

PROCUREMENT AND RISK MANAGEMENT

Case Study

BRISBANE CITY COUNCIL @ BRISBANE SQUARE **“CLIENT INITIATED BUILDING”**

Frank Riley

Manager City Property, Brisbane City Council, Australia
Frank.Riley@brisbane.qld.gov.au

ABSTRACT

How did a client organisation, such as the Brisbane City Council, drive the agenda for a new privately owned 5 Green Star Commercial Building in the Brisbane CBD – Brisbane Square?

After an unsuccessful attempt to sell its current central administration building in 1998/99, the Brisbane City Council set about a detailed planning process in order to determine the most appropriate accommodation solution to meet its future needs. Being the largest Local Government Authority in Australasia and a single city administration, it was considered necessary that its future central administrative functions should be accommodated in a significant CBD facility.

The Council was also driven by the need to position itself consistent with its Vision 2010 for the future of the City. An important part of its accommodation planning was to ‘lead by example’ and to provide facilities that would enable its ‘Vision’ for Brisbane City to be readily achieved.

Other key benefits focusing on Council’s change management associated with this project are primarily:

1. Successful Relocation (2000 staff over 10 weeks)
This represented an opportunity to standardise corporate accommodation for over 80% of Council’s commercial office space.
2. Reduced occupancy costs
When compared to the current Council owned CBD building.
3. Improved staff satisfaction and productivity
Associated with significantly improved work environment, better functionality and more efficient interior design.
4. Alignment of policies to new work practices.
Leading to improved productivity and efficient use of the work environment.
5. Showcase change agenda with sustainable outcomes.
Brisbane City Council leading by example and setting the standard for development of large commercial CBD properties with “best practice” ESD outcomes.

Keywords: Corporate Vision, Planning, Leadership, Commitment, Change

1. PREAMBLE

Often a simple situation or particular circumstance can trigger a much more deliberate and thorough planning process. Such was the case at Brisbane City Council with regards to undertaking strategic accommodation planning for Council’s Corporate Real Estate (CRE) portfolio. It all started with the failed attempt to sell the Council’s central administrative building (Brisbane Administration Centre or BAC) in the CBD in 1998/99.

This disposal process did not result in a completed sale and as such, Council took the decision to retain ownership and risk, at least for the short-term, whilst it developed a more comprehensive approach to its long-term accommodation needs.

This prompted a comprehensive planning process, involving both internal and external resources, in order to determine fully costed options for the Council’s future commercial and industrial accommodation requirements.

At or about the same time as this comprehensive CRE analysis was being undertaken, the Council also developed its Strategic Vision (Vision 2010) for the future of the City of Brisbane. Obviously, this ‘Vision’ also applied to Council itself, indeed the organisation was very enthusiastic to set an example to the rest of the community for the various themes inherent in the Vision.

A public Expression of Interest (EOI) process resulted in a successful submission by Suncorp for a new and innovative commercial building on the former Trittons Site, adjacent to the Brisbane River in the heart of the CBD. Council chose this building for a 20-year lease commitment. At the same time deciding to sell its current CBD building as a vacant possession sale, thereby committing itself to a long-term leasehold arrangement. This commitment, and the desire to show leadership in CBD development, particularly in the area of environmental sustainability, has resulted in both Council and Suncorp investing an additional \$5Million to achieve a 5 Green Star Rating for Brisbane Square as part of the Green Building Council’s ESD Rating Scheme.

The building is due for completion in mid-2006. It will be the largest privately owned 5 Green Star rated commercial building in Australia. Additionally, the relocation in mid-2006 involves almost 4,000 staff from Council and Suncorp. It is architecturally and technically a very innovative development. However, Brisbane City Council and its needs for the future of the City of Brisbane have driven much of this innovation.

