



Australian Government

**Department of Agriculture,
Water and the Environment**

**Proposed Fit-out of New Leased Premises
at Block 34, Section 26, Canberra City**

**Statement of Evidence and Supporting Drawings to the
Parliamentary Standing Committee on Public Works**

Submission 1
May 2020

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Purpose of the Works

Overview

1. In December 2019, the Machinery of Government (MOG) changes resulted in the amalgamation of the Commonwealth Government's Agriculture, Water and Environment functions into a single portfolio resulting in the creation of the Department of Agriculture, Water and Environment (AWE).
2. The role of AWE is to deliver policies and programs which:
 - drive strong and sustainable agricultural industries;
 - manage our unique environment and heritage; and
 - support our regional communities.
3. The Departments Head Office accommodation in the City, ACT is currently spread across leases in two adjacent buildings:
 - 18 Marcus Clarke Street – 12 storey office building, with all floors occupied by AWE (27,118 square metres); and
 - 7 London Circuit Street – two conjoined six (6) story office towers, with four floors of one tower occupied by AWE (8,887 square metres).
4. Head Office functions are also conducted in a short-term lease for 3,072 square metres in 44 Mort Street, Braddon, ACT.
5. Prior to the MOG changes in February 2020, the then Department of Environment and Energy had committed to a lease of 35,710 square metres in the John Gorton Building (JGB) in Parkes to accommodate approximately 1,500 staff. That lease expires in 2035. This current AFL proposal for CQ2 will not impact the JGB lease.
6. The fitout of the City, ACT buildings was undertaken in 2007 in accordance with the then requirement for and average work point density of 16 square metres per person. The fitout is approaching the end of its economic life and is no longer suitable for the Department's goals to achieve:
 - an average work point density of 12 square metres per person to meet and exceed the current DoF targets; and
 - the progressive implementation of an Activity Based Working (ABW) environment which has the potential to increase overall density, by reducing the average work point density

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to between 8 and 10 square metres per person. The project seeks to improve modern work practices, such as enabling flexible working.

7. The 44 Mort Street lease expires on 8 June 2020. Staff currently occupying this space are being progressively relocated back to the Civic buildings to enable termination of the Mort Street lease on expiry.

8. In 2018, the then Department of Agriculture undertook a pilot study on one floor of 18 Marcus Clarke Street to assess the suitability of ABW for the Department's operational requirements. That pilot study demonstrated the effectiveness of ABW, with the following benefits:

- Increased staff satisfaction with the workplace – the target was to maintain or improve staff workspace satisfaction which was successfully achieved;
- Reduced cost and disruption of occupancy changes – cost of churn moves for the Department is now a significant operational cost and planning lead times, consultation and project management effort to implement any changes are also significant. In a flexible environment, costs are substantially lower by reduced ICT and physical relocations;
- Perception of productivity – the target was to increase this perception. The baseline perception of “our space helps us be productive” has increased from around 40% positive rating to nearly 60% positive rating, and this perception is being maintained through the May 2018 and November 2018 results.
- Space effectiveness – successfully achieving the PRODAC targets of 12 square metres per work point; and
- Staff are now positive about the ABW environment.

9. The conversion of AWE's existing leases to an ABW environment would require a complete refit of all floors in both buildings to achieve the Department's long-term occupancy goal of not more than 12 square metres per work point. The existing base buildings also require comprehensive refurbishment to be suitable for a further fifteen years occupancy. The progressive refurbishment of the base building and installation of new fitout of all existing floors occupied by AWE in the two buildings would take approximately two years to complete and would be significantly disruptive for the Department's staff.

10. The disruption associated with concurrently refurbishing the base buildings and providing a new fitout could be mitigated by relocating staff to temporary accommodation. However, the fitout of temporary accommodation would be cost prohibitive and involve two major relocations of the entire Head Office operation.

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11. The purpose of the proposed works is to relocate AWE's civic operations to a new building fitted out to the Department's new workplace objectives. This will provide significant operational benefits by avoiding a prolonged and disruptive refit of the existing premises. The new workplace design will provide the Department with a greater degree of flexibility to accommodate staff number fluctuations and re-organisations such as those presented by the December 2019 MOG changes.

Key Objectives

12. The key objective associated with relocating to a new building is the realisation of a number of operational and administrative efficiencies, including:

- a cost effective, value for money and fit for purpose property solution;
- achieving greater efficiencies with an average work point density of 12 square metres per person and potential for further reduction to between 8 and 10 square metres per person;
- improvements in information and communication technology to meet the needs of the next fifteen to twenty years;
- improvements in infrastructure, e.g. security, staff amenities, conference/meeting facilities and meeting Commonwealth energy and waste management targets; and
- efficient allocation and utilisation of workspace, resources, and the ability to modify and adapt these spaces.

Existing Lease Details

13. Details of the Department's existing leased properties are summarised in the following table:

Address	Net Lettable Area m ²	No of Parking Spaces	Annual Gross Rental & Parking	Lease Expiry	Option Period Years
18 Marcus Clarke St, Civic	27,118	231	\$15,984,121	8/10/2022	5
7 London Circuit, Civic	8,887	72	\$5,782,695	8/10/2022	5
44 Mort St, Braddon	3,072	53	\$1,409,224	8/06/2020	Nil
Total	39,077	356	\$23,176,040		

14. The 44 Mort Street lease will be terminated upon its expiry in June 2020. Staff currently occupying this building will be relocated to the other existing AWE tenancies.

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15. The 18 Marcus Clarke Street and 7 London Circuit buildings are located in the south western precinct of the Canberra Central Business District opposite the Australian National University. The buildings are separated by William Clemens Street.

16. The location is a ten to fifteen-minute walk to Canberra's retail precinct dominated by the Canberra Centre, the bus interchange and the new light rail station on Northbourne Avenue.

17. The availability of parking for staff is increasingly under pressure. The development of Section 63, formerly an on-grade car park, will almost eliminate on-grade parking within the precinct.

18. 18 Marcus Clarke is a single 12 storey office tower with basement parking, constructed in 2007. The building consists of 3 basement levels with garaging for 231 parking cars, 220 allocated bicycle parking and 566 square metres storage area.

19. 7 London Circuit was constructed in 2007 and consists of two separate six storey office towers connected by a single glass atrium. The southern tower was pre-committed by NICTA which was Australia's Information and Communications Technology (ICT) Research Centre of Excellence. AWE occupies four floors of the northern tower. The other floors are occupied by a legal firm and other retail tenancies.

20. The main deficiencies of the two buildings are summarised as follows:

- the existing fitouts were installed in 2007 and are reaching the end of economic life;
- The offices were constructed to achieve the previous density requirement of 16 square metres per work point;
- both buildings require base building refurbishment of bathrooms, ceilings and light fittings and floor coverings throughout;
- air conditioning plant and lifts require upgrade to ensure efficient and cost-effective performance for the next 15-20 years and to increase capacity for the higher densities required by ABW;
- the computer facility of approximately 350 square metres in 18 Marcus Clarke Street is redundant. The cost to demolish it and return the space to office is considered prohibitive;
- separation of the two buildings creates operational and functional inefficiencies, together with increased security risks and mitigation costs;
- a progressive base building refurbishment and new fitout installation could take in excess of 24 months and would be considerably disruptive to the staff and business for the duration of the works;

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- existing end-of-trip facilities in both buildings are inadequate due to the age and compromised operational and spatial efficiency of the retrofitted facilities; and
- reduction of parking numbers in 18 Marcus Clarke is not possible as the excess car parks could not be licenced to another party due to security reasons.

