

26 July 2019

Dear Sir/Madam

Via email: fyi-request-10425-778ca372@requests.fyi.org.nz

Local Government Official Information and Meetings Act 1987 (LGOIMA)

CAS-1070918-W7C7X5

We refer to your request for information dated 31 May 2019 regarding Auckland Transport's headquarters at 20 Viaduct Harbour.

Auckland Transport's (AT's) response to your request for information is as follows:

Can you please provide a copy of any reviews made post move into the new Fanshawe St HQ project and a copy of the original business case for the project. I am especially looking for board/senior management level info/papers and do not require all background detail.

I'm looking to see an evaluation and review of key deliverables of the Fanshawe St HQ project.

If no post investment review has been completed can it please advised why not.

In 2015/16 Auckland Transport's Board of Directors approved a corporate accommodation strategy that among other objectives sought to consolidate the number of office locations utilised by AT from 25 to a much smaller number. The move to 20 Viaduct Harbour was one element, albeit an important element of the strategy which also involved exiting many other office locations across Auckland over a period through to the end of 2020.

In that context a formal post implementation review has yet to be completed for the move to 20 Viaduct Harbour (AT Head Office). We will complete the review once a number of key tail leases have expired at the end of 2019 / early 2020. As the information for the above questions does not exist, your request for information is refused under Section 17(e) of the Local Government Official Information and Meeting Act 1987 (LGOIMA).

We have however been able to answer your remaining questions and have enclosed the relevant original Board and project documentation (Enclosure 1).

If these report(s) do not include the below, can this be provided as well.

- *Budgeted vs actual capital spend in the building (whether on fitout or tech, workstations etc).*
- *How much was spent on tail costs of leases for previous buildings, and are any still empty.*
- *Total rent paid now (including operating expenses) compared with all sites previously.*
- *Examples of how (if any) AT has saved money with the new site and where productivity has improved as a result.*

The project was completed within the modest budget for the size and scope of the relocation, and was delivered on time and under budget. Details of budget versus actual for key components of the move can be found in the table below.



Budget Item	Budget Cost (\$M)	Actual Cost (\$M)
Fit Out	6.8	6.2
Technology	0.6	0.6
Furniture and Fittings	3.3	3.6
Contingency	0.3	Not used
TOTAL	11.0	10.4

The table included as Enclosure 2 lists the current leases that AT still have (both commercial and Auckland Council owned properties) together with their associated costs (lease and operating costs), along with comments on their current use.

Where relevant, costs that are recovered through funding arrangements or sublease income are also noted, and a net annual cost to AT reported.

The total net annualised costs of \$9,030,465.91 for 2018/19 compares favourably with the costs for calendar year 2015 at the outset of the project, where we had a net annual cost of \$9,705,701.

None of the leased buildings are currently empty and are either used operationally by AT staff as part of its ongoing corporate accommodation strategy, or sub-leased pending lease exit. These leases could not be exited on favourable commercial terms at the time of the move to 20 Viaduct Harbour Avenue.

As a result, and to ensure we get value for money for ratepayers and taxpayers, we have been utilising small part of the HSBC building for one or our project teams (a project not foreshadowed at the time the Corporate Accommodation Strategy was developed) as well as sub-leasing the majority of the space to other tenants.

The property at 8 Nelson Street has been leased by AT for the Supporting Growth Alliance. The Supporting Growth Alliance is another project recently established which was not foreshadowed at the time of the Corporate Accommodation Strategy. You will note that these office facilities are principally paid for by the New Zealand Transport Agency even though the lease is in the name of AT.

Please find below some examples of how AT has saved money with the move to the new site, in addition to the consolidation of our properties, and where productivity has improved as a result:

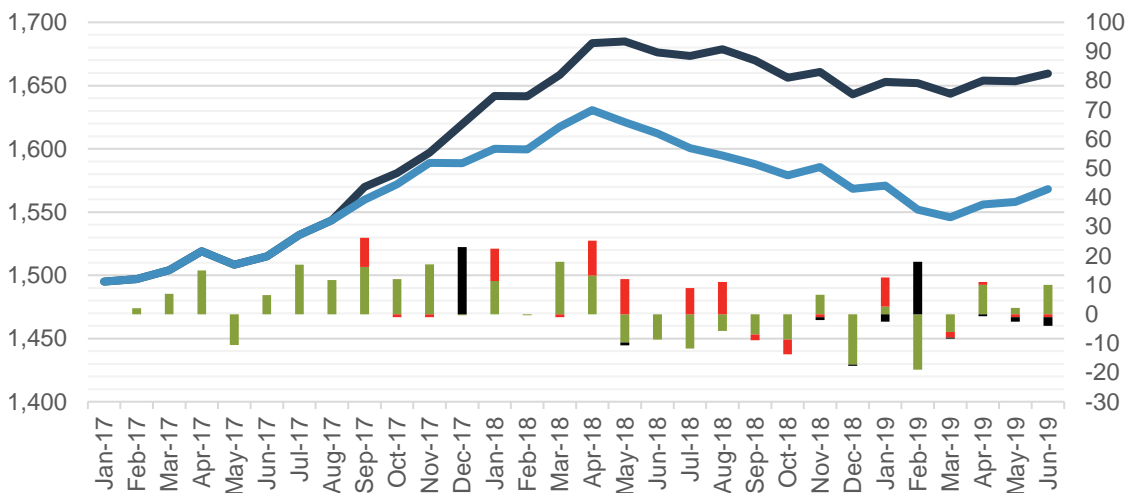
Objective	Status	Comments
Net Lettable Area (NLA) per person: 9.1 m ²	Exceeded	8.7 m ² currently achieved (Workplace Standards and Guidelines for Office Space (Crown 2014) max 16 m ² NLA per person)
Leverage Cost Efficiencies	Met / On track	<ul style="list-style-type: none"> Printing cost reductions of 57% work related PT travel costs (AT HOP) reduced by 68% 28% reduction in work related mileage claims 11% reduction in taxi costs
Operating costs: cost per headcount	On track	On track to achieve the overall cost per headcount business case objective

