



memo

To: Merv Dacre, Project Sponsor, Associate DCE, Organisational Solutions
CC: Vaughan Crouch, GM Workplace Services
From: Programme Manager
Date: 23 May 2016
Security level: IN CONFIDENCE

National Office Accommodation: approval of lease arrangements and associated costs for additional floor at 89 The Terrace

Purpose

This paper seeks your approval to the lease arrangements and associated costs for level 7 at 89 The Terrace.

Recommendations

1. It is recommended that you:

Lease arrangements for level 7 89 The Terrace

mb a) **note** that we have received approval from the owners (current and new) to the Ministry leasing level 7 at 89 The Terrace on the same terms as levels 2 to 6.

mb b) **note** that the space will increase the Ministry's leasing costs for 89TT per annum plus GST (excluding utilities).

Programme, scope of works and costings

mb c) **note** the total estimated for the fitout of level 7, including contingency, being is \$304,000 (fitout rate of \$408m²).

mb d) **note** the total estimated capital cost for 89 The Terrace will be met from the National Office Accommodation Project budget.

e **approve** the total estimated cost for the fitout of level 7 of 89 The Terrace.

mb
 25/5/2016

Discussion

Background

2. Bowen Campus occupancy levels trended upwards between 2012 and 2015, and while business group numbers have fluctuated (including the exit of PMCoE) the overall staffing levels at Bowen Campus have remained relatively constant at around 2,150 people over the last 12 months (as confirmed by three Headcount Exercises, IT network connections reporting and manual counts of occupied workstations).
3. The implementation of the findings of the Expert Advisory Report, other initiatives and the exit of the Simplification Team from Manners Street will likely see our National Office numbers increase by around 150 over the next 12 months.
4. At its meeting on 26 April, the Leadership Team gave approval for the Ministry to enter into negotiations for level 7 of 89 The Terrace. This will increase the total space at 89 The Terrace to around 4,300 m².

Leasing arrangements for level 7 89 The Terrace

5. We have received approval from the owners (current and new) to the Ministry leasing level 7 at 89 The Terrace on the same terms as levels 2 to 6. Key terms include:

Lease Term	Lease for level 7 will commence on 18 July and will expire on 31 December 2018. One three year right of renewal, which allows an agreement to extend the lease for a further three years.
Rental costs	
Make good	When the Ministry vacates the building at the end of the lease it must remove all partitions/walls, joinery, equipment etc. except the floor coverings.
Fitout process	MSD to adhere to the Standard Fitout Process as outlined in the lease when undertaking its fitout works prior to occupation by staff. This includes conditions such as seeking Landlord approval of the works and not completing noisy works (such as drilling) during normal business hours.

6. The associated operating costs for level 7 at 89 The Terrace are a known operating cost pressure for MSD the 2016/2017.
7. is in the process of drafting the lease documentation which will be signed once the lease arrangements have been approved.

Ministry fitout works – scope of works and associated costs

Scope of works and associated costs

8. The cost of the fitout works will be met from the National Office Accommodation Project Capital Budget, with the proposed additional cost being affordable from the budget. As at the end of April 2016, the project was forecasting a capital underspend of at project completion.
9. The Project Steering Committee has agreed that the scope of works for level 7 will be similar to those agreed for the rest of fitout works for 89 The Terrace, specifically:
 - Demolition as per proposed layouts to create an open plan work environment

- Painting for all spaces including Hubs
- Whiteboards to be put into meeting rooms
- Large whiteboard walls within the workspace and a limited amount of acoustic panelling in high activity zones
- Replace carpets and lighting for Hub spaces
- New appliances for kitchens to be installed
- Replace kitchen joinery in kitchen, as current joinery is not in a good state of repair.

10. The approved capital cost, including contingency, for 89 The Terrace is (fitout rate of . The addition of level 7 will increase the capital cost by an estimated amount of . The below provides an high-level estimates of the additional costs;

Table – Total Estimated costs for level 7 at 89TT

Element	Provider / Main Contractor	TOTAL FCST	Comment
Service Provider's	SPA/TBIG/BECA/RLB and Fire engineers		
Fitout Works	LT McGuinness		<ul style="list-style-type: none"> • Level 7 requires a higher level of demolition than other floors. • Estimated cost – once scope confirmed firm pricing from subcontractors will be sought • Includes cost of data cabling
Soft Fitout	Vidak/TBA		<ul style="list-style-type: none"> • Cost of two new monitor arms for each workstation • Minor amount of new hub furniture required (small meeting tables)
AV	Video Pro		Scope to align as closely as possible to 56TT, and other floors at 89TT.
IT Infrastructure	Various		Covers cost of: <ul style="list-style-type: none"> • Corporate LAN • Corporate WIFI • LAN/WIFI Deployment • SoftPhone headsets • Migration and support costs
TOTAL CAPITAL			

Next Steps

11. Once FPGC approval has been given we will:

- progress with the signing of the lease documentation
- progress with the development of the design and construction documentation for the fitout
- Seek final costings from LT McGuinness for the construction costs
- Draw up variations to the contracts for services for our design team and LT McGuinness.