

## 14.2.1 MAIN STREET REDEVELOPMENT PROJECT – DEFERRAL AND CONSTRUCTION PHASING

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| <b>LOCATION/ADDRESS</b>    | Bussell Hwy, Margaret River Bridge – Wallcliffe Road |
| <b>APPLICANT/LANDOWNER</b> | Shire of Augusta Margaret River                      |
| <b>FILE REFERENCE</b>      | COR/368  |
| <b>REPORT AUTHOR</b>       | Markus Botte, Director Infrastructure Services       |
| <b>AUTHORISING OFFICER</b> | Stephanie Addison-Brown, Chief Executive Officer     |

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### IN BRIEF

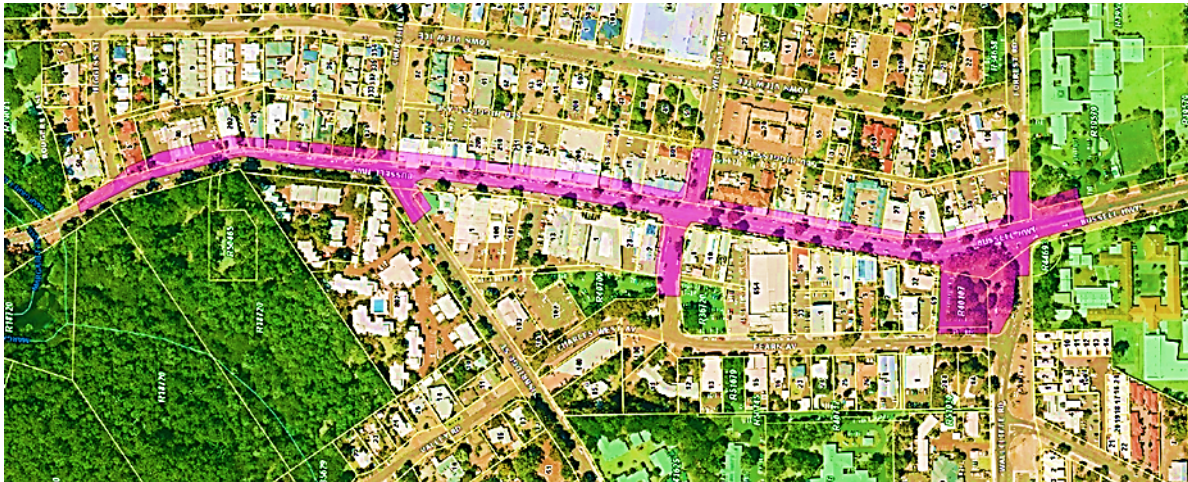
- At the Ordinary Council Meeting of 26 June 2019, Council approved the revised Financial Assistance Agreement and a staged approach to the delivery of the Margaret River Main Street Redevelopment Project, with project commencement scheduled for October 2019.
- A community workshop on 13 August 2019 and recent survey of members of the Margaret River business community revealed a strong preference for deferral of the project commencement date from October 2019 to late January 2020.
- The deferral of construction commencement was supported in-principle by representatives of the South West Development Commission, being the Project's key funding partner and State Government Project Lead Agency.
- Deferral will have an impact on construction phasing, resulting in the project being delivered over at least two and up to three construction periods, depending on funding availability.
- Deferral of the project and a change in construction phasing represents a change in the scope of works
- Pursuant to the provisions of the Local Government (Functions and General) Regulations 1996, the Shire will be required to go back out to tender for the works.
- Recalling the tender will have an added benefit of further value-engineering opportunities.
- Council's consideration of a revised project commencement date, phased approach to construction over up to three construction seasons with associated cost implications, and renewed amendment of the recently revised 2019 Royalties for Regions - Margaret River Main Street Redevelopment Financial Assistance Agreement is now required.