It should also be noted that the consolidation in office accommodation has reduced the amount of time lost by AT staff travelling to different locations around the region for 'face to face' meetings. These savings in travel time have help contribute to the slow down in the growth in headcount that would otherwise have been required to meet the services we provide to our quickly growing region.



The graph below shows a decrease in the total FTE shortly after the movement of all staff into the 20 Viaduct Harbour Avenue premise.

Full Time Equivalents



AT's Board of Directors have, and will continue to, closely monitor this project to ensure it remains within budget and the standard of the fitout befits a public-funded body.

We trust the above information has addressed the matters raised however, should you believe that we have not responded appropriately to your request, you have the right in accordance with section 27(3) of the LGOIMA to make a complaint to the Office of the Ombudsman to seek an investigation and review in regard to this matter.

If you have any further queries, please contact Auckland Transport on (09) 355 3553 during business hours, quoting Local Government Official Information request number **CAS-1070918-W7C7X5**.

Yours sincerely,

Andy Richards
Group Manager Procurement

- Enc.1. Relevant Board Papers related to the move to 20 Viaduct Harbour
- 2. Current AT leases and associated costs

Memorandum

To: David Warburton and Richard Morris
 From: Julie Sarten
 Date: 19 January 2017
 Subject: 20 Viaduct Harbour – Main Contractor Award

Background

We have now completed the procurement process for the Main Contractor for the fitout works at 20 Viaduct Harbour. The total project remains within the AT approved budget of \$11 million plus the landlord's (LL) contribution to work managed by AT of \$6.390 million.

We had shortlisted four parties from the RFI process who then entered into the RFT process with AT. On completion of this process and following negotiations with the two top respondents there is a price difference of \$1.4 million between the top two participants.

After some initial clarifications the second respondent declined to proceed further with price clarification and negotiation unless provided a preferred contractor status. We were not prepared to do this due to the large gap between the two contractor's prices. The following chart is an overview of the four shortlisted participants' responses after non price adjustments and Telco allowances added for known variations and items not currently included in the contractors pricing. The Telco allowances are based on industry knowledge and information gathered from all of the responses.

	Description	Focus at 10 Jan 17	NZSTRONG	HAWKINS	ALASKA
A	AT Recommended tender value	\$ 10,292,509.68	\$ 12,644,084.00	\$ 11,552,202.00	\$ 12,084,405.07
B	TELCO ALLOWANCE FOR KNOWN AND ITEMS NOT CURRENTLY PRICED	\$ 906,430.74	\$ 1,455,966.39	\$ 1,021,905.00	\$ 1,229,339.00
C	LL Recommended tender value (void infill)	\$ 225,915.43	\$ 220,266.00	\$ 229,894.00	\$ 203,540.90
E	Recommended Main Contractor value	\$ 11,424,855.85	\$ 14,320,316.39	\$ 12,804,001.00	\$ 13,517,284.97

In addition to AT's \$11 million capex budget the Agreement to lease requires the following contributions from the landlord of \$6,389,713.

- Void infill works \$243,773
- Alteration works \$2,850,000
- HVAC Works \$3,000,000
- Deficit Works \$295,941

Of these contributions we are waiting on an update from the contractor in regards to apportionment of building works and P&G associated with HVAC so the final HVAC cost may change. The landlord has notified us that they will challenge the Deficit Works claim. I have allowed for recovery of 50% of the total amount currently being claimed as Deficit Works.

We also need to account for all costs that will be incurred outside of the main fitout contract when looking at the overall project budget. The following table is an estimate of all additional capital expenditure and the current estimated total expenditure for AT of \$10,687,010



Memorandum

David Warburton – Evaluation Report, Award Letter.

