Submission No. 1
(ATO Melbourne)
SL
Date: 04/02/2010

PROPOSED FITOUT OF NEW LEASED

PREMISES

FOR THE AUSTRALIAN TAXATION OFFICE AT

THE SITE KNOWN AS 735 COLLINS STREET, MELBOURNE, VICTORIA

SUMMARY

The Australian Taxation Office (ATO) has a substantial presence in the Melbourne CBD. Staff are housed in five different buildings of ranging quality and design and there are considerable inefficiencies in this arrangement.

In July 2009, the ATO sought expressions of interest from the market to establish whether there might be more suitable accommodation to meet its future needs. As a result of that initiative, the ATO has identified new premises to be constructed in the Melbourne CBD area at 735 Collins Street, that would house all current staff in the CBD in a single office tower planned as part of a broader development precinct.

The proposed new building, being constructed and operated by Villdock (a joint venture between the Walker Group and Kuok), offers up to 38,000 square metres (m^2) of high quality office space in a building designed to meet a 5 star NABERS Energy rating and a 5 star Green Star rating. In addition, the buildings offer considerable administrative savings and the opportunity for the ATO to locate its Melbourne CBD staff in a single building.

As integrated fitout for 735 Collins Street is regarded as Public Works under the *Public Works Committee Act*, this submission is brought before the Committee for consideration.

It is envisaged that project costs will be in the order of $50.88m excluding GST, which equates to a rate of $1,340 per square metre which is considered to be in the medium range for Commonwealth fitouts in Melbourne.

Occupancy of the building is expected to commence from April 2012, with all staff expected to be relocated into the building by mid 2012. Whilst most of the leases for the buildings it currently occupies expire in 2012, the ATO is negotiating with some landlords to ensure it retains space until occupancy of 735 Collins Street is possible.

The development at 735 Collins Street will conform to all relevant building codes and practices and the ATO is paying high regard to compliance of health, safety and environmental codes. The occupation of the buildings will continue to stimulate growth in the Melbourne CBD area and will generate employment through the construction phase.

In view of the above, the ATO brings this submission before the Committee for endorsement.

1. IDENTIFICATION OF NEED

1.1 Objectives

1.1.1 The current arrangements whereby the Australian Taxation Office (ATO) is spread across five buildings in the Melbourne CBD is inefficient both administratively and in terms of work practices. Our objective, as the opportunity is now available, is to create a building that offers collocation for all staff in a single site giving us the opportunity to implement more collaborative work practices, uniformity of workspace and administrative efficiencies.

1.1.2 The role of the ATO is to manage and shape taxation, excise and superannuation systems that fund services for Australians, giving effect to social and economic policy. Through these systems the ATO is the Australian Government's principal revenue management agency. In doing this the ATO addresses broad issues affecting Australia's revenue system, such as aggressive tax planning, persistent tax debtors, globalisation and the cash economy.

1.1.3 The ATO also supports the delivery of community benefits and roles in other services including:

(a) Private Health Insurance;

(b) Family Assistance;

(c) Energy Grants Credits Scheme;

(d) Valuation Services; and

(e) Cross-Agency Support such as working with Centrelink to reduce benefit fraud, with the Child Support Agency (CSA) to ensure income transfer for the care of children, and with the Australian Bureau of Statistics (ABS) to reduce costs to the community of collecting statistical data.

1.1.4 The ATO is currently located in five leased premises in the Melbourne CBD of Victoria. These leases are due to expire as listed in Table 1.

Table 1: ATO Melbourne CBD Portfolio

Property name/ address	**Area (m²)**	**Lease Expiry**
2 Lonsdale Street, Casselden Place	12, 244	28 February 2017
World Trade Centre	6, 416	31 May 2012
390 La Trobe Street	6, 092	31 July 2012
414 Latrobe Street	5, 595	31 December 2012
350 Queen Street	2, 907	30 April 2012
Total area	**33, 254**	

1.1.5 Villdock will take over the Casselden Place lease tail when the ATO vacates. Villdock will continue to pay to the ATO the rental rebate currently being paid under the Casselden Place lease.

1.2 Background

1.2.1 The ATO currently leases approximately 33,000 square metres of office space spread over five (5) buildings in Melbourne CBD including Casselden Place which they have occupied since 1992. It is proposed to consolidate these five individual sites into a single building for greater business operational efficiencies as endorsed by the Tax Office Executive.

1.2.2 In addition, the opportunity is created to provide additional space for staff to be able to relocate from ATO sites at Moonee Ponds and Box Hill. At these sites current density ratios are approximately 14.8 to 15 square metres per workpoint, which is causing some issues with existing infrastructure and

systems which were not designed to accommodate this density ratio. A reduction in density at these sites to a ratio of 16 square metres per workpoint will improve the operation of the original buildings infrastructure and systems capabilities. The consolidation of holdings in the CBD also allows the density target as prescribed in the Commonwealth Property Management framework, to be improved upon.