### RECOMMENDATION

That Council:

1. Approves a phased approach to the delivery of the Project over at least two and up to three construction seasons, recognising the benefits to tourism and commercial activities in the Main Street as well as likely adverse project cost implications;
2. Notes the requirement for the Shire to go back out to tender in accordance with the Local Government (Functions and General) Regulations 1996, allowing further opportunities for value engineering;
3. Approves in-principle scope and schedule amendments to the Financial Assistance Agreement for consideration by the Minister for Regional Development;
4. Authorises the Chief Executive Officer to write to State Government to formally seek amendments to the Financial Assistance Agreement; and
5. Subject to the Minister's approval of the revised Financial Assistance Agreement, authorises the document to be executed by the Shire and the Common Seal of the Shire of Augusta Margaret River affixed to the document in due course.

## LOCATION PLAN



**Figure 1 Project Site: Margaret River Main Street Redevelopment (highlighted in purple)**

## TABLED ITEMS

Nil

## BACKGROUND

During the Ordinary Council Meeting of 26 June 2019, Council resolved:

## MODIFIED RECOMMENDATION / COUNCIL DECISION

**CR EARL, CR GODDEN OM2019/110**

That Council:

1. Approves a three-staged approach to the delivery of the Project;
2. Approves an additional internal funding contribution of \$1,157,000 to the Project;
3. Approves the revised Financial Assistance Agreement (Confidential Attachment 5) and authorises the document to be executed by the Shire and the Common Seal of the Shire of Augusta Margaret River affixed to the document;
4. Authorises the Chief Executive Officer to enter into a contract with Georgiou Group Pty Ltd pursuant to the outcome of the negotiated Tender RFT 03-19 for the Margaret River Main Street Redevelopment Project and represented as Stage 2.0 as well as Stages 2.1 and 2.2 Separable Portions up to a Total Construction Project value of \$10,660,231; and
5. Authorises the Chief Executive Officer to seek and allocate any additional external funding to the project, up to the maximum Project value, should it become available in the future.

**CARRIED BY ABSOLUTE MAJORITY 6/0**

Following the meeting, the 2016 Royalties for Regions - Margaret River Main Street Redevelopment Financial Assistance Agreement (FAA)<sup>1</sup> was revised to reflect an amended Project delivery timeline and to progress the Project in a staged approach.

Construction of Stage 2.0 of the Project was planned to commence in September /October 2019, to be delivered within one phase during the annual construction season and with completion planned by May/June 2020. Stages 2.1 and 2.2 were envisaged to also be delivered in this time frame, subject to funding availability.

<sup>1</sup> Financial Assistance Agreement Royalties for Regions Project Growing our South Margaret River Main Street Redevelopment, 2016.

Whilst construction of Stage 2.0 was to temporarily cease over for the Christmas/ New Year period 2019-2020 and over Easter 2020, at a Community Information Session with Main Street Traders held on 13<sup>th</sup> August 2019, significant concerns were raised by the business community in relation to the likely impact of Project works on business activities during the key trading season (October to January) and the detrimental effects of the Project on the viability of existing businesses operating within the Margaret River CBD.

## **CONSULTATION AND ADVICE**

### **External Consultation**

A Community Information Session with Main Street traders was held on 13<sup>th</sup> August 2019, to advise stakeholders of the project status, proposed project staging and proposed project timeline.

Responses to a subsequent in-depth survey conducted by the Shire of members of the business community, representing more than half of the Main St traders, revealed that 87% of respondents were in favour of deferring the construction commencement date beyond the end of the peak summer trading period, being post the Australia Day long weekend. A significant number of businesses stated that this period of trading is absolutely critical to ensure viability of their business for the remainder of the year.

Only 7% of respondents preferred that the project be completed and out of the way as soon as possible and 6% of respondents felt indifferent towards the project commencement date.

Given the difficult economic climate in the small business and retail trading sector that currently prevails, initial discussions with Project funding partners (State Government representatives at the South West Development Commission) revealed a high level of support for a deferral of the project commencement date in support of the request by local businesses and in order to assist in ensuring ongoing viability of businesses operations within the Margaret River CBD that are otherwise likely to be affected by the Project.

The South West Development Commission (SWDC) requested formalising suggested timeline variations via a further amendment to the recently revised 2019 Royalties for Regions - Margaret River Main Street Redevelopment Financial Assistance Agreement (FAA)<sup>2</sup>.

