space is never auctioned. While multiple offers might be entertained for an individual site, there is no bidding process to drive an improved commercial outcome. Also with retail, the highest bidder for a particular tenancy may not be provide the lessor with the best result for the development overall. The quality of offer, fit-out, covenant, brand and overall experience a customer can expect are far more important drivers for the appropriate commercial decision and long-term viability of the both the tenancy and the overall retail development. This is especially so in the case of this project where the strategy is to create an enduring point of difference over both Riverlink Shopping Centre and other food and beverage and entertainment providers in the Ipswich area.

Why wouldn't an appropriately drafted tender process deliver the desired tenancy mix for the CBD?

The tenancy mix for a project is a carefully considered strategic approach, followed by strategic targeting of tenants who are deemed most appropriate for that mix, with direct contact established to introduce and articulate the project opportunity. It is common industry practice that this is the process by which tenants receive their tenancy opportunities for consideration.

The tenancy mix is critical as in reality it is tailoring the targeted tenants to suit the environment and precincts that are being created together with ensuring longevity of the lease. Rather than taking an ad-hoc approach to the market and inviting anyone to tender, the general industry approach is to take a more precise approach. By leveraging retailer relationships, better engagement and interest is achieved. In this project's case, irrespective of how well defined a tender process may have been designed, it is considered highly unlikely that some of the extremely interested prospective tenants (who have already submitted offers) would be regularly reviewing the LG Tender Box or local papers or the internet to identify potential tenders to participate in.

Why wouldn't a tender or auction process achieve commercially sound bids due to the CBD redevelopment project's chequered history? As discussed above, prospective tenants generally do not participate in tender or auction processes. This is certainly the case for projects that have had significant challenges and/or history such as in the case with the Ipswich CBD redevelopment. The personalised approach with prospective tenants including open communication with interested or targeted parties has and will enable the leasing team to address and clear up any pre-existing and or ill-conceived perceptions of council or Ipswich due to recent events and reinforce the opportunity. A degree of 'sales' prowess is required for this project which is why a personalised approach will always yield superior results.

How will council deal with the sub-leases that it has with State agencies and are there any restrictions within these sub-leases which would impact tender or auction options? As with any other leases, council will abide by the terms and the conditions of any existing sub-leases with State agencies for the duration of that sub-lease. Council has the following existing arrangements in the CBD precinct:

- Queensland Health – Two sub leases on ground and lower ground of 2 Bell Street respectively, both expiring 30 November 2019, post this date only the lower ground tenancy will remain but on a licence arrangement for three years;
- West Moreton Health – Licence on Level 1 of 2 Bell Street has expired, currently operating on a month by month basis; and
- Seqwater – lease for 200 car park spaces in Civic Square (not relevant to this application).

A review of the sub-leases did not identify any restrictive clauses with regard to a tender or auction process taking place. It did identify a requirement for a standard advance notification to the tenant where a sale or a change in ownership is to occur.

Council will need to consult and obtain the written approval of Queensland Rail as the Lessor to enter into any new lease or sub-lease arrangement for the existing registered leases located at 25 Ipswich City Mall and 2 Bell Street.

Is there a possibility of staging an exemption approval for parts of the project, that is delaying leasing certain properties or the divestment strategy? As discussed above, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application dated 12 August 2019 with any future sale within the precinct to be a site-specific exemption application.

While a number of permutations exist for the staging the delivery of the retail portfolio including realigning the timing for some food and beverage offerings with the administration centre opening around July 2021, council's position is that the exemption should cover all of the retail and commercial tenancies for the following reasons:

- Council's staging delivery is yet to be finalised and as such, a restricted exemption approval at this time based on a reduced number of tenancies may be premature and cause subsequent delays to the project;
- Flexibility is crucial in retail leasing to accommodate specific tenants needs as negotiations are advanced in the leasing process, the mix and tenant requirements are constantly reviewed and revised as interest is firmed up through the process; and
- The exemption term sought (see below) is to 30 June 2023 – if granted this will allow council sufficient time to either fully implement its retail strategy or if required modify its delivery program to stage parts of the retail and commercial development.

Exemption Term

To ensure council has a sufficient period to fully implement its retail strategy and maximise the leasing take-up on the numerous retail and commercial leases within the precinct, council is seeking the exemption be granted until 30 June 2023. The success of the precinct is predicated on commercial arrangements for the majority of the tenancies (food and beverage and entertainment) being in place to allow them to commence operation from the middle to the end of 2021. Based on the projected success of the development and the requested exemption timeline to 30 June 2023, council anticipates it will have significantly achieved its leasing strategy by this time.

Depending on the success of any future divestment strategy, if the leasing outcome sought is not likely to be achieved by 30 June 2023, council will in the period leading up to the expiration date lodge a further exemption application.

Transparency and Safeguards

Should council's application for an exemption for the project's leasing and sub-leasing be approved, council understands that associated conditions will apply for the term of the exemption. In anticipation, council commits to adhering to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*. Council will ensure openness and transparency with regard to the related transactions through, but not be limited to:

S 104(3) Principle	Proposed Activity
a) value for money	<ul style="list-style-type: none"> • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal to ensure lease terms proposed are market aligned • Each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution – agendas, papers and minutes all publically accessible • Regular reporting to DLGRMA of the application of the exemption including: <ul style="list-style-type: none"> • changes in project strategy/scope/deliverables

S 104(3) Principle	Proposed Activity
	<ul style="list-style-type: none"> • lease arrangements/lessee • market appraisal v actual lease terms • reasons why a lease may not achieve market value
b) open and effective competition	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • Continued public presentations and other communications outlining the project and promotion of its opportunities to prospective tenants • Publically available monthly reports to council on status of the leasing strategies including confirmation of signed leases (less confidential information) • Regular reporting to DLGRMA on the status of the leasing strategy including confirmation of signed leases etc.
c) development of competitive local business and industry	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • For the exemption's duration, six monthly high-level reporting to DLGRMA on the project's overall implementation and achievements and its impacts of the surrounding and wider Ipswich economy
d) environmental protection	<ul style="list-style-type: none"> • Council will balance the development needs with environment needs and ensure all leases and sub-leases meet regulated environmental requirements
e) ethical behaviour and fair dealing	<ul style="list-style-type: none"> • Release of regular updates (press releases) to the media regarding key tenants secured (once leases are binding and the tenant agrees) • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal • Monthly reports to council on status of the leasing strategies including details of any conflicts of interest of the Interim Administrator, Interim Management Committee, councillors, council employees or project consultants • Regular reporting to DLGRMA to include: <ul style="list-style-type: none"> • report on process probity by independent, external reviewer • reasons for any lease being under market value • details of any conflicts of interest

Summary

The granting of an exemption will enable council to both counter-sign the existing lease offers achieved under ICP and continue the active marketing and acceptance of lease offers for the remaining tenancies. The success of the redevelopment is largely based on council's ability to identify and lock-in a high-quality, diverse tenancy mix that will on an ongoing basis draw the community into the precinct. In terms of momentum, communicating to prospective tenants, the quantum and type of leases already locked in to the development will greatly assist council in promoting the attractiveness of the opportunity. This is now at a critical point in time for the project, where further delay could have adverse impacts to ongoing leasing success.

Should council not be provided with the exemption, it is highly likely that sub-optimal commercial outcomes will result together with an inability to obtain the desired mix of retail and commercial leases and the ongoing devaluation of the council's assets. Further leasing momentum has been built through recent activities with approximately 300 prospective tenants communicated with to date and a number of lease offers received or under negotiation. Should the exemption not be granted, the project runs the risk of confidence being eroded once again if there are further delays with prospective tenants likely 'going cold' on the opportunity.

In line with a divestment strategy underpinned by the belief that it should not be the long-term owner of significant CBD holdings, it is council's medium to long-term intention to dispose of the leased/subleased assets to the private sector. Site specific ministerial exemptions will be sought at that time, likely once all or the majority of leases are in place and the precinct fully established and activated, strengthening each property's valuation and subsequent return to council upon sale.

This correspondence includes a number of attachments that provide additional supporting information and schematics to previously provided documentation. Attachment 7 contains a guide of detailed references in the correspondence and the business case dated 12 August which support the discussion above.

In summary, approval of a section 236 exemption for the disposal of non-current assets (via leases or sub-leases) for the Nicholas Street – Ipswich Central project will allow council to utilise traditional retail industry practices to significantly or fully lease/sub-lease the subject assets, assist council achieve its retail strategy goals and ultimately fully realise the value of each property and maximise the financial returns for the Ipswich community. The period of the ministerial exemption sought is to 30 June 2023.

Should you require further discussion or information on this matter, please contact me at greg.thomas@ipswich.qld.gov.au or on (07) 3810 7080 or 0447200008.

Yours sincerely

Greg Thomas
PROJECT MANAGER

ATTACHMENTS:

Attachment	Title
Attachment 1	Subject Precinct Properties – Retail/Commercial Tenancy Yield
Attachment 2	Schematic – Retail Leasing – Impacted Freehold/Leasehold Properties
Attachment 3-5	Retail and Commercial Tenancies - Architectural Drawings 26.8.19
Attachment 6	Precinct Site Plan – Completion Dates – Civic Space/Council Building/Library
Attachment 7	References - Letter and Business Case
Attachment 8	26 August 2019 DLGRMA Sale Related Clarifications

Doc ID No: A8135349

ITEM: 6

SUBJECT: NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR EATS TENANCY T3

AUTHOR: PROJECT MANAGER

DATE: 28 JUNE 2022

EXECUTIVE SUMMARY

This is a report concerning an agreement for lease for council's consideration associated with tenancy T3 within the Nicholas Street Precinct's Eats Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy T3 in the Eats Building (impacting lots 2RP209886, 3RP212242 and 1SP307972) ("Tenancy T3") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy T3 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy T3 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy T3 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

RELATED PARTIES

Ranbury Property Services - Retail Leasing Agent
Knight Frank Valuation & Advisory Queensland – Independent Market Appraisal
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

In 2019 council was granted a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases and sub-leases) associated with the Nicholas Street Precinct redevelopment. To ensure council had sufficient time to fully implement its retail strategy, council sought and was granted an exemption until 30 June 2023. The goal of the exemption was to allow council to efficiently and effectively implement its retail strategy through the disposal of leases and State sub-leases (held by council) by more appropriate, market accepted, transactional means other than by a tender or auction process mandated under section 227 of the Regulation.