Category	Total Budget (\$)	Forecast Budget (\$)
Landlord Contribution		
HVAC, Void infill, Alterations, Deficit Works	-\$6,389,714.83	\$ (6,851,690.45)
Adjustment	\$ -	\$ (315,652.96)
SUB TOTAL	\$ (6,389,714.83)	\$ (7,167,343.41)
Main Contractor		
Contract works	\$ 9,320,301.29	\$ 9,320,301.29
Goodman Void Infill (excluding Professional fees)	\$ 172,671.38	\$ 172,671.38
Contract Provisional sums	\$ 814,556.20	\$ 814,556.20
AT Provisional sums	\$ 906,430.74	\$ 55,265.00
LL provisional sums	\$ 44,800.00	\$ -
CI Adjustment AT Works		\$ 468,204.99
CI Adjustment LL Works		\$ 281,833.00
SUB TOTAL	\$ 11,258,759.61	\$ 11,112,831.86
AT Supplied items		
Furniture, Wayfinding, Equipment, Furnishings	\$ 3,261,797.00	\$ 3,261,797.00
Adjustment	\$ -	\$ 503,006.50
SUB TOTAL	\$ 3,261,797.00	\$ 3,764,803.50
Consultants Fees		
Telco Project Fees	\$ 1,256,285.00	\$ 1,256,285.00
Adjustment	\$ -	\$ 531,718.00
other Consultant Fees	\$ 550,942.48	\$ 550,942.48
Adjustment		\$ 143,590.52
SUB TOTAL	\$ 1,807,227.48	\$ 2,482,536.00
Technology		
BT Infrastructure equipment	\$ 582,845.00	\$ 547,845.00
TOTAL AT Project Costs	\$ 10,520,914.26	\$ 10,740,672.95

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Corporate Accommodation – Long Term Strategy

Recommendation

That the Board:

- i. Approves the commencement of commercial negotiations with Wynyard Precinct No 5 Ltd (Wynyard) and the building at 20 Viaduct Harbour Avenue (currently occupied by Vodafone), being Auckland Transport's preferred location for the consolidation of the majority of AT staff to a single building in Auckland's CBD. All commercial discussions with Wynyard will be within the commercial terms detailed in the financial analysis table below.
- ii. Delegate authority to the Chief Executive to approve and execute a nine year lease commitment with Wynyard based on the commercial terms being the same or better than those details in the financial analysis table below
- iii. Approve the expenditure of up to \$11 million for the fitout of 20 Viaduct Harbour over the next two financial years
- iv. Approve make-good expenditure of up to \$8.35 million for existing premises

Executive summary

In September 2015, the Board noted the Corporate Accommodation – Long Term Strategy to consolidate the majority of AT staff to a single building in Auckland CBD and address impending lease expiry. AT has subsequently conducted a market RFP tender for suitable office accommodation options to meet the criteria outlined in the Corporate Accommodation – Long Term Strategy. From the six initial RFP responses, there were three shortlisted parties. Only two responses met AT's premises brief being:

- a) 14 non-contiguous storeys in the 20 storey AMP Centre at 29 Customs Street West, owned by Precinct Properties; and
- b) All of the six storey building presently occupied by Vodafone at 20 Viaduct Harbour Avenue, owned by Wynyard (Goodman's).

A consolidated move to either of the above sites for an initial nine year period from May – July 2017 produces an annual property cost-neutral result, on a nominal basis, but there is an AT capital cost investment of approximately \$11 million over the lease period to replace fully depreciated office fitout. This will provide a contemporary but basic office environment for AT staff. Much of this would have been required anyway.

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Nominal Dollars			
<i>Space</i>	56,029,663	53,360,965	59,954,186
<i>Opex</i>	12,565,331	14,075,319	11,338,525
<i>Incentive</i>	(7,725,000)	0	0
<i>Fit out</i>	10,869,600	11,577,600	12,968,000
<i>Make good (new)</i>	6,843,500	0	0
<i>Make good (existing)</i>	7,043,937	5,314,132	7,043,937
Total	85,627,031	84,328,017	91,304,648

* *The financial analysis adds an additional 4559m² to the Sanctuary offer in an additional building to meet the requirement to house 1,500 work stations.*

It is anticipated that commercial lease terms and financial benefits will be moderately improved from the above following detailed lease negotiation with the landlord of the preferred option.

The likely relocation from Smales Farm and Henderson is early 2017. There is a possibility all city sites could be co-located at that time. This possibility will be investigated but is only feasible if existing AMP/HSBC leases can be exited on favourable terms.

In comparison the current corporate accommodation costs over the nine year lease term have an estimated total nominal cost (assuming AT's current leases are extended with annual CPI increases and refit completed of some of the fully depreciated fitout) of \$91.3 million, in comparison to Goodman and AMP's \$85.6 million and \$84.3 million.

The NPV calculation for each of the options includes base rent for the new building plus premises in the North, West and South for groups such as parking and road corridor staff that remain embedded in the communities they work for. The NPV calculation also includes the cost of paying for the current buildings up until the expiry date of the current leases, some of which continue for several years after commencement date of the new contract.

