



SUBMISSION 1
MAIN DOCUMENT INCLUDING SITE DRAWINGS

PROPOSED FIT OUT OF NEW LEASED

PREMISES

FOR THE AUSTRALIAN TAXATION OFFICE
AT

THE SITE KNOWN AS
CITY CENTRAL, TOWER 8
12 – 26 FRANKLIN STREET,
ADELAIDE, SOUTH AUSTRALIA

SUMMARY

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

In September 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 Adelaide CBD at 12-26 Franklin Street Adelaide, to house all current staff in the CBD in a single office tower.

The proposed new building is a development proposed by ASPEN Developments to be constructed by Boulderstone and offers up to approximately 36,000 square metres of high quality office space in a building designed to meet a minimum 4.5 star National Australian Built Environment Rating Scheme (NABERS) energy rating and a 5 star Green Building Council of Australia (GBCA) Green Star rating. The ATO propose to occupy approximately 30,860 square metres of the building with the remainder of the building tenanted to Australia Post and future retail outlets. The building offers considerable administrative savings and the opportunity for the ATO to locate its Adelaide CBD staff in a single building.

As the integrated fit out for 12-26 Franklin Street Adelaide 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 \$54.2m excluding GST, which equates to a rate of \$1,756 per square metre which is considered to be in the medium range for Commonwealth fit outs in Adelaide.

Occupancy of the building is expected to commence from November 2012 subject to ATO business activities. Whilst most of the leases for the buildings ATO currently occupy expire in 2012, the ATO could retain space in Waymouth Street if occupancy of 12 - 26 Franklin Street was delayed.

The development at 12 - 26 Franklin Street will conform to all relevant building codes and practices and the ATO is paying high regard to compliance with health, safety and environmental codes. The occupation of the buildings will continue to stimulate growth in the Adelaide 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.

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1. IDENTIFICATION OF NEED

1.1 Objectives

1.1.1 The current arrangements whereby the Australian Taxation Office (ATO) is spread across three buildings in the Adelaide CBD is inefficient both administratively and in terms of work practices. Our objective is to create a building that offers co-location 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, non-compliance and the cash economy.

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

- Private Health Insurance;
- Family Assistance;
- Energy Grants Credits Scheme;
- Valuation Services; and
- 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 three leased premises in the Adelaide CBD of South Australia. These leases are due to expire as listed in Table 1.

Table 1: ATO Adelaide CBD Portfolio

Property name/ address	Area (m²)	Lease Expiry
11-29 Weymouth Street	3,192	31 st May 2012
50 Rundle Mall	13,309	31 st December 2012
81-95 Weymouth Street	16,378	30 th June 2014
Total area	32,879	

1.1.5 ASPEN will take over the 81-95 Weymouth Street lease tail when the ATO vacates.

1.2 Background

1.2.1 The ATO currently leases approximately 32,879 square metres of office space spread over three (3) buildings in Adelaide CBD including 81-95 Weymouth Street which they have occupied since 1992. It is proposed to consolidate these three individual sites into a single building for greater business operational efficiencies as endorsed by the Tax Office Executive.

1.2.2 The leases over two of the three buildings will expire in 2012 with one site set to expire later in 2014. With a short term lease extension on 11-29 Weymouth Street, it is proposed that the new office accommodation will be in place to meet the expiring leases in 2012, whilst the later expiring lease will become the responsibility of ASPEN upon the ATO's occupation of the new building.

1.2.3 The proposal will also provide the ATO with significant improvement of accommodation for its staff and ensure the energy rating for the building meets mandatory Commonwealth Policy.

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

1.2.5 Options considered were:

- extend current leases at existing ATO sites.
- consolidate all sites into a single property in Adelaide CBD.

1.2.6 The option to consolidate all sites into a single property in Adelaide CBD was the preferred option due to efficiencies gained in operations of a single site and the opportunity for the agency to satisfy the Energy Efficiency in Government Operations (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 the 29th September 2009 UGL Services (formerly known as United Group Services), acting on behalf of the ATO, requested expressions of interest (EOIs) to be submitted for the provision of office accommodation in the Adelaide CBD. Nineteen responses were submitted by the due date of 20th October 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 a value for money basis.

