

Submission to the Parliamentary
Standing Committee on Public
Works

Derwent Entertainment Centre Redevelopment



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Introduction

The DEC and surrounding land was owned by the Glenorchy City Council (GCC) until recently. The DEC is a 30 year old facility that is the only multi-use, large scale venue of its kind in southern Tasmania. A number of commercial and community events have been and are regularly held at the DEC. The venue typically returned poor operational results whilst in GCC ownership and a process to seek new owners was undertaken in 2018-19.

The owner of the NBL, Larry Kestelman, presented a proposal to the Tasmanian Government in mid-2019 that would deliver a Tasmanian-based team, owned and operated in the initial stages by the NBL. Redevelopment of the DEC was a stated prerequisite for a new NBL team. On 25 June 2019, the Government agreed to commence formal discussions with both the NBL and the LK Group with regard to the establishment of a Tasmanian NBL franchise, development of the DEC and Wilkinsons Point precinct and the establishment of a community multi-sport venue. As part of those discussions, the Tasmanian Government and the LK Group jointly funded an assessment of three upgrade options for the DEC which ranged in cost from \$35-100 million.

On 28 February 2020, after a number of months of negotiations, the Government reached an in-principle agreement of key terms (subject to negotiation of legally binding transaction documents) with GCC to purchase the DEC and Wilkinsons Point. The agreement of key terms with Council also allowed the Government to reach a similar in-principle agreement of key terms with the LK Group.

The key terms agreed by the parties would give effect to:

- The Tasmanian Government purchasing the DEC and Wilkinsons Point site from GCC for \$8 million, with the DEC to remain in public ownership;
- The NBL issuing a licence for a Tasmanian NBL team to commence playing in the 2021-22 NBL season and establishment of the team commencing as soon as possible in 2020;
- Tasmanian Government sponsorship of the Tasmanian NBL team of an average of \$2 million per year over five years (plus indexation), with a further five years subject to achievement of agreed milestones/targets;
- The LK Group managing an upgrade of the DEC at an estimated cost of \$46 million, with funding of up to \$41 million from the Tasmanian Government;
- Commencement of upgrades to the DEC in 2020 after all relevant conditions, permits and approvals are received, with a view to the venue being ready for the 2021-22 NBL season;
- The Tasmanian Government issuing an operating lease for the DEC to the LK Group for a period of up to 49 years, with a fixed annual rent of \$200,000 together with a percentage rent, and which provides for ongoing community access to and usage of the venue; and
- The LK Group paying the Tasmanian Government \$6 million for 'development land' with title/s to transfer at a time within the next five years when a range of agreed conditions have been satisfied.

In early June 2020, funding for the NBL and DEC project was confirmed as part of the Government's construction blitz stimulus package.

The Tasmanian Government has committed almost \$70 million in the 2020-21 State Budget for the purchase and upgrade of the DEC as a world class entertainment and sporting facility and the development of a community

four-court multisport facility, with the latter a separate project being progressed by the Department of Communities. The redevelopment is needed to meet existing and future community needs. The investment requirement is beyond GCC's financial capacity to progress and is an important stimulus project in the context of COVID-19. All key aspects of the construction works have been or will be competitively tendered.

Stage I preliminary works have now commenced. The redevelopment works are planned to be completed in time for the commencement of the 2021-22 NBL season in October 2021 and will deliver a premier contemporary sport and entertainment venue with improved and increased functionality providing opportunities to host significant iconic events, conventions and exhibitions, sporting tournaments, large-scale dinners and concerts that will benefit the local residents of Glenorchy and the broader Tasmanian community. The DEC will be the home of the Tasmania JackJumpers NBL team.

Project Rationale

The DEC, Tasmania's biggest indoor sports and entertainment facility, has been in GCC ownership since 1998. The facility is dated, much in need of investment and its operational results have fluctuated over the years. The DEC recorded a total loss of \$1 million in the 2016-17 financial year alone (\$234 000 operational loss and \$860 000 depreciation). Losses were also made in both 2017-18 and 2018-19.