Project Initiation Document (PID)

Project OTC

Type the document number here.

13 January 2016 - Version 0.1



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1 Background

In September 2015, the board noted the Corporate Accommodation – Long Term Strategy. The key driver was the expiry of the Smales Farm lease in mid-2017. Key principles were the desire to reduce the inefficiency of operating from three main sites Henderson, Smales and CBD and other multiple locations. The need for a primary location in the CBD to service key stakeholders such as AC and the NZ Transport Agency was acknowledged. The strategy observed that the rental per square metre was only one element of the total cost and that AT sought to exceed benchmark standards of 13m² per person and instead aim for 10m² or better. Ideally AT would consolidate the majority of AT staff to a single building in Auckland's CBD.

1.1 Background (Problem / Opportunity)

AT has subsequently conducted a market RFP tender for suitable office accommodation options. Twenty-six available properties were considered. Following a desk-top evaluation nine options were offered the opportunity to tender. From the six RFP responses received, there were three shortlisted parties, only two responses fully met AT's premises brief:

- a) 14 non-continuous storeys in the 20 storey AMP Centre at 29 Customs Street, owned by Precinct Properties and
- b) All of the six storey building presently occupied by Vodafone at 20 Viaduct Harbour Avenue, owned by Wynyard (Goodman's)

A consolidated move to either of the above sites for an initial nine year period from July 2017 produces an annual property cost-neutral result, on a nominal basis, but there is an AT capital cost investment of approximately \$11M over the lease period to replace fully depreciated office fit out. This will provide a contemporary but basic office environment for AT staff. Much of this would have been required if we were to remain at our existing sites.

A comparative financial analysis of the property costs of the above two options results in the Wynyard option being \$74M over the duration of the new lease term compared with \$75.9M for the next best alternative. The additional business benefits and efficiencies to AT being accommodated over only six floors and larger floor plates has led to the recommendation to proceed with the building at 20 Viaduct Harbour Avenue.

1.2 Strategic Fit

The Corporate Accommodation Long Term Strategy recognised the importance of entering into a nine year solution for AT corporate accommodation to provide the opportunity for AT, AC and other CCO's to plan to consolidate into Aotea Square should there be an appetite to do so. CRL timeline for completing the train station in this location is 2025/26 and they have initial plans for a 30,000 square metre building on top of the train station. This 9 year period will give all of the organisations the opportunity to consider future options and then should they wish to proceed, plan and budget for to either build or enter into an agreement with a developer to lease a new build on top of the station.

This project also supports the Sustainable funding Model and address issues raised in PwC and AC Alternative Sources of Financing Reports on the multiple and varying standard of the locations occupied by AT.

1.3 Seriousness and Urgency

The Smales Farm Lease expiry 6th June 2017 is the key date that has prompted a review of our corporate accommodation. We now know that Vodafone intends to move their entire business into this location and will not be interested in extending AT's tenure at this site. This lease expiry is the main driver for AT consolidating the rest of AT's premises at this date and to achieve a consolidation on this date we must initiate this project now to enable us to carefully plan and execute this process.

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2 Project Definition

2.1 Scope

Deliverable	Scope of Assessment
Lease Negotiations January 2016 – 31 March 2016	Agree Base Deed of Lease Document and any variations Agree Commencement Date including <ul style="list-style-type: none"> • Landlord works to be completion date • Tenant access date • Tenant occupation date Identify Landlord Works to be completed at Landlord cost Agree terms and conditions for Collateral Agreement for AT Lease tails. Agree current tenant fit out to remain on site reducing AT fitout costs. Engineering/Architect due diligence for building performance against premises brief provided and agreed as part of the RFP process. Complete ELT approved Layouts detailing <ul style="list-style-type: none"> • Occupation density • Tenant works/fit out • Mechanical/ventilation requirements to be provided by Landlord Negotiate key lease terms including rent reviews, rights of renewal and make-good. Complete Agreement to Lease which has been approved by ELT Negotiate exit strategies with existing Landlords, to be approved by ELT Negotiate extensions to existing short term leases (Parking wardens, Level 18 AMP, Level 4 HSB) to ensure that we can stay within our current premises until relocation date.
Develop a communication plan January 2016 onwards	Identify how we will communicate to key stakeholders for the duration of the project. Who will be responsible for internal and external communications? How often will these communications be sent out to internal and external stakeholders.
Develop Project Team January 2016 onwards	Identify team members and their roles. Timing of those roles in relation to project timeline. Provide budget estimates for each role and create an overall project budget.
Premises Fit out Design Tender 11 January 2016 – 30 August 2017	Engagement with AT Senior Managers and Employees through Change Manager to provide business requirements for scope of

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	<p>Identify seating/locker plan for all employees</p> <p>Communicate seating plan/move dates and procedure/strategy with employees (will be over a period of 6 weeks due to relocation of existing furniture)</p> <p>Work with Information Management and SharePoint to ensure that all employees Groups are using these tools and that no one is shifting large quantities of paper files.</p> <p>Relocate staff and clean/make good existing premises</p>
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2.2 Exclusions

The project will not include sourcing/securing or fitting out the regional hubs.
 ATOC centre relocation and fit out
 Computer equipment for each employee
 Costs associated with archiving/SharePoint training across the business.

