

**SUBMISSION TO THE PARLIAMENTARY STANDING COMMITTEE ON
PUBLIC WORKS**

**Proposed fit-out for new leased premises at
120 Bathurst Street, Hobart, Tasmania
by**

**BALSA REJUS PTY LTD as trustee for the
BALSA REJUS PROPERTY TRUST
trading as BELLALA**



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1. Executive Summary

- 1.1 There is no demonstrated need for a new building at 120 Bathurst Street Hobart to meet Services Australia intent to locate all services in one building.
- 1.2 The current office accommodation at 188 Collins Street is quality A grade with regular and ongoing fit-outs.
- 1.3 The current occupied space is 11,755m² and from 1 July 2022 with relinquishment will be 10,695m².
- 1.4 The current lease has final expiry date 30th of June 2024.
- 1.5 Ballala currently holds an approved DA for expansion to provide up to an additional 4,000m² of premium office accommodation within 188 Collins Street.
- 1.6 The 188 Collins Street proposal with expansion will achieve a more cost effective solution for Services Australia with fit for purpose accommodation and a more sustainable and environmentally beneficial solution compared to a new building.
- 1.7 There will be serious adverse effects on the Hobart commercial rental market if a new build as proposed at 120 Bathurst Street occurs.
- 1.8 The 188 Collins Street proposal achieves a significantly greater public value than the proposed 120 Bathurst Street.

2. Bellala

- 2.1 Bellala is the registered business name of Balsa Rejus Pty Ltd which comes under the directorship of Justin and Rebecca Hetrel.
- 2.2 Bellala purchased 188 Collins Street, Hobart from the Commonwealth Government in June 2000 and has dedicated considerable resources to the rejuvenation and repopulation of the complex ever since, at a cost of more than \$30,000,000.00. By utilising onsite management, Bellala allows tenants and advocates direct access to the building owner and specialist staff which results in the provision of a level of service to stakeholders that cannot be matched in externally managed complexes.

3. The Need for the Works

Current space and lease term

- 3.1 Services Australia currently occupies 11,755m² of office space at 188 Collins Street, Hobart representing in excess of 46% of the complex's total net lettable area (NLA).
- 3.2 In 2020 Services Australia confirmed that it would relinquish 1,060m² from 1 July 2021 at commencement of the final 3 year option period. Services Australia then requested that it retain that space for a further year to 1 July 2022 which was agreed to by Bellala. From that date, the leased office space will reduce to 10,695m².
- 3.3 Services Australia has incorrectly stated in its submission that there are two lease extension options available at 188 Collins Street. There are no further options available and the final lease expiry date is 30 June 2024.

Quality of current office space

- 3.4 All leases at 188 Collins Street contain re-carpet and re-paint frequencies. Bellala has routinely completed these programs prior to due dates at the request of Services Australia. A large portion of re-carpeting and re-painting has been completed within the last 12 months.
- 3.5 Services Australia tenancy fit-outs at 188 Collins Street have been ongoing during the lease periods and very few now date back to 2008 as stated in the Services Australia submission.
- 3.6 **Attached** is a 188 Collins Street information document including photographs showing the quality of the current office space. The floor plates all offer open plan

office space with a central service core which provide for restyling and refurbishing without any undue inconvenience to staff.

- 3.7 The current standard of office accommodation at 188 Collins Street is A-grade. The building premises at 188 Collins Street are within the Central Business District of Hobart with proximity to public parking, public transport services and shopping and commercial centres.
- 3.8 The building complies with the accessibility specifications of the *Disability Discrimination Act 1992 (Cth)*. All floors are accessible via lift.
- 3.9 188 Collins Street meets all Energy Efficiency in Government Operation (EEGO) policy guidelines.
- 3.10 The building also has end of trip facilities, including change rooms, locker rooms, showers, bicycle storage and toilets with toilets on every floor which are *Disability Discrimination Act* compliant.

4. Purpose - Consolidation of all Services Australia offices in Hobart

- 4.1 Bellala proposed several options to provide for a consolidation of all of Services Australia premises in Hobart within the 188 Collins Street building.
- 4.2 The options would have involved integrating up to 13,350m² of existing of A grade office accommodation with an extension to the existing block 3 building (solely occupied by Services Australia) to accommodate the total requirement for the department and provide flexibility for future expansion. The NLA of the extension could be tailored to the requirements of Services Australia and provide anywhere between 1,000m² and 4,000m² of premium office accommodation.
- 4.3 Bellala has current DA approval for this expansion of the 188 Collins Street site to provide new premium space. This DA approval from Hobart City Council is current to October 2022 with a further 2 year extension available.
- 4.4 A competitive rental rate with costings was prepared but was not able to be provided because Bellala was not selected for the second round of EOI submissions.