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 Property Division on the 11th November 2009 for endorsement. This process resulted in consideration of three buildings for Final Proposals. The following proposals were considered:

- 42-56 Franklin Street;
- 12-26 Franklin Street; and
- 80 Grenfell Street.

1.4.4 On 23rd November 2009 UGL Service called for Final Proposals from the three proponents short-listed as part of the EOI process. The final proposals were received on the 18th December 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 (e.g. compliance to building specifications, building performance, efficiency of floor plate, commercial terms etc). This was evaluated 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 fit out and make good where required.
 - iv. All Options were assumed to commence 1 October 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 30 000 m².
- (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 three proponents were invited to present on their proposals, with the additional option to take on pick up the 81-95 Waymouth Street lease tail.

1.5 Preferred proponent

1.5.1 Following the Expression of Interest and a Request for Final Proposal process, the ASPEN proposal at 12-26 Franklin Street 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 co-location 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 fit out that specifically meet the needs of the ATO as the new building 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 Adelaide CBD;
- (i) The provision of a long-term solution for the ATO's property requirements for the next 15-20 years; and
- (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 fit out.

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; and
- (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 12-26 Franklin Street Adelaide as the option which provided the best value for money, the ATO Executive agreed to instruct UGL Services to enter into negotiations with ASPEN to identify commercial terms that would be agreeable to both parties. Consequently, ASPEN was advised by UGL Services that it was being considered as the preferred proponent, subject to certain clarifications, for the provision of up to 34,000m² of office accommodation, known as 12-26 Franklin Street, to serve to accommodate ATO Adelaide CBD staff. The appointment was subject to the satisfactory conclusion of negotiations on commercial terms and gaining necessary Government approvals, including Public Works Committee approval. 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 Financial Management and Accountability Act (FMA Act), have been resolved. All commercial terms and conditions have been successfully negotiated and an Agreement For Lease for the premises was executed on 15 March 2010.

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 fit out 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 fit out has become paramount. Detailed design for the base building of 12-26 Franklin Street is underway, affording the ATO the opportunity to fully integrate the design and construction of the ATO's fit out with the design and construction of the base buildings, and subsequently save the ATO time and money in the delivery of the fit out.
- 1.7.3** As the fit out 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 new building will be located at 12-26 Franklin Street, Adelaide. The office building, known as Tower 8, forms part of the master planned site known as the City Central Precinct bound by Waymouth Street, King William Street, Bentham Street and Franklin Street. The City Central Precinct includes ANZ House at 11 Waymouth Street and the Ernst & Young Building at 121 King William Street and will ultimately comprise two further developments and a refurbished GPO Building accommodating retail and hospitality style uses in addition to commercial office uses and associated car parking.
- 1.9.2** Tower 8 will be a commercial office development over 17 levels, providing office space, associated car parking, ground level retail and Australia Post operations, including mail distribution and post boxes on ground and mezzanine levels. Tower 8 will provide the ATO with 30,860 square metres of net lettable area over approximately 14 floors and 255 square metres on mezzanine floor, depending on final area requirements. The large floor plates ranging from 1,735 m² to 2,388 m² will provide the ATO with flexibility and efficiencies in the allocation of space.
- 1.9.3** The ATO confirmed its requirements of net lettable area to the Landlord on the 15th of May 2010 as 30,000 square metres over 14 floors and an additional 255 square metres on the mezzanine floor. There is a construction tolerance allowance of 2% which makes the equivalent maximum net lettable area 30,860 square metres.

1.9.4 It is proposed that the ATO will occupy floors 4 to 17 of the building being built over a single level basement. The ATO will also occupy a portion of the mezzanine floor, and also have a secure lobby entrance to the building.

The Building is comprised of:

- A combination of Property Council of Australia “A” and “Premium” grade standards;
- Provision for 67 car parking spaces will be made for the ATO. 31 spaces are provided within a secure basement and an additional 36 secured spaces are provided within level 2. Disabled access parking will be provided in the building;
- Approximately 500 m² of storage area; and
- Retail tenancies on the ground floor.

1.9.5 12-26 Franklin Street is owned by Caversham Property Developments Pty Ltd.

