

**STRATEGY AND POLICY REVIEW COMMITTEE**  
**7 JULY 2008** **GOVERNANCE AND COMPLIANCE**

<b>A18</b>	<b>FINAL REPORT - REDEVELOPMENT OF THE ST KILDA TOWN HALL</b>
<b>LOCATION/ADDRESS:</b>	<b>99A CARLISLE STREET ST KILDA</b>
<b>RESPONSIBLE EXECUTIVE DIRECTOR:</b>	<b>DAVID YEOUART, EXECUTIVE DIRECTOR COMMUNITY ASSETS &amp; SERVICES</b>
<b>AUTHOR:</b>	<b>KATHY DILLON, BUILDING &amp; GREEN SPACES MANAGER</b>
<b>FILE NO.:</b>	<b>86/01/07</b>
<b>ATTACHMENTS:</b>	<b>BURNS BRIDGE PROJECT COST SUMMARY</b>

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**1. EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to present to council a final report on the redevelopment of the St Kilda Town Hall element of the Town Halls Strategy.

**2. BACKGROUND AND CONTEXT**

- 2.1. In 2002, council resolved to develop both the St Kilda and South Melbourne Town Halls, following consideration of a detailed financial analysis. This analysis affirmed the strategic justification for this project.
- 2.2. An Accommodation Strategy Steering Committee was then established to develop and recommend to council, options for the long term, effective utilisation of the public buildings.
- 2.3. In July 2004, council endorsed the development of the concept to construct an extension to the original, existing St Kilda Town Hall building on the northeast corner; extend to the property line of Carlisle Street; create a new entrance from Carlisle Street which aligned with the internal street built in the 1990's; create a direct connection from Carlisle Street into the main ASSIST and reception area; retain the Carlisle Street forecourt bounded on the east side by the new building extension and the glass art wall, which was to be moved from the main hall.
- 2.4. Council also committed to developing a concept plan for the redevelopment of the South Melbourne Town Hall, with the works to be undertaken at the completion of the St Kilda works.
- 2.5. In October 2005, a project budget of \$21.9 million was adopted to redevelop the St Kilda Town Hall (\$19.9 million) and the South Melbourne Town Hall (\$2 million).

- 2.6. This project represented a significant investment by the City of Port Phillip, with long term benefits to the community and council. These include:-
- 2.6.1. Maximising the use (both civic and community) of its three town halls at Port Melbourne, South Melbourne and St Kilda.
  - 2.6.2. The creation of a municipal building with the majority of staff in one location and more spaces for the community.
  - 2.6.3. All Town Halls continuing to be major community assets, accessible to all, with core service provision, such as ASSIST services available in each.
  - 2.6.4. Council operating more efficiently and being able to provide more sustainable services from one core administrative location.
  - 2.6.5. More community spaces for the public in the Town Halls as a result of the Town Hall - St Kilda redevelopment and upon its completion, the subsequent upgrade of the Town Hall - South Melbourne.
- 2.7. Council increased the budget for the Town Hall - St Kilda in February 2007 to \$20,593,875 to allow for greater project contingencies which were originally set at \$800,000 (or 4%) to \$1.3 million (or 6.5%). The average expected for a project of this size would be in the order of 10%.
- 2.8. It was noted by council, at the time, that a 6.5% contingency was still at the lower end of industry benchmark.
- 2.9. Attached is the final Project Summary Costs (prepared by Burns Bridge dated 27 June 2008) which details the current forecast final project cost of the redevelopment at \$21,692,492. This equates to a project overrun to budget of \$744,222.
- 2.10. As stated above, the contingency provided in the budget is \$1,300,000 (or 6.5%). The final forecast shows total variations (contingencies) to the project of \$2,038,094.
- 2.11. However, the current (approved and estimated) variations to the construction costs total \$1,785,154.
- 2.12. These variations can be summarised into four (4) major categories being:-
- (i) Client changes (\$162,689)
  - (ii) Design Changes/Omissions (\$614,640)
  - (iii) Latent Conditions (\$672,825)
  - (iv) Extension of Time Costs (\$335,000).
- 2.13. Client changes are those that have been requested by CoPP and implemented into the project during the construction phase. These changes should rightfully increase the project budget.
- 2.14. The Design Changes/Omissions are construction costs incurred due to deficiencies in the project documentation as a result of complexities of the site, design errors and omissions. Furthermore approximately \$150,000 of the extension of time costs relate to additional time required to implement the design changes and which also affected the construction programme.

- 2.15. The Latent Conditions are due to differing conditions in the building (or site) which could not reasonable been foreseen. Approximately \$385,000 of the variations relates to the discovery and subsequent removal of hazardous materials from the building fabric and in particular contaminated soil.

During the time of construction, The Environment Protection Authority significantly increased the landfill levy from \$130 per tonne to \$250 per tonne.

This increase had a significant flow-on effect to the cost incurred to dispose of the contaminated soil. The extent of the soil required to be removed was also significantly greater than originally planned. The extent of soil removal could only be quantified once demolition had occurred.

The construction contract had a provisional allowance of \$80,000 for removal of all contaminated materials, including soil.

However, approximately 2,500 tonnes of contaminated soil was removed from the site during construction, as well as additional hazardous building fabric (mainly asbestos).