1.2.3 The leases over four of the five buildings will expire in 2012 with one site set to expire later in 2017. It is proposed the new office accommodation will be in place to meet the expiring leases in 2012, whilst the later expiring lease has been negotiated to allow for an early release to align with the completion of the new build. The proposal of 38,000m2 is the maximum amount of space required by the Tax Office however the final measurement will be goverened by concept designs and architectural advice. Provision in the Agreement for Lease allows the Tax Office to confirm its requirement by a nominal date. The ATO has reserved the right to reduce the net lettable area to be leased from 38,000m2 to 35,000m2 by notice to the Landlord on 14 May 2010. The reduced area will be dependant upon the adoption of a new work station system providing a reduced footprint which is to be developed and trialled

1.2.4 The proposal will also provide the ATO with significant improvement of accommodation for its staff and ensure the Energy ratings for the building meet mandatory Commonwealth Policy.

1.2.5 As there is an ongoing need to accommodate staff in Melbourne, the ATO developed a strategy to explore potential accommodation options within the CBD. Our strategy was to test the market within an Expression of Interest process providing maximum opportunity to consider all possible options and enable us to achieve the best value for money outcome.

1.2.6 Options considered were:

- extend current leases at existing ATO sites.

- consolidate three smaller sites so that ATO occupy two properties in Melbourne CBD.
- consolidate all sites into a single property in Melbourne CBD.

1.2.7 The option to consolidate all sites into a single property in Melbourne CBD was the preferred option due to efficiencies gained in operations of a single site and the opportunity for the agency to satisfy EEGO requirements within a new energy efficient building, with the appropriate environmental credentials, while providing the ATO the opportunity to improve its staff density ratio inline with current Commonwealth guidelines.

1.3 Market test

1.3.1 On 16 July 2009 UGL Services (formerly known as United Group Services), acting on behalf of the ATO, advertised in for expressions of interest (EOIs) to be submitted for the provision of office accommodation in the Melbourne CBD. Seventeen responses were submitted by the due date, 6 August 2009.

1.4 Evaluation process and methodology

1.4.1 An Evaluation Committee (EC) was established to consider in detail final submissions and a methodology was designed to objectively assess the best option on value for money grounds.

1.4.2 The Evaluation Team assessed the EOIs against essential criteria such as location, floor plate size, overall area, building quality and indicative rental. EOIs failing to meet any of the essential criteria were excluded from further consideration.

1.4.3 The remaining EOIs were short-listed and presented to the ATO Executive on 19 August 2009 for endorsement. This process resulted in consideration of six buildings for Final Proposals. The following proposals were considered:

- 385 Bourke Street

- Seven17 Bourke Street
- 321 Exhibition Street
- 735 Collins Street
- 720 Bourke Street
- 664 Collins Street

1.4.4 On 1 September 2009 United Group Service called for Final Proposals from the six proponents short-listed as part of the EOI process. The final proposals were received on 15 October 2009.

1.4.5 The evaluation methodology of the Final Proposals considered:

(a) A non-financial assessment of individual proposals that incorporated technical and non-technical matters (eg compliance to building specifications, building performance, efficiency of floor plate, commercial terms etc). This was done on a scale of one to ten and weighted across the various categories, with ten being the best and one being the lowest.

(b) A comparative assessment of the financial terms of each proposal on a Net Present Value (NPV) basis. The underlying assumptions for the NPV analysis were:

i. It was considered appropriate to review the options based on a 10 and 15 year lease as this seemed most appropriate operationally.

ii. Car Parking and storage were included in these requirements.

iii. NPV analysis only includes Lease payments, incentives and capital expenditure on fitout and makegood where required.

iv. All Options were assumed to commence 1 April 2012, with the entire space requirements being available from that date.

v. Other costs considered included overlapping leases where applicable to provide staging space and relocation expenditure.

vi. For NPV purposes, incentives were treated as cash inflows in year 1.

vii. NPV calculations based on 38 000 m^2.

(c) A best value for money assessment taking into consideration both financial and non-financial aspects detailed at (a) and (b) above.

1.4.6 The Final Proposals were short-listed to 2 proposals, who were invited to present on their proposals, with the additional option to take on pick up the Casselden Place lease tail.

1.5 Preferred proponent

1.5.1 Following a Expression of Interest and a Request for Final proposal process, the Villdock proposal was considered the best value for money option and held significant advantage on a financial and non-financial basis with a higher score, including:

(a) The considerable advantages of moving to a single new building and the opportunities that provides in terms of building design, performance, long term viability and maintenance.

(b) Administrative efficiencies gained by the collocation of all staff in the same building, including reduced guarding costs, reduced ATO facilities management costs, increase productivity of ATO staff due to significant reduction in travel time between offices

(c) The avoidance of refurbishment works at significant cost and disruption should existing buildings be re-leased. There would also be a need to acquire staging space at considerable cost during the refurbishment process.

(d) The advantage to design floor plans and fitout that specifically meets the needs of the ATO as the new buildings is designed and constructed.

(e) Expected more efficient building performance and infrastructure that will generate savings in running and energy, security and cleaning costs in the long term.

(g) The ability to relocate staff seamlessly into new accommodation, minimising disruption to ATO business operations.

(h) A single development that results in reducing the number of sites across the Melbourne CBD.

(i) The provision of a long-term solution for the ATO's property requirements for the next 15-20 years.