1.9.6 The site is strategically located in the Adelaide CBD with prime accessibility.

1.9.7 The site is exceptionally well located on Franklin Street with surrounding development comprising mostly Commercial offices.

1.9.8 The site itself has excellent road frontage along Franklin Street.

1.9.9 12-26 Franklin Street is well serviced by public transport.

1.9.10 The ATO is looking to create maximum flexibility in how it uses this accommodation by producing consistent workspaces to enable staff flexibility. The adoption of universal planning principles will provide this flexibility through the easy change of facility components and the provision of multi-purpose facilities.

1.9.11 Fit out specifications are being developed in consultation with the relevant experts to ensure that all essential ATO and legislative requirements are met. Fit out design and specification will meet the disabilities legislation both in respect of access for clients and staff including wheel chair access to the building and office areas, door widths and height, lift arrangements, parking, toilets and access to counter facilities.

1.9.12 The fit out design is predominantly open plan with modular workstations supported by enhanced meeting capacity, breakout areas and support facilities. Offices and formal meeting areas will be located in the core of the building to maximise the use of natural light for the majority of staff. These offices and meeting areas are modular and fully interchangeable as business requirements dictate.

1.10 Environmental issues

1.10.1 The proposed building works will comply with the Commonwealth guidelines relating to energy efficient buildings and meet a 4.5 star NABERS (formerly ABGR) and a 5 star Green Star rating. Fit out of the building will also be designed to meet at least a 4.5 star NABERS rating.

1.10.2 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 existing engineering services including water, sewerage and storm water in the area; and
- have a positive effect on the local economy via the creation of jobs during base building construction and fit out works.

1.10.3 12-26 Franklin Street will contain high performance building structures and application of sustainable design principles will ensure a high energy rating throughout the buildings' life cycle.

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

- The building will equal or exceed the NABERS rating of 4.5 stars. Current projection is a 5 star NABERS rating;
- The Building Management System will monitor and control lighting, mechanical services, energy, lifts and water supply;
- Double glazing is to be provided;
- Fluorescent lighting is to have electronic ballasts and triphosphor tubes;
- Lighting is to be controlled by an electronic system to reduce energy use, especially in unoccupied areas and out-of-hours; and
- Acoustic efficient levels that meet or exceed current standards.

1.10.5 To maximise the Ecologically Sustainable design impact of 12-26 Franklin Street the following have been included in project delivery:

- Stormwater recycling;
- Access to natural light is to be maximised while avoiding direct sun penetrations into the building;
- Facilities such as bicycle storage, showers, change rooms and lockers are to be provided to encourage staff to ride or walk to work;
- Increased reliance on renewable materials;
- Emissions minimisation;
- Source control of pollution and waste during construction;
- Efficient energy use; and

- System maintenance and waste avoidance.

1.10.6 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.

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

- Rain water collection and re-use;
- Dual flush cisterns for all toilets;
- Flow restriction devices to be fitted to all fixtures; and
- Auto flushing urinals.

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

1.10.9 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 (7:00am to 7:00pm business days).

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

1.10.11 The ATO fit out design is to achieve at least a 4.5 star NABERS rating in the delivery of its fit out 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);
- PeckVonHartel(Architects);
- Northrop Engineering (Services Engineers);
- WT Partnership (Quantity Surveyors);
- Sitting Federal Member – the Hon. Kate Ellis
- Adelaide State Government; and
- Adelaide City Council.

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 building. The operating cost benefits from the reduction in energy consumption and maintenance of aging fit out will also contribute to the overall savings.

1.13.2 There is no direct revenue from this project.

2. TECHNICAL INFORMATION

2.1 Location

2.1.1 The ATO fit out is part of the 12-26 Franklin Street, Adelaide 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 fit out.

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 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 fit out 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 fit out works to ensure compliance with relevant codes. These services include additional exit lights, fire detection and sprinkler supplementation as necessary. Highly sensitive fire detection equipment 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 fit out and open plan work areas;
- h. Standardised office sizes of:
 - 28.8m²
 - 14.4m²
- i. Generic workstations;
- j. The vast majority of offices and meeting rooms to be constructed in the central cores so as not to limit natural 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); and
- 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 fit out 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) Maximising the use of open plan areas;
- c) Ensuring the enclosed areas are capable of being altered easily to allow for future change, e.g. the utilisation of modular meeting room design so that 2 small meeting rooms will also satisfy the requirements of 1 large meeting room with minimal additional works;
- d) Building services that are located to allow for repositioning of walls, workpoint layouts and accommodation changes in technology; and
- e) A robust security system that protects ATO information, people, other assets and operations.