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The Need for the Works

21. Under the Whole of Australian Government Leasing Strategy, the Department is required to explore all opportunities in the Canberra market which would achieve the co-location of staff and the best value for money outcome for a new lease. Initial offers for new leases provided by the existing Landlord were considered uncompetitive. Market intelligence indicated that market testing in 2019 would provide several options in new developments which could satisfy the total space requirement in one building and which would provide a competitive environment for negotiation.

22. The need for the work is a direct result of lease negotiations triggered by the upcoming October 2022 expiry of the Department's two main Canberra leases. There are no existing buildings in Canberra available within the timeframe which can provide the required 32,000 - 33,000 square metres of office space. The Department's strategic approach to these lease expiries has therefore been to carry out lease negotiations within a timeframe which maximises opportunities to consider options. The most beneficial option is to enter a pre-commitment lease associated with the construction of a new building.

23. The competitive environment created by open market testing in 2019 has been highly successful, resulting in an Agreement for Lease (AFL) for a new 32,664 square metre commercial building in Civic, under commercial terms which provide significantly better value for money than offers received with the existing leases.

24. The new building known as Civic Quarter 2 (CQ2) is targeted for completion in July 2022, ahead of the October 2022 expiry of leases for the existing buildings. It will provide approximately 32,664 square metres of A Grade office accommodation capable of accommodating approximately 2,750 staff at an average space allocation of approximately 12 square metres per work point. This density will be able to be further increased with the implementation of an ABW culture and approach to utilising the environment.

25. The proposed density of 12 square metres per work point is achievable in the new building because the large floor plates (approximately 3,349 square metres per floor) are very efficient. There are also significant space savings resulting from the consolidation into one building due to sharing of common use facilities such as conference and meeting rooms, utilities, storage areas and amenities.

26. The selection of this proposal was made through a public expression of interest process. The Cost Benefit Analysis (CBA) undertaken for approval by the Department of Finance (DoF) of the lease commitment examined all available options and determined that this project provides the greatest operational and economic benefits.

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Options Considered

Renewal of Lease for Existing Premises

27. The Department entered into initial discussions with the landlord of 18 Marcus Clarke Street and 7 London Circuit in late 2018. The purpose of the discussions was to determine whether the landlord would agree to early renewal of the leases in return for a market incentive which could fund the necessary fitout alterations. The lease proposals and associated incentives offered by the landlord were not considered competitive with comparable incentives offered on other projects.

28. Following consultation with DoF and its Strategic Property Advisor (SPA), AWE approached the market in early 2019 with a Request for Proposal (RFP) for approximately 33,000 square metres of A Grade office space. The landlord for the existing leases was invited to participate in the RFP process.

29. Following negotiations with three of the short-listed proponents (including the existing landlord), the proposal for the development of CQ2 was selected as the preferred option as it provided the best value for money for the Commonwealth. Negotiation of the AFL proceeded in parallel with submission of the CBA for Ministerial approval. Approval was obtained in mid-December 2019, allowing execution of the AFL prior to Christmas 2019.

30. The Department's consultation with DoF prior to issue of the RFP included consideration of the availability of existing Commonwealth leases which might be large enough to meet the Department's requirements. None were available.

31. Procurement of legal and probity advice for preparation of the AFL was managed by the Department's in-house legal team. A consultant lawyer experienced in negotiations of similar contracts for the Commonwealth was then engaged to represent the Department.

Alternative Funding Arrangements

32. Specialist funding vehicles such as Public Private Partnership (PPP) or hybrid financing models have been developed to fund projects which have an estimated cost beyond the lending capacity of the major financial institutions or have risk profiles which would be unacceptable to traditional financiers. Major infrastructure projects, such as motorways or rail lines and hospitals, come under this class of investment. These vehicles are expensive to set up, mainly due to the high legal fees involved in documenting responsibilities and allocating risk.

33. As demonstrated by numerous pre-commitment lease agreements for commercial developments in Canberra and other capital cities, the cost of a new development including site acquisition and construction is well within the lending capacity of the banks and the borrowing

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capacity of private developers. The Commonwealth's lease covenant ensures that there is adequate competition among lenders for developers to obtain competitive interest rates. It is therefore likely that the commercial sector's appetite for alternative funding arrangements would be less cost effective than the traditional bank funding.

Build Own Operate

34. The economic feasibility of the Commonwealth developing and occupying its own commercial property in Canberra depends on a number of factors, including cost of capital. A major factor is whether the Commonwealth would own and operate the building for the long term or whether it would seek to recover its capital investment through sale of the property when the market is favourable.

35. There may be financial benefits for the Commonwealth in carrying out the development and owning the property long term. Acquisition of a suitable site would be the biggest hurdle.

36. Regardless of the market conditions which impact on the feasibility of a development, there are two major issues which affect this approach:

- Funding – it seems highly unlikely in the current political climate that the Government would commit a large amount of capital to such a project; and
- Risk – under the current fiscal conditions, AWE's capacity to provide an offset for the initial capital cost of a new development is not possible and therefore presents a barrier.

37. Timing for this project is another consideration. The time required to find and acquire a suitable site, obtain planning approval and design and construct a building would be in the order of five to six years. As the existing leases expire in October 2022, it would be necessary to exercise the option or negotiate a five-year lease extension.

Existing Commonwealth Leases or Owned Properties

38. DoF was consulted in October 2018 about the availability of other suitable accommodation already held by the Commonwealth. DoF advised the Department in November 2018 that they, along with the Strategic Property Advisor (SPA), were unable to identify any surplus Commonwealth space that would suit the Department's requirements and that it saw no impediment to the Department approaching the market in line with the Commonwealth Procurement Rules and Commonwealth Property Management Framework.

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Relocation Out of Canberra

39. The Department has considered the feasibility of relocating the Head Office operations to a regional centre. However, there are several factors which support a conclusion that such a relocation would not to be viable, as follows:

- This is the Head Office facility for AWE which from a practical operational perspective requires it to be located at the centre of Government. AWE has frequent face to face engagement with the Executive Government and other key departmental head offices such as Finance, Treasury, Prime Minister and Cabinet;
- The Government's policy is to lease rather than own office accommodation, unless there are compelling reasons to own;
- Leasing opportunities of the size required by AWE are not readily available in Regional Australia (NLA of approximately 34,000 square metres);
- The commercial risk for a developer to construct a large commercial office building in Regional Australia under an AFL or similar arrangement would be prohibitive;
- Any future MOG changes to AWE could have significant impacts in terms of future size and functional requirements, lease break costs and any associated relocation requirements;
- It is anticipated that most of the 2,750 staff would not relocate to Regional Australia, requiring significant numbers of staff (potentially 1,500 to 2,000) to be recruited locally, with additional costs associated with training and the risk of staff/skills shortages; and
- If 750 to 1,000 Canberra based staff relocated, local support requirements, such as rental properties, will likely be put under significant pressure.