This exemption was sought as retail leasing is generally not undertaken through a tender or auction process. It is a specialised process undertaken by experienced retail leasing firms with relationships with the types of tenants targeted for a project. These relationships allow conversations to explain a project and the opportunities tailored to each prospective tenant. The retail leasing agent, appointed by council, has and continues to actively market the subject tenancies to prospective tenants.

Further, industry advice confirmed it would be highly likely that any tender or auction process for the retail tenancies would receive very limited responses and that any response would not contain the commercial terms sought by council. In addition, these processes would be inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage, service and entertainment/leisure tenancies.

As part of the exemption approval process, council committed to adhere to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*, specifically through a number of proposed safeguards to ensure openness and transparency with regard to the related transactions. Correspondence from the then Minister of Local Government dated 24 September 2019 (refer Attachment 1) confirmed approval of the exemption (for both council's retail and commercial tenancies). Further, this approval conditioned the exemption on compliance with the activities proposed by council to address the sound contracting principles as outlined in council's letter to the then Department of Local Government, Racing and Multicultural Affairs dated 10 September 2019 (refer Attachment 2). Specifically, this requires the following condition be met "each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution (agendas, papers and minutes all publicly accessible)". **(Note: all related precinct matters are now managed by the Ipswich Central Redevelopment Committee).** This process will be utilised for each individual retail (and future commercial) lease arrangement.

This paper is seeking council's approval to enter into an agreement for lease for a food tenancy associated with the Nicholas Street Precinct redevelopment utilising the process detailed above. The agreement for lease relates to a sub-lease for one of the four ground

floor tenancies in the Eats building which fronts Nicholas Street being T3 (152 m²). Council holds the leasehold interest from Queensland Rail (Lease No. 601907098) over the Eats Building with the long-term lease expiring on 31 August 2086. The Eats Building impacts three lots: 2RP209886, 3RP212242 (over the rail line) and 1SP307972.

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, service 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 names associated with each 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. Announcements relating to Metro B lessees are planned to be released in batches in 2022. 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 and proposed tenure length are contained in confidential Attachments 4 - 6).

Council engaged Knight Frank Valuation & Advisory Queensland to provide an independent market appraisal of each 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). This advice is considered by council prior to the Chief Executive Officer endorsing any Heads of Agreement progressing to the preparation of related legal documentation including agreements for lease, leases and associated documentation. Knight Frank's review of Eats tenancy T3 is attached (refer confidential Attachment 5). Also attached is the Lease Deal Approval Report for Eats tenancy T3 (refer confidential Attachment 6). Confidential Attachment 4 details material changes with the commercial terms from the Knight Frank review to the preparation of the agreement for lease.

This paper seeks approval for council to enter into an agreement for lease for a food 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 Eats tenancy T3 and ensure the lessee can commence their fit-out works and opening as soon as possible.

Post the execution of the lease documentation for each tenancy, council will be provided with a subsequent report detailing lessee specifics and their offering.

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 medium to long-term success and viability of both the retail precinct and the overall Ipswich Central CBD Redevelopment is heavily dependent on the retail leasing program delivering a tenancy mix comprising high-quality, commercially successful tenants. The approval and subsequent execution of further agreements for lease will send a positive signal to the retail leasing market around the precinct's future success.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	<p>Recommendation A relates to Council entering into an agreement for lease and an associated document for Eats T3 tenancy.</p> <p>Recommendation B relates to Council entering into a lease for Eats T3 tenancy.</p> <p>Recommendation C outlines how Council will apply a ministerial exemption to the disposal of a leasehold interest in the Eats Building.</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?	No human rights are affected by this decision. This is because the prospective lessee is a company (only individuals have human rights).
(c) How are the human rights limited?	Not applicable.
(d) Is there a good reason for limiting	Not applicable.

the relevant rights? Is the limitation fair and reasonable?	
(e) Conclusion	The decision is consistent with human rights.

FINANCIAL/RESOURCE IMPLICATIONS

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 the retail leasing agent's payments and any associated landlord contributions is incorporated into the project's budget.

COMMUNITY AND OTHER CONSULTATION

The contents of this report did not require any community consultation.

Detailed consultation has occurred with the Department of State Development, Infrastructure, Local Government and Planning on the both the conditioned process and the associated documentation to be provided to council for AFL/lease approvals.



Council's Legal Services team have been consulted on the form and contents of this report and its attachments.

CONCLUSION

The flexibility provided by the ministerial exemption over the Regulation's tender and auction provisions allows council to optimise the tenancy mix, the commercial outcomes and the long-term success for each tenancy and the project overall.

As a priority, the focus is to progress the conversion of endorsed Heads of Agreement into agreement for leases particularly due to the completion of refurbishment works on both the Eats and Metro B buildings. Approval of this agreement for lease within Nicholas Street Precinct's Eats building will continue the positive message to the Ipswich community and the market that the redevelopment is moving forward.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Ministerial Exemption Approval 24.9.19 ↓ 
2.	Ministerial Exemption ICC Clarification 10.9.19 ↓ 
	CONFIDENTIAL
3.	NSP Retail Leases - Legal Advice
4.	Confidential Report - Eats T3
5.	Knight Frank Assessment - Eats T3
6.	Lease Deal Approval Report - Eats T3

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”



Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

Our ref: MC19/4387

24 SEP 2019

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ABN 65 959 415 158

Dear Greg

Thank you for your letter of 12 August 2019, seeking an exemption from compliance with the tender or auction requirements in section 227 of the Local Government Regulation 2012 (the Regulation) for the disposal of the Ipswich City Council's interest in land within the Ipswich Central Business District precinct.

I am advised that officers of the Department of Local Government, Racing and Multicultural Affairs subsequently met with Council officers to discuss the scope of the application and additional information necessary to assess the Council's application. Following this meeting, the Council provided the Department with a letter dated 10 September 2019, reducing the scope of its application to solely the leasing and sub-leasing component of the Council's original request, and providing the additional information requested by the Department.

Following an assessment of the Council's request, I have approved an exemption under section 236(1)(f) of the Regulation from compliance with section 227 of the Regulation for the leasing and sub-leasing of the Council's interest in land within the Ipswich Central Business District precinct, subject to the following conditions:

- The exemption relates to the properties identified in Attachment 1 to the Council's letter to the Department dated 10 September 2019, which provided additional information regarding the Council's application.
- The exemption is for a period up to 30 June 2023.
- The Council must comply with the activities proposed by the Council to address the sound contracting principles in section 104(3) of the *Local Government Act 2009*, as outlined in the Council's letter to the Department dated 10 September 2019.
- For the period of the exemption, the Council must provide a quarterly report to me detailing the exercise of this exemption. The report must include details of the status of all lease arrangements, an independent market appraisal of the lease, reasons for any lease being under market value and details of any conflicts of interest (COI) or material personal interest (MPI) held by the Interim Administrator, members of the Interim Management Committee, Councillor or employee of the Council in relation to each lease and how the COI or MPI was managed.

- For the period of the exemption, the Council must provide a six-monthly report to me on the CBD redevelopment project's overall implementation and achievements and its impacts on the wider Ipswich economy.

I have asked for Ms Rebecca McAnalen, Principal Regional Advisor (South), Local Government Division in the Department to assist you with any further queries. You may wish to contact Ms McAnalen on 3452 6738 or by email at rebecca.mcanalen@dlgrma.qld.gov.au.

Yours sincerely



STIRLING HINCHLIFFE MP
Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

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Kent Wain
Manager Southern Region
Department of Local Government, Racing and Multicultural Affairs
Level 3, 12 First Avenue
Maroochydore QLD 4558

10 September 2019

Dear Mr Wain

Re: Additional information re Ipswich City Council's request for exemption under section 236 (1)(f) of the *Local Government Regulation 2012* - Nicholas Street - Ipswich Central (CBD Redevelopment)

With reference to departmental correspondence dated 26 August 2019 and the 28 August 2019 meeting between council, its consultants and officers of the Department of Local Government, Racing and Multicultural Affairs (DLGRMA), this correspondence provides the requested executive summary outlining (at a high-level) reasoning for pursuing the above ministerial exemption (exemption) together with responses to other clarifications sought by DLGRMA.

At the 28 August 2019 meeting, discussions occurred on both the scope and complexity of council's application dated 12 August 2019. As a result, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application. Council proposes that any future divestments within the precinct will be the subject of separate site-specific exemption applications. Given this, a number of the clarifications sought by your department specifically relating to the disposal of freehold or leasehold land are not dealt with in this correspondence (refer Attachment 8).

Executive Summary

Council is seeking a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases/sub-leases) associated with its Nicholas Street - Ipswich Central CBD redevelopment (the project). The exemption will allow council to efficiently and effectively implement its retail strategy through the disposal of related non-current assets (leases/sub-leases) by more appropriate, market accepted,

transactional means other than by a tender or auction process as required under section 228 of the Regulation.

Background

Since 2009 Council's subsidiary, Ipswich City Properties Pty Ltd (ICP), has purchased the majority of the Nicholas Street assets (freehold and leasehold) with the vision of leading the redevelopment of the Ipswich CBD. Due to a number of factors, significant delays were experienced in progressing the redevelopment. As a result, the CBD is currently underutilised and the ongoing delays have contributed to its decline, significantly impacting commercial activity and community perception of the precinct.

Council's overarching goal for the project is to revitalise the precinct into a vibrant, mixed-use development ultimately incorporating civic functions, retail, commercial, entertainment and public spaces. The project's success is critical to allow council to regain the local community's trust and rebuild the positive sentiment which has been eroded by recent political events. Council's strategic objectives for the CBD's renewal also include the creation of an enduring and activated civic heart, the relocation of council's administration centre and a civic space capable of delivering cultural and entertainment activities (refer schematic Attachment 6).