GCC considered the DEC to be a non-core function and undertook disposal of public land processes under section 178 of the *Local Government Act 1993* for both the DEC and Wilkinsons Point. After considering objections, GCC resolved on 20 August 2018 to dispose of the DEC and on 29 April 2019 to dispose of Wilkinsons Point except for maintenance of public access to the foreshore and continued road access via Loyd Road.

While the GCC process initially contemplated disposal of the DEC to the private sector and entered into exclusive negotiations with Larry Kestelman in mid-2019 regarding both the DEC and Wilkinsons Point, the Tasmanian Government formed a view that the DEC is an important asset for the Tasmanian community that should be retained in public ownership. Further, the upgrades required to bring the venue up to a contemporary standard were unlikely to be funded by the private sector, including the LK Group, and the Tasmanian Government considered it appropriate to invest significant public money into the facility provided it remained in public ownership.

The Tasmanian Government's position on ownership informed and shaped discussions with the LK Group and GCC in late 2019 and early 2020 and ultimately resulted in the high level agreements reached by the parties in February 2020 for the Tasmanian Government to purchase the DEC, retain ownership and fund the majority of a redevelopment that would be managed by the LK Group.

The Tasmanian Government agreed to pay GCC \$8 million for the DEC and adjoining land. This was informed by a valuation that had been undertaken by the Valuer-General (VG) in September 2018. At that time the VG advised that the in-use going concern valuation of the DEC and the market value of the surrounding land (including that located at the frontage of the Brooker Highway as well as Wilkinsons Point) was slightly higher than the amount agreed by the Tasmanian Government and GCC.

The assessment of options for a redevelopment of the DEC commenced in the second half of 2019 with the Tasmanian Government and the LK Group jointly funding an assessment (led by Philp Lighton Architects) of the following three upgrade options for the DEC:

1. Minimum upgrades to facilitate NBL games and bring the venue to a contemporary standard (estimated cost of \$35 million);
2. Option 1 plus additional upgrades to increase venue capacity and improve functionality (estimated cost of \$46 million); and
3. A full redevelopment and upgrade to complete and put a fourth side on the arena, significantly increasing the capacity (estimated cost of \$100 million).

The outcomes of this assessment were first presented to the Tasmanian Government in November 2019, with a formal decision to adopt Option 2 in early 2020. This option was considered to represent the best value for

money in the context of the anticipated deliverables (ie increased functionality for a range of different events) and having regard to the market for events, ie the realistic ability to attract and support events of a size to justify a \$100 million investment.

Limited work on the DEC purchase and redevelopment was undertaken from March through to June 2020 while the Tasmanian Government focussed on responding to and managing COVID-19. The Tasmanian Government confirmed its commitment to the project in June 2020, including it as one of its priority stimulus projects.

Development of the legally binding transaction documents to give effect to the purchase, redevelopment (including progressing detailed design) and ongoing operation and management of the DEC, together with the establishment of the Tasmanian NBL team, commenced in July 2020. Detailed design of the DEC redevelopment commenced in parallel and remains ongoing at the time of finalising this submission.

Settlement of the land sale occurred on 4 November 2020 and Stage 1 preliminary works on the DEC redevelopment (with a value of \$300,000) commenced soon after on 9 November 2020.

Related Projects

The upgrade of the DEC is part of a broader project to:

- establish a Tasmanian team in the NBL;
- secure land to construct an indoor community multisport facility which was a commitment made during the 2018 State election;
- support the delivery of the Hobart City Deal Implementation Plan, which lists Wilkinsons Point (the precinct in which the DEC is located) and the DEC as a specific opportunity where funding opportunities will be explored; and
- support the delivery of key State and Australian Government initiatives to encourage investment and spur job-creation, noting the redevelopment of the DEC provides the greatest opportunity to seed a private hotel and retail investment in the Wilkinsons Point Precinct through an in-principle development agreement the Tasmanian Government is discussing with LK Property Group Pty Ltd, which will see significant employment created.

The total potential investment associated with the broader project has been discussed as being in the order of \$200 million, creating a sports and entertainment precinct and activating a currently underutilised parcel of riverfront land in Hobart's northern suburbs. It is a location with suitable transport connections as it is strategically located at the northern gateway to Hobart, within the city of Glenorchy and has a direct connection to the Eastern Shore via the Bowen Bridge.