(j) The opportunity to rationalise office facilities and capitalise on efficiencies such as minimising the number of common facilities, computer rooms and associated infrastructure.

1.5.2 This proposal requires the ATO to obligate itself to a gross lease arrangement for the property upon completion of the building with terms consistent with those agreed at the time of entering into the lease, with the ATO funding part of the cost of fitout.

1.5.3 Other proposals were excluded for a range of reasons including:

(a) comparative cost of the proposals.

(b) technical response levels of the proposals

(c) compliance to legal documentation

(d) compliance with ATO base building requirements

(e) there was some doubt as to the adequacy of some of the building upgrades being offered in relation to existing buildings

1.6 Lease negotiations for preferred proponent

1.6.1 Following the rigorous assessment process which identified 735 Bourke Street as the option which provided the best value for money, the ATO

Executive agreed to instruct UGL Services to enter into negotiations with Villdock to identify commercial terms that would be agreeable to both parties. Consequently, Villdock was advised by UGL Services that it was being considered for the preferred proponent, subject to certain clarifications, for the provision of up to 38,000m^2 of office accommodation, known as 735 Bourke Street, to serve to accommodate ATO Melbourne CBD staff. The appointment was subject to the satisfactory conclusion of negotiations on commercial terms and gaining necessary Government approvals. As significant benefits would be achieved by the ATO, advice was given that a 15 year lease term, rather than a ten-year term, would be pursued.

1.6.2 All financial aspects, including approval pursuant to Regulation 10 of the FMAA, have been resolved. All commercial terms and conditions have been successfully negotiated and an Agreement For Lease for the premises was executed on 23 December 2009.

1.7 Submission to Public Works Committee (PWC)

1.7.1 When the ATO originally sought expressions of interest from the market, it stated that it would require the right to integrate the fitout of the selected accommodation simultaneously with the construction of the building to reduce cost and risk, should a building planned or under construction be considered. This requirement was reflected in draft lease documentation that was sent to all parties who were asked to submit Final Proposals, and was a criterion in assessing the Final Proposals. The intention of this approach was to significantly reduce risk to the ATO in terms of cost and time.

1.7.2 As a new construction has indeed been selected, the need to pursue an integrated fitout has become paramount. Detailed design for 735 Collins Street is underway, affording the ATO the opportunity to fully integrate the design and construction of the ATO's fitout with the design and construction

of the base buildings, and subsequently save the ATO time and money in the delivery of the fitout.

1.7.3 As the fitout for the proposed accommodation is regarded as being 'public works' for the purposes of the *Public Works Committee Act*, noting it will be in excess of the PWC threshold, this submission has been referred to the PWC for its consideration.

1.8 Proposed outcome

1.8.1 The outcome from this approach will be that the ATO will be co located in purpose-built efficient accommodation that will enable it to meet its obligations to Government in the long term. This action will address the current deficiencies and inadequacies of the current arrangement of a variety of buildings, lack of meeting, conference and training spaces and provide significant administrative and environmental efficiencies to both management and staff. It is expected that staff will be allocated space inline with the current Department of Finance and Deregulation density targets for new buildings.

1.9 Description of proposed new premises

1.9.1 The proposed new premises is located at 735 Collins Street, Melbourne – Quattro The Australian Taxation Office will occupy Building 4A which comprises a 16 storey building of 38,000 m2 net lettable area, with floor plates averaging almost 2300 m2, being built over a single level basement containing approximately 540 car parking bays.

Building 4A is comprised of:

- A combination of Property Council of Australia “A” and “Premium” grade standards;
- 38,000 m^2 of NLA;
- 100 secure car spots (allocated to the ATO);
- 440 m^2 of storage area; and
- Three (3) retail tenancies at ground floor

1.9.2 The project comprises the development of a 38,000 m^2 net lettable area Property Council of Australia A grade commercial tower designed to a 5 Star NABERS and 5 Green Star performance.

Site 735 Collins Street, Melbourne – Quattro

Address 735 Collins Street, Melbourne

Owner Victorian Urban Development Authority (VicUrban)

Purchaser Villdock Pty Ltd (Walker/Kouk JV)

Tenant Commonwealth of Australia, Australian Taxation Office

1.9.3 735 Collins Street is owned by Victorian Urban Development Authority (VicUrban).

1.9.4 VicUrban has granted a Development Agreement to Villdock Pty Ltd, a wholly owned Joint Venture entity between Walker Group Holdings (Walker) Pty Ltd and the Kuok Group (Kuok) – the Development Consortium.

1.9.5 The Development Agreement provides exclusive rights to the Development Consortium to control and develop the property for commercial and mixed-uses, and grant a lease on the premises.

1.9.6 Walker Corporation has been nominated by Villdock Pty Ltd to undertake the role of Development Manager, which includes duties such as masterplan and

town planning approval, building design development, pre-lease procurement, construction delivery and end ownership and building management.

1.9.7 The site is strategically located at the link point between the Melbourne CBD and Docklands, with prime Collins Street frontage and unparalleled accessibility.