Council's ultimate redevelopment of the Nicholas Street/Union Place precinct will include up to 46 retail and four commercial tenancies with up to 13 floors of commercial office space (refer Attachments 3 to 5 for the latest schematics of the retail tenancies).

Application Driver

To progress the delayed redevelopment and as part of the process to deregister ICP due to prior governance concerns and poor public perception, all of ICP's land holdings and interests in the CBD precinct transferred to council on 27 June 2019. Due to the Regulation's requirements, the change in ownership of these non-current assets (refer Attachments 1 and 2) has impeded council's ability to implement ICP's leasing and divestment strategy (refer pp 18-21 of Business Case - Attachment 3). This strategy was underpinned by ICP's ability to successfully lease the retail and commercial tenancies to a predetermined mix and at a future date, divest itself of what are essentially non-core local government assets. Attachment 2 identifies the leasing or sub-leasing proposal for each precinct asset.

Under section 228 of the Regulation, disposal of non-current assets must be through a tender or auction process unless an exemption is granted under section 236 (1)(f). Under ICP's strategy now adopted by council, the proposed disposal of non-current assets specifically relates to the leasing and future sale of freehold land and the sub-leasing or future sale of State leases. Following the meeting with DLGRMA on 28 August 2019, council has modified its request for an exemption to the solely the leasing and sub-leasing component of the original application dated 12 August 2019. It is council's position sub-optimal outcomes for both the project and the Ipswich community will result if disposal of the leases and sub-leases occurs through either a tender or auction process.

Industry Practice

Retail and commercial leasing is generally not undertaken through a tender or auction process. It is a specialised process best undertaken by experienced retail leasing executives who have relationships with the types of tenants targeted for a project. Given these relationships, the retail leasing executives are able to conduct trusted conversations to adequately explain a project and its

opportunities tailored to that particular tenant and as a result, gather an understanding of their tenancy requirements.

Traditional industry practice (especially for a development of this size) is that an independent assessment of likely market rents is first prepared with a schedule of asking rents determined. Properties are then marketed and advertised widely. ICP had until 27 June 2019 undertaken this approach and appointed a leasing agent (secured after a competitive process). This agent, now directly appointed by council, has and is continuing to actively market the subject properties to prospective retail tenants with a number confirming strong interest. Further a number of parties have submitted signed lease offers to both ICP/council with a majority of the offers received meeting or exceeding council's target rental levels.

Why an Exemption?

Industry advice confirms that it would be highly likely that any tender or auction process for the retail or commercial tenancies would receive very limited responses and that those that were received would not contain the commercial terms sought by council. In addition, these processes are inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage and entertainment areas. Council's reasons for pursuing the exemption option are clarified below.

Why wouldn't a tender or auction process deliver optimal outcomes or the commercial terms desired by Council? Advice from council's retail leasing team is that the retail leasing market would not adequately respond to a tender or auction process for retail or commercial tenancy opportunities. Traditionally this market operates and responds to experienced retail leasing executives who have developed relationships and trust with retailers to individually and specifically introduce such opportunities directly to them.

A tender or auction process does not spread the 'net' wide enough to capture all parties that would or could be interested in the precinct or identified for targeting by council. Prospective tenants sought would simply not engage in such processes given opportunities are generally historically introduced to them on a specific and individual basis. In short, generally these entities do not need to engage in a tender or auction process to secure space to expand their businesses.

Interstate operators would not receive or be aware of local or state-based public tender processes. In contrast, the direct contact leasing approach to date has introduced the project and its specifically targeted opportunity to approximately 300 retailers. A previous EOI campaign conducted by ICP in relation to the entertainment venue and a component of the food and beverage offer only received limited responses.

Generally speaking retail space is never auctioned. While multiple offers might be entertained for an individual site, there is no bidding process to drive an improved commercial outcome. Also with retail, the highest bidder for a particular tenancy may not be provide the lessor with the best result for the development overall. The quality of offer, fit-out, covenant, brand and overall experience a customer can expect are far more important drivers for the appropriate commercial decision and long-term viability of the both the tenancy and the overall retail development. This is especially so in the case of this project where the strategy is to create an enduring point of difference over both Riverlink Shopping Centre and other food and beverage and entertainment providers in the Ipswich area.

Why wouldn't an appropriately drafted tender process deliver the desired tenancy mix for the CBD?

The tenancy mix for a project is a carefully considered strategic approach, followed by strategic targeting of tenants who are deemed most appropriate for that mix, with direct contact established to introduce and articulate the project opportunity. It is common industry practice that this is the process by which tenants receive their tenancy opportunities for consideration.

The tenancy mix is critical as in reality it is tailoring the targeted tenants to suit the environment and precincts that are being created together with ensuring longevity of the lease. Rather than taking an ad-hoc approach to the market and inviting anyone to tender, the general industry approach is to take a more precise approach. By leveraging retailer relationships, better engagement and interest is achieved. In this project's case, irrespective of how well defined a tender process may have been designed, it is considered highly unlikely that some of the extremely interested prospective tenants (who have already submitted offers) would be regularly reviewing the LG Tender Box or local papers or the internet to identify potential tenders to participate in.

Why wouldn't a tender or auction process achieve commercially sound bids due to the CBD redevelopment project's chequered history? As discussed above, prospective tenants generally do not participate in tender or auction processes. This is certainly the case for projects that have had significant challenges and/or history such as in the case with the Ipswich CBD redevelopment. The personalised approach with prospective tenants including open communication with interested or targeted parties has and will enable the leasing team to address and clear up any pre-existing and or ill-conceived perceptions of council or Ipswich due to recent events and reinforce the opportunity. A degree of 'sales' prowess is required for this project which is why a personalised approach will always yield superior results.

How will council deal with the sub-leases that it has with State agencies and are there any restrictions within these sub-leases which would impact tender or auction options? As with any other leases, council will abide by the terms and the conditions of any existing sub-leases with State agencies for the duration of that sub-lease. Council has the following existing arrangements in the CBD precinct:

- Queensland Health – Two sub leases on ground and lower ground of 2 Bell Street respectively, both expiring 30 November 2019, post this date only the lower ground tenancy will remain but on a licence arrangement for three years;
- West Moreton Health – Licence on Level 1 of 2 Bell Street has expired, currently operating on a month by month basis; and
- Seqwater – lease for 200 car park spaces in Civic Square (not relevant to this application).

A review of the sub-leases did not identify any restrictive clauses with regard to a tender or auction process taking place. It did identify a requirement for a standard advance notification to the tenant where a sale or a change in ownership is to occur.

Council will need to consult and obtain the written approval of Queensland Rail as the Lessor to enter into any new lease or sub-lease arrangement for the existing registered leases located at 25 Ipswich City Mall and 2 Bell Street.

Is there a possibility of staging an exemption approval for parts of the project, that is delaying leasing certain properties or the divestment strategy? As discussed above, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application dated 12 August 2019 with any future sale within the precinct to be a site-specific exemption application.

While a number of permutations exist for the staging the delivery of the retail portfolio including realigning the timing for some food and beverage offerings with the administration centre opening around July 2021, council's position is that the exemption should cover all of the retail and commercial tenancies for the following reasons:

- Council's staging delivery is yet to be finalised and as such, a restricted exemption approval at this time based on a reduced number of tenancies may be premature and cause subsequent delays to the project;
- Flexibility is crucial in retail leasing to accommodate specific tenants needs as negotiations are advanced in the leasing process, the mix and tenant requirements are constantly reviewed and revised as interest is firmed up through the process; and
- The exemption term sought (see below) is to 30 June 2023 – if granted this will allow council sufficient time to either fully implement its retail strategy or if required modify its delivery program to stage parts of the retail and commercial development.

Exemption Term

To ensure council has a sufficient period to fully implement its retail strategy and maximise the leasing take-up on the numerous retail and commercial leases within the precinct, council is seeking the exemption be granted until 30 June 2023. The success of the precinct is predicated on commercial arrangements for the majority of the tenancies (food and beverage and entertainment) being in place to allow them to commence operation from the middle to the end of 2021. Based on the projected success of the development and the requested exemption timeline to 30 June 2023, council anticipates it will have significantly achieved its leasing strategy by this time.

Depending on the success of any future divestment strategy, if the leasing outcome sought is not likely to be achieved by 30 June 2023, council will in the period leading up to the expiration date lodge a further exemption application.

Transparency and Safeguards

Should council's application for an exemption for the project's leasing and sub-leasing be approved, council understands that associated conditions will apply for the term of the exemption. In anticipation, council commits to adhering to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*. Council will ensure openness and transparency with regard to the related transactions through, but not be limited to:

S 104(3) Principle	Proposed Activity
a) value for money	<ul style="list-style-type: none"> • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal to ensure lease terms proposed are market aligned • Each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution – agendas, papers and minutes all publically accessible • Regular reporting to DLGRMA of the application of the exemption including: <ul style="list-style-type: none"> • changes in project strategy/scope/deliverables

S 104(3) Principle	Proposed Activity
	<ul style="list-style-type: none"> • lease arrangements/lessee • market appraisal v actual lease terms • reasons why a lease may not achieve market value
b) open and effective competition	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • Continued public presentations and other communications outlining the project and promotion of its opportunities to prospective tenants • Publically available monthly reports to council on status of the leasing strategies including confirmation of signed leases (less confidential information) • Regular reporting to DLGRMA on the status of the leasing strategy including confirmation of signed leases etc.
c) development of competitive local business and industry	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • For the exemption's duration, six monthly high-level reporting to DLGRMA on the project's overall implementation and achievements and its impacts of the surrounding and wider Ipswich economy
d) environmental protection	<ul style="list-style-type: none"> • Council will balance the development needs with environment needs and ensure all leases and sub-leases meet regulated environmental requirements
e) ethical behaviour and fair dealing	<ul style="list-style-type: none"> • Release of regular updates (press releases) to the media regarding key tenants secured (once leases are binding and the tenant agrees) • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal • Monthly reports to council on status of the leasing strategies including details of any conflicts of interest of the Interim Administrator, Interim Management Committee, councillors, council employees or project consultants • Regular reporting to DLGRMA to include: <ul style="list-style-type: none"> • report on process probity by independent, external reviewer • reasons for any lease being under market value • details of any conflicts of interest

Summary

The granting of an exemption will enable council to both counter-sign the existing lease offers achieved under ICP and continue the active marketing and acceptance of lease offers for the remaining tenancies. The success of the redevelopment is largely based on council's ability to identify and lock-in a high-quality, diverse tenancy mix that will on an ongoing basis draw the community into the precinct. In terms of momentum, communicating to prospective tenants, the quantum and type of leases already locked in to the development will greatly assist council in promoting the attractiveness of the opportunity. This is now at a critical point in time for the project, where further delay could have adverse impacts to ongoing leasing success.

