

## CONFIDENTIAL MEMORANDUM

**TO:** Council

**MEETING DATE:** 28 October 2020

**TITLE:** Award of Tender - Tamakuku Terrace Subdivision

**PRESENTED BY:** Bryce Hosking, Manager - Property

**APPROVED BY:** Sheryl Bryant, Acting Chief Infrastructure Officer

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It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987 under clause:

**s7(2)(i) Negotiations - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)**

### RECOMMENDATION FOR PUBLIC RELEASE

Upon completion of negotiations and the selection of the contractor.

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### RECOMMENDATIONS TO COUNCIL

1. To receive the report titled Award of Tender – Tamakuku Terrace Subdivision, dated 28 October 2020.
2. To accept the tender and award the civil construction contract to Higgins Group Holdings Limited for the sum of \$7,362,623 (Seven Million, Three Hundred and Sixty-Two Thousand, Six Hundred and Twenty-Three Dollars) plus GST for Stage 1 of the Tamakuku Terrace Subdivision.
3. To approve the Chief Executive entering a contract with Higgins Group Holdings Limited for providing the acoustic wall component of the Tamakuku Terrace Subdivision development up to the value of \$450,000 + GST.
4. To agree to allow for an option to be entered in the civil construction contract with Higgins Group Holdings Limited for the direct award of Stage 2 of the Tamakuku Terrace Subdivision. The decision to award the contract for Stage 2 will be brought to Council for approval.
5. To delegate authority to the Chief Executive to sign contract documents on behalf of Council, referred to in recommendations 2 and 3.
6. To release the decision to the public once negotiations have been complete.

## **1. ISSUE**

- 1.1 As part of the Tamakuku Terrace Subdivision project within the Whakarongo Growth Area a main civil contractor needs to be appointed to undertake the physical works within the subdivision.
- 1.2 Competitive tenders have been sought for this civil construction phase of these programmes in accordance with Council's Procurement Policy.
- 1.3 As the tenders received are above the Chief Executive's delegated authority, this report seeks approval to accept the preferred tender and enter into a contract to deliver the physical works.

## **2. OVERVIEW OF PROJECT SCOPE**

### Professional Services

- 2.1 Council has engaged Veros Property Services as the lead development consultant to manage delivery of the programme on its behalf.
- 2.2 4Sight Consulting and Land Development Engineering (LDE) have been engaged for the overall design and civil and geotechnical design respectively.
- 2.3 In addition, Black Sheep Design has been engaged as specialist marketing, brand and design consultants to assist with the sale of sections.

### Development Overview

- 2.4 The District Plan includes a specific Structure Plan and suite of planning provisions for the Whakarongo Residential Area that will direct the subdivision design and development. This extends guidance for providing different section sizes.
- 2.5 Tamakuku Terrace provides an opportunity to deliver a subdivision consistent with the requirements of the District Plan.
- 2.6 Once developed the subdivision will create 114 new residential sections. Sections will be of a variety of sizes to appeal to a wide variety of purchasers by giving options regarding design, build type and purchase price.
- 2.7 Section sizes will range from 275m<sup>2</sup> (a couple) through to 810m<sup>2</sup>, with the average section size being 463m<sup>2</sup>.
- 2.8 Below is the high-level layout of the development:



**Overall Development Programme**

- 2.9 The development of the site will be split into two stages. The current consents that have been submitted are for Stage 1 (circa 79 sections), with the balance of sections to be delivered in Stage 2.
- 2.10 Stage 2 is subject to the approval of the comprehensive discharge consent (CDC) for the entire Whakarongo Growth Area from Horizons Regional Council and is anticipated to closely follow, but remain distinct from, Stage 1.
- 2.11 Ideally, the timing of the CDC ties in with the completion of Stage 1 construction works to enable us to seamlessly roll from Stage 1 to 2 without further mobilisation and establishment of a contractor.
- 2.12 For clarity, the civil construction contract being awarded through this report is for Stage 1 of the development only.

**Contract Scope**

- 2.13 As per Clause 2.12, the civil construction contract being entered will be for Stage 1 of the development only, however, Council Officers recommend providing the ability to

directly award Stage 2 of the development providing performance and pricing expectations are met by the contractor during Stage 1.

2.14 The scope of works for Stage 1 of Tamakuku Terrace to be included in the contract are:

- Earthworks of the site and the construction of the central stormwater pond with storage volume of 9,000m<sup>3</sup> and secondary floodwater basin at eastern side with volume of 15,000m<sup>3</sup>;
- This stage also includes construction of the central open drain within the property which will convey the stormwater flows within the property;
- Road construction and streetscape within the development and construction of the entrance to James Line;
- All water supply, wastewater and new pump station, stormwater, power, telecom and streetlight infrastructure within the subject area is to be installed to service the development; and
- Landscaping and acoustic wall/fence construction.