1.9.8 The site is exceptionally well located on Collins Street and bound by Batmans Hill Drive and Bretani Way with surrounding development comprising mostly Commercial offices with occupiers including The Age, VicUrban, Axa, National Foods, nab, ANZ and Myer.

1.9.9 The site itself has excellent road frontage with 250 meters fronting Collins Street.

1.9.10 735 Collins Street is well serviced by rail via Southern Cross Station and Light Rail via 2 tram stops that sit directly at the entrance of the precinct.

1.10 Environmental issues

1.10.1 The proposed building will comply with the Commonwealth energy guidelines relating to energy efficient buildings and meet a 5 Star (NABERS) and a Green Building Council of Australia (GBCA) 5 Green Star rating (Australian excellence).

1.10.2 The 5 Star NABERS relates specifically to energy consumption in accordance with current Commonwealth requirements and will be achieved by implementing and installing the following:

- Tri-generation plant providing heating, cooling and power generation via the use of a highly efficient gas turbine and absorption chiller arrangement;
- highly efficient mechanical systems incorporating chillers with frictionless magnetic bearings;
- T5 low energy lighting;
- state-of-the-art Building Management System which will control the plant;
- DALI lighting control systems throughout the tenancy and base building ensuring common area lights are switched off when not in use;
- double glazed, thermally efficient glazing allowing a high level of natural light while reducing the solar heat load; and
- minimised feature base building lighting.

1.10.3 A specialist consultant has been engaged by the developer to provide advice and audit functions to ensure achievement of GBCA 5 Green Star rating of the base building

1.10.4 The Australian Taxation Office Base Building Brief details specific environmental management requirements including:

- selection of high performance, energy efficient HVAC systems and controls;
- selection of low energy lighting systems and controls;
- use of integrated Building Management Systems that enhance the operation of the HVAC and lighting systems;
- alternative energy sources including the use of renewable energy and onsite power generation to reduce greenhouse gas emissions, energy consumption and resource consumption;
- efficient hydraulic services that reduce water consumption and water flow to waste;
- efficient appliance selection to reduce energy consumption including computer equipment, fridges, microwaves, potable hot water heaters etc;
- water harvesting and recycling; and
- waste water treatment including grey water.

1.10.5 In order to reduce water consumption, the building design includes provision for treated grey water dual flush pans and automatically controlled ‘timer taps’, rainwater re-use and fire services test water re-use.

1.10.6 The new building will have a grey water recycling system. This water will be collected from showers and sinks throughout the premises. The system includes a central storage tank that will supply the toilets, urinals and landscape irrigation. The water will be treated in order to achieve the Class A grey water standard.

1.10.7 In addition to grey water collection, a central rainwater tank will be provided to supplement the supply to the toilets and irrigation system. This water will be filtered and sterilised using ultraviolet treatment.

1.10.8 The proposed building will employ the highly efficient DALI lighting system. This ultra-modern system utilises long-life, low energy T5 fluorescent lamps. Lamps located along the perimeter windows will have integral photoelectric cells for auto dimming with day lighting. Lamps in offices, meeting rooms and occasional rooms will employ motion detectors to ensure that they are operational only when required. The system will be programmed to automatically switch off all non-emergency lighting at a specified time each evening. Open plan office areas will have maximum lighting zones of 100 square metres.

1.10.9 Large windows and open plan floor layouts will maximise access to natural light further reducing lighting usage.

1.10.10 As an additional energy saving measure, the developer is installing a Trigeneration plant system which will provide heating, cooling and power generation during standard office hours. This highly efficient system uses the

excess heat produced in power generation to run the chillers and heating during peak energy demand times. Power generation commences automatically as the building energy demand increases to provide a parallel power supply. Trigeneration systems are said to achieve significant fuel efficiency gains over standard cogeneration heating/chiller plants.

1.10.11 Implementation of chillers running on magnetic bearings will further increase efficiency in the mechanical systems.

1.10.12 Individual, after-hours air-conditioning zones will be operated by push on/off buttons. This allows the system to provide only as much heating/cooling as required outside standard operating hours (8:00am to 6:00pm business days).

1.10.13 Provision of one (1) supplementary cooling water loops allows for 24 hour cooling of specialised communications areas without the need for the main chillers to be running at full capacity.

1.10.14 Development of the site will:

(a) have no significant impact on the natural or human environment,

(b) encourage improved utilisation of existing public facilities and transport infrastructure,

(c) make use of existing engineering services including water, sewerage and storm water in the area, and

(d) have a positive effect on the local economy via the creation of jobs during construction and fitout.

1.10.15 The ATO expects to achieve at least a 4.5 star NABERS rating in the delivery of its fitout in this building.

1.11 Heritage considerations

1.11.1 There are no known heritage issues that are required to be addressed with this proposal.

1.11.2 The building will conform to the requirements of the Environmental Protection Biodiversity Conservation Amendment Act 2003.

1.12 Details of organisations consulted

1.12.1 A formal consultative approach has been adopted to provide expert advice in relation to various aspects of the project. The following agencies and businesses have been consulted to date:

- Department of Finance and Deregulation
- Clayton Utz (Legal)
- UGL Services (Property Leasing, Project Management and Facilities Management)
- Peckvonhatel (Architects)
- Northrop Engineers (Services Engineers)
- WT Partnership (Quantity Surveyors)

1.13 Amount of revenue, if any, derived from the project

1.13.1 Savings in property operating expenses will be realised by co-locating into a single purpose designed buildings. The operating cost benefits from the reduction in energy consumption and maintenance of aging fitout will also contribute to the overall savings envisaged.