5. Further comments on the Services Australia Submission to the Public Works Committee

- 5.1 There are errors in the calculation of footprint reduction from current to proposed. Services Australia has incorrectly calculated the reduction in office space as a result of the proposal to lease a new site at 120 Bathurst Street by using 11,755m² of office space rather than the 10,695m² which will be leased at 188 Collins Street from 1 July 2022. This results in the total reduction of space being a negligible 25m² or 0.16% not the 6.40% included in the submission.
- 5.2 The calculation of current work point density is also inaccurate. Services Australia states that total current NLA across all sites is 16,910m² (noting that this includes the 1,060m² at 188 Collins Street to be handed back on 30 June 2022). There are currently 1,398 work points, this results in a current work point density of 12.096 sqm rather than the 12.39 in the Services Australia proposal.
- 5.3 The leasing strategy to consolidate agency leases in Hobart is not a new concept. The client contact centre at 199 Collins Street and the call centre at Dowsing Point were formerly co-located at 188 Collins Street until it was determined by the Department that it was not best practice to have customer service on the same site as management and call centre staff and these were moved to their current locations. Bellala has a proven history of supporting Services Australia through various space expansions and contractions over more than two decades.
- 5.4 The current annual gross rental shown for 188 Collins Street in table 3 includes the 1,060m² being relinquished in 2022 which will result in the current cost reducing by over \$400,000.00 per annum.
- 5.5 Table 3 also incorrectly states that there are two further lease options available at 188 Collins Street. The final expiry of the final available option is 30 June 2024. No further short-term extensions will be considered by Bellala.
- 5.6 Bellala, as the existing long-term Lessor, has been disappointed with the lack of consultation with us in recent years relating to Services Australia's future requirements.
- 5.7 As Bellala was not successful in proceeding to the second round of the EOI, we were not given the opportunity to provide costings and rental rates and therefore must not have been included in the value for money assessment conducted in relation to the renewal of existing leases or our proposal inclusive of our own fully development approved expansion to provide Services Australia with numerous consolidation options at 188 Collins Street. Costings and rental rates can be made available to the Committee on request, on a confidential basis.

6. Public Value

Impact of new build at 120 Bathurst Street on Hobart rental market

6.1 The impact of Services Australia proposal for new leased premises at 120 Bathurst Street which involves a new build will create a serious and adverse effect on the Hobart rental market.

6.2 The Hobart commercial property market is vastly different to mainland Australia markets. The introduction of a new building of this size combined with the likely impacts of the pandemic on future office space requirements as flexible work from home arrangements become more common together with the requirement for existing landlords to backfill vacated space at the expense of others will result in significant adverse impact on all commercial rents in the Hobart office market for a prolonged period.

6.3 Advantages of expansion of 188 Collins Street include:

- Significant financial savings on rental when compared with the 120 Bathurst Street proposal;
- Re-use of existing building assets is a more sustainable and environmentally beneficial solution than constructing a new building;
- Favourable location with all services provided;
- No significant impact on the current Hobart commercial office market;
- A current DA already approved to enable work to commence in a timely manner;
- A-grade and premium standard accommodation provided with efficient allocation and utilisation of workspace and resources;
- History of trusted and respected professional landlord – 22 year long leasing relationship.

6.4 Disadvantages of the proposed new premises

- There has not yet been a development application submitted to the local planning authority and based on our vast experience with construction in Hobart and the timeframes required for obtaining development approval, we

believe this poses a significant risk to Services Australia for this development to be ready for occupancy by 2024;

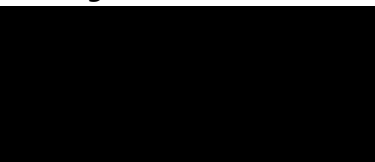
- Issues arising from relocating to Bathurst Street in the heart of a restaurant and party precinct;
- Impending lease expiry does not allow for any unforeseen delays, including DA representation and or objections prior to construction commencement;
- Bellala will be forced to commence marketing the Services Australia space to be vacated at 188 Collins Street immediately to ensure continuity of the leasing profile beyond 2024 resulting in Services Australia being left with limited contingency plans;
- Serious adverse impact on the Hobart commercial office market;
- A cost and sustainability analysis shows the public value requirements are not met.

7. Summary

- 7.1 The purpose of providing Services Australia with accommodation of all its services on one site can be met in a more cost effective and sustainable way by the proposed expansion of the existing Services Australia premises at 188 Collins Street.
- 7.2 This expansion, rather than a new building, will achieve a greater public value without any of the adverse impacts of a new building.
- 7.3 Bellala would welcome the opportunity to answer any questions or provide further information including appearing at any public hearing.

Dated: 14 January 2022

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Director

8. 188 Collins Street information document