Should council not be provided with the exemption, it is highly likely that sub-optimal commercial outcomes will result together with an inability to obtain the desired mix of retail and commercial leases and the ongoing devaluation of the council's assets. Further leasing momentum has been built through recent activities with approximately 300 prospective tenants communicated with to date and a number of lease offers received or under negotiation. Should the exemption not be granted, the project runs the risk of confidence being eroded once again if there are further delays with prospective tenants likely 'going cold' on the opportunity.

In line with a divestment strategy underpinned by the belief that it should not be the long-term owner of significant CBD holdings, it is council's medium to long-term intention to dispose of the leased/subleased assets to the private sector. Site specific ministerial exemptions will be sought at that time, likely once all or the majority of leases are in place and the precinct fully established and activated, strengthening each property's valuation and subsequent return to council upon sale.

This correspondence includes a number of attachments that provide additional supporting information and schematics to previously provided documentation. Attachment 7 contains a guide of detailed references in the correspondence and the business case dated 12 August which support the discussion above.

In summary, approval of a section 236 exemption for the disposal of non-current assets (via leases or sub-leases) for the Nicholas Street – Ipswich Central project will allow council to utilise traditional retail industry practices to significantly or fully lease/sub-lease the subject assets, assist council achieve its retail strategy goals and ultimately fully realise the value of each property and maximise the financial returns for the Ipswich community. The period of the ministerial exemption sought is to 30 June 2023.

Should you require further discussion or information on this matter, please contact me at greg.thomas@ipswich.qld.gov.au or on (07) 3810 7080 or 0447200008.

Yours sincerely

Greg Thomas
PROJECT MANAGER

ATTACHMENTS:

Attachment	Title
Attachment 1	Subject Precinct Properties – Retail/Commercial Tenancy Yield
Attachment 2	Schematic – Retail Leasing – Impacted Freehold/Leasehold Properties
Attachment 3-5	Retail and Commercial Tenancies - Architectural Drawings 26.8.19
Attachment 6	Precinct Site Plan – Completion Dates – Civic Space/Council Building/Library
Attachment 7	References - Letter and Business Case
Attachment 8	26 August 2019 DLGRMA Sale Related Clarifications

Doc ID No: A8135282

ITEM: 7

SUBJECT: NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B11

AUTHOR: PROJECT MANAGER

DATE: 28 JUNE 2022

EXECUTIVE SUMMARY

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B11 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B11 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B11") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B011 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B11 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B11 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

RELATED PARTIES

Ranbury Property Services - Retail Leasing Agent
Knight Frank Valuation & Advisory Queensland – Independent Market Appraisal
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

In 2019 council was granted a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases and sub-leases) associated with the Nicholas Street Precinct redevelopment. To ensure council had sufficient time to fully implement its retail strategy, council sought and was granted an exemption until 30 June 2023. The goal of the exemption was to allow council to efficiently and effectively implement its retail strategy through the disposal of leases and State sub-leases (held by council) by more appropriate, market accepted, transactional means other than by a tender or auction process mandated under section 227 of the Regulation.

This exemption was sought as retail leasing is generally not undertaken through a tender or auction process. It is a specialised process undertaken by experienced retail leasing firms with relationships with the types of tenants targeted for a project. These relationships allow conversations to explain a project and the opportunities tailored to each prospective tenant. The retail leasing agent, appointed by council, has and continues to actively market the subject tenancies to prospective tenants.

Further, industry advice confirmed it would be highly likely that any tender or auction process for the retail tenancies would receive very limited responses and that any response would not contain the commercial terms sought by council. In addition, these processes would be inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage, service and entertainment/leisure tenancies.

As part of the exemption approval process, council committed to adhere to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*, specifically through a number of proposed safeguards to ensure openness and transparency with regard to the related transactions. Correspondence from the then Minister of Local Government dated 24 September 2019 (refer Attachment 1) confirmed approval of the exemption (for both council's retail and commercial tenancies). Further, this approval conditioned the exemption on compliance with the activities proposed by council to address the sound contracting principles as outlined in council's letter to the then Department of Local Government, Racing and Multicultural Affairs dated 10 September 2019 (refer Attachment 2). Specifically, this requires the following condition be met "each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution (agendas, papers and minutes all publicly accessible)". **(Note: all related precinct matters are now managed by the Ipswich Central Redevelopment Committee).** This process will be utilised for each individual retail (and future commercial) lease arrangement.

This paper is seeking council's approval to enter into an agreement for lease for a service tenancy associated with the Nicholas Street Precinct redevelopment utilising the process

detailed above. The agreement for lease relates to a sub-lease for one of internal tenancies in the Metro B building being 2B11 tenancy (68 m²). Council holds the leasehold interest from Queensland Rail (Lease No. 601375840) over the Metro B Building with the long-term lease expiring on 27 November 2077. The Metro B Building impacts part of lot 1RP157021 (over the rail line).

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 names associated with each 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. Announcements relating to Metro B lessees are planned to be released in batches in 2022. 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 and proposed tenure length are contained in confidential Attachments 4 - 6).

Council engaged Knight Frank Valuation & Advisory Queensland to provide an independent market appraisal of each 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). This advice is considered by council prior to the Chief Executive Officer endorsing any Heads of Agreement progressing to the preparation of related legal documentation including agreements for lease, leases and associated documentation. Knight Frank's review of Metro B tenancy 2B10 is attached (refer confidential Attachment 5). Also attached is the Lease Deal Approval Report for Metro B tenancy 2B11 (refer confidential Attachment 6). Confidential Attachment 4 details material changes with the commercial terms from the Knight Frank review of the initial proposal in Metro B tenancy 2B10 to the preparation of the agreement for lease in the adjoining Metro B tenancy 2B11.

This paper seeks approval for council to enter into an agreement for lease for a service 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 Metro B tenancy 2B11 and ensure the lessee can commence their fit-out works and opening as soon as possible.

Post the execution of the lease documentation for each tenancy, council will be provided with a subsequent report detailing lessee specifics and their offering.

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 medium to long-term success and viability of both the retail precinct and the overall Ipswich Central CBD Redevelopment is heavily dependent on the retail leasing program delivering a tenancy mix comprising high-quality, commercially successful tenants. The approval and subsequent execution of further agreements for lease will send a positive signal to the retail leasing market around the precinct's future success.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	<p>Recommendation A relates to Council entering into an agreement for lease and an associated document for Metro B 2B11 tenancy.</p> <p>Recommendation B relates to Council entering into a lease for Metro B 2B11 tenancy.</p> <p>Recommendation C outlines how Council will apply a ministerial exemption to the disposal of a leasehold interest in the Metro B Building.</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?	No human rights are affected by this decision. This is because the prospective lessee is a company (only individuals have human rights).

(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

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 the retail leasing agent's payments and any associated landlord contributions is incorporated into the project's budget.

COMMUNITY AND OTHER CONSULTATION

The contents of this report did not require any community consultation.

Detailed consultation has occurred with the Department of State Development, Infrastructure, Local Government and Planning on the both the conditioned process and the associated documentation to be provided to council for AFL/lease approvals.





Council's Legal Services team have been consulted on the form and contents of this report and its attachments.

CONCLUSION

The flexibility provided by the ministerial exemption over the Regulation's tender and auction provisions allows council to optimise the tenancy mix, the commercial outcomes and the long-term success for each tenancy and the project overall.

As a priority, the focus is to progress the conversion of endorsed Heads of Agreement into agreement for leases particularly due to the completion of refurbishment works on both the Eats and Metro B buildings. Approval of this agreement for lease within Nicholas Street Precinct's Metro B will continue the positive message to the Ipswich community and the market that the redevelopment is moving forward.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Ministerial Exemption Approval 24.9.19  
2.	Ministerial Exemption ICC Clarifications 10.9.19  
	CONFIDENTIAL
3.	NSP Retail Leases - Legal Advice
4.	Confidential Report - Metro B 2B11
5.	Knight Frank Assessment - Metro B 2B10
6.	Lease Deal Approval Report - Metro B 2B11

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”



Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

Our ref: MC19/4387

24 SEP 2019

Mr Greg Chemello
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ABN 65 959 415 158

Dear Greg

Thank you for your letter of 12 August 2019, seeking an exemption from compliance with the tender or auction requirements in section 227 of the Local Government Regulation 2012 (the Regulation) for the disposal of the Ipswich City Council's interest in land within the Ipswich Central Business District precinct.

I am advised that officers of the Department of Local Government, Racing and Multicultural Affairs subsequently met with Council officers to discuss the scope of the application and additional information necessary to assess the Council's application. Following this meeting, the Council provided the Department with a letter dated 10 September 2019, reducing the scope of its application to solely the leasing and sub-leasing component of the Council's original request, and providing the additional information requested by the Department.

Following an assessment of the Council's request, I have approved an exemption under section 236(1)(f) of the Regulation from compliance with section 227 of the Regulation for the leasing and sub-leasing of the Council's interest in land within the Ipswich Central Business District precinct, subject to the following conditions:

- The exemption relates to the properties identified in Attachment 1 to the Council's letter to the Department dated 10 September 2019, which provided additional information regarding the Council's application.
- The exemption is for a period up to 30 June 2023.
- The Council must comply with the activities proposed by the Council to address the sound contracting principles in section 104(3) of the *Local Government Act 2009*, as outlined in the Council's letter to the Department dated 10 September 2019.
- For the period of the exemption, the Council must provide a quarterly report to me detailing the exercise of this exemption. The report must include details of the status of all lease arrangements, an independent market appraisal of the lease, reasons for any lease being under market value and details of any conflicts of interest (COI) or material personal interest (MPI) held by the Interim Administrator, members of the Interim Management Committee, Councillor or employee of the Council in relation to each lease and how the COI or MPI was managed.