Indoor Multisport Facility Project

The purchase of land from GCC also enables the Tasmanian Government to secure land required to deliver its 2018 election commitment to develop a community multisport facility in Glenorchy, the construction of which would commence following the completion of the DEC redevelopment. This facility will also remain in public ownership for use by a range of sports including basketball, netball, futsal, volleyball and gymnastics. This project

will be separately submitted to the Committee by the Department of Communities for consideration at a later date.

Hobart City Deal and Activation of Wilkinsons Point

The Hobart City Deal implementation plan lists Wilkinsons Point and the DEC as a specific project where funding opportunities will be explored.

In 2019 the LK Group progressed the development of a new masterplan for the Wilkinsons Point site with the assistance of Fender Katsalidis Architects (and a number of other Tasmanian businesses). A planning scheme amendment was also progressed, including satisfaction of consultation requirements, and ultimately approved by the Tasmanian Planning Commission in September 2020. The new purpose of the Wilkinsons Point Specific Area Plan is to:

- Provide for the development of an NBL-standard training and performance facility, supported by a range of active recreation, hotel accommodation, sports retail, and food services;
- Cultivate a vibrant and engaging district that prioritises pedestrian movement and activity through designed landscaped areas, integrated infrastructure, and connectivity within the site;
- Promote sustainable transport through:
 - reducing potential for conflict between pedestrians and vehicles accessing the site and enhancing the pedestrian environment;
 - the development of a park-and-ride facility;
 - access to the ferry terminal; and
 - providing infrastructure to support the use of bicycles, walking, and other sustainable transport modes;
- Ensure that sports focused retail outlets enhance and support recreational and entertainment activities on the site, without undermining the activity centre hierarchy; and
- Provide for public access for public art, passive recreation and community events, and GASP! activities and events.

The broad agreement between the Tasmanian Government and the LK Group regarding the Tasmanian NBL team and redevelopment and operation of the DEC also contemplates the sale of 'development land' to the LK Group for an agreed price and with title/s to transfer at a time within the next five years when a range of agreed conditions (including obtaining relevant planning and building approvals and achieving substantial commencement) have been satisfied. With the arrangements for the DEC redevelopment and future operation and management finalised, the development and negotiation of the land sale and development arrangements will now be progressed.

Project Benefits

The redevelopment of the DEC will deliver a premier contemporary sport and entertainment venue, improved and increased capacity and functionality that will provide opportunities to host significant iconic events,

conventions and exhibitions, sporting tournaments, large-scale dinners and concerts that will benefit the local residents of Glenorchy and the broader Tasmanian community well into the future. It will enable NBL games to be played and meet broadcast requirements. Ongoing public ownership of the DEC means that community access to the venue is assured into the future.

The redeveloped DEC will create greater potential to attract events and shows not seen in Tasmania before, as the venue will have the ability to accommodate a broader variety of bookings. Some of these events are not currently held at the DEC or in Tasmania due to the current condition of the facility and the capacity of other facilities. In this regard, enhanced regional benefit is also expected as a result of the increased likelihood of Tasmanians from all parts of the state travelling to see a higher calibre and wider variety of events.

The redevelopment, and the new operational arrangements which will include the Tasmania JackJumpers as an anchor tenant, is expected to improve the utilisation, accessibility, recreational and economic performance of the publicly owned facility.

The DEC redevelopment is also expected to be the first project in the creation of a sports and entertainment precinct at Wilkinsons Point that would see a currently underutilised parcel of riverfront land in Hobart's northern suburbs activated. These projects will benefit the Tasmanian community through:

- Securing the long term future and availability of an important asset for the community for a number of purposes including sport and recreation and community events but also increases the opportunities for additional events to be held at the venue;
- Supporting, and potentially increasing, the level of sporting participation in Tasmania, with the completed facilities capable of hosting multiple sporting games simultaneously to encourage participation by local residents in organised leagues, as well as being able to provide a focus point for major sporting and entertainment events in the Greater Hobart region and beyond (which will be enhanced further when the indoor multisport facility project is also completed); and
- Supporting the delivery of key Tasmanian and Australian Government initiatives to encourage investment and spur job-creation through infrastructure stimulus.