1.13.2 There is no direct revenue from this project

2. TECHNICAL INFORMATION

2.1 Location

2.1.1 The ATO fitout is part of 735 Collins Street, Melbourne development. Annexure B provides a site diagram.

2.2 Scope of work

2.2.1 The ATO will lease office accommodation for fifteen years with two five-year options and will be undertaking an integrated office fitout.

2.2.2 The works include:

a. Base Building – Integration of services into the base building works, including electrical, mechanical, communications, security, fire and hydraulic services.

b. Supplementary air-conditioning in those rooms with higher than normal cooling and ventilation requirements including larger meeting rooms, training rooms, computer rooms and amenities rooms.

c. A lighting control system to reduce energy consumption in tenant areas including the ability to automatically turn off lights in unoccupied rooms and to provide reduced lighting levels when appropriate, such as reduced lighting levels for access purposes after hours. Some additional lighting will be provided as required in partitioned rooms.

d. Data cabling throughout the tenant areas including phone and computer outlets at each workpoint. The cabling infrastructure will be designed to cater for future capabilities.

e. Tenant fitout above base building will be undertaken to conform to the ATO's operational requirements including security. These include door hardware and electronic access control at the main entrances, other entrances, exits, vehicle access points and internal areas with higher than normal security needs.

f. Supplementation of the base building fire services where required as a result of the fitout works to ensure compliance with relevant codes. These services include additional exit lights, fire detection and sprinkler supplementation as necessary. A Very Early Smoke Detection Apparatus (VESDA) will be installed in the computer rooms.

g. Architectural designed office accommodation including construction of reception areas, a security alarm system, an electronic control system, general office fitout and open plan work areas.

h. Standardised office sizes of:

- $28.8m^2$
- $14.4m^2$

i. Generic workstations.

j. The vast majority of offices and meeting rooms to be constructed in the central cores so as not to limit light from external windows.

k. Breakout spaces, quiet rooms and casual meeting space.

l. Computer rooms built to specification.

m. Storage facilities.

n. Conference and training facilities.

o. First Aid rooms.

p. Amenities areas.

q. Kitchens.

r. Showers and lockers.

s. Secure areas (to conform to ASIO T4).

t. A separate secure mail receiving room.

2.2.3 Space allowances for individual workpoints will be reviewed as part of a full requirement analysis to bring the ATO standard workstation design to meet the requirements of the Department of Finance and Deregulation.

2.2.4 The building design and fitout will enable the ATO considerable flexibility to meet its ever-changing accommodation requirements. This will be achieved through:

a) Workpoints that can easily and quickly be reconfigured without disturbing productivity.

b) Providing maximum open plan areas.

c) Ensuring the enclosed areas are capable of being altered easily for future change for example the utilisation of modular meeting room design so that 2 small meeting room will also satisfy the requirements of 1 large meeting room with minimal additional works.

d) Building services that are flexibly located to allow for repositioning of walls, workpoint layouts and accommodation changes in technology.

e) A robust security system that protects ATO information, people, other assets and operations.

2.2.5 Floor plans have not been finalised at this time. See Annexure B.

2.3 Zoning and approvals

2.3.1 Following is the status of approvals for the proposed new premises to be occupied by the Australian Taxation Office.

2.3.2 Outline Development Plan - Approved

This plan approves the general Masterplan and vision for 735 Collins Street including building layout, car parking numbers, a maximum building height, retail amenity and a landscape theme.

2.3.3 Early Works Approvals – Approval Numbers SP07 0143A, SP/07 0168

This approval covers works such as site clearing, demolition, excavation, piling and basement works.

2.3.4 Building Approval – Approval Permit No. 2008 0651

The consent for Building 4A includes approval for a basement and podium, 540 car parking bays, a 15 storey building with height of 72.5 m and large 2,100 m^2 floor plates and an NLA of 31,502 m2

In order to gain approval for the 38,000 m^2 Australian Taxation Office building, a minor modification of the Building 4A design is required to provide all of the Australian Taxation Office's accommodation requirements within one building. This outcome will be achieved by adding an additional floor to the building whilst still within the approved height limit and increasing the typical floor area by approximately 80-100 m^2 per floor.

Advice from and the Department of Planning and Community Development is that a minor variation is likely to take 4-6 weeks.

Walker intends to lodge the required Building Approval variation application at the end of January 2010.

2.3.5 Fitout of the building will be integrated with construction and managed by the ATO. Provisions have been made for the cost of the fitout in financial years 2010/11 and 2011/12. A recommendation to Parliament to proceed with the fitout of the building is thereby sought from the Public Works Committee.

2.3.6 Approval from other relevant authorities for works approval will be sought as required

2.4 Land acquisition

2.4.1 VicUrban has granted a Development Agreement to Villdock Pty Ltd, a wholly owned Joint Venture entity between Walker Group Holdings (Walker) Pty Ltd and the Kuok Group (Kuok) – the Development Consortium.