### **Internal Consultation**

- Chief Executive Officer;
- Project & Procurement Officer;
- Manager Legal and Governance Services
- Director Infrastructure Services;
- Manager Asset Services/Acting Director Infrastructure Services;
- Project Manager – Main Street Redevelopment.

## **DISCUSSION / OFFICER COMMENTS**

A Community Information Session with members of the Business Community was held on 13<sup>th</sup> August 2019 and was attended by approximately 100 business community members.

Attendees were advised of the planned staged approach to construction, the method by which impact to traffic would be managed and the planning around how each stage of works would be defined and contained during the construction stage. Discussion ensued as follows:

- Construction schedule and traffic management.

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<sup>2</sup> Financial Assistance Agreement Royalties for Regions Project Growing our South Margaret River Main Street Redevelopment - Version 1.0 2018-19, July 2019.

*After engagement, the Contractor will be invited to attend a public meeting to provide advice around the practical components of the construction, such as methodology and signage, and to take account of feedback from stakeholders.*

- Concern regarding trucks still using the Main Street.  
*It is anticipated that heavy vehicle activity will decrease once the street is pedestrianised.*
- Car parking- numbers lost, replacement parking and timed parking.  
*Whilst there is no current parking shortage, it was acknowledged that parking signage needs to be improved and that behavioural changes together with additional parking and timed parking require consideration in the future in order to maximise and optimise use of available space.*
- Signage- during and post construction.  
*It was acknowledged that information and directional signage during and post-construction would need to be improved.*
- Main Street Traders have formed a collective that will continue to operate during the construction period to facilitate efficient lines of communication during construction.  
*This is an initiative of Main Street Traders and has so far shown very successful results in improving stakeholder engagement.*
- Main Street Traders Collective will continue to creatively engage with the Main Street during construction to encourage visitation and interaction.  
*This initiative was welcomed and has now been fully supported by Shire officers.*
- Use Facebook as an effective communication tool.  
*The Shire's use Facebook as a communication medium particularly during construction is currently under review. The Shire will continue to discuss this proposal with the Contractor.*

In relation to the discussions around the construction schedule, members of the Margaret River business community expressed concerns on the Shire's intended construction commencement date set for October 2019 and the plan of progressing the project in a single construction season through the peak tourism and trading period, citing the devastating impact this could have on the viability of businesses relying on the revenue generated during this period to ensure survival of their business during the remainder of the year.

A subsequent survey confirmed that the overwhelming majority of traders are in favour of a deferral of the construction commencement date and phasing of the project delivery over at least two construction seasons rather than a tightly condensed delivery within one season only. However, if funding does not become available for the currently unfunded project Stages 2.1 and 2.2, construction of these project elements would need to be deferred for completion in a future construction season, thereby spreading the staged delivery of works over up to three construction seasons or phases of construction.

Following on from the Shire's review of the construction program in discussions with the preferred tenderer and SWDC, an in-principle agreement was reached in favour of the deferral and a renewed amendment of relevant elements of the Project's FFA is required.

It is acknowledged that a phased construction over at least two seasons will likely result in an increase in project costs; however, it is anticipated that this additional cost can be absorbed by the balance of funds currently estimated as remaining from the available project budget upon completion of Stage 2.0. As per the previous project estimate and as outlined in the FAA, funds will be insufficient to deliver Stages 2.1 and 2.2 and the Shire will need to continue seeking additional external funds to complete all stages of the project or identify funds from alternative sources (internal/borrowings).

If funds were to become available in time, the works entailing Stages 2.1 and 2.2 could be delivered in the second construction season, or could again be deferred to a third construction season in order to avoid adverse impact on local businesses. An allowance would need to be made to reflect the additional

costs of mobilisation and demobilisation as part of the separable portions of the contract over these remaining stages.