2.2.5 Conceptual Floor plans have been finalised. 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 Planning approval on this site is the responsibility of the Adelaide City council.

The remainder of the City central site will be subject to approval by the SA Government. The site has Development Planning Consent approved to 19 January 2011, by which time work must commence on site. Building rules consent will be staged, with the first stage (substructure and retention piling) approved in September 2010.

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

2.3.4 Outline Development Plan - Approved

This plan approves the general Master plan and vision for 12-26 Franklin Street, Adelaide including building layout, car parking numbers, a maximum building height, retail amenity and a landscape theme.

2.3.5 Fit out of the building will be integrated with construction and managed by the ATO. Provisions have been made for the cost of the fit out in financial years 2010/11 and 2011/12. A recommendation to Parliament to proceed with the fit out 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 The site is owned by Caversham Property Developments Pty Ltd.

2.4.2 Aspen Development Ltd will be developing the site.

2.5 Codes and standards

2.5.1 The fit out 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,

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.

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

2.6.3 The building fabric will be composed of transparent façade elements. The building is to be designed to meet environmental expectation now and into the future. The building features include:

- High performance low ‘E’ glare resistant and low reflectivity glazing;
- Sun shading devices to the North and eastern facades;
- Thermal controls; and
- A western side services core.

2.6.4 Generally a 10.5m by 9m column grid with minimal freestanding columns is planned for Tower 8. The floor plates in Tower 8 are easily divisible to suit any fit out.

2.6.5 Carpet tiles will be fitted to general office areas. High quality ceramic tiles to the entry lobbies.

2.6.6 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; and
- f) Minimum noise and vibration characteristics.

2.6.7 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:

- Minimum noise and vibration characteristics;
- Reasonable maintenance costs;
- Proven design;
- Reliability;
- Durability;
- Ease of maintenance without entry to tenant areas;
- Ease of replacement;
- Efficiency of operation; and
- Environmentally sustainable principles.

2.7.2 The base building air conditioning system at 12-26 Franklin Street will be utilising Chilled Beam Technology to provide high energy efficiencies.

2.8 Hydraulic Services

2.8.1 Hydraulic Engineering Service requirements will include the following provisions:

- Domestic cold water reticulation serving all fixtures and required back flow prevention in each case;

- Domestic hot water with energy efficient pre heat independent of the system serving the mechanical services installation;
- Suspended sanitary drainage to all base building wet areas;
- Branched metered valve connections for cold water supply at service core areas for tenant future connection;
- Provisional sanitary drainage stacks on floor plate to service the net lettable area;
- Metering of incoming water supplies;
- Natural gas service for base building and retail tenant provision;
- Trade waste drainage and grease arrestor for base building and retail tenant provision;
- Harvested roof water reused for toilet flushing and irrigation;
- Roof drainage; and
- Water efficient tapware and flushing devices.

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; a highly efficient automated 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 eight (8) passenger lifts in a low rise / high rise configuration and one (1) stand-alone goods lift that will service the building.
- 2.10.2** The basement will be serviced by one passenger lift and the goods lift.
- 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 building brief requires provision of fire services in accordance with BCA and local Fire Brigade Authority requirements, including:
- Fire protection, detection systems, smoke hazard management and fire egress travel distances in accordance with the Building Code of Australia (BCA) and AS1668 and AS2118.1;

- Fire suppression systems;
- Battery operated self-contained emergency lights and exit signs connected to a computerised automatic testing system. Coverage is to include toilets, plant rooms and switch rooms, the office area and car park;
- Emergency Warning and Intercommunication System complete with additions to cater for hearing impaired requirements;
- Extinguishers, fire blankets;
- External and internal hydrant system;
- Internal fire hose reel system; and
- Ancillary alarm outputs to various building sub systems.