The redevelopment will also provide a catalyst for the broader development of the Wilkinsons Point precinct, which will facilitate much needed job opportunities for Tasmanians living in the northern suburbs of Hobart, noting that, as at the 2016 Census, the unemployment rate in the GCC local government area was 9.3 per cent.

A Retail and Economic Impact and Community Benefit Appraisal conducted by SGS Economics and Planning in 2019 analysed the impact of a 10 year staged build of retail and other commercial and community floor spaces of the full Wilkinsons Point Precinct investments (with a potential value of up to \$200 million) proposed by the LK Group (post DEC upgrade). The analysis suggested:

- the development will generate \$6.7 million in direct value added to GSP and support up to 42 full-time equivalent jobs per annum over the construction period;
- total direct and indirect impacts are estimated to be about \$18.0 million of value added to GSP per annum and create up to 129 full time equivalent positions over the 10 year construction period; and
- the combined direct and indirect impact of the Wilkinsons Point development once operational would provide a total value added to GSP of \$97.8 million (\$51.2 million direct) per annum and support an additional 1,145 (809 direct) full time equivalent positions.

The DEC redevelopment project is an important precursor to the broader Wilkinsons Point development, and its estimated benefits, being realised.

Proposed Works

Overview

The project works, which will be undertaken in two stages, involve upgrades to improve accessibility, access and egress, health and amenity, and fire safety in and around the DEC. The upgrades will also provide improved seating, hospitality and food service capacity, audio, visual, lighting, heating and ventilation, corporate and player facilities, and improvements to ticketing, entry and the external façade.

Stage 1 Project Works

Following a competitive tender process, VOS Construction commenced preliminary works onsite on Monday 9 November 2020 after the Tasmanian Government's completion of the purchase of the site and signing of a Development Agreement. The scope of these works, which have a contract value of almost \$300,000, involves the light demolition and strip out of the existing DEC to all internal areas where new works and finishes will occur including the removal of a range of redundant services and fittings. No structural demolition or external works will occur as part of this stage. These works are expected to be complete by the end of 2020.

Stage 2 Project Works

The scope of the Stage 2 Project Works includes all works other than those undertaken in Stage 1. All structural demolition will be undertaken during this stage, together with upgrade and/or replacement of plant in and supporting the venue. In some areas the footprint of the building will be expanded to provide for reimagined food and beverage offerings, administration offices and change room facilities.

More specifically, the works will include:

- Improved DDA access with the provision of new lift facilities, entrance paths, DDA compliant toilets, and improved seating numbers and increased viewing choice with different seating locations to be offered for spectators requiring DDA seating;
- Improved statutory compliance in many areas, including the provision of two fire tanks for use in the event of a fire, replacement of the fire indicator panel and the installation of fire sprinklers and early warning system;
- Improved ticketing and entry and improved aesthetics with significant work to be undertaken on the entrance façade and landscaping;
- Improved access within the centre with the widening of walkways on the upper tier;
- Improved seating with new lower level retractable seating;
- Extensive plant replacement works including heating and ventilation;

- Replacement of all front of house amenities such as toilets and food and beverage offerings that provide spectators with easier access and choice;
- Improved player facilities and provision of new administration facilities for the DEC and the JackJumpers NBL Team;
- New NBL drop in court, and increased capacity for multi-court use within the DEC, with the potential for three courts to be utilised at once; and
- Extensive improvement of audio visual and lighting capacity to provide a facility capable of broadcasting NBL Team games, but also improving the capacity and ability for the DEC to host a broader range of multi-purpose events and concerts.

Only very limited works to the roof of the DEC will be undertaken within the redevelopment scope. The Tasmanian Government, as building owner, will be responsible for any structural upgrades and repairs to the roof and is considering the outcomes of a condition assessment that has recently been undertaken.

Relevant drawings showing the extent of the Stage 2 Project Works are attached to this submission together with a selection of concept images depicting key areas of the redevelopment.