The Development Agreement provides exclusive rights to the Development Consortium to control and develop the property for commercial and mixed-uses, and grant a lease on the premises.

Villdock is obtaining subdivision approval to create the title to the land and will make payment to VicUrban for the land prior to commencement to allow the title to pass to Villdock.

2.5 Codes and standards

2.5.1 The fitout will comply with all statutory requirements including the Building Code of Australia (BCA), and Australian Standards. The ATO will ensure that all relevant codes and standards are included in design and building briefs, including the National Code of Practice for the Construction Industry, and the guidelines from the Office of the Federal Safety Commissioner.

2.6 Planning and design concept

2.6.1 The quality of building finishes and services shall be designed to a combination of Property Council of Australia “A” and “Premium” grade standards in accordance with the Property Council of Australia Office Quality Grade Matrix dated 2 February 2006.

2.6.2 **Security and Data Cabling**. Advice from relevant security experts will be sought and incorporated into the design concept.

2.6.3 **Internal Finishes**. Carpet tiles will be fitted to general office areas. High quality tiles to the central atrium and entry lobbies.

2.6.4 General Engineering service installations will specifically address the following criteria:

a) Proven reliability and performance.

b) Ease of maintenance and replacement.

c) Energy efficient.

d) Environmental responsibility and cost effectiveness.

e) Flexibility for churn works.

f) Minimum noise and vibration characteristics.

2.6.5 Workpoints will be based on individual modular workstations that preserve views and light penetration into the building. Workpoints more efficiently cater for the installation and operation of new technologies. They significantly utilise the floor areas more effectively and provide opportunities for accommodating additional facilities such as open meeting areas and common spaces.

2.7 Mechanical Services

2.7.1 Mechanical Engineering Services will be based on the following principles:

(a) Minimum noise and vibration characteristics.

(b) Reasonable maintenance costs.

(c) Proven design.

(d) Reliability.

(e) Durability.

(f) Ease of maintenance without entry to tenant areas.

(g) Ease of replacement.

(h) Efficiency of operation.

(i) Environmentally sustainable principles

2.7.2 Air conditioning for the building is provided through a traditional plant consisting of roof mounted cooling towers, chillers, boilers and air handling plant. This modern plant takes advantage of technological improvements to operate efficiently and reduce energy usage.

2.7.3 Chilled water will be provided by three (3) high efficiency, chillers consisting of frictionless magnetic bearing, two (2) variable speed centrifugal compressor chillers.

2.7.4 Water heating will be provided three (3) natural gas fired, forced draft burner high efficiency boilers.

2.7.5 Heat rejection from the chillers and supplementary air conditioning equipment will be provided by three (3) cooling towers with variable speed drive fans. Microbial control of the water in the cooling towers will be in accordance with the Authority and AS/NZS 3666.1 standards.

2.7.6 A supplementary cooling water loops will allow for twenty four hour cooling of specialised communications areas.

2.8 Hydraulic Services

2.8.1 Hydraulic Engineering Service requirements will include the following provisions:

(a) Wet stacks and relief vents are provided to enable tenant facilities to be located where required.

(b) Male and female showers and lockers will be located within the basement.

(c) Water saving initiatives will include treated grey water dual flush pans and automatically controlled ‘timer taps’, rainwater re-use and fire services test water re-use.

2.9 Electrical

2.9.1 The electrical installation includes electrical supply, metering, distribution, lighting and special purpose power in compliance with Statute and Regulations.

2.9.2 The building will employ tenancy sub-metering, the highly efficient Digital Addressable Lighting Interface (DALI) lighting system with provision for a diesel standby generator.

2.9.3 Category 6 data cabling will be utilised throughout the building.

2.9.4 Vertical power and data distribution is provided through riser ducts.

2.9.5 Provision of Master Antenna TV services has been included in the base building design.

2.10 Lifts

2.10.1 The building will be serviced by with nine (9) passenger lifts in a low rise high rise configuration. In addition a stand alone goods lift will service the building.

2.10.2 The basement will be serviced by two (2) shuttle lifts.

2.10.3 The proposed lifts will utilise destination control lift movement/allocation technology to efficiently distribute people throughout the building.

2.11 Fire protection

2.11.1 The entire building will be provided with sprinkler protection in accordance with the Building Code of Australia (BCA) and Australian Standard 2118.1.

A smoke detection system will be installed to activate the occupant warning system and smoke hazard management system as required by the BCA.

The Emergency Warning and Intercommunications System (EWIS) will be activated into alert mode when any of the following devices are activated:

- sprinkler head
- manual call point
- smoke/thermal detector

2.11.2 The base building fire services will be completed in accordance with the Building Code of Australia and the local fire brigade authority requirements including:

- Fire detection and suppression systems;
- Smoke hazard management systems including zone smoke control and stair pressurisation;
- Egress systems including fire stairs and emergency exit lighting connected to an automatic testing system;
- Materials with fire resistance in accordance with Type A construction as per the Building Code of Australia; and
- An Emergency Warden Intercom System communication system for emergency communication with building occupants.