Associated with the above, the desired change in the construction phasing will require an amendment of the scope of works currently allowed for in the Tender RFT 03-19 for the Margaret River Main Street Redevelopment Project. With this in mind, and given that negotiations with the preferred tenderer, Georgiou Group, to this date have not resulted in a contract for the works being formalised in accordance with the provisions of Regulation 11(2)(c)(i) of the Local Government (Functions and General) Regulations 1996, the Shire will be required to again call a tender for the revised scope of works.

### **STATUTORY ENVIRONMENT / LEGAL IMPLICATIONS**

Section 3.57 of the Local Government (Functions & General) Regulations 1996.

Regulation 11(2)(c)(i) of the Local Government (Functions and General) Regulations 1996

The Shire also sought legal advice on the current status of contract negotiations in relation to Regulation 11(2)(c)(i) of the Local Government (Functions and General) Regulations 1996 (Confidential Attachment 1). Based on this advice, the Shire is required to go back out to tender.

### **STRATEGIC PLAN / POLICY IMPLICATIONS**

***Community Strategic Plan 2036 (CSP)***

***Corporate Business Plan 2019-2023***

Key Result Area 3: Ensuring Sustainable Development

Community Outcome 6: Connected and safe transport network

Strategy 2: Manage traffic flows, parking and pedestrian safety in town and village centres

Strategic Response: 3.6.2.1 Priority Project: Deliver the upgrade to the Margaret River Main Street.

Key Result Area 4: Vibrant and Diverse Economy

Outcome 4: Competitive Business Environment

Strategy 2: Work with commercial and retail enterprises to increase year-round stability.

### **PLANNING FRAMEWORK**

Nil.

### **FINANCIAL IMPLICATIONS**

Project costs will increase with the project delivery over two construction seasons due to additional mobilisation and demobilisation costs.

Funding options proposed include:

- Balance of project funds remaining based on estimated completion costs of Stage 2.0 only. Stages 2.1 and 2.2 remain currently unfunded.
- Additional internal funding;
- Additional external funding, as it may become available in the future. Partner funding may need to be provided and sourced from the project budget or alternative sources.

### **SUSTAINABILITY IMPLICATIONS**

#### **Environmental**

- Project delivery in the shoulder seasons and outside of the peak tourism period may push the project into periods of adverse weather conditions, with an increased risk for erosion and sediment export. This will need to be adequately managed by the contractor. Shifting the project from the driest months of the year to the shoulder period may however reduce the water demands for water carts used to decrease dust impacts and to stabilise soils.

#### **Social**

- Improved quality of life for local residents during the peak tourism period; however, a deferral of the project will result in an extension of the project delivery timeframe and construction over up to three construction seasons, thereby delaying some of the beneficial outcomes expected of the

project in relation to improved streetscape and amenity, especially in the Festival Precinct, with the interim positive impacts for improved quality of life and vitality for local business owners and the potentially tourism sector, relying heavily upon Summer trade.

#### **Economic**

- Reduced impact on tourism visitation to Margaret River and the region during the peak tourism period due to reduced construction footprint and phased construction impact.
- Reduced impact on economic activity (from tourism expenditure and commercial opportunities in the main street) during the crucial peak trading and tourism period.

#### **VOTING REQUIREMENTS**

Absolute Majority

#### **ADVICE TO APPLICANT / PROPONENT**

Nil

#### **RECOMMENDATION**

That Council:

1. Approves a phased approach to the delivery of the Project over at least two and up to three construction seasons, recognising the benefits to tourism and commercial activities in the Main Street as well as likely adverse project cost implications;
2. Notes the requirement for the Shire to go back out to tender in accordance with the Local Government (Functions and General) Regulations 1996, allowing further opportunities for value engineering;
3. Approves in-principle scope and schedule amendments to the Financial Assistance Agreement for consideration by the Minister for Regional Development;
4. Authorises the Chief Executive Officer to write to State Government to formally seek amendments to the Financial Assistance Agreement; and
5. Subject to the Minister's approval of the revised Financial Assistance Agreement, authorises the document to be executed by the Shire and the Common Seal of the Shire of Augusta Margaret River affixed to the document in due course.

#### **ATTACHMENTS**

1. CONFIDENTIAL Legal advice