2. CORPORATE VISION

Brisbane City Council’s Vision 2010 is a major factor in aligning organisational direction, corporate objectives and strategic planning to ensure all are collaboratively working towards the achievement of the eight inherent themes. These themes are:

- a. Accessible City;
- b. Active and Healthy City;
- c. City Designed for Subtropical Living;
- d. Creative City;
- e. Clean and Green City;
- f. Inclusive City;
- g. Smart and Prosperous City; and
- h. Regional and World City.

The themes of ‘Clean and Green’ and ‘Accessible City’ are major contributors towards design standards aimed at achieving ecologically sustainable development and accessible facilities design. Some of the key design elements, inherently captured by these themes are as follows:

Clean and Green	Accessible City
<ul style="list-style-type: none"> • Water re-use and energy efficiency initiatives in households, industry and community facilities 	<ul style="list-style-type: none"> • New Busway corridors • More gas Buses for the City – 120
<ul style="list-style-type: none"> • Clean air – implementing an Air Quality Strategy 	<ul style="list-style-type: none"> • Expand community-based transport initiatives
<ul style="list-style-type: none"> • Reducing energy use 	<ul style="list-style-type: none"> • Pedestrian and bike friendly city
<ul style="list-style-type: none"> • Waste as a resource for re-use 	<ul style="list-style-type: none"> • Urban Greenways network – linking communities.

This Vision 2010 has been a major contributor towards planning considerations across the organization, but importantly it has also influenced Council Strategic Accommodation planning and considerations on design and future development.

This situation ultimately led to the decision for Council to invest in Brisbane Square in the manner it did, and to ultimately be instrumental in the creation of an iconic building as an example for commercial development in Brisbane.

3. STRATEGIC ACCOMMODATION PLANNING

As mentioned above, Brisbane City Council commenced strategic accommodation planning for its Corporate Real Estate (CRE) portfolio upon the failed attempt to sell the Brisbane Administration Centre at 69 Ann Street in 1998/99. After initial analysis it was clear that the Council was facing unacceptable capital costs in future years associated with the risk of ownership of a major CBD asset.

This situation prompted a comprehensive review of Council’s CRE assets and led to the public invitation for Expressions of Interest (EOI) for replacement central administrative headquarters in close proximity to City Hall. This resulted in the eventual acceptance of an offer from Suncorp to develop the former ‘Trittons Site’ for Council’s leasehold.

Significantly, part of this process involved the confirmation by the political leadership in the organisation that Brisbane City Council, as a single capital City administration, needed to have a prominence in the Cityscape and business profile in the CBD. This further emphasised the decision that Brisbane Square represented a very good alternative to the current property profile.

Similarly, Council also confirmed that it should retain and develop its strategic landholding on the City Fringe at St Paul’s Terrace, Fortitude Valley. This asset and the current market conditions in Brisbane presented an opportunity to develop the site for Council and the wider community without significant capital outlay. This once again presented an opportunity for a public Expression of Interest (EOI) process based upon a sale and leaseback methodology.

However, whilst this and other aspects of the Council’s strategic accommodation planning are progressing, let’s not lose sight of the “Main Game” at Brisbane Square.

In determining the best outcome for Council in the CBD, there were a number of property options investigated. These options involved both the development and/or refurbishment of our existing facility and the development off site. In summary these options could be best described as:

- a. **Option 1** – Status Quo or ‘Do Nothing’ Option;
- b. **Option 2** – Refurbishment and/or extension of the existing BAC Building;
- c. **Option 3** – a... Construct additional office tower on site.
b...Demolish existing BAC Building and build new larger tower on site.
c...Refurbish and sell existing BAC Building (Value-Added Sale)
- d. **Option 4** - Sell existing BAC and City Plaza site (As Is) as a vacant possession sale and lease new premises elsewhere in the CBD,

A comprehensive planning process followed, and ultimately lead to the decision by Council to implement Option 4, thereby moving to new premises. In making this decision, Council was keen to ensure that the following objectives were satisfied as part of the procurement process:

- Facilities that enable Vision 2010 capability – “a suitable work environment for the future”;
- The ability to control Council’s future accommodation risks, costs and location security;
- The ability to minimise the risk and cost of ownership into the future;
- Provide budget certainty in any financial undertaking, seeking best value from any negotiations undertaken;
- Not impact on Council’s credit/debt profile (*Standard & Poors Rating of AA+*)
- Maximise the sale revenue from the disposal of the BAC and City Plaza site – achieving a market-based return on investment;
- Site selection that achieves a smooth transition for staff, productivity improvement, positive change environment, etc.