2.12 Security

2.13.1 A security risk assessment will be conducted during the design stage, and the building will match the outcomes of the assessment. A security design brief will be developed by a SCEC Approved Security Consultant. The building fitout will incorporate the ATO's security requirements. All staff are provided with security passes which will interface with electronic proximity card readers at specified locations at the perimeter of the premises to control access. Electronic access control points include:

(a) Vehicle and pushbike access to the parking areas.

(b) Loading dock and after hours access doors.

(c) Entry to the building through security racers.

2.13.2 Internal areas with higher than normal security requirements will also have proximity card readers installed at the entrance doors to restrict access to authorised staff only.

2.13.3 A security desk will be located in the foyer of the building and staff will be required to sign in and escort visitors.

2.13.4 The ATO will continue to consult appropriate security experts with regard to the development of additional security requirements for the building.

2.13 Acoustics

2.13.1 The building design incorporates measures to reduce noise in the work environment including double glazed external windows, acoustic ceiling tiles, fabric panelling and carpeted floors. Attention will also be paid to air-conditioning detailing to reduce noise from moving air and mechanical plant.

2.13.2 Acoustic performance criteria has been incorporated into the fitout brief to ensure adequate noise insulation between offices, meeting rooms, training rooms and other works spaces.

2.13.3 Design criteria and building performance for ambient noise ratings shall be in accordance with the requirements and recommendations of AS1055 Acoustics.

2.14 Landscaping & other civil works

2.14.1 Landscaping surrounding the works will meet Authority standards for aesthetics and crime prevention, including vandal resistant lighting and finishes

2.15 Energy conservation measures

2.15.1 735 Collins Street's high performance building structures and application of sustainable design principles will ensure a high energy rating throughout the buildings' life cycles.

2.15.2 The following are specified in the building brief to minimise energy usage and operating costs without a reduction in accommodation standards:

(a) The building will equal or exceed the NABERS rating of 5 stars.

(b) Use of integrated Building Management Systems that enhance the operation of the HVAC and lighting systems.

(c) Double glazing is to be provided.

(d) DALI lighting control systems throughout the tenancy and base building ensuring common area lights are switched off when not in use.

(e) Acoustic efficient levels that meet or exceed current standards.

2.15.3 To maximise the Ecologically Sustainable design impact of 735 Collins Street the following have been included in project delivery:

(a) Stormwater recycling.

(b) Access to natural light is to be maximised while avoiding direct sun penetrations into the building.

(c) Facilities such as bicycle storage, showers, change rooms and lockers are to be provided to encourage staff to ride or walk to work.

(d) Increased reliance on renewable materials.

(e) Emissions minimisation.

(f) Source control of pollution and waste during construction.

(g) Efficient energy use.

(h) System maintenance and waste avoidance.

2.15.4 The ATO has replaced its computer monitors with flat screen LCD monitors that use significantly less power and give off less heat. This places a significantly lower heat load on the air-conditioning system with resultant lower energy consumption and costs.

2.15.5 Water usage reduction measures to be provided in the building design include:

(a) Rain water collection and re-use.

(b) Dual flush grey water cisterns for all toilets.

(c) Flow restriction devices to be fitted to all fixtures.

2.15.6 The lessor's responsibility for ongoing environmental management of the building is specified in the lease.

2.16 Provisions for people with disabilities

2.16.1 The base building includes a number of requirements to assist people with disabilities including:

- the building shall be designed to comply with AS1428.2 and comply with the mandatory provisions of the Building Code of Australia;

- provision of disabled parking;
- access for disable toilet areas for the office will be provided in accordance with the following:
    - **AS 1428.1-2001**
      Design for access and mobility - General requirements for access - New building work.
    - **AS 1428.2-1992** Design for access and mobility - Enhanced and additional requirements - Buildings and facilities
    - **AS 1428.3-1992** Design for access and mobility - Requirements for children and adolescents with physical disabilities **AS 1428.4 - 2002** external landscaping and layout to ensure wheelchair access is available to main entry
- design for access and mobility – Tactile Indicators
- tactile ground surface indicators for orientation of people with vision impairment
    - **AS 1428.4 - 2002** Design for access and mobility – Tactile Indicators
- suitable access to the building;
- all lifts to be accessible and provide facilities in accordance with relevant Australian Standards, including AS1735.12 and AS 1428;

2.16.2 lifts, access ways, doorways and accessible toilets and showers will be designed to comply to Australian Standards and the Building Code of Australia.

2.17 Heritage issues

2.17.1 There are no known heritage issues in relation to this site.

2.18 Child-care provisions

2.18.1 The acquisition of this new site will enable all existing Melbourne CBD staff, currently accommodated in five buildings dispersed across the city, to be collocated in one complex within the CBD. As such it is expected that staff will continue to utilise existing child care arrangements and no on-site facilities are proposed.

2.19 Occupational health and safety

2.19.1 The ATO project team will work closely with recognised Occupational Health and Safety consultants to advise on the Design and Construction of the new fitout. Further the ATO will work closely with its Property Service Provider, United Group Services (UGL) to ensure that the fitout design complies with the relevant codes. Additionally, through UGL the relevant consultants and architects will assist in the selection of internal furniture and fittings including adjustable desks, shelving, work tables and compactus units to ensure they are suitable for a wide range of staff to use safely and with minimised risk of injury.

