

NICHOLASST

Ipswich Central

Tender Consideration Plan: Appointment of Retail Leasing Agent, Nicholas St – Ipswich Central Project

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Contents

1.	BACKGROUND	3
2.	OBJECTIVES	4
3.	HOW WILL OBJECTIVES BE ACHIEVED	5
4.	HOW WILL ACHIEVEMENTS BE MEASURED.....	6
5.	IDENTIFICATION & ANALYSIS OF ALTERNATIVES:.....	6
6.	PROPOSED TERMS OF CONTRACTS.....	7
7.	RISK ANALYSIS OF MARKET FROM WHICH SERVICES ARE TO BE OBTAINED:7	
8.	SUMMARY	9

1. BACKGROUND

At the 27 June 2019 Special Council meeting, Council adopted a resolution to adopt the Tender Consideration Plan (“TCP”) and to appoint Ranbury Property Services Pty Ltd (“Ranbury”) as the retail leasing agent for the Ipswich Central CBD Transformation Project, now referred to as the Nicholas St – Ipswich Central Project (the “Project”). An agreement was then executed between Ipswich City Council (“ICC”) and Ranbury for retail leasing agency services, ending 30 March 2020.

As the prior agreement between ICC and Ranbury for retail leasing agency services ended 30 March 2020, ICC is required to appoint or reappoint a leasing agent for the Project beyond this date. To ensure consistency in the delivery of the leasing strategy and to maintain market confidence in relation to the leasing opportunities and the broader Project, a detailed TCP has been prepared in relation to ICC not undertaking a full tender process for the appointment of a leasing agent and recommends the appointment of Ranbury.

Appointment of Retail Leasing Agent by Ipswich City Council (*after 30 March 2020*)

The original agreement between ICC and Ranbury had an expiry date of 30 March 2020. The Master Program issued to ICC in June 2019 reflected Retail Development construction being completed by the end of Q2 2020. It was also envisaged that as of 30 March 2020, the majority of leasing opportunities would be identified and advanced to Agreement for Lease (“AFL”) stage and that as a result, Ranbury’s leasing services would no longer be required.

Since June 2019, there have been a number of factors which have resulted in significant delays to the Retail Development design and construction works program including:

- The preparation and adoption by Council at its 28 October 2019 Ordinary Council Meeting of a detailed development and divestment strategy for the various Project retail, commercial and entertainment assets (informed by market sounding and financial analysis conducted by KPMG). This report recommended funding the development of the retail, commercial and entertainment assets in a staged approach designed to achieve the key Project objectives;
- Following retail strategy’s adoption, there was an ongoing process to review the most suitable construction procurement options for the retail works, with Hutchinson Builders considered to undertake the works as a variation to their existing contract with ICC;
- Impact of Covid-19 on new and ongoing negotiations with prospective future tenants to secure lease deals; and
- Delays in progressing the anchor tenant to AFL, a precursor to construction of the Retail Development commencing.

As of April 2020, the Project program reflects retail construction finalised and tenancies fitted out and open for trading by the end of June 2021. This timeline may extend further depending on developments with issues such as Covid-19 and the timing of commencement of Retail Development works.

To ensure continuity of the retail leasing program, if approved by Council, it is proposed that ICC enter into a new agreement with Ranbury to deliver the remaining Project retail leasing services. An interim engagement up to a maximum of three months (until 30 June 2020) is currently in place with Ranbury to provide continuity of retail leasing activities (limited to discussions and negotiations) with existing contacts and potential tenants.

To retain the momentum of in the delivery of the leasing strategy and to maintain market confidence in relation to the leasing opportunities and the broader Project, a detailed TCP has been prepared. A Council adopted TCP will remove the requirement for ICC to undertake a full tender process and allow for the immediate appointment of Ranbury as leasing agent for a period encompassing leasing agency requirements for the Project.

A detailed proposal for the further engagement of Ranbury (including the remuneration model) is included in confidential Attachment 2 subject to final negotiations with Ranbury.

To date Ranbury have performed above expectations in the level of interest generated for the redevelopment as well as the progress with individual tenancies within the current environment.