2.3 Outline Project Deliverables and/or Desired Outcomes

The new facility presents the opportunity to build a modern, flexible work environment that supports AT Values by co-locating the majority of AT employees into a new agile work environment that is of a consistent standard for all employees.

The environment needs to meet all business requirements and provide a positive open work environment that AT employees can feel proud off. The facility will contribute to employee wellbeing through a higher level of amenity and by providing flexibility within the working environment, helping employees to achieve successful out comes through collaborative work practices.

An internal working group is developing flexible work practices and to support this initiative corporate accommodation needs to encourage greater use of collaborative work space, less paper based working, clear desks, agile work practises and more break-out space along with meeting spaces that encourages sensible use of tele-commuting.

The Premises Brief that was provided during the RFP process, and is attached in Supporting Documents, outlines the overall quality of the building and its services that is to be achieved at the end of the project.

The new facility needs to support the following staff amenity:

- End of journey facilities.
- Close to home and public transport.
- Access to car parking (at staff cost)
- Staff safety and security during business and after hours
- Surrounding amenities such as parks, café and shops

The facility will also be required to provide support to the diverse daily requirement of the different teams within AT's business. Teams with non-standard office requirements including the following will need specials areas such as fitting rooms, secure space, training facilities, changing areas and storage space.

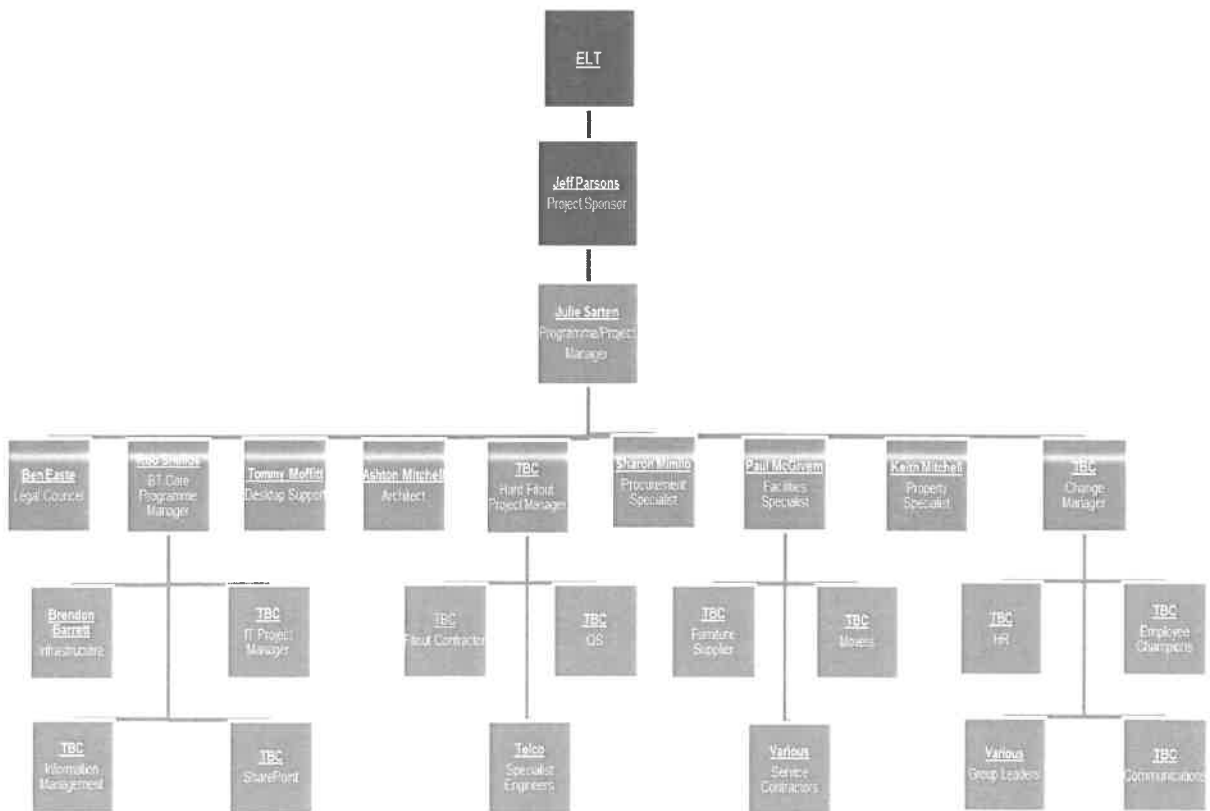
- Parking Wardens
- Harbour Masters

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STAKEHOLDER	INTERESTED IN
Auckland Council	Ability to continue to work closely with AT and the prudent use of Council Funds
Public	Prudent use of ratepayers funds and ability to interact successfully with AT. Improvement in AT service delivery.
Landlord	Leasing the building for financial returns that meet investors' expectations.
Contractors	Ability to work within AT premise on project work/short term contract work.