2.15 As per Clause 2.10, the 35 sections and associated infrastructure works in Stage 2 are subject to the comprehensive discharge consent (CDC) for the entire Whakarongo Growth Area being obtained from Horizons Regional Council.

### **3. PROCUREMENT OVERVIEW**

3.1 The regional market was assessed in early 2019 and only a small number of contractors were identified to have the capability, capacity and the relevant experience in residential subdivision construction required to be able to undertake the civil construction works for the project.

3.2 Early contractor engagement continued through 2020 to maintain interest in the project and to understand contractor capacity with the selected contractors.

3.3 Subsequently three (3) contractors were issued the Request for Tender Package in August 2020 with a submission cut-off date of 10 September 2020.

3.4 Unfortunately, one of the contractors withdrew from submitting a tender late in the process citing resource constraints.

### **4. TENDER EVALUATION**

#### Evaluation Methodology

4.1 A tender review panel was created prior to issuance of tenders, led by Stephen Cornwall and Sean Haynes from Veros Property Services, Bryce Hosking (PNCC) and Siobhan Karaitiana (Rangitāne o Manawatū).

4.2 The tenders were evaluated using the weighted attributes method in a closed envelope, two-stage process.

4.3 The attributes and weightings used were:

Attributes	Weighting (%)
<b>Non-Price Attributes</b>	<b>60%</b>
<i>Local Impact Plan</i>	<i>10%</i>
<i>Relevant Experience/ Track Record</i>	<i>10%</i>
<i>Management/ Technical Skills</i>	<i>15%</i>
<i>Programme</i>	<i>15%</i>
<i>Methodology</i>	<i>10%</i>
<b>Price Evaluation</b>	<b>40%</b>
<b>Total</b>	<b>100%</b>

Evaluation Results

4.4 Two (2) high-quality compliant tenders were received from:

- [REDACTED]; and
- Higgins Group Holdings Limited.

4.5 A tender interview was held with each of the tenderers on 15 September 2020 as there were several initial clarifications requested by both parties.

4.6 The key focus of the interviews was to discuss:

- Project status;
- Review submission/any concerns;
- Outstanding information required;
- Cost and risks;
- Programme;
- Value engineering options; and
- Next steps.

- 4.7 Further clarifications were issued post-interviews which contractors worked to clarify and subsequently revise their pricing to reflect these.
- 4.8 Please note, Higgins Group Holdings Limited did not price the acoustic wall component due to insufficient design detail at the time of tender. A provisional sum of \$370,000 (same as [REDACTED] pricing for this item) has been added to their pricing to ensure a like-for-like comparison.
- 4.9 Below is a summary of the average tender evaluation scores and initial and revised pricing after the clarifications.
- 4.10 Tender 1 – [REDACTED]:

Non-Price Attributes	Weighting (%)
Local Impact Plan	[REDACTED]/10%
Relevant Experience/ Track Record	[REDACTED]/10%
Management/ Technical Skills	[REDACTED]/15%
Programme	[REDACTED]/15%
Methodology	[REDACTED]/10%
<b>Total</b>	<b>[REDACTED]/60%</b>

Initial tender price: [REDACTED] + GST

Revised pricing after initial clarifications: [REDACTED] + GST

Price Evaluation	Weighting (%)
Price	[REDACTED]/40%
<b>TOTAL TENDER EVALUATION SCORE</b>	<b>[REDACTED]/100%</b>

- 4.11 Tender 2 – Higgins Group Holdings Limited:

Non-Price Attributes	Weighting (%)
Local Impact Plan	[REDACTED]/10%
Relevant Experience/ Track Record	[REDACTED]/10%

Management/ Technical Skills	█/15%
Programme	█/15%
Methodology	█/10%
<b>Total</b>	<b>█/60%</b>

Initial tender price: █

Revised pricing after initial clarifications: \$7,362,623 + GST

Price including provisional sum for acoustic wall: \$7,732,623 + GST

Price Evaluation	Weighting (%)
Price	█/40%
<b>TOTAL TENDER EVALUATION SCORE</b>	<b>█/100%</b>

## 5. RISKS AND ADDITIONAL CONSIDERATIONS

### Acoustic Wall Pricing

- 5.1 As mentioned in Clause 4.8 above, Higgins Group Holdings Limited has not priced the acoustic wall due to the level of design available. The design is expected to be finalised this week.
- 5.2 The structural design is yet to be finalised as we are working hard with the engineers to reduce the height of the acoustic wall by modifying the landform.
- 5.3 As such there is still some associated price risk in relation to this item.
- 5.4 This risk can be mitigated to an extent by a robust project contingency and the scope of work can be procured separately if the price from the preferred tenderer is unacceptable.

