

The need for the proposed work

Introduction

- 2.1 The Central Office of the Department of Immigration and Multicultural Affairs (DIMA) has been accommodated in the Benjamin Offices in Belconnen, ACT, since the 1970s.
- 2.2 In its Submission to the Committee, DIMA stated that its existing buildings do not meet modern building standards. A number of problems were identified:¹
- the configuration is inefficient and costly;
 - the building is on the outer limits of occupation, health and safety regulatory requirements for important services such as the air conditioning plant and the disabled toilets do not comply with modern standards;
 - lighting is energy inefficient;
 - roofing leaks occur periodically;
 - amenities are in need of upgrading;
 - elements of the original asbestos and hazardous construction materials remain in fire doors; and
 - environmental standards, such as greenhouse gas emissions, are poor.

1 Submissions, p. 6.

- 2.3 DIMA's holding in the Benjamin Office complex is currently 26,200m², plus storage space.² (This is comprised of 14,000m² in the orange/blue building and 12,200m² in the yellow/green building).
- 2.4 The rental paid is \$190 per square metre per annum.³
- 2.5 The lease on the orange/blue building expires in February 2002, and in February 2007 for the yellow/green building.⁴

Accommodation options

- 2.6 Shortly after purchasing the Benjamin Office complex, Benjamin Nominees Pty Ltd approached DIMA and indicated it would prefer that DIMA vacate the orange/blue building when the lease expired in February 2002. Further, Benjamin Nominees Pty Ltd indicated it required a rate of return on its total investment, and that if DIMA wished to remain in the complex the rent would be increased to \$235 per square metre per annum.⁵
- 2.7 This left DIMA with three accommodation options:
- remain in its current accommodation;
 - move to accommodation away from the Benjamin office site; or
 - accept the owner's offer of a new building on the existing site.⁶

Option 1: Remain in current accommodation

- 2.8 Benjamin Nominees' offered DIMA continued occupancy of its lease holdings on the following basis:
- a limited refurbishment including replacement of the air conditioning plant, carpeting and base building painting;
⇒ DIMA argued in its Submission that this work would provide B-Grade accommodation at best;
 - realignment of the two leases into a new 12-year term, beginning from completion of the refurbishment in 2002;

2 Submissions, p. 7.

3 Submissions, p. 7.

4 Submissions, p. 7.

5 Evidence, p. 6.

6 Submissions, p. 7.

⇒ DIMA claims this option retains long term cost risks because of the possibility that the lease might not be further renewed; and

- rental at \$235 per square metre per annum with an annual 3.5% escalation clause;

⇒ independent advice sought by DIMA suggested this rental fell within market parameters for a building with a limited refurbishment, (although on the high side).⁷

2.9 DIMA considered this option to be unsatisfactory on the grounds that:

- the rental being sought was high for a limited and disruptive refurbishment that would take the building to B-Grade standard;
- the rental being sought was not significantly lower than the rental for the new building option;
- energy inefficiencies and configuration / space utilisation shortcomings would remain;
- given the building's age, a partial refurbishment would result in high ongoing fitout and maintenance costs and occupational health and safety problems were likely to continue or to re-emerge during a further 12-year term; and
- the partial refurbishment would cause considerable disruption to departmental operations requiring a series of staged, and for some areas multiple, moves over an extended period (more than one year).

Option 2: Move to another site

2.10 In March 2000 DIMA engaged consultants Knight Frank Price Waterhouse to provide accommodation strategies and analyse local market conditions. The consultant's brief included analysing what was potentially coming onto the market,⁸ and an assessment of options for moving from its current site. This option had three clear limitations:⁹

- there were substantial costs involved:
 - ⇒ estimated Benjamin Office "make good" costs were \$2 million. The "make good" provisions would require that DIMA restore the

7 Submissions, p. 7.

8 Evidence, p. 4.

9 Submissions, p. 8.

building to its base core by removing everything it had installed, for example, wall and screen partitions, work stations, etc;¹⁰

⇒ Knight Frank Price Waterhouse estimated potential dead rent to be up to \$10.7 million, resulting from DIMA terminating its lease for the yellow / green building in 2002, five years early. (This is the cost of having unoccupied space in the yellow / green building for up to five years);¹¹

- there was a strong business case for a single site to accommodate DIMA's entire central office; and

- Knight Frank Price Waterhouse considered 13 potential building complexes in Canberra and found them unsatisfactory;

⇒ DIMA stated at the Public Hearing that Knight Frank Price Waterhouse had been unable to give it any assurance that suitable accommodation would become available within the time frames involved;¹² and

⇒ DIMA further stated that there was no accommodation currently available in Canberra to meet its needs with regard to timing and of the scale it required.¹³

Option 3: Accept offer of new building on existing site

2.11 Shortly after it purchased the Benjamin Offices, Benjamin Nominees offered DIMA the option of moving into a new purpose-built complex on the Benjamin Office site as an alternative to a continuation of existing leasing arrangements.¹⁴

2.12 DIMA advised the Committee that the proposed new DIMA building would be located on the corner of Benjamin Way and Chan Street. It would be comprised of five levels of office facilities above the ground floor. Basement areas would provide storage, secure parking and service spaces. The public entrance would be located on the ground floor, opening from Chan Street. Skybridges would link the two building wings.

2.13 The offer includes the following terms and benefits:

10 Evidence, p. 4.

11 Evidence, p. 4.

12 Evidence, p. 4.

13 Evidence, p. 10.

14 Submissions, p. 9.

- a new A-Grade building, to be constructed in two stages commencing in mid-2001 and completed in mid-2004;
- rental at \$278.50 per square metre per annum¹⁵ with a 3% pa escalation clause;
- a cash incentive offer of \$7.75 million to be paid to DIMA in the 2000 / 01 financial year, towards fitout and relocation costs;
⇒ the total fitout would be owned by DIMA;
- waiving of “make good” provisions under DIMA’s existing lease obligation (estimated by Knight Frank Price Waterhouse to be approximately \$2 million);
- no dead rent to pay for early termination of the lease for the yellow / green building, estimated by Knight Frank Price Waterhouse to be up to \$10.7 million; and
- minimal disruption to operations, including a commitment to maintain staff car parking during the construction period.¹⁶

2.14 The space available is:

- 27,000-28,000m² floor space;
- 1,200m² storage; and
- 100 secure car spaces.

2.15 This space is sufficient to accommodate existing staff numbers and contractors plus anticipated growth. Current Central Office accommodation requirements are for approximately 1550 work points, however to allow for likely growth DIMA is seeking to accommodate up to approximately 1680 work points.¹⁷

2.16 To cover the possibility of reduction in space requirements, the lease will allow DIMA to sub-lease space.

15 Submissions, p. 9 and Evidence, p. 2.

16 Submissions, p. 9.

17 Submissions, p. 7. (Note: a work point refers to a work space for one individual and typically includes a desk, chair, shelving, storage cupboard, power points and wall partitioning).