Accessibility

As previously stated, the DEC redevelopment will improve DDA access with the provision of new lift facilities, entrance paths, DDA compliant toilets and improved DDA seating numbers and locations.

A specialist DDA consultant, Equality Building, has been engaged by LKDT to provide advice about the approach to addressing DDA compliance as part of the redevelopment and ensuring the requirements of the National Construction Code and local building law, including the *Building Act 2016* (Tas) and the *Building Regulations 2016* (Tas), are met.

Equality Building has concluded, in relation to the redevelopment, that Deemed-to-Satisfy compliance (under the NCC) will be achieved in relation to general circulation, accessible sanitary facilities, numbers of accessible carparking spaces and the lift installation between the entry level and main floor level. There are some areas (including the number of wheelchair spaces, groupings and location, the grade of existing ramps in the building and the type of handrails on stairways to the upper seating area) that will not meet the Deemed-to-Satisfy compliance test and while Equality Building has concluded that the use of Performance Solutions to meet performance requirements will be appropriate and "provide substantially equal access to the degree necessary" the Government is reviewing the useability of the existing ramps in particular.

A copy of the Equality Building report is attached to this submission.

Sustainability

The DEC is an old building, with many old services, and the redevelopment provides an opportunity to install, where possible, modern and more efficient services to reduce the building's use of resources.

Within the ongoing design process, Infrastructure Tasmania is working with LKDT to explore the capacity of the project budget to incorporate the following into the redevelopment:

- Efficient and effective equipment that takes into account whole-of-life costs of equipment not just the purchase costs;
- Resilient landscape designs;
- Waterless urinals and/or low flow plumbing fixtures;
- Rain water harvesting for use in staff toilets (smaller co-hort) and landscape irrigation;
- The installation of solar panels or at least new roof areas that are capable of taking the load of solar panels; and
- Replacing high level single glazing in the foyer with double glazing to reduce heating and cooling requirements for events.

With respect to access, all opportunities to promote and support sustainable transport will be explored. This includes site infrastructure that supports mixed mode transport to and from the venue, ie drop off and pick up areas for bus, coach, taxi, Uber, bike parking, and end of journey showers for staff.

Tasmanian Government Arts Site Scheme

The redevelopment creates an opportunity for a significant artwork to be incorporated into the DEC. The artist's brief has not yet been developed but this issue will be progressed over the coming months.

Project Management

Infrastructure Tasmania (ITas) is acting as the Tasmanian Government's Project Manager for the DEC redevelopment given the multi-faceted and cross-portfolio nature of the broader NBL and DEC and Wilkinsons Point project. A Project Steering Committee is overseeing the redevelopment project, as well as the establishment and operation of the Tasmanian NBL team and the development of land adjoining the DEC, and provide advice to the Tasmanian Government on these matters.

ITas is supported by the Office of the Crown Solicitor and external legal advisers King & Wood Mallesons for the development and negotiation of legal agreements and contracts related to the DEC redevelopment. In addition, ITas has engaged Johnstaff Projects as an expert technical adviser with extensive experience with building and construction projects. Other advisers, including probity, land surveying and condition assessments, have been and will continue to be engaged in order to ensure the Tasmanian Government can fulfil its obligations in relation to the project.

Delivery Model

The DEC redevelopment project works are being managed for the Tasmanian Government by the LK Group through LK Development (Tas) (LKDT) under two primary legal agreements - a Design Development Agreement and a Development Agreement. Both agreements require that key Tasmanian Government procurement policies relating to Buy Local, Training in the Construction Industry and Tasmanian Wood Encouragement form part of the evaluation criteria for project works tenders.

All consultants and contractors required to provide design services and deliver the works are engaged by LKDT, with supplementary arrangements also in place directly with the Crown as the property and building owner and funding provider.

This delivery model has been selected to provide the Tasmanian Government with the greatest opportunity of meeting the ambitious timeline for the project.

The Tasmanian Government has supported the engagement of the following Tasmanian companies to support the project:

- Philp Lighton Architects
- JMG Engineers
- Gandy & Roberts
- Green Building Surveying
- Equality Building
- Ireneinc
- WT Partnership
- PDA Surveyors

- Howarth, Fisher & Associates
- VOS Construction (Stage 1 Project works)

The Stage 1 Project Works were competitively tendered in September and October 2020. Five companies - Fairbrother, Hansen Yuncken, Hutchinsons, RORK Projects and VOS Construction - were invited to participate in the process. The contract for the Stage 1 Project Works was construct only.