2. OBJECTIVES

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

	OBJECTIVES
1	ICC's retail leasing responsibilities should proceed in a timely manner with continuity of market and tenant activity, delivery of the leasing strategy and continued market confidence in the 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 <i>Local Government Act 2009</i>
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 2 will be achieved by the actions detailed in the following table:

	OBJECTIVE	ACHIEVED BY
1	ICC's retail leasing responsibilities of should proceed in a timely manner with continuity of market and tenant activity, delivery of the leasing strategy and continued market confidence	<p>The proposed appointment of the existing retail leasing agent for the Project 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 ICC 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 Project without undertaking a prior quote or tender process, ensuring consideration is given to the sound contracting principles.
3	Consideration of the five (5) sound contracting principles outlined in the <i>Local Government Act 2009</i>	In 2018, Ipswich City Properties Pty Ltd ("ICP") engaged an independent organisation, Whittaker Property Group, to provide recommendations on the most appropriate leasing agent and strategy to achieve the agreed goals. The process, including assessment of potential agencies and seeking written proposals from a shortlist of potential agents, was undertaken by the independent specialist is aligned with the sound contracting principles.
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

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

	OBJECTIVE ACHIEVED BY	MEASUREMENT
1	ICC's retail leasing responsibilities of should proceed in a timely manner with continuity of market and tenant activity, delivery of the leasing strategy and continued market confidence	Monitored by achievement of the leasing strategy, the level of tenant interest generated and transitioned to Heads of Agreement and executed Agreements for Lease/Leases. The operations of Ipswich City Square are now under the management of the Coordination and Performance Department which will be responsible for the ongoing delivery of services.
2	Document Council's decision not to seek quotes or tenders and to appoint a retail leasing agent	Acceptance of this plan and recommendations by Council.
3	Consideration of the five (5) sound contracting principles outlined in the <i>Local Government Act 2009</i>	The delivery of services by the retail leasing agent as part of the Project 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 alternative option is 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. As market sounding and engagement of 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 (some of who may be quite advanced in the negotiation process).

In addition, to minimise the risks of the project, ICC needs to ensure that the intellectual property, knowledge, etc. generated as part of the existing leasing agents activities is retained.

6. PROPOSED TERMS OF CONTRACTS

The recommendation is to appoint Ranbury as the leasing agent on an exclusive basis. The proposed term of appointment is for 15 months, commencing 1 June 2020 and end on 30 August 2021 (with a nine month option to extend should services be required past that date). It is proposed that the arrangement may be terminated in writing with 30 days' notice, or less if both parties agree. The interim three month agreement currently in place will be cancelled immediately once the associated contractual documentation for the new arrangement has been executed.

Contractual form of engagement will be via an ICC Professional Services Contract.

The details (commission, scope, etc.) of the proposed ICC appointment of Ranbury are as per confidential Attachment 2.

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 are the ability for the Project to continue without further delay and to ensure that ICC retains the intellectual property and leasing contacts associated with the existing leasing program. Further project delays will result in an increase in the overall net cost to ICC.

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 amassed in relation to the leasing of future redeveloped retail spaces will not be retained.

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

Financial Risk		Risk Level
Event	Ranbury tries to request a revision of their fee as part of the re-engagement	
Likelihood	Rare	Low
Consequence	Minimal	
Mitigation	Ranbury has proposed new financial arrangements, however this is to address concerns raised by both parties to ensure a fair agreement is reached beneficial to both in the current environment. It is not envisaged that a major dispute will occur.	

Legal & Governance		Risk Level
Event	Nil	
Likelihood		N/A
Consequence		
Mitigation	Engagement will be via a standard ICC Professional Services Agreement.	

Political / Reputation		Risk Level
Event	No leasing agent was appointed or agent did not accept appointment	
Likelihood	Rare	Low
Consequence	Minimal	
Mitigation	Ranbury are keen on continuing to provide retail leasing agency services to ICC. It is essential that the continuity of the Project leasing strategy is maintained, through appointment of a retail leasing agent as soon as possible.	

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 ICC Professional Services Contract	
Likelihood	Unlikely	Moderate
Consequence	Moderate	
Mitigation	The Ranbury Group are familiar with this contract template and previously advised ICC they have no objections to executing such an agreement.	

Information Confidentiality, Integrity and Accessibility		Risk Level
Event	Information and Knowledge of the Project not transferred to ICC	
Likelihood	Possible	Moderate
Consequence	Moderate	
Mitigation	The strategy document and other activities and reports produced to date by the Consultant have been supplied to the Project Team. The proposal under this TCP to appoint the same agent as currently engaged by ICC ensures consistency of information and knowledge.	

8. SUMMARY

To ensure continuity of the Project leasing strategy, prospective tenant engagement and market confidence in the Project, it is recommended that ICC appoint Ranbury Property Services Pty Ltd as the leasing agent for the Project for a 15 month engagement with a nine month option under the attached remuneration model (refer confidential Attachment 2).