- For the period of the exemption, the Council must provide a six-monthly report to me on the CBD redevelopment project's overall implementation and achievements and its impacts on the wider Ipswich economy.

I have asked for Ms Rebecca McAnalen, Principal Regional Advisor (South), Local Government Division in the Department to assist you with any further queries. You may wish to contact Ms McAnalen on 3452 6738 or by email at rebecca.mcanalen@dlgrma.qld.gov.au.

Yours sincerely



STIRLING HINCHLIFFE MP
Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

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Kent Wain
Manager Southern Region
Department of Local Government, Racing and Multicultural Affairs
Level 3, 12 First Avenue
Maroochydore QLD 4558

10 September 2019

Dear Mr Wain

Re: Additional information re Ipswich City Council's request for exemption under section 236 (1)(f) of the *Local Government Regulation 2012* - Nicholas Street - Ipswich Central (CBD Redevelopment)

With reference to departmental correspondence dated 26 August 2019 and the 28 August 2019 meeting between council, its consultants and officers of the Department of Local Government, Racing and Multicultural Affairs (DLGRMA), this correspondence provides the requested executive summary outlining (at a high-level) reasoning for pursuing the above ministerial exemption (exemption) together with responses to other clarifications sought by DLGRMA.

At the 28 August 2019 meeting, discussions occurred on both the scope and complexity of council's application dated 12 August 2019. As a result, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application. Council proposes that any future divestments within the precinct will be the subject of separate site-specific exemption applications. Given this, a number of the clarifications sought by your department specifically relating to the disposal of freehold or leasehold land are not dealt with in this correspondence (refer Attachment 8).

Executive Summary

Council is seeking a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases/sub-leases) associated with its Nicholas Street - Ipswich Central CBD redevelopment (the project). The exemption will allow council to efficiently and effectively implement its retail strategy through the disposal of related non-current assets (leases/sub-leases) by more appropriate, market accepted,

transactional means other than by a tender or auction process as required under section 228 of the Regulation.

Background

Since 2009 Council's subsidiary, Ipswich City Properties Pty Ltd (ICP), has purchased the majority of the Nicholas Street assets (freehold and leasehold) with the vision of leading the redevelopment of the Ipswich CBD. Due to a number of factors, significant delays were experienced in progressing the redevelopment. As a result, the CBD is currently underutilised and the ongoing delays have contributed to its decline, significantly impacting commercial activity and community perception of the precinct.

Council's overarching goal for the project is to revitalise the precinct into a vibrant, mixed-use development ultimately incorporating civic functions, retail, commercial, entertainment and public spaces. The project's success is critical to allow council to regain the local community's trust and rebuild the positive sentiment which has been eroded by recent political events. Council's strategic objectives for the CBD's renewal also include the creation of an enduring and activated civic heart, the relocation of council's administration centre and a civic space capable of delivering cultural and entertainment activities (refer schematic Attachment 6).

Council's ultimate redevelopment of the Nicholas Street/Union Place precinct will include up to 46 retail and four commercial tenancies with up to 13 floors of commercial office space (refer Attachments 3 to 5 for the latest schematics of the retail tenancies).

Application Driver

To progress the delayed redevelopment and as part of the process to deregister ICP due to prior governance concerns and poor public perception, all of ICP's land holdings and interests in the CBD precinct transferred to council on 27 June 2019. Due to the Regulation's requirements, the change in ownership of these non-current assets (refer Attachments 1 and 2) has impeded council's ability to implement ICP's leasing and divestment strategy (refer pp 18-21 of Business Case - Attachment 3). This strategy was underpinned by ICP's ability to successfully lease the retail and commercial tenancies to a predetermined mix and at a future date, divest itself of what are essentially non-core local government assets. Attachment 2 identifies the leasing or sub-leasing proposal for each precinct asset.

Under section 228 of the Regulation, disposal of non-current assets must be through a tender or auction process unless an exemption is granted under section 236 (1)(f). Under ICP's strategy now adopted by council, the proposed disposal of non-current assets specifically relates to the leasing and future sale of freehold land and the sub-leasing or future sale of State leases. Following the meeting with DLGRMA on 28 August 2019, council has modified its request for an exemption to the solely the leasing and sub-leasing component of the original application dated 12 August 2019. It is council's position sub-optimal outcomes for both the project and the Ipswich community will result if disposal of the leases and sub-leases occurs through either a tender or auction process.

Industry Practice

Retail and commercial leasing is generally not undertaken through a tender or auction process. It is a specialised process best undertaken by experienced retail leasing executives who have relationships with the types of tenants targeted for a project. Given these relationships, the retail leasing executives are able to conduct trusted conversations to adequately explain a project and its

opportunities tailored to that particular tenant and as a result, gather an understanding of their tenancy requirements.

Traditional industry practice (especially for a development of this size) is that an independent assessment of likely market rents is first prepared with a schedule of asking rents determined. Properties are then marketed and advertised widely. ICP had until 27 June 2019 undertaken this approach and appointed a leasing agent (secured after a competitive process). This agent, now directly appointed by council, has and is continuing to actively market the subject properties to prospective retail tenants with a number confirming strong interest. Further a number of parties have submitted signed lease offers to both ICP/council with a majority of the offers received meeting or exceeding council's target rental levels.

Why an Exemption?

Industry advice confirms that it would be highly likely that any tender or auction process for the retail or commercial tenancies would receive very limited responses and that those that were received would not contain the commercial terms sought by council. In addition, these processes are inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage and entertainment areas. Council's reasons for pursuing the exemption option are clarified below.

Why wouldn't a tender or auction process deliver optimal outcomes or the commercial terms desired by Council? Advice from council's retail leasing team is that the retail leasing market would not adequately respond to a tender or auction process for retail or commercial tenancy opportunities. Traditionally this market operates and responds to experienced retail leasing executives who have developed relationships and trust with retailers to individually and specifically introduce such opportunities directly to them.

A tender or auction process does not spread the 'net' wide enough to capture all parties that would or could be interested in the precinct or identified for targeting by council. Prospective tenants sought would simply not engage in such processes given opportunities are generally historically introduced to them on a specific and individual basis. In short, generally these entities do not need to engage in a tender or auction process to secure space to expand their businesses.

Interstate operators would not receive or be aware of local or state-based public tender processes. In contrast, the direct contact leasing approach to date has introduced the project and its specifically targeted opportunity to approximately 300 retailers. A previous EOI campaign conducted by ICP in relation to the entertainment venue and a component of the food and beverage offer only received limited responses.

Generally speaking retail space is never auctioned. While multiple offers might be entertained for an individual site, there is no bidding process to drive an improved commercial outcome. Also with retail, the highest bidder for a particular tenancy may not be provide the lessor with the best result for the development overall. The quality of offer, fit-out, covenant, brand and overall experience a customer can expect are far more important drivers for the appropriate commercial decision and long-term viability of the both the tenancy and the overall retail development. This is especially so in the case of this project where the strategy is to create an enduring point of difference over both Riverlink Shopping Centre and other food and beverage and entertainment providers in the Ipswich area.

Why wouldn't an appropriately drafted tender process deliver the desired tenancy mix for the CBD?

The tenancy mix for a project is a carefully considered strategic approach, followed by strategic targeting of tenants who are deemed most appropriate for that mix, with direct contact established to introduce and articulate the project opportunity. It is common industry practice that this is the process by which tenants receive their tenancy opportunities for consideration.

The tenancy mix is critical as in reality it is tailoring the targeted tenants to suit the environment and precincts that are being created together with ensuring longevity of the lease. Rather than taking an ad-hoc approach to the market and inviting anyone to tender, the general industry approach is to take a more precise approach. By leveraging retailer relationships, better engagement and interest is achieved. In this project's case, irrespective of how well defined a tender process may have been designed, it is considered highly unlikely that some of the extremely interested prospective tenants (who have already submitted offers) would be regularly reviewing the LG Tender Box or local papers or the internet to identify potential tenders to participate in.

Why wouldn't a tender or auction process achieve commercially sound bids due to the CBD redevelopment project's chequered history? As discussed above, prospective tenants generally do not participate in tender or auction processes. This is certainly the case for projects that have had significant challenges and/or history such as in the case with the Ipswich CBD redevelopment. The personalised approach with prospective tenants including open communication with interested or targeted parties has and will enable the leasing team to address and clear up any pre-existing and or ill-conceived perceptions of council or Ipswich due to recent events and reinforce the opportunity. A degree of 'sales' prowess is required for this project which is why a personalised approach will always yield superior results.

How will council deal with the sub-leases that it has with State agencies and are there any restrictions within these sub-leases which would impact tender or auction options? As with any other leases, council will abide by the terms and the conditions of any existing sub-leases with State agencies for the duration of that sub-lease. Council has the following existing arrangements in the CBD precinct:

- Queensland Health – Two sub leases on ground and lower ground of 2 Bell Street respectively, both expiring 30 November 2019, post this date only the lower ground tenancy will remain but on a licence arrangement for three years;
- West Moreton Health – Licence on Level 1 of 2 Bell Street has expired, currently operating on a month by month basis; and
- Seqwater – lease for 200 car park spaces in Civic Square (not relevant to this application).

A review of the sub-leases did not identify any restrictive clauses with regard to a tender or auction process taking place. It did identify a requirement for a standard advance notification to the tenant where a sale or a change in ownership is to occur.

Council will need to consult and obtain the written approval of Queensland Rail as the Lessor to enter into any new lease or sub-lease arrangement for the existing registered leases located at 25 Ipswich City Mall and 2 Bell Street.

Is there a possibility of staging an exemption approval for parts of the project, that is delaying leasing certain properties or the divestment strategy? As discussed above, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application dated 12 August 2019 with any future sale within the precinct to be a site-specific exemption application.