2.19.2 Characteristics of the proposed work space will be:

(a) Modular workpoints that provide functional support, storage and a level of privacy.

(b) Low profile to preserve views.

(c) Feeling of light, airy, healthy openness.

(d) Capacity for visual variation.

2.19.3 The design, materials and finishes used in the furniture and fitout construction will take into account OH&S aspects and avoid sharp edges, furniture legs which cause obstructions and highly reflective surfaces.

2.19.4 All contractors and sub-contractors shall comply with Occupational Health and Safety (OH&S) legislation appropriate to the building site.

2.19.5 A design review of the base building will be completed to ensure any potential risks to users, occupants and maintenance personnel are not exposed to potential work place injury.

2.19.6 Lighting and window treatments are specified to reduce glare and provide appropriate lighting levels for the tasks being performed together with preserving natural light and views.

2.20 Consultation

2.20.1 The ATO has adopted a number of communication strategies for internal and external consultation. This includes direct consultation with representatives from the various functional areas of the office and by staff bulletins. The ATO will also continue to conduct formal consultation with managers and staff. This strategy incorporates:

(a) Briefings for managers and staff.

(b) Briefings for staff representatives and unions.

(c) Work area involvement in the development of the requirements.

(d) The display of a prototype work area so that all staff can familiarise themselves and raise questions about the proposed fitout.

(e) Information sessions for staff including site visits during construction.

(f) Establishing a joint reference group with the Project Leaders to provide advice on more significant specialist aspects of the project.

(g) All staff e-mails.

2.21 Local impact, eg employment

2.21.1 A traffic micro-simulation study has been completed for the development, concluding that there will be no noticeable decrease in the Level of Service at any of the surrounding intersections as a result of the proposed development.

2.21.2 Development of the site will:

- have no significant impact on the natural or human environment;
- encourage improved utilisation of existing public facilities and transport infrastructure;
- make use of, and improve existing engineering services including water, sewerage and storm water in the area; and
- have a positive effect on the local economy via creation of jobs during construction.

2.21.3 There will be no job losses in the ATO as a result of the consolidation.

2.21.4 During construction, on average there will be 200 people employed on site for the 24 month period, with a further 200 additional people employed at peak periods. In addition to the it is estimated that up to 300 people will be employed off-site during peak periods. It is estimated at up to 5,000 people will work on various stages of the project through design and construction.

2.22 Project costs

2.22.1 The estimate of project cost is based on analysis performed by WT Partnership and compared against recent construction costs experienced by the ATO. The initial project budget rate of $1, 340 per square metre (excluding GST) has been applied to this estimate which is considered to be in the mid- range for Commonwealth office fitouts in Melbourne.

2.22.2 A breakdown of the project cost estimate of $50.88m is detailed in Annexure A.

2.23 Project delivery methodology

2.23.1 The ATO has engaged the developer to prepare the detailed design documentation and construct the fitout concurrently with the base building. This work will be undertaken on a cost-plus basis, with the ATO paying actual tendered prices for goods and services received, and the developer charging a percentage fee for management of the works.

2.23.2 An integrated fitout is expected to provide the ATO with the following benefits:

(a) Costs will be less because the fitout-related work will be done at the same time as the base building work and hence there is less need for re-work in modifying the base building to accommodate the fitout after the base building is completed.

(b) Time will be saved because the ATO does not have to wait until the base building is completed before the fitout works commence.

(c) Coordination is easier because the same project team manages all aspects of the work, including work for the developer and the ATO. There are fewer over-laps in responsibilities and less potential for disputes over matters such as interference.

(d) There is less duplication of resources with one team of design, supervision and management personnel for both aspects of the work.

2.23.3 The ATO has engaged its own Project Manager to ensure its interests are protected throughout the process.

2.23.4 On behalf of the ATO, UGL Services has engaged an Architect for the fitout component of the project and will novate this provider to the developer for the project at Concept Design approval.

2.23.5 On behalf of the ATO, UGL Services will engage a Quantity Surveyor and Services Engineers for peer reviews to ensure the ATO's interests are protected throughout the process.

2.24 Construction program

2.24.1 Fitout will be undertaken concurrently with the base building construction. The fitout is scheduled for completion on 14 March 2012. This will enable the progressive relocation from the existing buildings to the new premises to minimise disruption to ATO business. Project consultants have reviewed the construction program to ensure it is feasible and that there is appropriate contingency to cover time over-runs.

2.24.2 The brief for the ATO's Project Manager places a high priority on monitoring the program to ensure that any potential program delay is identified at an early stage so that it doesn't impact on the completion date.

2.24.3 If the completion of construction was delayed past March 2012, short term lease extension on the existing ATO sites would be negotiated. Cost recovery for the short term leases will be mitigated under the liquidated damages provisions within the Agreement For Lease.

2.25 Sketch designs

2.25.1 The site plan and floor plans (in an early stage of development) are attached at Annexure B.

Annexure A (Confidential)

Annexure B