2.6 Project Roles

Project Team Highlighted in Blue



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BT Core Programme Manager - Rob Shields.

- To liaise with all areas of BT and provide BT requirements and direction/supervision over the duration of the project.
- Security requirements
 - HOP card compatibilities as security access card and work required to achieve this.
 - Security gates type/design
 - CCTV requirements.
- Printing functions and numbers of locations across site
- Standard employee equipment on each workstation for an agile working environment.
- BT equipment to be provided in meeting room and reception customer service area.
- Risk management including UPS and back-up generator.
- Supply business requirements for Data and Electrical infrastructure and cabling.
- Wi-Fi connectivity
- Identify who will pay for non-project BT costs.
- Work with the Change Manager to ensure that SharePoint and archiving are fully utilized across the business.
- Work with BT Desk Top Support Manager to ensure all desk top requirements are identified and included in the project work.
- Identify risks and opportunities over the course of the project and communicate these to the Programme Manager.

Change Manager – TBC

- To take ownership of all relationships within the business including all staff, managers and teams.
- Provide an assessment of change readiness
- Prepare a change management plan
- Work with the Programme Manager and internal and external communications to develop a communication plan that provides reason for change and how the change will affect each employee, for approval by ELT
- To ensure communications are timely, clear and consistent to both internal and external stakeholders.
- To lead staff engagement and form a staff champions team from across the organisation.
- In conjunction with the Programme Manager, Facilities Specialist and staff champions identify all business requirements and synergies across the business including expected staff numbers/locations for the next 10 years, contractor numbers and project requirements.
- In conjunction with the Facilities Specialist, BT Core Programme Manager engage across the business using champions to ensure that all staff are educated in the use of SharePoint/archiving and that all areas of the business are active in cleaning out unwanted files and information.
- Develop a Welcome to New Premises Pack in conjunction with the Facilities Specialist, BT Help Desk Manager and Programme Manager.
- Understand AT agile working environment requirements and work with the Facilities Specialist, BT Help Desk Manager, Programme Manager and staff champions to ensure that all staff are transitioned into the change in working style and environment.
- Work with HR to identify and change all employment contracts effected by the project.
- Manage resistant to the project.
- Development of office protocols.
- Monthly reporting on progress to Programme Manager.
- Identify risks and opportunities over the course of the project and communicate these to the Programme Manager.

BT Desk Top Support Manager – Tommy Moffitt

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- Manage communications with all contractors', engineers, architect and programme manager.
- Manage the fit-out project budget
- Monitoring the quality of work being completed and documentation
- Managing any conflicts
- Work with the Facilities Manager, BT Core Programme Manager and Desk Top Manager to ensure the furniture and relocations works are successfully completed.
- Ensure that the project delivers the outcomes set out in the scope of works provided by the Architect.
- Carry out a defects check with the contractors and architect at the end of the project works and monitor and certify completions of the remedial items.
- Identify risks and opportunities over the course of the project and communicate these to all stakeholders.
- Provide the Programme Manger with weekly reports on the progress of the project including progress against objectives, outcomes, scope, timeline and budget and any out of scope variations for approval.
- Attend Landlord fit-out project meeting as required they the Programme Manager.
- Provide accurate asbuilts at the end of the project to the Programme Manager.

Property Specialist - Keith Mitchell

- Provide Leadership to the Programme Manager and Engineers during the Due Diligence period to ensure all Landlords works are clearly identified within the Agreement to Lease.
- Develop and provide the base Deed of Lease and Agreement to Lease documents for approval by Programme Manager, AT Legal, Project Sponsor and ELT.
- Lead lease negotiations in conjunction with the Programme Manager with the Landlord on behalf of AT to achieve the best possible outcome for AT.
- Ensure that final Agreement to Lease will result in a premise that will meet the project objectives and outcomes and within the operating and capex budgets approved by the AT Board.
- Identify risks and opportunities over the course of the project and communicate these to the Programme Manager.

Procurement Specialist – Sharon Mimilo

- Manage all communications with project team members, contractors, legal, and auditors for the procurement process and provide weekly updates to the Programme Manager.
- Identify the areas of services or goods that need to be put out to the market for tender.
- Completed procurement plans/direct appointments in conjunction with the relevant project team members and obtain approvals
- Identify and lead the evaluation team and develop evaluation criteria.
- Completed RFT/direct appointment documents including contract document
- Release the tenders to the market and respond to tender queries.
- Close tender and lead evaluation process.
- Shortlist tender response and lead negotiations with shortlisted parties in conjunction with Programme Manager or other relevant project team members.
- Recommend a preferred contractor for approval by the Programme Manager, Project Sponsor and ELT.
- Update contract document with any agreed variations and the contract price and have the documents approved by Legal and ELT.
- Award Contracts to successful supplier.
- Identify risks and opportunities over the course of the project and communicate these to the Programme Manager.