LKDT is also competitively tendering the Stage 2 Project Works with the same five companies invited to participate. Given the significant value of these works, however, and the need to ensure value for money, additional oversight is in place with the Development Agreement setting out the tender process that LKDT must follow. It contemplates the Crown engaging an independent probity adviser to oversee all elements of the process to ensure a competitive, fair, transparent and arm's length process is completed. The Crown has the following rights and roles in the Stage 2 tender process:

- reviewing and approving the RFT Documentation before release to Tenderers;
- a right to attend Tender workshops and review Proposals;
- oversight and attendance at evaluation and negotiations;
- approving the terms of the final contract; and
- a right of final refusal of the Developer's preferred Builder.

The Stage 2 Project Works tender, which will result in the award of a design and construct contract, is expected to be completed by February 2021.

LKDT has engaged PDS Group to undertake the tender process and act as Superintendent for the project, meaning the design consultants are able to focus on delivering the design, and an independent quantity surveyor has been engaged by the Crown (through Johnstaff Projects) to review and certify all payment claims and variations.

Funding and Budget Estimates

The Tasmanian Government has committed \$41 million towards the DEC redevelopment. The Development Agreement between the Crown and LKDT provides that any project costs (with the exception of latent conditions in the building or below ground) over the Tasmanian Government's commitment will be borne by LKDT.

The concept options for the DEC redevelopment were first costed by quantity surveyors WT Partnership in 2019. Following the progression of detailed design for the redevelopment during July and August 2020, WT Partnership completed an update of the cost estimates which form the basis for the budget set out in the Development Agreement. The total estimated project budget has increased from \$46 million to \$50.6 million. At the time of writing, these estimates are in the process of being updated again based on the detailed design documentation released with the Stage 2 Project Works tender.

The Development Agreement contemplates Category 1 Project Works and Category 2 Project Works, where the latter are optional works that LKDT may pursue at its own cost should it be considered commercially prudent to do so. The Tasmanian Government's funding allocation is for Category 1 Project Works only.

It is important to note that the cost estimates will be tested through the Stage 2 Project Works competitive tender process.

TOTAL FORECAST BUDGET (Project Stage 1 and Project Stage 2)	
<i>Total forecast budget is based on the Preliminary Project Design Documentation for the Project Stage 2 as defined by the Development Agreement</i>	
Building / Fitout Works *	\$37,200,000
Professional Costs	\$5,420,000
Building and Design Contingency	\$7,820,000
Authority costs^, Council Fees and Charges	\$160,000
TOTAL	\$50,600,000
(Crown funded)	\$41,000,000
(Developer funded)	\$9,600,000

ADJUSTED BUDGET ALLOCATIONS AGAINST CROWN FUNDED CATEGORY 1 WORKS ONLY	Project Stage 1	Project Stage 2
Building / Fitout Works *	\$296,562	\$36,403,438
Professional Costs	\$932,896	\$2,000,000
Building and Design Contingency	\$0	\$1,207,104
Authority costs^, Council Fees and Charges	\$0	\$160,000
TOTAL	\$1,229,458	\$39,770,542
AGGREGATE	\$41,000,000	

Notes:

1. *Building / Fitout Works is inclusive of head contractor preliminaries, profit and escalation, as well as fitout and equipment required to operate the DEC as a multi-purpose sporting/event/conference venue including sporting flooring, concert seating and other events equipment, and provisional sum items identified below (subject to the contingency). To avoid doubt, Building / Fitout Works does not include Category 2 Project Works.*
2. *Authority costs exclude road headworks.*
3. *Cost estimates prepared and developed by WT Partnership.*

Provisional sums and prime cost allowances included in Project Stage 2 Building Works budgets include:

Provisional Sums	Prime Costs
Kitchen Equipment - \$600,000	Cube and AV - \$3,030,000
Block wall TV Camera opening - \$30,000	Operable Seating - \$1,800,000
External lounge - \$100,000	Front entry canopy - \$900,000
Ticket Scanning Equipment - \$100,000	
Decanting loose Equipment - \$50,000	

Inclusions that will appear in the Project Design Documentation for the Project Stage 2 which do not appear in the cost plan summaries but to be undertaken as part of the Category 1 Project Works:

- Loose furniture and equipment, curtains and blinds

- Whitegoods, and other 'plug in' electrical goods
- Point of Sale or networking active equipment
- New basketball court surface/hoops
- CCTV and Security Systems
- Fitout and equipment required to operate the DEC as a multi-purpose sporting/event/conference venue including sporting flooring, concert seating and other events equipment

Exclusions

- Works outside site boundary or to any area or aspect of the carpark, except to the extent contemplated by the DA submitted to GCC and the WT elemental cost breakdown
- Painting the internal stadium hall
- Remedial works to existing building structure and finishes.

With respect to these exclusions, it is not expected that there will be an immediate requirement to progress major works. As building owner, however, planning for the timing and extent of structural repairs and maintenance is underway.

Project Timeline

The delivery program for the DEC project is very tight and anticipates completion of the project works in September 2021 to allow the Tasmania JackJumpers to commence playing in the 2021-22 NBL season in October 2021.

The cancellation or postponement of all events in the DEC as a result of COVID-19 has meant that the redevelopment works could be staged and not timed and managed around an operational venue. This is considered to be an important risk mitigation strategy for the overall project program. Preliminary Stage 1 works, the scope of which has been previously described, commenced on 9 November 2020.

The timeline provided below for the project is dependent upon planning approvals, with many approval timelines having the ability to become critical path activities on the program.

Activity	Timing
Commencement of detailed design	July 2020
Stage 1 Project Works tender	September - October 2020
Planning Permit application submitted to GCC	25 September 2020
Completion of land sale agreement	4 November 2020
Finalisation of Development Agreement and Operating Lease	8 November 2020
Stage 1 Project Works commencement	9 November 2020
Stage 2 Project Works tender	November - December 2020
Parliamentary Standing Committee on Public Works hearing	7 December 2020
Stage 2 Project Works contract award	Early February 2021
Stage 2 Project Works commencement	Early February 2021
Stage 2 Project Works completion	September 2021
2021-22 NBL Season commences	October 2021

Approvals

The DEC project triggers normal requirements around planning and the Building Code of Australia (BCA). A planning permit application was submitted to GCC in late September and is being assessed in accordance with the usual statutory process at the time of writing. Consistent with the requirements on the *Glenorchy Interim Planning Scheme 2015*, the planning permit application addressed the provisions of the Wilkinsons Point Specific Area Plan, and the codes for potentially contaminated land, road and railway assets, parking and access, stormwater management, attenuation, waterway and coastal protection, historic heritage, inundation prone areas and signs. The application was also supported by a services report, an inundation risk assessment and a detailed site investigation report which was previously prepared by COVA Thinking for GCC.

A building permit application will be broken into two submissions, one for the building to be submitted in early January and another for the plumbing and services to be submitted early February 2021.

The BCA requirements for the DEC continue to be worked through by the design consultants, in conjunction with LKDT and ITas (and its specialist advisers).

Project Risks

As with any major project, there are a number of risks to be managed and mitigated with the DEC redevelopment. A risk register, which is and will continue be a living document, has been developed for regular consideration by the Project Steering Committee. It will be regularly reviewed updated as the project moves through different stages.

Some of the key project risks relate to the project delivery timeframe, the timely receipt of approvals and latent conditions in the DEC structure given the age of the building.

Project Delivery Timeframe

The ambitious timeframe for delivery of the redevelopment works represents the biggest risk to the project being completed in time for the commencement of the 2021-22 NBL season. Key mitigations for this risk include the choice of delivery model for the project, undertaking some activities concurrently, staged redevelopment works, robust project governance and the requirement for a Project Co-ordination Group under the Development Agreement.