40. The economic cost of a development and relocation to a regional centre would be equal to or higher than Canberra.

Preferred Option

41. There are limited opportunities for the Department to obtain suitable accommodation in Canberra. Following discussions with DoF, the option which presents the best value for money for the Commonwealth is the AFL option offered by the developer for the CQ2 building. Accordingly, this option has been further developed and is the subject of this submission.

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Scope of Works

Building Location and Description

42. The Department's office fitout will include of part of the ground floor and all of levels 2 to 12, CQ2, 70 Northbourne Avenue, Canberra City. A site location plan is provided at Annexure A.

43. The overall site was formerly occupied by five small commercial buildings including the Australian Federal Police's Headquarters at 68 Northbourne Avenue. Stage 1 of the redevelopment of the site was the demolition of the existing buildings and construction of an 16,552 square metre commercial building known as Civic Quarter 1 (CQ1) fronting Veterans' Park on Bunda Street. CQ1 was completed in December 2019.

44. The new building known as Civic Quarter 2 (CQ2) is to be constructed on Block 34, Section 26, Canberra City, to the north of CQ1. Site Plan 1 at Annexure B shows the relationship between CQ1 and CQ2.

45. The CQ2 site is bounded by Northbourne Avenue to the west, Cooyong Street to the north and Mort Street to the east. Whilst the building will have a Northbourne Avenue address, the main entrance for staff and visitors will be from Mort Street. A vehicle drop-off point will be constructed in front the Mort Street entrance. A Site Plan for CQ2 is provided at Annexure C.

46. The Northbourne Avenue entrance is almost directly opposite the new light rail station at Eloura Street. The building is approximately 300 metres from the Mort Street bus interchange. It is also approximately 300 metres from the Canberra Centre which provides an extensive range of food and retail outlets, together with discounted rates for all day car parking.

47. Stage 2 of the development is the construction of CQ2 which will comprise a gross floor area (GFA) of 39,876 square metres which provides a total net lettable area (NLA) of 32,500 square metres. This is the maximum size building for the site under the ACT Government planning controls. A perspective of the CQ2 building is provided at Annexure D and an elevation (east) of the building is provided at Annexure E.

48. The proposed 12 storey building will comprise ground level and 11 floors of office space, with plant rooms on Levels 1 and 12. The average office floor plate size is approximately 3,349 square metres with a central atrium extending from ground to roof level. The total ground floor comprises an NLA of 3,001 square metres of which the Department leases 697 square metres for a business centre and security room. The remainder is retained by the landlord for retail uses such as a café. The building also provides 145 square metres of basement storage, basement parking for 172 vehicles and bicycle parking for 200 bicycles.

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49. The developer has engaged a Canberra based construction contractor to carry out the construction works.

50. The space requirement of approximately 32,000 square metres was determined to meet the Department's total national office accommodation requirement for 2,750 staff. The recent MOG decision to combine the Department of Environment with the Department of Agriculture may impact on the occupancy profile for the building but does not affect the space requirement. The Department will rationalise the location of business units based on business needs.

51. The lease of the new building is proposed to be for a term of fifteen years with an option to extend the lease for a further term of five years.

52. Subject to the PWC review of the proposal, and the passing of an Expediency Motion, the lease will commence on 1 October 2022 to coincide with the expiry of the Department's existing leases. Practical Completion of the development is targeted for July 2022 to provide time for fitout of the Department's equipment and relocation of staff from the existing premises.

53. A lease incentive has been offered by the landlord and will be used to offset the outlays associated with the construction of the fit-out and consultant costs.

54. CQ2 will be an A Grade (Property Council of Australia) building and will offer the latest technology in building services. Key features of the buildings are:

- large efficient floor plates with a central atrium to maximise natural light across the floors;
- minimum Australian Building Greenhouse Rating (ABGR) 5-star energy rating for the base building. Whilst the building has not been registered with the Green Building Council of Australia (GBCA) for a Green Star rating, the principles for use of environmentally sustainable materials have been followed;
- basement level End of Trip facilities including showers, lockers and bicycle parking;
- revolving door entry from both Northbourne Avenue and Mort Street, with the Mort Street entry designed as the principle building entry;
- on-site café;
- close proximity to retail and service facilities, public transport and paid parking;
- stormwater collection for use in the cooling towers; and
- a single-entry point to the lift lobby for security purposes.

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Scope of Fitout Works

55. The fitout works will encompass:

- integration of services into the base building works including electrical, air-conditioning, ventilation, lighting control, voice and data communications, audio visual equipment, security, fire and hydraulic services;
- office accommodation including partitioning for individual offices, meeting and conference rooms, reception areas, utility and storerooms, secure rooms, training rooms, break-out and staff amenities and communication equipment rooms;
- workstations including desks, team storage units and personal lockers. Power cables will be reticulated in the workstation screens while data will be predominantly wireless; and
- loose furniture.

56. The large office floors have a central atrium from ground to roof level with intertenancy stairs joining each floor. The lift core and toilet facilities will be located on the southern elevation which fronts the adjacent CQ1 building, thereby maximising outlook and natural light from three elevations.

57. The proposed fitout will include:

- an executive suite for the Secretary and Deputy Secretaries;
- allocated offices for Senior Executive Service (SES) officers only;
- open plan office accommodation for Executive Level (EL)1 and 2 and APS Level officers;
- SES offices designed for alternate uses such as meeting rooms;
- all open plan workstations to be rectilinear 1,800mm wide with electronic sit/stand height adjustability;
- on floor breakout/hub areas and kitchens designed to encourage casual meetings and periods of relaxation;
- a range of meeting and focus room types of varied sizes, along with a variety of collaboration zones conveniently located adjacent to the open plan areas with separate air-conditioning for all rooms with a capacity greater than eight persons;
- a dedicated secure meeting zone for the building to maximise efficiency, reducing on floor duplication and ability to maximise flexibility;

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- banks of lockers for storage of laptops and personal equipment necessary for the ABW environment;
- business centre on the ground floor outside of the security perimeter;
- secure rooms;
- mail room, equipment, storage and resource areas;
- two separately air-conditioned communications equipment rooms on each floor to ensure the maximum distance for comms cabling is not exceeded;
- parent, carers, first aid and reflection rooms;
- showers, lockers and bicycle storage located in the basement End-of-Trip facility;
- secure basement parking spaces;
- loose furniture which includes task and meeting room chairs, meeting room tables, breakout tables, chairs, stools and other casual seating; and
- fixed joinery to be minimised providing greater flexibility for rearrangements;

58. A concept fitout plan of a typical floor is provided at Annexure F.

59. It is too early to identify where specific business groups will be located in the new building. In order to cater to structural changes that are likely to occur within the Department, the fitout will be designed to provide a flexible and generic layout capable of accommodating most groups with minimal changes.

60. Offices and meeting rooms will be located away from the perimeter to enable maximum efficiency with an open office layout and equitable access to natural light.

61. Building services including air conditioning, lighting, electrical distribution, fire protection and plumbing to kitchen facilities will be integrated with construction of the base building, resulting in cost savings to the Department.

62. The use of wireless data connectivity (e.g. Wi-Fi) has been implemented in the current fitout design to minimise installation of cabling.

63. Audio Visual equipment such as TV screens will be selected to reflect current trends in presentation and teleconferencing technology.

64. Interconnecting stairs between floors will be provided to facilitate staff movement between floors and encourage a high level of interpersonal communication.