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- out the remaining task to be completed prior to relocation date.
- Budget funding at \$800/m2 is a very tight compared to market average spent of office fit outs, we will need to ensure we utilise existing fit out where possible and keep a tight watch on project planning costs.
- Getting the right people on the project team and ensuring open communication across the team to maximize the use of resources.
- Assumed that we are able to extend existing short term leases to the relocation date.
- Assumed that we are able to negotiate the lease terms to a successful conclusion.
- Assumed Commencement Date, this is still under negotiation.
- Time allowed for Due Diligence on existing service is very tight to allow lease documentation to be completed on time.
- Timely and open communication with all employees to ensure that we bring everyone on a positive and exciting journey.

3.3 Dependencies

DEPENDENCY FOR / ON	POTENTIAL IMPACT
Lease tails are taken over by Landlord.	Will not achieve the operating savings that we need to ensure that there is no increase in operating costs over the term of the lease. Will need to negotiate other savings to counter these costs.
Extension of existing short term leases	Would be required to find and fit out other interim premises which will impact on overall cost of project.
No growth in current employee numbers.	We have no further existing space for staff and the premises only allows us to house current employee numbers. We would have to look to intensifying our use.
That the fit out costs remain within budget	If fit out quotes exceed budget costs we would need to look at simplifying our fit out requirements to bring them in line with our budget.
Landlord and tenant works completed on time	If premises not ready for occupation by the expiry date at Smales Farm, we would need to look moving people into an unfinished premises or an alternative interim site.
Successful Lease negotiations	If we cannot successfully reach an agreement on key lease terms such as rental rates, incentives and Landlord works we would be required to find another premises for this project.

3.4 Assumptions

Project resources both internally and externally.
 Extension of existing short term leases.
 Approval for full project budget.
 Full support from AT Board and the public for the project.
 The current tenant will vacate the premises
 Successful completion of lease negotiations.

DOCUMENT NAME	Project Initiation Document (PID) - [Project Name]	VERSION	Version 0.1
DOCUMENT No.		DATED	27 April 2018
PREPARED BY		FILE REF	30.0
FILE NAME/LOC	Project Initiation Document Draft		

Complete Due Diligence	Complete and sign off Lease due diligence period for building performance criteria	31 March 2016
Design Brief	Gather information from AT business and complete a detailed design brief for the Architect of AT business requirements.	20 June 2016
Fitout Scope of works and detailed plans	Completed detailed plans and scope of works for building consent and tendering of fitout works.	16 September 2016
Award fitout contract works and furniture supply	Completed tender process and obtain ELT approval for preferred supplier and cost. Award contracts to preferred suppliers	16 January 2017
Commence fitout works	Commence hard fitout works including installation of BT requirements, partitions etc. Installation of new furniture	4 April 2017
Commence relocation	AT staff to start moving into on a staggered basis.	1 June 2017
Completed Relocation and makegood of existing premises	Complete moving all staff and existing furniture into new site, clean and make good existing office locations and handover.	31 July 2017

4.2 Quality Expectations

Design standards of the following New Zealand documents.

Government Property Management Centre of Expertise – Workplace Standards and Guidelines for office space.

Building Act

Health and Safety in Employment Act

Resource Management Act.

Standard New Zealand

- AS/NZ 1170.5:2004
- AS/NZS 1170:2002
- NZS 4219:2009
- AS/NZ 2785:2000 and AS/NZs 1170:2002
- NZS 4541
- NZS 4121

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Design Team and ELT to review final premise design against design brief and business requirements to ensure that the design brief meets all the project objectives.

All procurement processes to be reviewed by the Project Sponsor to ensure that the process meets all AT procurement procedural requirements.

4.7 Project Meetings

All project meetings will use standard meeting templates including meeting agenda and meeting minutes. A daily log will also be kept by all project team members for all other project related conversations. The meeting will, where relevant, take into consideration the following:

- Health and safety
- Risk and opportunities
- Project budget
- Project timeline
- Project objectives and deliverables
- Variation from project scope.

There will be as required meetings during the negotiation, investigations and design stages of the project with the teams involved in these processes.

There will be weekly meetings with the furniture and construction contractor during the construction/relocation phase of the project.

There will be fortnightly meetings with the staff champion's team from across the business to update on progress and as required with other people within the business.

There will be a monthly power point report provided to the Project Sponsor and ELT.

