

Ipswich Central

Tender Consideration Plan:

Appointment of Retail Leasing Agent – Ipswich Central CBD Transformation Project

20 June 2019



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1. BACKGROUND

As part of Ipswich City Council's (ICC's) overall CBD Redevelopment Strategy, Ipswich City Properties Pty Ltd (ICP), acquired the properties of Ipswich City Square in March 2009, and later, 2 Bell Street in February 2018 within the Ipswich CBD.

ICC then entered into a Development Management Agreement (DMA) with ICP, for the development of the Civic Space, Library and Car park and ICC resolved to construct and own a new Administration Building in the CBD. Alongside these works, ICP would be responsible for the redevelopment of retail spaces within Ipswich City Square and 2 Bell Street. This included identifying and implementing strategies to secure the most suitable tenants for retail spaces following completion of redevelopment works.

At the Council Meeting of 16 October 2018, ICC resolved to wind-up operations of ICP.

An Officers' Report will be presented at the 27 June 2019 Special Council meeting requesting resolution for the adoption of recommendations to transfer assets, operating and redevelopment activities of ICP to ICC. Once the properties transfer to ICC, ICC will be the responsible for delivery of the retail leasing strategy and the leasing responsibilities will transfer over to ICC.

ICC therefore will need to appoint a leasing agent with the appropriate registrations and licences to act as the leasing agent for the Ipswich Central CBD Transformation Project.

To ensure consistency in the delivery of the leasing strategy and to maintain market confidence in relation to the leasing opportunities and the broader CBD Redevelopment Project, a detailed Tender Consideration Plan has been prepared in relation to ICC not undertaking a full tender process for the appointment of an agent and recommending the appointment of the Retail Leasing Agent currently appointed by Ipswich City Properties Pty Ltd.

Market Assessment of Leasing Agents on behalf of Ipswich City Properties Pty Ltd

To seek recommendations on the most appropriate leasing agent and strategy to achieve the agreed retail goals, Whittaker Property Group was engaged by ICP and a report dated 6 June 2018 *Retail Leasing Agency Recommendations for Ipswich Central* was tabled at the 26 June 2018 ICP Board meeting. This report is included in confidential Attachment 2.

The Whittaker report assessed a range of opportunities to achieve the goals of ICC. It identified the state of the current retail market, noting common practice for 'main-stream' real estate agencies which would not necessarily be consistent with ICC's objectives in developing a space with retailers that are complimentary with remainder of the redevelopment. The report also noted generally lack the resources and experience in 'main-stream' real estate agencies to undertake a project of this nature.

In the major retail sector, most leasing work is handled 'in-house' by the retail owners/developers, and with the inability to compete for resources, would find it difficult to service projects such as Ipswich City Square. It was recommended to consider individual consultants/agents which specialise in leasing, tenancy mix, and design advice services.

The recommended profile for such retail agents included but was not restricted to:

- Experienced Retail Leasing background with proven track record and resources required in delivering projects of the size and nature of Ipswich Central.
- Extensive and current contract network with the retailers, with knowledge of current retail deals and what individual retailers are seeking.
- Strong understanding of the design drivers in planning & delivering a successful project.
- Network of retail specialist consultants such as architects, demographers, etc.

- Understanding tenancy mix and how that impacts the success of the project.
- Delivering projects in line with budgeted time frames and desired outcomes.

Five (5) groups were approached, with a short-list of three (3) groups recommended for consideration. Written proposals were received from each of these three (3) groups, and assessed against the above profile.

After further discussions and meetings with each group was conducted, carefully reviewing their proposed resource allocation, experience and financial proposals, one of the recommendations made by the Whittaker Property Group was:

“Based on my understanding of the requirements on ICP for this role, Ranbury Property are currently best placed to add value to the existing arrangements, on both the strategic part of the role as well as the lease resourcing.”

Process leading to the appointment of Ranbury Property Group Pty Ltd by Ipswich City Properties Pty Ltd

1. The report prepared by Whittaker Property Group dated 6 June 2018 *Retail Leasing Agency Recommendations for Ipswich Central*, was tabled at the 26 June 2018 ICP Board meeting.
2. The ICP Board discussed the report and strategy at the meeting on 6 June 2018 and passed the following resolutions:
 - *“The Board resolved to receive and note the report of recommendation from Whittaker Property Group dated 6 June 2018; and*
 - *The Board resolved to review the recommendation noted therein to appoint Ranbury as joint leasing agents along with the currently appointed leasing agents LJ Hooker Commercial on the terms and conditions as stated in the report”*
3. At the 19 December 2018 ICP Board meeting, a report was presented by a (now former) officer of Council titled, *Retail Strategy & Marketing Sounding Update for Ipswich Central Project*. The report contained the following recommendation to the Board:
 - *“Leasing services be re-engaged for commencement 7th January 2019, in accordance with the previous board approval. This previous approval was granted on 26th June 2018 following the competitive tender process and independent recommendation from Whittaker Property dated 6th June 2018. A Form 6 is attached and recommended for execution accordingly.”*
 - This officer’s recommendation included incorrect advice indicating that a previous Board meeting on 26th June 2018 had approved the appointment of the leasing agent.
4. Based on the advice and officer recommendation, the new Board (being the Interim Administrator), at its meeting on 19 December 2018, passed the following resolutions: :
 - *“Note the Board report tabled by (name removed) at the meeting entitled ‘Retail Strategy and Market Sounding Update for Ipswich Central Project’ and the advice received from (name removed) on the significant level of retail leasing interest that has been generated thus far.*
 - *Note the Form 6 tabled at the meeting for the appointment of Ranbury as leasing agents for the Ipswich Central Redevelopment Project and resolved that (name removed) be authorised to execute the document on behalf of ICP.”*