While a number of permutations exist for the staging the delivery of the retail portfolio including realigning the timing for some food and beverage offerings with the administration centre opening around July 2021, council's position is that the exemption should cover all of the retail and commercial tenancies for the following reasons:

- Council's staging delivery is yet to be finalised and as such, a restricted exemption approval at this time based on a reduced number of tenancies may be premature and cause subsequent delays to the project;
- Flexibility is crucial in retail leasing to accommodate specific tenants needs as negotiations are advanced in the leasing process, the mix and tenant requirements are constantly reviewed and revised as interest is firmed up through the process; and
- The exemption term sought (see below) is to 30 June 2023 – if granted this will allow council sufficient time to either fully implement its retail strategy or if required modify its delivery program to stage parts of the retail and commercial development.

Exemption Term

To ensure council has a sufficient period to fully implement its retail strategy and maximise the leasing take-up on the numerous retail and commercial leases within the precinct, council is seeking the exemption be granted until 30 June 2023. The success of the precinct is predicated on commercial arrangements for the majority of the tenancies (food and beverage and entertainment) being in place to allow them to commence operation from the middle to the end of 2021. Based on the projected success of the development and the requested exemption timeline to 30 June 2023, council anticipates it will have significantly achieved its leasing strategy by this time.

Depending on the success of any future divestment strategy, if the leasing outcome sought is not likely to be achieved by 30 June 2023, council will in the period leading up to the expiration date lodge a further exemption application.

Transparency and Safeguards

Should council's application for an exemption for the project's leasing and sub-leasing be approved, council understands that associated conditions will apply for the term of the exemption. In anticipation, council commits to adhering to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*. Council will ensure openness and transparency with regard to the related transactions through, but not be limited to:

S 104(3) Principle	Proposed Activity
a) value for money	<ul style="list-style-type: none"> • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal to ensure lease terms proposed are market aligned • Each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution – agendas, papers and minutes all publically accessible • Regular reporting to DLGRMA of the application of the exemption including: <ul style="list-style-type: none"> • changes in project strategy/scope/deliverables

S 104(3) Principle	Proposed Activity
	<ul style="list-style-type: none"> • lease arrangements/lessee • market appraisal v actual lease terms • reasons why a lease may not achieve market value
b) open and effective competition	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • Continued public presentations and other communications outlining the project and promotion of its opportunities to prospective tenants • Publically available monthly reports to council on status of the leasing strategies including confirmation of signed leases (less confidential information) • Regular reporting to DLGRMA on the status of the leasing strategy including confirmation of signed leases etc.
c) development of competitive local business and industry	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • For the exemption's duration, six monthly high-level reporting to DLGRMA on the project's overall implementation and achievements and its impacts of the surrounding and wider Ipswich economy
d) environmental protection	<ul style="list-style-type: none"> • Council will balance the development needs with environment needs and ensure all leases and sub-leases meet regulated environmental requirements
e) ethical behaviour and fair dealing	<ul style="list-style-type: none"> • Release of regular updates (press releases) to the media regarding key tenants secured (once leases are binding and the tenant agrees) • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal • Monthly reports to council on status of the leasing strategies including details of any conflicts of interest of the Interim Administrator, Interim Management Committee, councillors, council employees or project consultants • Regular reporting to DLGRMA to include: <ul style="list-style-type: none"> • report on process probity by independent, external reviewer • reasons for any lease being under market value • details of any conflicts of interest

Summary

The granting of an exemption will enable council to both counter-sign the existing lease offers achieved under ICP and continue the active marketing and acceptance of lease offers for the remaining tenancies. The success of the redevelopment is largely based on council's ability to identify and lock-in a high-quality, diverse tenancy mix that will on an ongoing basis draw the community into the precinct. In terms of momentum, communicating to prospective tenants, the quantum and type of leases already locked in to the development will greatly assist council in promoting the attractiveness of the opportunity. This is now at a critical point in time for the project, where further delay could have adverse impacts to ongoing leasing success.

Should council not be provided with the exemption, it is highly likely that sub-optimal commercial outcomes will result together with an inability to obtain the desired mix of retail and commercial leases and the ongoing devaluation of the council's assets. Further leasing momentum has been built through recent activities with approximately 300 prospective tenants communicated with to date and a number of lease offers received or under negotiation. Should the exemption not be granted, the project runs the risk of confidence being eroded once again if there are further delays with prospective tenants likely 'going cold' on the opportunity.

In line with a divestment strategy underpinned by the belief that it should not be the long-term owner of significant CBD holdings, it is council's medium to long-term intention to dispose of the leased/subleased assets to the private sector. Site specific ministerial exemptions will be sought at that time, likely once all or the majority of leases are in place and the precinct fully established and activated, strengthening each property's valuation and subsequent return to council upon sale.

This correspondence includes a number of attachments that provide additional supporting information and schematics to previously provided documentation. Attachment 7 contains a guide of detailed references in the correspondence and the business case dated 12 August which support the discussion above.

In summary, approval of a section 236 exemption for the disposal of non-current assets (via leases or sub-leases) for the Nicholas Street – Ipswich Central project will allow council to utilise traditional retail industry practices to significantly or fully lease/sub-lease the subject assets, assist council achieve its retail strategy goals and ultimately fully realise the value of each property and maximise the financial returns for the Ipswich community. The period of the ministerial exemption sought is to 30 June 2023.

Should you require further discussion or information on this matter, please contact me at greg.thomas@ipswich.qld.gov.au or on (07) 3810 7080 or 0447200008.

Yours sincerely

Greg Thomas
PROJECT MANAGER

ATTACHMENTS:

Attachment	Title
Attachment 1	Subject Precinct Properties – Retail/Commercial Tenancy Yield
Attachment 2	Schematic – Retail Leasing – Impacted Freehold/Leasehold Properties
Attachment 3-5	Retail and Commercial Tenancies - Architectural Drawings 26.8.19
Attachment 6	Precinct Site Plan – Completion Dates – Civic Space/Council Building/Library
Attachment 7	References - Letter and Business Case
Attachment 8	26 August 2019 DLGRMA Sale Related Clarifications

Doc ID No: A8135269

ITEM: 8

SUBJECT: NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR METRO B TENANCY 2B14

AUTHOR: PROJECT MANAGER

DATE: 28 JUNE 2022

EXECUTIVE SUMMARY

This is a report concerning an agreement for lease for council's consideration associated with tenancy 2B14 within the Nicholas Street Precinct's Metro B Building.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and an associated document of the Agreement for Lease with the proposed lessee for Tenancy 2B14 in the Metro B Building (impacting part of Lot 1 on RP157021) ("Tenancy 2B14") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy 2B14 with the proposed lessee (as detailed in the confidential report and attachments by the Project Manager dated 28 June 2022).
- C. That Council note, that in relation to Council's disposal of its leasehold interest in Tenancy 2B14 to the proposed lessee, that the Ministerial exemption under s236 (f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy 2B14 (Ministerial exemption contained in Attachment 1 of 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 decision at Recommendation B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

RELATED PARTIES

Ranbury Property Services - Retail Leasing Agent
Knight Frank Valuation & Advisory Queensland – Independent Market Appraisal
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

In 2019 council was granted a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases and sub-leases) associated with the Nicholas Street Precinct redevelopment. To ensure council had sufficient time to fully implement its retail strategy, council sought and was granted an exemption until 30 June 2023. The goal of the exemption was to allow council to efficiently and effectively implement its retail strategy through the disposal of leases and State sub-leases (held by council) by more appropriate, market accepted, transactional means other than by a tender or auction process mandated under section 227 of the Regulation.

This exemption was sought as retail leasing is generally not undertaken through a tender or auction process. It is a specialised process undertaken by experienced retail leasing firms with relationships with the types of tenants targeted for a project. These relationships allow conversations to explain a project and the opportunities tailored to each prospective tenant. The retail leasing agent, appointed by council, has and continues to actively market the subject tenancies to prospective tenants.

Further, industry advice confirmed it would be highly likely that any tender or auction process for the retail tenancies would receive very limited responses and that any response would not contain the commercial terms sought by council. In addition, these processes would be inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage, service and entertainment/leisure tenancies.

As part of the exemption approval process, council committed to adhere to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*, specifically through a number of proposed safeguards to ensure openness and transparency with regard to the related transactions. Correspondence from the then Minister of Local Government dated 24 September 2019 (refer Attachment 1) confirmed approval of the exemption (for both council's retail and commercial tenancies). Further, this approval conditioned the exemption on compliance with the activities proposed by council to address the sound contracting principles as outlined in council's letter to the then Department of Local Government, Racing and Multicultural Affairs dated 10 September 2019 (refer Attachment 2). Specifically, this requires the following condition be met "each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution (agendas, papers and minutes all publicly accessible)". **(Note: all related precinct matters are now managed by the Ipswich Central Redevelopment Committee).** This process will be utilised for each individual retail (and future commercial) lease arrangement.

This paper is seeking council's approval to enter into an agreement for lease for a service tenancy associated with the Nicholas Street Precinct redevelopment utilising the process

detailed above. The agreement for lease relates to a sub-lease for one of internal tenancies in the Metro B building being 2B14 tenancy (132 m²). Council holds the leasehold interest from Queensland Rail (Lease No. 601375840) over the Metro B Building with the long-term lease expiring on 27 November 2077. The Metro B Building impacts part of lot 1RP157021 (over the rail line).

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 names associated with each 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. Announcements relating to Metro B lessees are planned to be released in batches in 2022. 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 and proposed tenure length are contained in confidential Attachments 4 - 6).

Council engaged Knight Frank Valuation & Advisory Queensland to provide an independent market appraisal of each 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). This advice is considered by council prior to the Chief Executive Officer endorsing any Heads of Agreement progressing to the preparation of related legal documentation including agreements for lease, leases and associated documentation. Knight Frank's review of Metro B tenancy 2B14 is attached (refer confidential Attachment 5). Also attached is the Lease Deal Approval Report for Metro B tenancy 2B14 (refer confidential Attachment 6). Confidential Attachment 4 details material changes with the commercial terms from the Knight Frank review to the preparation of the agreement for lease.

This paper seeks approval for council to enter into an agreement for lease for a service 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 Metro B tenancy 2B14 and ensure the lessee can commence their fit-out works and opening as soon as possible.

