



memo

To: Brendan Boyle
CC: Vaughan Crouch
From: Merv Dacre
David White
Date: 27 November 2013

National Office Accommodation Development Agreement

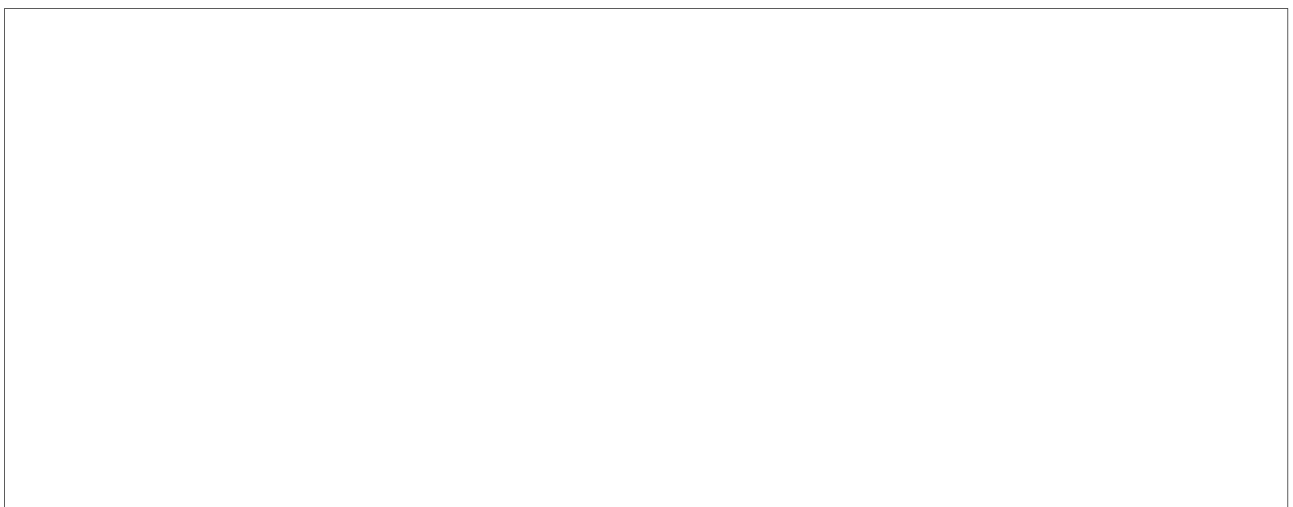
Purpose

The signing of the Development Agreement by the Ministry and Kiwi Income Property Trust for 56 The Terrace is scheduled for this Friday 29 November. This memo provides you with details of the assurances the Ministry has received from its consultant team as well as a summary of the key points of the Development Agreement.

Development Agreement and draft deed of lease

To help negotiate the Development Agreement and the draft deed of lease we utilised the services of Kensington Swan and Wareham Cameron + Co, our tenant advisor for the project. The Property Management Centre of Expertise also provided input into the negotiation process to ensure that the Crown's needs were met and there was consistency with other government negotiations.

On 12 November the Ministry received Joint Ministerial approval to the final commercial terms in the Development Agreement and the authority to execute the agreement was given to you as Chief Executive.



They believe the occupation of the refurbished building will meet the workstyle objectives of the Ministry in both the short and long term.

- Beca have confirmed that while an 18 year lease is longer than the serviceable life of some of the plant and equipment that serves the building, the proposed systems and services together with the repair and maintenance regime that is in place within the Development Agreement and lease should enable the Ministry to expect relatively trouble free enjoyment of the building over this period this period in compliance with the Building Performance Specification criterion.

Key points to note

The Development Agreement sets out comprehensively the process for the design and implementation of the refurbishment of 56 The Terrace as well as the provision of the premises in the building to be leased by the Ministry.

The DA has 13 schedules which include the following core legal documents:

- the form of the deed of lease to be entered into in respect of each the floors for the building (allow for flexibility if need to sublease a floor)
- two carpark leases
- separate lease for ancillary areas (storage and bike storage areas).

The other schedules include Building Performance Specifications and Building Performance Criteria, Outline Plans, Sub divisional Hard Fitout Design Deliverables, Tolerance Controls, Schedule of Rates, Deeds of Guarantee, Sub divisional Hard Fitout Handover Deliverables, Mortgagee’s consent, Lease Details and the Works Programme.

The key points to note from the Development Agreement and draft deed of lease are:

Space occupied	24,255m ² at 12.8m ² per work point
Costs	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <ul style="list-style-type: none"> • Capital Fit-out - \$37.69 million
Lease Incentive	
Rent review	

Sublease and Assignment	The Crown has the automatic right to assign its leases to another Crown organisation without the Landlord’s consent. This provides flexibility for the government to meet changing requirements over time.
Building Performance Specifications	<ul style="list-style-type: none"> - New façade with high performance glazing system. - New air conditioning system. - Structural upgrade to a minimum of 90% the New Building Standard (NBS). - On-floor interconnecting stairs. - Lobby redesign. - Lift refurbishment. - New ceilings, lights and carpets.