5. The Form 6 document was subsequently executed on 19 December 2018 between ICP and Ranbury Properties Services Pty Ltd.
6. The inconsistent advice by the former Council officer to the ICP Board on 19 December 2018 was brought to the attention of the ICP Board on 24 June 2019.

The appointment of Ranbury Property Services Pty Ltd by ICP in December 2018 as leasing agent is consistent with the independent recommendation of the Whittaker Property Group.

2. OBJECTIVES

This tender consideration plan is intended to fulfil the following objectives:

	OBJECTIVES
1	The retail leasing responsibilities of ICP once transferred to ICC should proceed in a timely manner with continuity of market and tenant activity, delivery of the leasing strategy and continued market confidence in the Ipswich CBD Redevelopment Project
2	Document ICC's decision not to seek quotes or tenders and to appoint a retail leasing agent
3	Consideration of the five (5) sound contracting principles outlined in the Local Government Act 2009
4	Key risks associated with appointing the leasing agent be identified and mitigated

3. HOW WILL OBJECTIVES BE ACHIEVED

The objectives identified for the TCP in section 3 will be achieved by the actions detailed in the following table:

	OBJECTIVE	ACHIEVED BY
1	The retail leasing responsibilities of ICP once transferred to ICC should proceed in a timely manner with continuity of market and tenant activity	<p>The proposed appointment of the existing retail leasing agent for the CBD redevelopment of Ipswich City Square will enable the timely continuation of the redevelopment and retail leasing strategies.</p> <p>The appointment ensures there are no delays or periods of time in which a leasing agent is not appointed, momentum is maintained in relation to current possible tenant activity generated and there is no market uncertainty created if Council was to put out a new open tender to procure a leasing agent.</p>
2	Document ICC's decision not to seek quotes or tenders and to appoint a retail leasing agent	This plan outlines the objectives and reasons to support the recommendation to appoint the existing retail leasing agent for the CBD redevelopment of Ipswich City Square without initially undertaking a quote or tender process, ensuring consideration is given to the sound contracting principles.
3	Consideration of the five (5) sound	As outlined in the background to this plan; ICP engaged an independent organisation, Whittaker Property Group, to provide

	contracting principles outlined in the Local Government Act 2009	<p>recommendations on the most appropriate leasing agent and strategy to achieve the agreed goals. The report from Whittaker property Group is the confidential Attachment 2 to the officer's report. The process undertaken, including assessment of possible people / agencies and seeking written proposals from a shortlist of potential agents, is set out in more detail in Section 5.</p> <p>Whilst a full external tender process was not undertaken in accordance with ICP Procurement Policy consistent with Council policy, the process undertaken by the independent specialist is aligned with the Sound Contracting Principles.</p>
4	Key risks associated with appointing the leasing agent be identified and mitigated	Evaluate levels of various risk profiles with mitigation strategies to be implemented.

4. HOW WILL ACHIEVEMENTS BE MEASURED

To following table details the measurements required to confirm objectives are achieved:

	OBJECTIVE ACHIEVED BY	MEASUREMENT
1	The retail leasing responsibilities of ICP once transferred to ICC should proceed in a timely manner with continuity of market and tenant activity	<p>The measurement of the achievement of the objective will be monitored by achievement of the leasing strategy, the level of tenant interest generated and leasing terms agreed</p> <p>The operations of Ipswich City Square are now part of the Coordination and Performance Department which will be responsible for the ongoing delivery of services.</p>
2	Document ICC's decision not to seek quotes or tenders and to appoint a retail leasing agent	Acceptance of this plan and recommendations by ICC.
3	Consideration of the five (5) sound contracting principles outlined in the Local Government Act 2009	The delivery of services by the retail leasing agent as part of the CBD redevelopment will be managed and monitored by the project team in accordance with the agreed retail strategy.
4	Key risks associated with appointing the leasing agent be identified and mitigated	Ensure mitigation strategies provide significant effect on reducing the evaluated risk level.

5. IDENTIFICATION & ANALYSIS OF ALTERNATIVES:

The analysis of reasons to support the appointment of a retail leasing agent without initially undertaking a quote or tender process is set out below.