65. The base building electronic access control system will be extended to tenancy doors.

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66. The new building allows for a single security and reception facility in the ground floor lobby with speed stiles restricting access to the lift lobby.

Zoning and Approvals

67. Blocks 34 Section 26 City is located within that part of the City to which “Principles for Civic” and “Policies for Civic” of the National Capital Plan apply.

68. The development of the site will conform with the requirements of the National Capital Plan and the requirements of the Territory Plan and the relevant lease and development conditions approved by the ACT Environment and Planning Directorate (ACT EPD).

69. Planning for the site is the responsibility of the ACT Government which has established a set of lease and development conditions for the site, the building and associated works. The site is located in the City precinct which has a land use policy allowing office and retail facilities.

70. The developer has fully consulted the ACT Planning Review Committee on the design features of the CQ2 development.

71. ACT Government’s development approval incorporates all aspects of development of the site and includes issues such as building design principles, pedestrian and vehicle access, public transport, sustainability, water sensitive urban design, verge improvement and tree retention.

72. The Mort Street frontage is of the highest value for pedestrian and retail amenity, predominantly due to the significant elm trees that line the western edge and the significant depth of the verge. For this reason, the vehicular access for the building is contained entirely within the access easement which separates CQ1 from CQ2.

73. Planning approval for the new development includes requirements for upgrading adjoining pedestrian areas. The proposed development will include the laying of new pavement around the building within the Northbourne Avenue, Cooyong and Mort Street verges. This is to extend into colonnaded areas along the northern, eastern and western ground floor frontages which, when paired with awnings at first floor level, will provide improved pedestrian shelter and amenity.

74. Other landscaping works include:

- retention of existing large trees within the Mort Street verge;
- planting of new trees (*Eucalyptus Mannifera*) within the Northbourne Avenue verge;
- erection of planter beds within the Mort Street verge, to include seating around its edges, and grasses and ground covering plants within;
- bicycle racks for site visitors;
- additional bench seating; and

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- bollards to separate vehicular and pedestrian traffic.

75. A Traffic Impact Assessment was prepared by a consultant in support of the development application.

76. All works are to be carried out in accordance with the ACT Environment Protection Act 1997 and the developer is required to provide a written statement detailing all chemicals and onsite processes that can potentially produce adverse environmental impacts.

77. Building approval for the fitout works approval will be sought prior to commencement of works.

Details of land acquisition

78. The site was purchased by the developer in 2015. This project does not involve any land acquisition by the Commonwealth.

Details of applicable codes and standards

79. The fitout will comply with all statutory requirements including the National Construction Code (NCC), ACT EPD requirements and Australian Standards. The Department will ensure that all relevant codes and standards are included in the design and building briefs.

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Planning and Design Concepts

80. The quality of building finishes and services are to “A” Grade standard in accordance with the Property Council of Australia Office Quality Grade Matrix 2019.

Materials and Finishes

81. Materials and finishes used in the fitout will be selected for appearance, durability, functionality and ease of maintenance and cleaning while providing a pleasant environment for staff to work.

82. Typical materials and finishes will include glass for office and meeting room partitions, plasterboard painted with washable acrylic paint, fabric panels on workstation screens, timber veneer or laminate finishes to workstations and meeting tables, feature colours on selected painted walls and plasterboard and feature ceilings in key areas. Where possible, the design team will implement the use of recycled materials in the fitout.

Lifts

83. The building will be provided with eight passenger lifts, one being a goods lift, servicing all twelve levels of the building. The two basement levels will be serviced by four lifts. The passenger lifts and goods lifts will operate on a destination control system. The lifts have been modelled on a population density of 1 person per 10 square metres NLA. The lift travel analysis has been carried out using a compliant methodology. The lifts are compliant with the 2019 Property Council of Australia Grade A building guidelines.

Fire Services

84. The entire building will be provided with sprinkler protection. The system will comply with the NCC, Australian Standard 2118.1, and the ACT Fire Brigade requirements. The building will also make use of materials with fire resistance in accordance with Type A construction as per the NCC.

85. A smoke detection system will be installed to activate the occupant warning system and smoke hazard management system as required by the NCC. This will include smoke control, stair pressurisation and automatic testing systems.

86. Compliant sound systems and intercom systems for emergency purposes will be installed. This includes an Emergency Warning and Intercommunication System (EWIS) for emergency communication with building occupants. These systems will be activated into alert mode when any of the following are activated:

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- sprinkler head;
- manual call point; and
- smoke/thermal detector.

87. A Grade 1 water supply with two incoming mains will be installed in the building. Two electric pumps with separate variable speed drives provided with essential service power to one and diesel generator power to the other will be installed in the building.

88. A fire control centre has been allocated in the building. Space has been allocated for the parking of the attending fire services vehicle directly outside the Fire Brigade Booster Valve and the Fire Control Centre Room.

89. The office space surrounding the ground to roof atrium is the subject of a Fire Engineering Solution. Should the Department choose to have the atrium open with a balustrade on its edge rather than a glass curtain wall, the fitout of the space within a zone around the atrium will have a dedicated smoke exhaust system. The design of the fitout in these zones will be prepared in close consultation with the developer's fire engineer.

Security Services

90. The fitout works will be designed in accordance with the Protective Security Manual in order to achieve the required Zone 2 security rating.

91. The base building will be fitted with a base building (proximity card based) access control system. This will include speed gates at the main entry and monitored by a guard station.

92. Service vehicle access will be designed and installed to the relevant ACT building code requirements.

Building Certification

93. An accredited independent Building Certifier will be engaged to certify compliance of all works.

Hydraulic Services

94. The site services will include:

- sewer connections;
- water connections;
- stormwater connections; and

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- natural gas connections.

95. Connections have been sized to meet the buildings maximum demands.

96. A minimum of four (4) provisional sewer stacks and vent lines will be provided to enable tenant kitchen facilities to be located where required. The base building toilets will have their own dedicated sewer stacks and vent lines. Trade waste will be provided for the ground floor café tenancies only.

97. Male and female showers and lockers will be located in the basement End-of-Trip facility. An accessible toilet will be provided on each office floor and an accessible shower will be provided on the ground floor.

98. A cold-water connection will be provided on each floor for the tenant's fitout requirements. The base building toilets will have their own dedicated cold water and hot water supplies. The tenants may install water sub-meters connected to the Building Management Control System.

99. Tenant hot water will be provided through standalone tenant electric hot water systems (either heat pumps or instantaneous electric systems).

100. Natural gas will be reticulated to the base building plant and ground floor café tenancies only.

101. A compliant fire hydrant and fire hose reel system will be installed in the building.

102. The building will be equipped with roof and basement drainage tied into the sites storm water connection point.

Electrical and Communications Services

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

104. The building will be serviced from two transformers within a chamber substation. The main switch board will be split into house and tenant with power factor correction and auto-transfer switching to the emergency power supplies. The house and tenant services will have separate utility metering. Each tenancy will have compliant distribution boards and submains cabling provided along with an individual meter. The building will have compliant earthing and lightning protections.

105. Power will be provided to tenancy distribution boards, house services on each floor and general cleaners outlets. This tenant power will be provided in accordance with the 2019 Property Council Australia Grade A requirements. Emergency power will be provided to the life safety services.