Post the execution of the lease documentation for each tenancy, council will be provided with a subsequent report detailing lessee specifics and their offering.

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 medium to long-term success and viability of both the retail precinct and the overall Ipswich Central CBD Redevelopment is heavily dependent on the retail leasing program delivering a tenancy mix comprising high-quality, commercially successful tenants. The approval and subsequent execution of further agreements for lease will send a positive signal to the retail leasing market around the precinct's future success.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	<p>Recommendation A relates to Council entering into an agreement for lease and an associated document for Metro B 2B14 tenancy.</p> <p>Recommendation B relates to Council entering into a lease for Metro B 2B14 tenancy.</p> <p>Recommendation C outlines how Council will apply a ministerial exemption to the disposal of a leasehold interest in the Metro B Building.</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?	No human rights are affected by this decision. This is because the prospective lessee is a company (only individuals have human rights).
(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

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 the retail leasing agent's payments and any associated landlord contributions is incorporated into the project's budget.

COMMUNITY AND OTHER CONSULTATION

The contents of this report did not require any community consultation.

Detailed consultation has occurred with the Department of State Development, Infrastructure, Local Government and Planning on the both the conditioned process and the associated documentation to be provided to council for AFL/lease approvals.



Council's Legal Services team have been consulted on the form and contents of this report and its attachments.

CONCLUSION

The flexibility provided by the ministerial exemption over the Regulation's tender and auction provisions allows council to optimise the tenancy mix, the commercial outcomes and the long-term success for each tenancy and the project overall.

As a priority, the focus is to progress the conversion of endorsed Heads of Agreement into agreement for leases particularly due to the completion of refurbishment works on both the Eats and Metro B buildings. Approval of this agreement for lease within Nicholas Street Precinct's Metro B will continue the positive message to the Ipswich community and the market that the redevelopment is moving forward.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Ministerial Exemption Approval 24.9.19 
2.	Ministerial Exemption ICC Clarifications 10.9.19 
	CONFIDENTIAL
3.	NSP Retail Leases - Legal Advice
4.	Confidential Report - Metro 2B14
5.	Knight Frank Assessment - Metro B 2B14
6.	Lease Deal Approval Report - Metro B 2B14

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”



Minister for Local Government,
Minister for Racing and
Minister for Multicultural Affairs

Our ref: MC19/4387

24 SEP 2019

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Dear Greg

Thank you for your letter of 12 August 2019, seeking an exemption from compliance with the tender or auction requirements in section 227 of the Local Government Regulation 2012 (the Regulation) for the disposal of the Ipswich City Council's interest in land within the Ipswich Central Business District precinct.

I am advised that officers of the Department of Local Government, Racing and Multicultural Affairs subsequently met with Council officers to discuss the scope of the application and additional information necessary to assess the Council's application. Following this meeting, the Council provided the Department with a letter dated 10 September 2019, reducing the scope of its application to solely the leasing and sub-leasing component of the Council's original request, and providing the additional information requested by the Department.

Following an assessment of the Council's request, I have approved an exemption under section 236(1)(f) of the Regulation from compliance with section 227 of the Regulation for the leasing and sub-leasing of the Council's interest in land within the Ipswich Central Business District precinct, subject to the following conditions:

- The exemption relates to the properties identified in Attachment 1 to the Council's letter to the Department dated 10 September 2019, which provided additional information regarding the Council's application.
- The exemption is for a period up to 30 June 2023.
- The Council must comply with the activities proposed by the Council to address the sound contracting principles in section 104(3) of the *Local Government Act 2009*, as outlined in the Council's letter to the Department dated 10 September 2019.
- For the period of the exemption, the Council must provide a quarterly report to me detailing the exercise of this exemption. The report must include details of the status of all lease arrangements, an independent market appraisal of the lease, reasons for any lease being under market value and details of any conflicts of interest (COI) or material personal interest (MPI) held by the Interim Administrator, members of the Interim Management Committee, Councillor or employee of the Council in relation to each lease and how the COI or MPI was managed.

- For the period of the exemption, the Council must provide a six-monthly report to me on the CBD redevelopment project's overall implementation and achievements and its impacts on the wider Ipswich economy.

I have asked for Ms Rebecca McAnalen, Principal Regional Advisor (South), Local Government Division in the Department to assist you with any further queries. You may wish to contact Ms McAnalen on 3452 6738 or by email at rebecca.mcanalen@dlgrma.qld.gov.au.

Yours sincerely



STIRLING HINCHLIFFE MP
Minister for Local Government,
Minister for Racing and
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Kent Wain
Manager Southern Region
Department of Local Government, Racing and Multicultural Affairs
Level 3, 12 First Avenue
Maroochydore QLD 4558

10 September 2019

Dear Mr Wain

Re: Additional information re Ipswich City Council's request for exemption under section 236 (1)(f) of the *Local Government Regulation 2012* - Nicholas Street - Ipswich Central (CBD Redevelopment)

With reference to departmental correspondence dated 26 August 2019 and the 28 August 2019 meeting between council, its consultants and officers of the Department of Local Government, Racing and Multicultural Affairs (DLGRMA), this correspondence provides the requested executive summary outlining (at a high-level) reasoning for pursuing the above ministerial exemption (exemption) together with responses to other clarifications sought by DLGRMA.

At the 28 August 2019 meeting, discussions occurred on both the scope and complexity of council's application dated 12 August 2019. As a result, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application. Council proposes that any future divestments within the precinct will be the subject of separate site-specific exemption applications. Given this, a number of the clarifications sought by your department specifically relating to the disposal of freehold or leasehold land are not dealt with in this correspondence (refer Attachment 8).

Executive Summary

Council is seeking a ministerial exemption under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases/sub-leases) associated with its Nicholas Street - Ipswich Central CBD redevelopment (the project). The exemption will allow council to efficiently and effectively implement its retail strategy through the disposal of related non-current assets (leases/sub-leases) by more appropriate, market accepted,

transactional means other than by a tender or auction process as required under section 228 of the Regulation.

Background

Since 2009 Council's subsidiary, Ipswich City Properties Pty Ltd (ICP), has purchased the majority of the Nicholas Street assets (freehold and leasehold) with the vision of leading the redevelopment of the Ipswich CBD. Due to a number of factors, significant delays were experienced in progressing the redevelopment. As a result, the CBD is currently underutilised and the ongoing delays have contributed to its decline, significantly impacting commercial activity and community perception of the precinct.

Council's overarching goal for the project is to revitalise the precinct into a vibrant, mixed-use development ultimately incorporating civic functions, retail, commercial, entertainment and public spaces. The project's success is critical to allow council to regain the local community's trust and rebuild the positive sentiment which has been eroded by recent political events. Council's strategic objectives for the CBD's renewal also include the creation of an enduring and activated civic heart, the relocation of council's administration centre and a civic space capable of delivering cultural and entertainment activities (refer schematic Attachment 6).

Council's ultimate redevelopment of the Nicholas Street/Union Place precinct will include up to 46 retail and four commercial tenancies with up to 13 floors of commercial office space (refer Attachments 3 to 5 for the latest schematics of the retail tenancies).

Application Driver

To progress the delayed redevelopment and as part of the process to deregister ICP due to prior governance concerns and poor public perception, all of ICP's land holdings and interests in the CBD precinct transferred to council on 27 June 2019. Due to the Regulation's requirements, the change in ownership of these non-current assets (refer Attachments 1 and 2) has impeded council's ability to implement ICP's leasing and divestment strategy (refer pp 18-21 of Business Case - Attachment 3). This strategy was underpinned by ICP's ability to successfully lease the retail and commercial tenancies to a predetermined mix and at a future date, divest itself of what are essentially non-core local government assets. Attachment 2 identifies the leasing or sub-leasing proposal for each precinct asset.

Under section 228 of the Regulation, disposal of non-current assets must be through a tender or auction process unless an exemption is granted under section 236 (1)(f). Under ICP's strategy now adopted by council, the proposed disposal of non-current assets specifically relates to the leasing and future sale of freehold land and the sub-leasing or future sale of State leases. Following the meeting with DLGRMA on 28 August 2019, council has modified its request for an exemption to the solely the leasing and sub-leasing component of the original application dated 12 August 2019. It is council's position sub-optimal outcomes for both the project and the Ipswich community will result if disposal of the leases and sub-leases occurs through either a tender or auction process.

Industry Practice

Retail and commercial leasing is generally not undertaken through a tender or auction process. It is a specialised process best undertaken by experienced retail leasing executives who have relationships with the types of tenants targeted for a project. Given these relationships, the retail leasing executives are able to conduct trusted conversations to adequately explain a project and its

opportunities tailored to that particular tenant and as a result, gather an understanding of their tenancy requirements.

Traditional industry practice (especially for a development of this size) is that an independent assessment of likely market rents is first prepared with a schedule of asking rents determined. Properties are then marketed and advertised widely. ICP had until 27 June 2019 undertaken this approach and appointed a leasing agent (secured after a competitive process). This agent, now directly appointed by council, has and is continuing to actively market the subject properties to prospective retail tenants with a number confirming strong interest. Further a number of parties have submitted signed lease offers to both ICP/council with a majority of the offers received meeting or exceeding council's target rental levels.

Why an Exemption?

Industry advice confirms that it would be highly likely that any tender or auction process for the retail or commercial tenancies would receive very limited responses and that those that were received would not contain the commercial terms sought by council. In addition, these processes are inherently incapable of creating the desired mix and style of lessee council is seeking for its food and beverage and entertainment areas. Council's reasons for pursuing the exemption option are clarified below.

Why wouldn't a tender or auction process deliver optimal outcomes or the commercial terms desired by Council? Advice from council's retail leasing team is that the retail leasing market would not adequately respond to a tender or auction process for retail or commercial tenancy opportunities. Traditionally this market operates and responds to experienced retail leasing executives who have developed relationships and trust with retailers to individually and specifically introduce such opportunities directly to them.

A tender or auction process does not spread the 'net' wide enough to capture all parties that would or could be interested in the precinct or identified for targeting by council. Prospective tenants sought would simply not engage in such processes given opportunities are generally historically introduced to them on a specific and individual basis. In short, generally these entities do not need to engage in a tender or auction process to secure space to expand their businesses.