### Programme Duration Difference

- 5.5 The engineers estimate, and from experience on similar projects, Veros Property Services anticipated a construction period of 8 – 10 months without weather delays.
- 5.6 █ initially issued a 17-month programme which identified concerns in their methodology, experience and ability to schedule multiple workstreams consistent with land development projects.

5.7 After the clarifications were finalised and agreed upon the revised programme durations are:

- ██████ issued a revised 14-month programme; and
- Higgins issued a 10-month programme.

5.8 However, ██████ programme duration is still 4 months longer than the engineers estimate which still raises concerns with project team experience.

#### COVID-19 Impacts

5.9 If COVID-19 restriction protocols come into effect during the project this will impact both the programme timeframes and by association the costs.

5.10 To help provide certainty, COVID-19 Health and Safety Protocols for the construction site will be aligned to industry best practice and agreed with the preferred tenderer prior to works commencing.

#### Consents and Approvals

5.11 The key items of risk that are outside of the tender submissions are:

- Obtaining Subdivision Resource Consent;
- Earthwork and Stormwater Discharge Consent; and
- Engineering Approval.

5.12 As a result of compliance with these consents and approvals, there could be additional costs and delay.

5.13 These consents and approvals continue to be worked through with the relevant local authorities and are expected to be issued in October 2020.

5.14 For clarity, whilst the civil construction contract can be awarded, works are unable to commence until all the consents and approvals are obtained.

## **6. CONCLUSION**

6.1 Both tenderers provided high-quality, competitive tenders and provided assurance in terms of value for money and the validity of the procurement process.

6.2 The Higgins Group Holdings Limited tender is considered superior primarily due to the experienced project team with proven land development capability within Manawatu. They are actively involved in the local community with ongoing initiatives, and their programme and methodology reflected their experience in subdivision construction.

6.3 The price score is based on a formula and, whilst the Higgins Group Holdings Limited pricing including the provisional sum was slightly higher than [REDACTED], it was within 1% and therefore scored just below that of [REDACTED].

**7. RECOMMENDATIONS**

7.1 Council Officers recommend Higgins Group Holdings Limited are confirmed as the preferred tenderer and, subject to the agreement of final terms, engaged to deliver the contract for Stage 1 of Tamakuku Terrace to the value of \$7,362,623 + GST (excluding the acoustic fence provisional sum).

7.2 Council Officers will continue to work with Higgins Group Holdings Limited, as the preferred tenderer, to confirm the acoustic fence pricing. Once confirmed, Council Officers recommend the Chief Executive be able to enter a contract with Higgins Group Holdings Limited for this component up to the value of \$450,000 + GST.

7.3 That an option be entered in the civil construction contract with Higgins Group Holdings Limited for the direct award of Stage 2 of the Tamakuku Terrace Subdivision. The decision to award the contract for Stage 2 will be brought to Council for approval.

**8. NEXT STEPS**

8.1 Award the civil construction contract to Higgins Group Holdings Limited to the value of \$7,362,623 + GST.

8.2 Confirm the detailed design and pricing of the acoustic fence and subsequently enter a contract to deliver this component of the development up to \$450,000 + GST.

8.3 Notify [REDACTED] of an alternative supplier being confirmed as the preferred tenderer subject to final contractual agreement. A post tender interview will be held with them for clarifications and improvements to assist with future tenders.

8.4 Obtain all outstanding consents and approvals as per Clause 5.11.

8.5 Site establishment and earthworks to begin when appropriate.

8.6 Presales process to begin once consents are issued.

**9. COMPLIANCE AND ADMINISTRATION**

Does the Council have delegated authority to decide?	<b>Yes</b>
Are the decisions significant?	<b>No</b>
If they are significant do, they affect land or a body of water?	<b>No</b>

Can this decision only be made through a 10 Year Plan?		<b>No</b>
Does this decision require consultation through the Special Consultative procedure?		<b>No</b>
Is there funding in the current Annual Plan for these actions?		<b>Yes</b>
Are the recommendations inconsistent with any of Council’s policies or plans?		<b>No</b>
The recommendations contribute to Goal 1: An Innovative and Growing City		
The recommendations contribute to the outcomes of the City Development Strategy		
The recommendations contribute to the achievement of action/actions in the Housing and Future Development Plan		
The action is: Housing development is initiated at Whakarongo		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	<p>Progressing with the Tamakuku Terrace subdivision development within the Whakarongo Growth Area will:</p> <ul style="list-style-type: none"> <li>• Provide additional sections to the marketplace to help reduce the supply vs. demand shortfall;</li> <li>• Provide choice to purchasers through a variety of section sizes and provide them the freedom to choose their preferred house builder;</li> <li>• Provide a best practice example to the private development community showcasing the opportunities and benefits of working closely with local iwi, urban designers, territorial authorities and local experts to achieve excellent outcomes.</li> <li>• Support local contractors and the employment market.</li> </ul>	

**ATTACHMENTS**

Nil