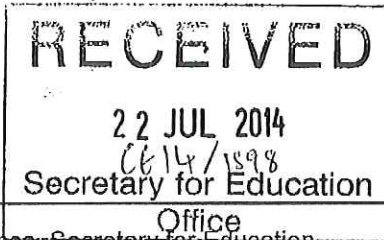


MEMO



To: Peter Hughes, Secretary for Education
From: Kristine Kilkelly, Deputy Secretary Corporate and Governance
CC: Tina Cornelius, Chief Financial Performance Officer
Hamish McCaw, Manager Corporate Property and Resource Management Unit
Date: 18 July 2014
Subject: Update on 33 Bowen Street negotiations

COMMERCIAL IN CONFIDENCE

Purpose

To request your approval and signature on the Joint Ministers' paper which gives you delegated authority to sign the Redevelopment Agreement and Lease for 33 Bowen Street, Wellington.

Background

As per previous briefings, the negotiations with Talavera Property Group (TPG) for a Redevelopment Agreement (RA) and Deed of Lease for 33 Bowen Street have been ongoing but we now expect this to be concluded by the end of July. On 14 July we gave you an update on the key issues for the negotiations and notification the Joint Minister's Briefing would be delivered to you for your signature this week.

Joint Ministers' Paper

The attached paper has been written by the Property Management Centre of Expertise (PMCOE) and has been reviewed by the Ministry's in-house legal team, the Ministry in Wellington Project, Tina Cornelius and Kristine Kilkelly.

The paper outlines the key commercial terms which have been negotiated as follows:

- **Landlord.** Talavera Property Group Limited (TPG). TPG is a New Zealand-based subsidiary of a larger Australian private investment property company called Vinta Group.
- [REDACTED]
- **Space occupied.** 13,178m² @ 11.98m² per workpoint.
- **Costs.**
 - [REDACTED]
 - [REDACTED]
 - **Capital Fit-Out:** \$23 million
- [REDACTED]
- **Sublease and Assignment.** The Crown has the right to assign its lease to another Crown organisation without the Landlord's consent. This provides flexibility for the government to meet changing requirements over time.

- **Building Performance Specifications – Key Outcomes.**

- Upgraded lifts to ensure adequate services
- Full upgrade of HVAC
- Open plan floors with minimal hard fitout
- Internal open stair case to provide improved access and collaboration between floors
- Upgraded bathroom facilities

The paper has eight key notes and recommendations for the Ministers. These are:

1. **note** that the Ministry of Education (MoE) and the Government Property Management Centre of Expertise (PMCoE) have negotiated a Redevelopment Agreement for MoE's Wellington corporate accommodation solution
2. **note** authority to agree to the final investment decision for this solution was delegated to Joint Ministers (Minister of Finance and Minister of Education) by Cabinet on 13 November 2012 (SEC Min (12) 21/2 refers)
3. **note** that despite projected increases for property-related costs across the 20 year appraisal period, the negotiated solution does not require additional Crown funding
4. **note** MoE will have effectiveness and efficiency gains from re-locating the majority of its staff into one building
5. **note** that the Crown's legal services provider will be required to certify that the Redevelopment Agreement (including the proposed Deed of Lease) reflects the agreements reached between the parties during the negotiations and accordingly, will be in order for execution
6. **note** that the Ministry will have a reduction of at least 17% in its property footprint (21,336m² to 17,678m²) for the total MoE Wellington corporate accommodation solution
7. **approve** the final key commercial terms of the Redevelopment Agreement (including the proposed Deed of Lease) negotiated for MoE's Wellington corporate accommodation solution
8. **delegate** to the Secretary for Education the authority to execute the Redevelopment Agreement (and the Deed of Lease on completion) negotiated for MoE's Wellington corporate accommodation solution

Signing of Joint Ministers' Paper

Brendon Boyle, CE of the Ministry of Social Development has already signed the attached paper and it is now ready for you to sign on behalf of the Ministry of Education. The paper will then be sent to the Minister of Finance and the Minister of Education.

Timing for signing Redevelopment Agreement and Lease

The Redevelopment Agreement and Lease are currently having a final review by both our external and internal legal teams. It is expected this will be completed in the next 1-2 weeks.

Once the legal review is complete the Redevelopment Agreement will be sent to you for formal signing. You will also receive a certificate from our external legal team confirming the document is accurate and reflects the negotiations which have been concluded.

Recommendations

It is recommended you:

Note the final Redevelopment Agreement and Lease are currently undergoing a final legal review and will be sent to you for your signature at the end of July.

Note the recommendations and notes detailed in the Joint Ministers' Paper

Approve and sign the attached Joint Ministers' Paper.



Peter Hughes
Secretary for Education

Date: 24/07/14



Kristine Killkelly
Deputy Secretary, Corporate and Governance