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106. Compliant base building lighting will be present. This will consist of Light Emitting Diode (LED) light fittings and a Digital Addressable Lighting Interface (DALI) lighting control system. Compliant emergency and exit lighting will be included in the base building and integration works.

107. Category 6A data cabling will be utilised throughout the building. Incoming carrier rooms and risers will be provided for incoming and internal communications services.

108. The building has the capacity to take four incoming communications services providers as well as (Intra Government Communications Network (ICON) services. A Master Antenna Television (MATV) system is provided in the base building design as well as a mobile phone repeater system and distributed antenna system.

Acoustics

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

110. Acoustic performance criteria have been incorporated into the fitout brief to ensure adequate noise insulation between offices, meeting rooms, conference rooms, training rooms and other workspaces. Reverberation control through the central atrium will be managed through the application of sound absorbing finishes.

111. Design criteria and building performance for ambient noise ratings shall be in accordance with the requirements of Australian Standard AS2107.

Water and Energy conservation measures including energy targets

112. The proposed building will comply with the Commonwealth energy guidelines relating to energy efficient buildings and meet a 5-star National Australian Built Environment Rating System Rating (NABERS).

113. The 5-star NABERS rating relates specifically to energy and water consumption in accordance with current Commonwealth requirements and will be achieved by implementing and installing the following:

- mechanical systems incorporating high efficiency water cooled chillers;
- LED 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;

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- double glazed, thermally efficient glazing allowing a high level of natural light while reducing the solar heat load;
- minimised feature base building lighting;
- purchasing of energy efficient white goods and office machines; and
- ensuring personal computers are switched off when not in use.

Water efficiency and recycling

114. In order to reduce water consumption, the building design includes provision for waterless urinals and treated grey water dual flush pans. The base building hydraulics services will be designed in compliance with the NABERS 5-star energy requirements.

115. A rainwater reuse reticulation shall be provided to supply water to the cooling towers located in the rooftop plantroom.

Electrical Services

116. The proposed building will employ the highly efficient DALI lighting system. This ultra-modern system utilises long-life, low energy LED fittings. 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.

117. Floor to ceiling height windows and open plan floor layouts surrounding a large central void will maximise access to natural light further reducing lighting usage.

Mechanical Services

118. Air conditioning services will be provided in accordance with the 2019 Property Council of Australia Grade A requirements. The system will be a variable air volume system, with centralised air handling units. The system will also consist of roof mounted cooling towers, chillers, boilers and air handling plant.

119. Chilled water will be generated through a central base building chiller plant. This will be provided by three high efficiency, twin circuit, frictionless magnetic bearing, variable speed centrifugal compressor chillers.

120. Heated water will be generated through a central base building hot water plant. This will be provided by three natural gas fired, forced draft burner high efficiency boilers.

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121. Heat rejection from the chillers and supplementary air conditioning equipment will be provided by three cooling towers with variable speed drive fans. Microbial control of the water in the cooling towers will be in accordance with the ACT Department of Health and Community Care and AS/NZS 3666.1 standards.

Mechanical services energy saving measures

122. 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 (8:00 AM to 6:00 PM business days).

123. Provision of a supplementary water loop, which allows for 24-hour cooling of specialised communications areas without the need for the main chillers to be running at full capacity.

Environmental Sustainability

124. The base building and fit-out will be designed, constructed, operated and maintained in order to use energy and water as efficiently as possible and comply with the following statutory requirements:

- Section J of Volume 1 of the NCC; and
- Energy Efficiency in Government Operation (EEGO) policy.

125. The principles of Environmentally Sustainable Design have been adopted in the design of the Base Building and the Fitout works as follows:

- recycling of construction waste;
- detailed building tuning and commissioning to ensure efficient building operation;
- building orientation to maximise energy efficiency while allowing maximum daylight penetration and external views;
- use of paints, flooring, carpets, adhesives and sealants with low Volatile Organic Compound emissions;
- inclusion of engineered timber products with low or zero formaldehyde emissions;
- selection of environmentally certified fit-out products;
- use of thermal insulation and refrigerant products with zero Ozone Depletion Potential;
- use of water efficient fixtures, toilets and appliances;
- supply of all toilets and urinals with grey water for flushing;
- rainwater storage for cooling tower water make up;

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- use of economy cycle when outdoor ambient temperatures are suitable to minimise energy consumption;
- recovery of waste heat from exhaust air to temper outdoor supply air;
- lighting controls with time clocks, motion sensors and daylight sensors to minimise wasted energy, and energy efficient lighting design including consideration of LED lighting options;
- provision of metering and sub metering to capture the energy and water consumption of each area within the building;
- achieve the Commonwealth minimum energy efficiency target of a 5-star NABERS rating;
- provide a high-performance building structure through the application of sustainable design principles which will ensure a high energy rating throughout the building's life cycle;
- maximise the use of natural light in the office while controlling direct sun penetrations into the building;
- incorporate installation of energy efficient light fittings and an intelligent lighting control system which includes ambient light level detection devices for daylight sensing and motion detectors for after-hours lighting control;
- deliver an efficient, effective and environmentally sustainable air-conditioning system;
- encourage the use of existing public facilities and transport infrastructure;
- deliver a fitout density which will assist the Department in reducing its carbon footprint; and
- maximise the use of environmentally sustainable and recyclable materials, wherever practical.

Provisions for people with disabilities

126. The Base Building Brief details a number of requirements for people with disabilities including:

- the building shall be designed to comply with the latest edition of AS1428.2 and as a minimum, it must comply with the mandatory parts of the code under the NCC;
- a separate disabled toilet on each floor and disabled shower facility to be provided on the ground floor;
- suitable access to the building;

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- all lifts to be accessible and provide facilities in accordance with the latest edition of the Australian Standards (AS1735.12 and AS1428); and
- lifts, access ways, doorways and accessible toilets and showers will be sized and designed to conform to Australian Standards and the Building Code of Australia.

Child-care provisions

127. No on-site childcare facilities are proposed. However, investigations indicate that there are numerous facilities within a one-kilometre radius of the site.

Work Health and Safety

128. In accordance with the requirements of the Work Health and Safety Act 2011, the design phase for the fitout works will include Safety in Design Workshops which will review the design with a view to identifying any risks associated with safety during the construction phase and safety during the operational phase.

129. The Agreement for Lease requires that the developer ensures that all contractors and subcontractors comply with Work Health and Safety legislation appropriate to the building site.

130. The Department's client-side project manager has an obligation to monitor the developer's construction contractor's compliance with WHS requirements.

Heritage issues

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

Impact on the local community

132. The project is expected to have a positive effect on the local economy through:

- creation of jobs during construction and fitout works, (consultants, construction workers, suppliers and related services);
- use of locally sourced materials during construction;
- ongoing support for local trades and services through future maintenance and supply requirements; and
- support of local retail businesses which will be frequented by AWE employees and visitors to the new building.