The alternative option was for ICC to undertake a new tender process for the appointment of a retail leasing agent. The timeframes of undertaking this process would mean that the occupancy of retail spaces following the redevelopment could be delayed and may have an adverse effect on the overall successful delivery of the Project. The opening of the Civic Space and Library to the public, is meant to coincide with the opening of the retail space. As market sounding and engagement prospective tenants has been occurring, changing leasing agents would have an adverse effect on market confidence in the Project's ability to deliver the agreed leasing strategy. There would be also a risk in leasing contacts being lost with prospective tenants.

In addition, to minimise the risks of the project, ICC needs to ensure that the intellectual property, knowledge, etc be transferred to ICC.

As noted in section 1 of this TCP, appointment by ICP in December 2018 of Ranbury Property Services Pty Ltd followed a detailed review by Whittaker Property Group on behalf of ICP, identifying a range of potential local and non-local agents from major agencies, second-tier agencies and specialised agencies. A short-list of recommended agents provided written proposals, followed by further discussions to provide clarity around key issues.

Assessments to determine the most suitable leasing agent was based on a number of criteria:

- Experience
- Track Record
- Resourcing
- Approach
- Fees and Costs
- Commitment

6. PROPOSED TERMS OF CONTRACTS

The recommendation is to appoint Ranbury Property Group as the leasing agent on an exclusive basis. The term of appointment is to commence on 27 June 2019 (following termination of the existing ICP engagement) and end on 30 March 2020, and may be terminated in writing with 30 days' notice, or less if both parties agree.

The details (commission, scope, etc) of the proposed ICC appointment of Ranbury Property Services will remain the same as those under the current engagement by ICP, and this will be reflected on the new *Property occupations Form 6 – Appointment and reappointment of a property agent, resident letting agent or property auctioneer* document.

7. RISK ANALYSIS OF MARKET FROM WHICH SERVICES ARE TO BE OBTAINED:

The key risks identified when assessing the market from which the services are obtained is the ability for the project to continue without further delay and to ensure that ICC has the intellectual property supplied to ICP transferred. If the project is delayed further, then the overall net cost to ICC would escalate.

In addition, if the current retail leasing agent is not appointed by ICC, then the risk of not successfully delivering the project on schedule would be higher as the project knowledge in relation to the leasing of future redeveloped retail spaces could be lost.

The following general risks and mitigation strategies have been identified in relation to ICC appointing a leasing agent:

Financial Risk		Risk Level
Event	Ranbury Property Services tried to request a revision of their fee as part of the reengagement	
Likelihood	Unlikely	Low
Consequence	Minimal	
Mitigation	Ranbury Property Services have been advised of this potential change in client. There is no indication or expectation they will adjust their fee.	

Legal & Governance		Risk Level
Event	Nil	
Likelihood		N/A
Consequence		
Mitigation	Engagement is via standard Queensland Government <i>Form 6 – Appointment and reappointment of a property agent, resident letting agent or property auctioneer.</i>	

Political / Reputation		Risk Level
Event	No leasing agent was appointed or agent did not accept appointment	
Likelihood	Rare	Low
Consequence	Minimal	
Mitigation	At the 16 October 2018 (public) Council meeting, ICC resolved to wind-up operations of ICP. Communication has been made with Ranbury recently as to the possibility of changes in agreements/appointments, subject to a final decision by ICC. No issues raised. The appointment under this TCP ensures consistency of have a leasing agent appointed.	

Community and Environment		Risk Level
Event	None	
Likelihood	N/A	N/A
Consequence	N/A	
Mitigation	There is no perceived Community or Environmental risk due to delivering the objectives of this TCP.	

Health & Safety		Risk Level
Event	None	
Likelihood	N/A	N/A
Consequence	N/A	
Mitigation	There is no perceived Health & Safety risk due to delivering the objectives of this TCP	

Service Delivery / Business Continuity		Risk Level
Event	Delay in executing Queensland Government Agency form	
Likelihood	Possible	Moderate
Consequence	Moderate	
Mitigation	All signatories are local will not be subject to any detailed review or legal advice.	

Information Confidentiality, Integrity and Accessibility		Risk Level
Event	Information and Knowledge of the Project not transferred to ICC	
Likelihood	Possible	Moderate
Consequence	Moderate	
Mitigation	<p>The strategy document and other activities and reports produced to date by the Consultant have been supplied to the Project Team. There is no formal agreement in place other than the Queensland Government <i>Form 6 – Appointment and reappointment of a property agent, resident letting agent or property auctioneer.</i></p> <p>The proposal under this TCP to appoint the same agent as currently engaged by ICP ensures consistency of information and knowledge</p>	

8. SUMMARY

To ensure continuity of the Project leasing strategy, prospective tenant engagement and market confidence in the CBD redevelopment project, it is recommended for ICC to appoint Ranbury Property Services Pty Ltd as the leasing agent for the Ipswich Central CBD Transformation Project.