The choice of delivery model for the project, where the LK Group as an experienced property developer will effectively act as managing contractor for the Tasmanian Government, is considered to provide the greatest opportunity to complete the project within the planned timeframe. Post practical completion of the redevelopment works, the LK Group will also take on the operation and management of the DEC, meaning it is incentivised to see the works completed on time and to a high standard.

The cancellation and postponement of events at the DEC as a result of COVID-19 has meant that the redevelopment works can be staged and it is not necessary to navigate an operational venue. This staged approach is important in managing risk associated with the delivery program. Similarly, a number of activities are being progressed concurrently to manage program risk. For example, the Committee's consideration of the

project is occurring in parallel to the Stage 2 Project Works tender, which will not be awarded until approval has been received.

Oversight by a Project Steering Committee is also an important part of regularly monitoring progress of the project, including the program, and in identifying emerging issues and risks. In addition, the Development Agreement provides for a Project Co-ordination Group (PCG) the functions of which include receiving information about the progress of the Project Works (when measured against the Project Construction Program) including anticipated delays and remedial action. The PCG will comprise:

- a representative of ITas;
- ITas' project manager (if any) in relation to the Project;
- two LKDT representatives;
- any other person reasonably required by the LKDT or the Crown; and
- a representative of each LKDT's Builder until the date of practical completion (however defined) under their relevant building contract with LKDT.

The PCG met for the first time on 18 November 2020 and will continue to meet at least monthly during the project.

Timely receipt of statutory approvals

The redevelopment works will require relevant planning and building permits from GCC as the planning authority. The nature of the tight delivery program is such that there is not a lot of contingency for a delay in approvals being granted.

An application for the planning permit was submitted to GCC in late September with GCC consideration in line with the usual statutory process and timeframes. As previously indicated the building permit application will be broken into two submissions, one for the building to be submitted in early January and another for the plumbing and services to be submitted early February 2021.

LKDT has engaged a planning adviser to assist with obtaining relevant planning approvals. ITas and its expert technical advisers are also supporting LKDT with the process by reviewing documentation and pre-empting and aiming to address any issues that are likely to be raised by the planning authority as part of its reviews.

Latent conditions in the DEC structure and below ground

It is reasonable to expect a level of uncertainty regarding the condition of some internal components of the DEC building given it is a 30 year old venue that has had limited investment over its life. While some investigations were completed as part of considering upgrade options and as part of progressing detailed design, some internal parts of the building in particular were not accessible until preliminary Stage I Project Works commenced. Previous investigations considered matters such as the presence of asbestos for example. The identification of any significant latent conditions may result in time and/or cost impacts for the project.

In order to better understand some of the latent condition risks ITas has commissioned targeted assessments of the condition of the DEC building (including the roof) and surrounds and asbestos, the latter of which coincided

with the Stage 1 Project Works so that specialist testing could be undertaken of areas that were otherwise inaccessible. The outcomes of these assessments will inform and be considered during the Stage 2 Project Works.

Conclusion

The redevelopment of the DEC will deliver an overhaul of a 30 year old dated venue that is in need of investment. The project is a critical pre-requisite for a Tasmanian team re-entering the NBL competition for the first time in 25 years and creates opportunities for events and shows previously not seen in Tasmania by providing a venue that will have the ability to accommodate a broader variety of bookings. It is also an important stimulus project for the local construction industry in the context of the Tasmanian Government's response to COVID-19 that is beyond GCC's capacity to deliver but will see an important facility for the Tasmanian community remain in public ownership. All key aspects of the construction works have been or will be competitively tendered, ensuring value for money. The redevelopment project also secures land for the construction of a \$20 million indoor multisport facility and will also be a catalyst for further development, through private investment, of the Wilkinsons Point precinct in Hobart's northern suburbs.

Approval from the Parliamentary Standing Committee on Public Works will realise these important outcomes for the Tasmanian community and will enable the project to proceed to construction as soon as possible in early 2021.

It is recommended to the Parliamentary Standing Committee on Public Works that the major redevelopment works described in this submission be approved.

Attachments

- Philp Lighton Architects, DEC architectural drawings and concept images
- Equality Building, *Concept design phase report (including addressing access issues arising from the redevelopment of the Derwent Entertainment Centre)*, November 2020



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