133. A Traffic Impact Assessment was prepared for the Development Application. The report concluded that no adverse effects have been identified on the traffic and transport network

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leading to and surrounding the development area. The following excerpts are taken from the report summary:

- *Sufficient road and intersection capacity exist on the network surrounding the development.*
- *It is noted that the Commonwealth Government tenant that is earmarked for the primary lease of the proposed development has specifically requested the 172 parking spaces. It would not make sense to provide more parking than what has been specifically requested by the main tenant.*
- *Whilst the proposed quantity of parking does not meet the requirements of the Parking and Vehicular Access General Code, the proponent has provided significantly more bicycle parking than required. In addition, we have demonstrated that there is at least 5,500 parking spaces within a 400m radius of the site, and it is located within 200m of the light rail terminus and City bus interchange. We therefore believe that sufficient parking has been provided as part of the proposal.*
- *Active travel facilities exist along adjacent corridors corridor providing for excellent connectivity to and from the site.*
- *Cycle storage and end of trip facilities have been provided in accordance with the guidelines within the proposed development basement car park.*
- *Excellent connectivity exists to the public transport network with the site located less than 200m to the city bus interchange and new light rail terminus.*
- *No design issues have been identified with the car park or access arrangements proposed.*

Consultation

134. During development of the proposal, consultation has occurred with:

- Representatives of the Department's affected employees;
- other key Departmental stakeholders;
- Department of Finance and the Strategic Property Advisor;
- Office of the Federal Safety Commissioner in relation to the Australian Government Building and Construction WHS Accreditation Scheme;
- National Capital Authority;
- Australian Capital Territory Environment and Planning Directorate;
- Territory and Municipal Services;

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- The Chief Minister's Office; and
- ACT Fire Brigade.

135. The Department and the developer will continue to consult and work closely with all relevant ACT Government authorities including ACT Environment, Planning and Sustainable Development, Territory and Municipal Services, the Chief Minister's Department and the ACT Fire Brigade.

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Cost Effectiveness and Public Value

Project Budget

Outline

136. The budget for fitout is \$78m (excluding GST) and includes contingency, project management, design and documentation and escalation to 2022. The current cost estimate assumes that the Department selects the integrated fitout option (i.e., the developer undertakes the construction of the fitout works) and has been prepared by the Department's quantity surveyor, based on the architect's concept design for the new building.

137. The estimated cost of \$2,274 per square metre is attributable to the higher density proposed for the building, which requires a larger number of work points together with the associated increase in capacity required for air conditioning, power and data to support the higher density.

138. The Department has defined a scope of work is within the budget which meets the operational requirements. However, there are additional functional improvements that would be possible if the Department is able to identify offsetting savings through the detailed design phase.

139. Funding for the project will be from a combination of internal funding from the Department and an incentive amount being provided by the developer.

Value for Money

140. In assessing the options available, the Department undertook a whole-of-life cost assessment and determined that the proposed development provides a good value for money property solution. The CBA provided to Finance and the Strategic Property Advisor examined the economic feasibility of the AFL proposal and confirmed that it provides the best value for money solution.

Project Delivery

141. The AFL provides for the developer to construct the base building, the integrated works and fitout works. However, the AFL also gives the Department the option to engage its own construction contractor to construct the fitout works.

142. The Department's preferred option is to have the fitout works undertaken by the developer in the expectation of efficiencies and savings that should be realised by using the incumbent subcontractors. However, the Department is not required to elect the fitout delivery option until September 2020.

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143. Under the preferred option the developer will be responsible for procuring all the integrated works and fitout trade packages in accordance with the Commonwealth Procurement Rules. The trade packages will include workstations and loose furniture. The AFL provides a process whereby the Department is involved in the trade package tender process including the final acceptance of the developer's trade package tender recommendations prior to contracting.

144. The Department has engaged an architect, who has an office in Canberra, to design and document its fitout. They have designed several major office fitouts in Sydney and Melbourne which incorporate an ABW environment. The architect was engaged for a two-stage process, the first stage being due diligence on the architectural design of the proposed development. The second stage is design and documentation of the fitout works commenced on signing of the AFL.

145. The Department has also engaged a multi-disciplined engineering services consultant, who has an office in Canberra, to prepare the concept design for the building services. They have also been engaged for a two-stage process, the first stage being due diligence on the building services design of the proposed development. The second stage of concept design commenced on signing of the AFL. As the AFL provides for the base building services engineers to design and document the integrated works, AWE's consultant engineer team will participate as peer reviewers during the services design, documentation and construction phases of the project.

146. The Department has engaged a quantity surveyor to prepare the Fitout Budget Estimate based on the concept design.

147. The Department has engaged a client-side project manager to coordinate the design and construction of the fitout and to administer the Department's obligations under the AFL including achievement of the milestones. The Department has also contracted a Change Manager to assist the Department with communications as they adjust to the new working environment.

148. The AFL provides for the joint appointment of an Independent Certifier to act as an independent expert on a wide range of issues. This procurement has been finalised and a local Canberra based firm has been appointed.

149. The AFL provides for termination of the contract if the project does not achieve the passing of an Expediency Motion.

Program

150. The key milestones if the Department elects to proceed with an integrated fitout are:

- Development Approval (DA) May 2020
- Commencement of base building construction 14 May 2020
- Fitout design at 90% 17 July 2020

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- Integrated Works design 18 January 2021
- Fitout commencement 11 February 2021
- Practical Completion of fitout and base building 29 July 2022

151. Subject to the passing of an Expediency Motion, and satisfactory pricing of the tendered trade packages, integration of the fitout is the Department's preferred option. Under this arrangement the fitout will be undertaken concurrently with the base building construction and will commence in February 2021, for completion in July 2022. Occupancy is expected to occur in August/September 2022 which will ensure vacant possession of 18 Marcus Clarke Street and 7 London Circuit can be provided on expiry of the leases on 7 October 2022.

Revenue

152. There is no expected revenue from the project.

153. The Department's lease of the ground floor excludes the retail spaces designated by the developer for a café and other retail services. The developer will be responsible for leasing and securing operators for these facilities.