- 2.16. Currently the consultants forecast final fees are \$2,456,055. This figure represents the maximum exposure for CoPP and as the reconciliation of fee claims is still not finalised, will either remain the same or decrease, depending on the outcome of these claims i.e. some claims may be disallowed.
- 2.17. The estimated final contract variations to consultancy fees of \$252,940 can be summarised into two main categories being Client Requests and Building Programme.
- 2.18. Client Requests included Environmentally Sustainable Design (ESD) initiatives design and documentation, security needs assessments and modifications to documented floor layouts to suit revised operational needs.
- 2.19. The extension to the building programme had a subsequent impact on the consultancy services and required extension period to the construction programme affected these timeframes and therefore costs.

### **3. RECOMMENDED OPTION**

- 3.1. Criterion for recommendation

Given that the redevelopment was well under-way and the major parts of the works delivered, it was unrealistic and impracticable to consider reducing the scope of the project to reduce costs.

A reduction in scope would, at this stage, have incurred further costs in redesign fees and variations to the building and consultants contracts, together with complicated construction variations.

Also, the allowance made for contingencies, for a project of this nature, was still in the medium order.

Hence, the only viable option is to fund the difference in estimated final costs.

**4. SUSTAINABILITY ASSESSMENT**

***SOCIAL EQUITY***

Social Pillar	<p>The redevelopment has improved overall accessibility and service delivery to the community. This has been achieved through the consolidation of administrative and service activities.</p> <p>The building acts as a landmark for civic engagement in the city, is welcoming and creates a connectedness between staff and gives staff a sense of working for a single organisation.</p>
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***ECONOMIC VIABILITY***

Economic Pillar	<p>Construction of additional space at St Kilda will deliver a series of direct economic effects upon the financial viability of council.</p> <p>There will be reduced long-term operational costs, such as maintenance, insurance, security, transport and staff travel time, in line with initial viability projections.</p>
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***ENVIRONMENTAL RESPONSIBILITY***

Environmental Pillar	<p>The design of the Town Hall – St Kilda, redevelopment has included a number of sustainable design initiatives including rainwater re-use facilities for toilets, water saving plumbing fixtures and chilled beam air conditioning.</p> <p>The building provides end-of-use facilities to encourage the use of public transport, cycling, pedestrians and minimises car parking spaces to encourage the use of sustainable modes of transport.</p> <p>Waste management and a general office culture, aimed at waste minimization is also evident e.g. movement sensitive lighting, automatic screen saving on computers and segregated waste bins.</p>
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***CULTURAL VITALITY***

Cultural Pillar	<p>The redevelopment has enhanced the civic and functional use of the building.</p> <p>The building now includes additional gallery space for displaying council's art collection and other exhibitions and has improved capacity for community use of the civic space.</p> <p>It also ensures the preservation of its significant heritage value, into the future.</p> <p>The return of the Town Hall space to a single hall has shown signs of success, as public bookings for dances and cultural events have increased on previous numbers, as the hall provides a niche market, unavailable elsewhere in the locality.</p> <p>The movement of the "Glass Wall" artwork, from the hall to a place of prominence, at the entrance to The Annexe has enabled a greater number of people to experience and enjoy the art.</p>
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**4.1.** Policy and legislative implications

This development was undertaken as part of councils' Town Halls Strategy.

The terms of reference for the Steering Committee require submission of progress reports to council. These reports have been submitted when scheduled.

**4.2.** Risk implications

The Accommodation Steering Committee has considered the risks to this project throughout the redevelopment and will continue to do so during the redevelopment of the Town Hall - South Melbourne.

**4.3.** Resource implications

The current project budget of \$20,593,875 was funded by council as follows:-

<b>SOURCE</b>	<b>AMOUNT</b>
Capital Budget (building works)	\$17,940,000
Operating Expenditure	\$1,703,875
Capex Expenditure	\$500,000
Other Expenditure (eg storm damage claim)	\$450,000
SUB TOTAL	\$20,583,875
Operational Expenditure	\$354,395
<b>TOTAL</b>	<b>\$20,948,270</b>

This leaves an estimated maximum shortfall on the project of \$744,222.

At this time, it is anticipated that savings from completed capital projects within the current capital program will accommodate this shortfall.

5. PARTICIPATION AND ENGAGEMENT

5.1. Internal

5.1.1. A wide range of internal consultation has been undertaken to reach this point.

Throughout the project, various staff groups and individuals have been involved in assisting the project to ensure the building has met council's requirements.

5.1.2. Functional groups comprised from staff across the organisation have provided information and input into the design and development process.

5.1.3. **The Accommodation Steering Committee** has over-seen the project.

The most recent meeting of the Committee was held 23 June 2008, in which it reviewed the function and outcomes of the Town Hall – St Kilda project against the original intent.

The Committee also noted the progress, to date, on the Town Hall – South Melbourne.

This committee was originally charged with the redevelopment of both the St Kilda and South Melbourne Town Halls projects and resolved to continue, until the redevelopment of both buildings is complete.

5.2. External

5.2.1. The project has been through a rigorous consultation process including:

- Articles in local newspapers and Diversity
- Community consultation sessions
- Information sessions
- Town Planning process

**6. RECOMMENDATION**

That the Strategy and Policy Review Committee recommend that Council resolve to:

- 6.1. Continues with the Accommodation Steering Committee to oversee the redevelopment of the Town Hall - South Melbourne.
- 6.2. Notes the final report from the project manager Burns Bridge on the redevelopment of the St Kilda Town Hall and the final estimated total project expenditure of \$21,692,492, which represents \$744,222 (4%) over-expenditure to budget.
- 6.3. Delegates the Executive Director, Community Assets and Services to transfer savings made, within the current Capital Program, from other capital projects to cover the final shortfall, expected to be in the order of \$744,222 or less.