A public Expression of Interest (EOI) process followed for both the sale of the BAC and City Plaza site and the development of replacement facilities for Council’s central administrative functions. This resulted in Council receiving 12 separate submissions over 7 discrete sites, all within relatively close proximity to City Hall. The ultimate selection being a 20-year leasehold arrangement, over a portion of a commercial office development at Brisbane Square.

4. LEADERSHIP AND COMMITMENT

A major change initiative of this kind does not happen without strong leadership and commitment by staff. In the case of Brisbane Square successive Lord Mayors have seen the merit in having a more productive workforce and providing excellence in customer service for the people of Brisbane. Likewise, the CEO and her Senior Executive have been instrumental in guiding the Council’s process of change and ensuring the Brisbane Square will provide a working environment and customer interface for the future.

Brisbane Square will create the largest public Library and Customer Centre in the Asia-Pacific Region and provide a place of destination and interest in the developing heart of the City. But more significantly, particularly for the future, the development will also contain the following unique characteristics:

- Environment design and sustainable development resulting in a 5 Green Star Rating under the Green Property Council’s ESD Rating Scheme and a 4 Star (Plus) Rating under the Australian Building Greenhouse Rating (ABGR) Scheme;
- The new home of the Brisbane Metropolitan Transport Management Centre (BMTMC), which is a joint venture alliance between Brisbane City Council and the Queensland State Government involving Brisbane Transport and the Departments of Main Roads and Transport;
- Combined Staff Gymnasium for both Suncorp and Brisbane City Council staff accommodated at Brisbane Square;
- 2,200 square metres of Civic Square provided to Council as public open space and co-existent with the top end of the Queen Street Mall. It will be an important extension of the public domain;
- Bike storage and change facilities for over 200 bicycles with direct river tunnel access for pedestrians and bike riders (Tenant access only) from the riverbank direct into the Basement level amenities.
- Predominantly, open plan office accommodation including conference and meeting facilities, carers room, prayer room, medical facilities, data centre, etc; and
- Modern and vibrant retail precinct, complimenting existing retail in the heart of the City’s CBD.

5. PROJECT AND CHANGE MANAGEMENT

Ultimately, Brisbane Square involves the relocation of over 4,000 staff (2,000 from each of BCC and Suncorp) to the site. The coordinated Project Management and focus on the Change Management agenda has seen this project developing as a model for large-scale change in Australia.

The critical benefits or focus for Council’s change management associated with this project are primarily:

- Successful Relocation (2000 staff over 10 weeks)
- Reduced occupancy costs
- Improved staff satisfaction and productivity
- Alignment of policies to new work practices, and
- Showcase change agenda with sustainable outcomes.

Initiatives such as Staff Display Centres, Marketing and Promotion, Relocation Planning, Consultation techniques, etc, are all considered leading edge innovations. All of these innovations have contributed towards what is expected to be a successful change management project outcome.

6. CONCLUSION

Clearly, Brisbane Square has resulted because of Brisbane City Council’s planning and initiative. It was such a good concept that the original landowner (Suncorp) also decided to relocate over 2000 staff to the development and lease the remaining commercial office area.

The development is strongly supported by both tenant organisations, based upon their respective corporate visions and the desire and commitment by both Council and Suncorp to

create a ‘Clean and Green’ and ‘Accessible’ development. This iconic development will assist greatly in instilling the same values in the City of Brisbane’s CBD development overall.

There is no doubt that Brisbane Square is a ‘Client Initiated’ development. But more importantly the ‘clients’ are determined to ensure its success into the future.