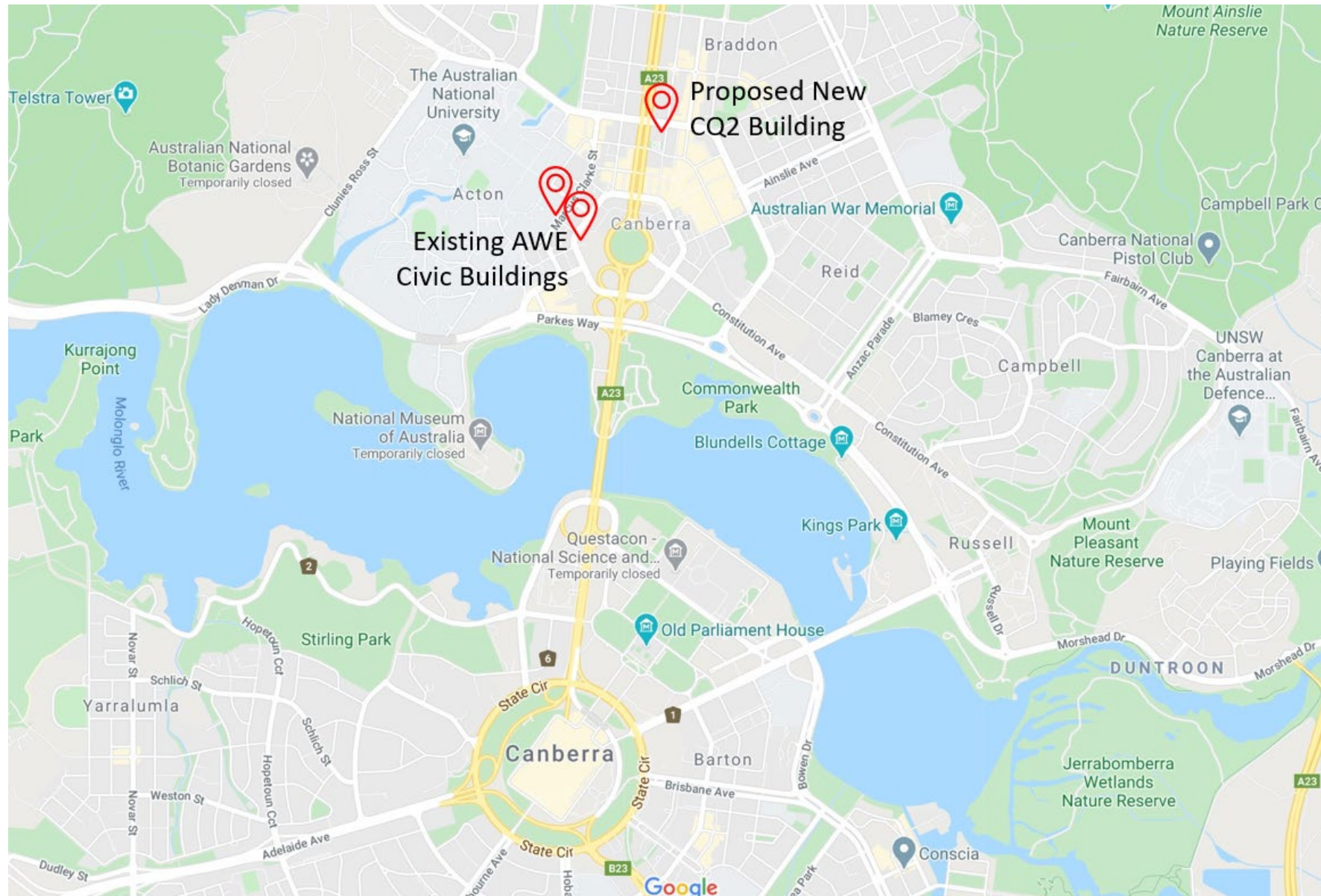
Public Value

154. The public value associated with the project include:

- the improvement in operational efficiencies derived from co-location of all Canberra based AWE staff into one building;
- value for money associated with improved leasing costs in the new building;
- improved ESD outcomes associated with modern and efficient building design and engineering systems; and
- efficiencies associated with higher density of operations and a reduction in the overall footprint of AWE's operations in Canberra.

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Annexure A – Site Location Plan



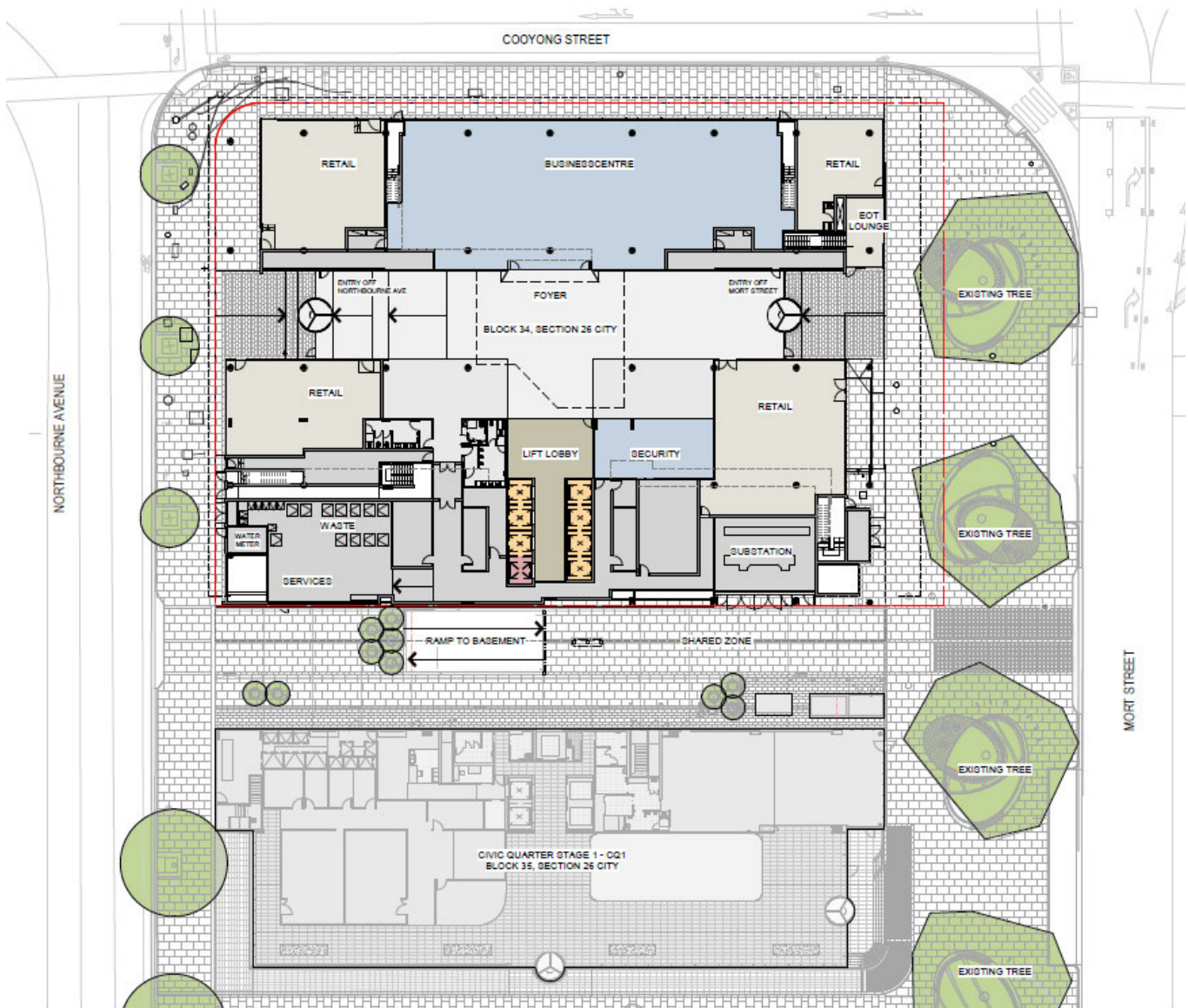
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Annexure B – Site Plan 1 – CQ1 and CQ2



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Annexure C – Site Plan 2 – CQ2 Site



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Annexure D – Perspective Render CQ2