2.12 Security

2.12.1 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 fit out 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:

- Vehicle and pushbike access to the parking areas;
- Loading area and after-hours access doors; and
- Entry to the building through security racers.

2.12.2 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.

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

2.12.4 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 in offices and meeting rooms, 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 fit out 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 Provisions for people with disabilities

2.15.1 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 for staff;
- access for disabled 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.
- suitable access to the building; and
- all lifts to be accessible and provide facilities in accordance with relevant Australian Standards, including AS1735.12 and AS 1428.

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

2.16 Heritage issues

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

2.17 Child-care provisions

2.17.1 The acquisition of this new site will enable all existing Adelaide CBD staff, currently accommodated in three 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.

2.18 Occupational health and safety

2.18.1 The ATO project team will work closely with recognised Occupational Health and Safety consultants to advise on the Design and Construction of the new fit out. Further the ATO will work closely with its Property Service Provider, UGL Services to ensure that the fit out design complies with the relevant codes. Additionally, through UGL Services 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.

2.18.2 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; and
- (d) Capacity for visual variation.

2.18.3 The design, materials and finishes used in the furniture and fit out construction will take into account Occupational Health and Safety (OH&S) aspects and avoid sharp edges, furniture legs which cause obstructions and highly reflective surfaces.

2.18.4 All contractors and sub-contractors shall comply with OH&S legislation appropriate to the building site.

2.18.5 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.

2.18.6 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.

2.19 Consultation

2.19.1 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 fit out;
- (e) Information sessions for staff through site consultation group;
- (f) Establishing a joint reference group with the Project Leaders to provide advice on more significant specialist aspects of the project; and
- (g) All staff e-mails and dedicated intranet website reporting.

2.20 Local impact, eg employment

2.20.1 The development of 12-26 Franklin Street will have a positive impact on the local community. Currently the land is underutilised and the additional office space is consistent with the aim of the South Australian Government and the Adelaide City Council of increasing the amount of employment in the city and stimulating business activity.

2.20.2 Existing occupancy rates for office buildings in Adelaide are very high by historical standards (currently at 92.9% occupancy versus a long term

- 2.20.3** Existing infrastructure services including power, communications, sewerage, gas and water supplies are well developed and can easily cope with the increased demand.
- 2.20.4** Construction and fit out will impact positively on the local economy with employment in the private sector. There will be no significant increase in numbers employed by the ATO in the Adelaide CBD during this project.
- 2.20.5** The development of 12-26 Franklin Street will have a significant positive regeneration impact on the surrounding business area.
- 2.20.6** There will be no job losses in the ATO as a result of the consolidation.
- 2.20.7** 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 this, 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.

2.21 Project costs

- 2.21.1** 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 \$1,756 per square metre (excluding GST) has been applied to this estimate which is considered to be in the mid-range for Commonwealth office fit outs in Adelaide.

2.21.2 A breakdown of the project cost estimate of \$54.2m is detailed in Annexure A.

2.22 Project delivery methodology

2.22.1 The ATO has engaged the developer to prepare the detailed design documentation and construct the fit out 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.

2.22.2 An integrated fit out is expected to provide the ATO with the following benefits:

- (a) Costs will be less because the fit out-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 fit out 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 fit out 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.

2.22.3 The ATO has engaged its own Project Manager through UGL Services to ensure its interests are protected throughout the process.

2.22.4 On behalf of the ATO, UGL Services will engage an Architect for the fit out component of the project and will novate this provider to the developer for the project at Concept Design approval.

2.22.5 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.

2.23 Construction program

2.23.1 Fit out will be undertaken concurrently with the base building construction. 12-26 Franklin Street has commenced construction in July 2010, with practical completion scheduled for 31 October 2012. Project consultants have reviewed the construction program to ensure it is feasible and that there is appropriate contingency to cover time over-runs.

2.23.2 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.

2.23.3 If the completion of construction is delayed past 31 October 2012, short term lease extensions on the existing ATO sites will be negotiated. Cost recovery for the short term leases will be mitigated under the delay damages provisions within the Agreement For Lease.

2.24 Sketch designs

2.24.1 The site plan and floor plans are attached at Annexure B.

Annexure A – Submission 1.1

(Confidential – Costing and Risk Assessment)

Annexure B