Interstate operators would not receive or be aware of local or state-based public tender processes. In contrast, the direct contact leasing approach to date has introduced the project and its specifically targeted opportunity to approximately 300 retailers. A previous EOI campaign conducted by ICP in relation to the entertainment venue and a component of the food and beverage offer only received limited responses.

Generally speaking retail space is never auctioned. While multiple offers might be entertained for an individual site, there is no bidding process to drive an improved commercial outcome. Also with retail, the highest bidder for a particular tenancy may not be provide the lessor with the best result for the development overall. The quality of offer, fit-out, covenant, brand and overall experience a customer can expect are far more important drivers for the appropriate commercial decision and long-term viability of the both the tenancy and the overall retail development. This is especially so in the case of this project where the strategy is to create an enduring point of difference over both Riverlink Shopping Centre and other food and beverage and entertainment providers in the Ipswich area.

Why wouldn't an appropriately drafted tender process deliver the desired tenancy mix for the CBD?

The tenancy mix for a project is a carefully considered strategic approach, followed by strategic targeting of tenants who are deemed most appropriate for that mix, with direct contact established to introduce and articulate the project opportunity. It is common industry practice that this is the process by which tenants receive their tenancy opportunities for consideration.

The tenancy mix is critical as in reality it is tailoring the targeted tenants to suit the environment and precincts that are being created together with ensuring longevity of the lease. Rather than taking an ad-hoc approach to the market and inviting anyone to tender, the general industry approach is to take a more precise approach. By leveraging retailer relationships, better engagement and interest is achieved. In this project's case, irrespective of how well defined a tender process may have been designed, it is considered highly unlikely that some of the extremely interested prospective tenants (who have already submitted offers) would be regularly reviewing the LG Tender Box or local papers or the internet to identify potential tenders to participate in.

Why wouldn't a tender or auction process achieve commercially sound bids due to the CBD redevelopment project's chequered history? As discussed above, prospective tenants generally do not participate in tender or auction processes. This is certainly the case for projects that have had significant challenges and/or history such as in the case with the Ipswich CBD redevelopment. The personalised approach with prospective tenants including open communication with interested or targeted parties has and will enable the leasing team to address and clear up any pre-existing and or ill-conceived perceptions of council or Ipswich due to recent events and reinforce the opportunity. A degree of 'sales' prowess is required for this project which is why a personalised approach will always yield superior results.

How will council deal with the sub-leases that it has with State agencies and are there any restrictions within these sub-leases which would impact tender or auction options? As with any other leases, council will abide by the terms and the conditions of any existing sub-leases with State agencies for the duration of that sub-lease. Council has the following existing arrangements in the CBD precinct:

- Queensland Health – Two sub leases on ground and lower ground of 2 Bell Street respectively, both expiring 30 November 2019, post this date only the lower ground tenancy will remain but on a licence arrangement for three years;
- West Moreton Health – Licence on Level 1 of 2 Bell Street has expired, currently operating on a month by month basis; and
- Seqwater – lease for 200 car park spaces in Civic Square (not relevant to this application).

A review of the sub-leases did not identify any restrictive clauses with regard to a tender or auction process taking place. It did identify a requirement for a standard advance notification to the tenant where a sale or a change in ownership is to occur.

Council will need to consult and obtain the written approval of Queensland Rail as the Lessor to enter into any new lease or sub-lease arrangement for the existing registered leases located at 25 Ipswich City Mall and 2 Bell Street.

Is there a possibility of staging an exemption approval for parts of the project, that is delaying leasing certain properties or the divestment strategy? As discussed above, council has modified its request for an exemption to solely the leasing and sub-leasing component of the original application dated 12 August 2019 with any future sale within the precinct to be a site-specific exemption application.

While a number of permutations exist for the staging the delivery of the retail portfolio including realigning the timing for some food and beverage offerings with the administration centre opening around July 2021, council's position is that the exemption should cover all of the retail and commercial tenancies for the following reasons:

- Council's staging delivery is yet to be finalised and as such, a restricted exemption approval at this time based on a reduced number of tenancies may be premature and cause subsequent delays to the project;
- Flexibility is crucial in retail leasing to accommodate specific tenants needs as negotiations are advanced in the leasing process, the mix and tenant requirements are constantly reviewed and revised as interest is firmed up through the process; and
- The exemption term sought (see below) is to 30 June 2023 – if granted this will allow council sufficient time to either fully implement its retail strategy or if required modify its delivery program to stage parts of the retail and commercial development.

Exemption Term

To ensure council has a sufficient period to fully implement its retail strategy and maximise the leasing take-up on the numerous retail and commercial leases within the precinct, council is seeking the exemption be granted until 30 June 2023. The success of the precinct is predicated on commercial arrangements for the majority of the tenancies (food and beverage and entertainment) being in place to allow them to commence operation from the middle to the end of 2021. Based on the projected success of the development and the requested exemption timeline to 30 June 2023, council anticipates it will have significantly achieved its leasing strategy by this time.

Depending on the success of any future divestment strategy, if the leasing outcome sought is not likely to be achieved by 30 June 2023, council will in the period leading up to the expiration date lodge a further exemption application.

Transparency and Safeguards

Should council's application for an exemption for the project's leasing and sub-leasing be approved, council understands that associated conditions will apply for the term of the exemption. In anticipation, council commits to adhering to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*. Council will ensure openness and transparency with regard to the related transactions through, but not be limited to:

S 104(3) Principle	Proposed Activity
a) value for money	<ul style="list-style-type: none"> • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal to ensure lease terms proposed are market aligned • Each lease/sublease to be approved by the Economic Development Committee and then full council prior to its execution – agendas, papers and minutes all publically accessible • Regular reporting to DLGRMA of the application of the exemption including: <ul style="list-style-type: none"> • changes in project strategy/scope/deliverables

S 104(3) Principle	Proposed Activity
	<ul style="list-style-type: none"> • lease arrangements/lessee • market appraisal v actual lease terms • reasons why a lease may not achieve market value
b) open and effective competition	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • Continued public presentations and other communications outlining the project and promotion of its opportunities to prospective tenants • Publicly available monthly reports to council on status of the leasing strategies including confirmation of signed leases (less confidential information) • Regular reporting to DLGRMA on the status of the leasing strategy including confirmation of signed leases etc.
c) development of competitive local business and industry	<ul style="list-style-type: none"> • Promotion of the Nicholas St website, encouragement of leasing enquiries through an on-line form and associated contact details • For the exemption's duration, six monthly high-level reporting to DLGRMA on the project's overall implementation and achievements and its impacts of the surrounding and wider Ipswich economy
d) environmental protection	<ul style="list-style-type: none"> • Council will balance the development needs with environment needs and ensure all leases and sub-leases meet regulated environmental requirements
e) ethical behaviour and fair dealing	<ul style="list-style-type: none"> • Release of regular updates (press releases) to the media regarding key tenants secured (once leases are binding and the tenant agrees) • Appointment of an independent, external reviewer to assess the commercials and probity of each tenancy deal • Monthly reports to council on status of the leasing strategies including details of any conflicts of interest of the Interim Administrator, Interim Management Committee, councillors, council employees or project consultants • Regular reporting to DLGRMA to include: <ul style="list-style-type: none"> • report on process probity by independent, external reviewer • reasons for any lease being under market value • details of any conflicts of interest

Summary

The granting of an exemption will enable council to both counter-sign the existing lease offers achieved under ICP and continue the active marketing and acceptance of lease offers for the remaining tenancies. The success of the redevelopment is largely based on council's ability to identify and lock-in a high-quality, diverse tenancy mix that will on an ongoing basis draw the community into the precinct. In terms of momentum, communicating to prospective tenants, the quantum and type of leases already locked in to the development will greatly assist council in promoting the attractiveness of the opportunity. This is now at a critical point in time for the project, where further delay could have adverse impacts to ongoing leasing success.

Should council not be provided with the exemption, it is highly likely that sub-optimal commercial outcomes will result together with an inability to obtain the desired mix of retail and commercial leases and the ongoing devaluation of the council's assets. Further leasing momentum has been built through recent activities with approximately 300 prospective tenants communicated with to date and a number of lease offers received or under negotiation. Should the exemption not be granted, the project runs the risk of confidence being eroded once again if there are further delays with prospective tenants likely 'going cold' on the opportunity.

In line with a divestment strategy underpinned by the belief that it should not be the long-term owner of significant CBD holdings, it is council's medium to long-term intention to dispose of the leased/subleased assets to the private sector. Site specific ministerial exemptions will be sought at that time, likely once all or the majority of leases are in place and the precinct fully established and activated, strengthening each property's valuation and subsequent return to council upon sale.

This correspondence includes a number of attachments that provide additional supporting information and schematics to previously provided documentation. Attachment 7 contains a guide of detailed references in the correspondence and the business case dated 12 August which support the discussion above.

In summary, approval of a section 236 exemption for the disposal of non-current assets (via leases or sub-leases) for the Nicholas Street – Ipswich Central project will allow council to utilise traditional retail industry practices to significantly or fully lease/sub-lease the subject assets, assist council achieve its retail strategy goals and ultimately fully realise the value of each property and maximise the financial returns for the Ipswich community. The period of the ministerial exemption sought is to 30 June 2023.

Should you require further discussion or information on this matter, please contact me at greg.thomas@ipswich.qld.gov.au or on (07) 3810 7080 or 0447200008.

Yours sincerely

Greg Thomas
PROJECT MANAGER

ATTACHMENTS:

Attachment	Title
Attachment 1	Subject Precinct Properties – Retail/Commercial Tenancy Yield
Attachment 2	Schematic – Retail Leasing – Impacted Freehold/Leasehold Properties
Attachment 3-5	Retail and Commercial Tenancies - Architectural Drawings 26.8.19
Attachment 6	Precinct Site Plan – Completion Dates – Civic Space/Council Building/Library
Attachment 7	References - Letter and Business Case
Attachment 8	26 August 2019 DLGRMA Sale Related Clarifications