PERSPECTIVE - CORNER OF NORTHBOURNE AVE & COOYONG STREET

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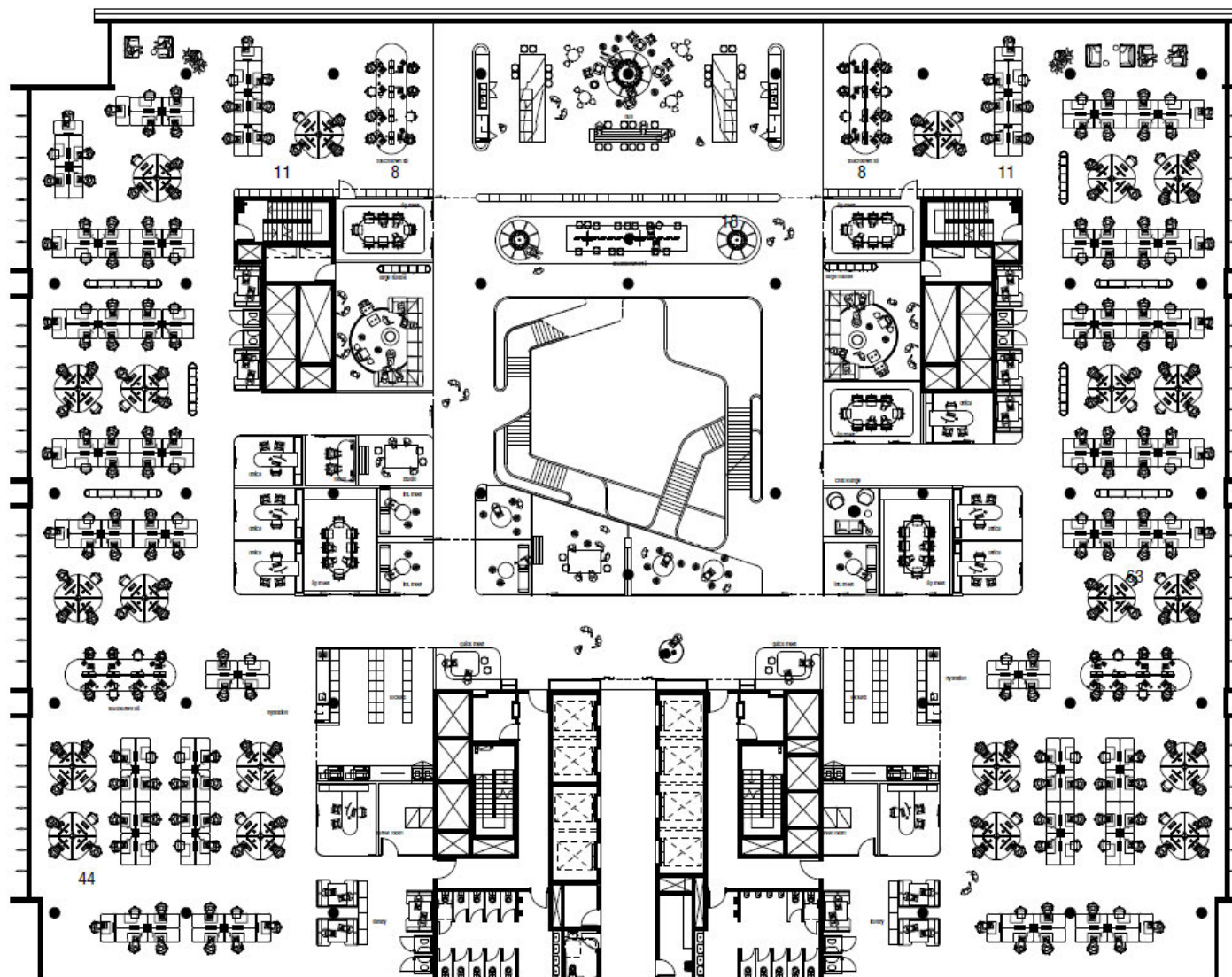
Annexure E – East Elevation



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Annexure F – Concept Fitout Plans

Typical Level Floor Plan

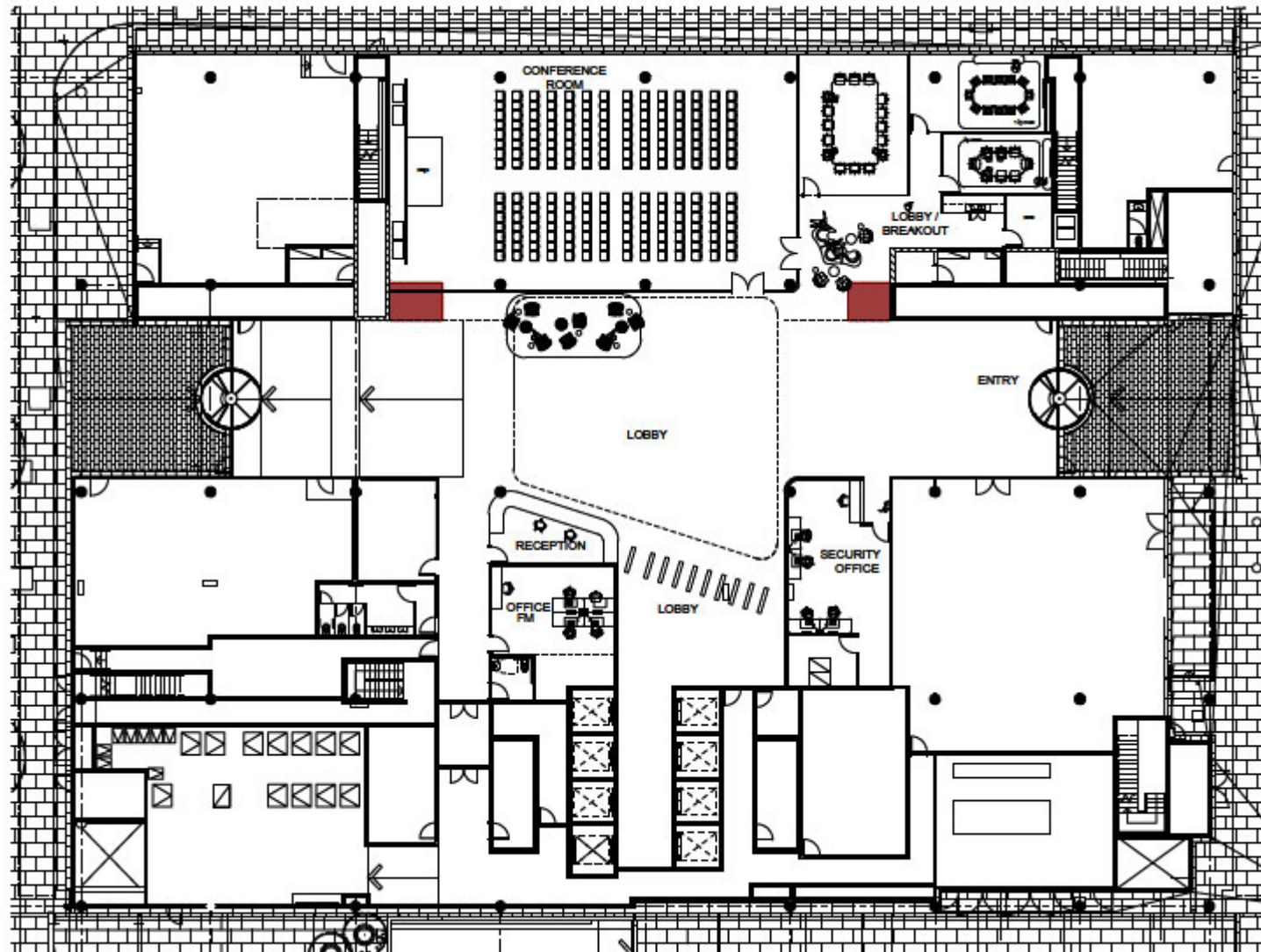


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Ground Level Floor Plan



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Executive Level Floor Plan