4.8 Procurement Plan

The Procurement Specialist will manage in conjunction with the Programme Manager the procurement process for the project. They will complete all direct appointment contracts and identify all goods and services that will be put out to tender and complete all documentation, according to the procurement process as identified by the Project Sponsor. Areas of the project to be contracted out will include:

- Design
- Fitout Project Management.
- Hard Fitout works
- Furniture Supply
- Relocations works
- Makegood of exiting premises including disposal of unwanted furniture.
- Service contracts for new premises including cleaning, office supplies, and maintenance contracts.

4.9 Communications Plan

The communications plan is to be develop by the Change Manager and Programme Manager in conjunction with the communications team and then approved by ELT. Once approved the communications plan will be attached to this document and followed throughout the project life. The Change Manager and Programme Manager shall be responsible for ensuring that this plan is implemented.

The communications plan shall identify the following:

DOCUMENT NAME	Project Initiation Document (PID) - [Project Name]	VERSION	Version 0.1
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FILE NAME/LOC	Project Initiation Document Draft		

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Corporate Accommodation – Long Term Strategy

Executive summary

This strategy asks ELT to consider options for AT's future office accommodation needs. The need for a strategy is triggered by impending lease expiry at Smales Farm in June 2017.

Issues with the current suite of accommodation are:

- Spread across 25 locations currently with three main locations (Waitakere 507 staff, Smales Farm 176 staff and CBD 809)
- Efficiency losses due to extensive staff travel between locations
- While overall rental per staff member is within current benchmarks, there are opportunities to reduce total cost of occupancy without compromising effectiveness
- Inconsistent standard of accommodation including provision of associated amenities such as bike parking, showers, etc.
- Inability to deal with headcount growth and consequential ad hoc growth of space and locations
- Uncertain future of the AC premises at Henderson
- Opportunity for use of technology including reduced need for paper storage and use of video-conferencing

In addressing these issues, the property team has:

- Begun engagement with the wider Council family on an holistic solution
- Surveyed staff to determine work habits, which teams work closely together and future business needs
- Considered the current and likely evolution of Auckland's property market
- Considered the impact of CRL on the city centre including the opening up of Karangahape Road and of likely development based around Aotea Station. This is relevant given most CBD leases expire in 2019
- Estimated a total fit-out cost of \$9 million. A revised property configuration will lock in significant cost for a long period
- Estimated a future headcount of 1,650 based on current staff plus vacancies plus CRL and LRT projects

The following analysis is for discussion.

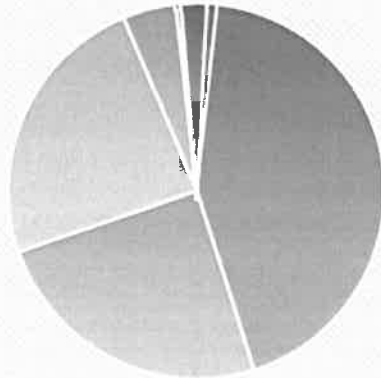
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Document ownership

Submitted by	Julie Sarten Corporate Accommodation Manager	
Recommended by	Jeff Parsons Head of Procurement	
Approved for submission	Richard Morris Chief Financial Officer	

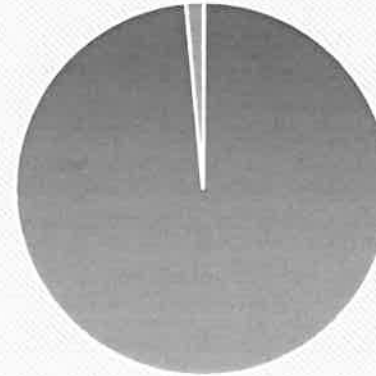
The following graphs show the properties that make up the above four locations:

City Locations



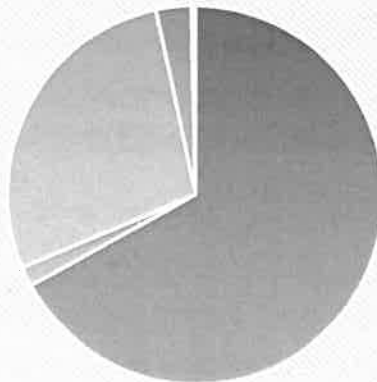
- HSBC Centre
- AMP Building
- 8 Nelson St
- Ferry Building
- Downtown Car Park
- Britomart

Western Locations



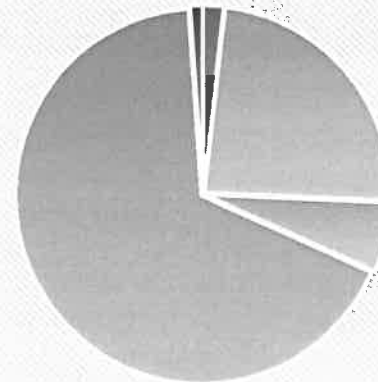
- L 4, 5, 6 Admin Building, L1 & 3 Civic Building, Part L 1 Central One, 6 Henderson Valley Road
- MacLeod House, Tui Glen Reserve, Waitakere

Southern Locations



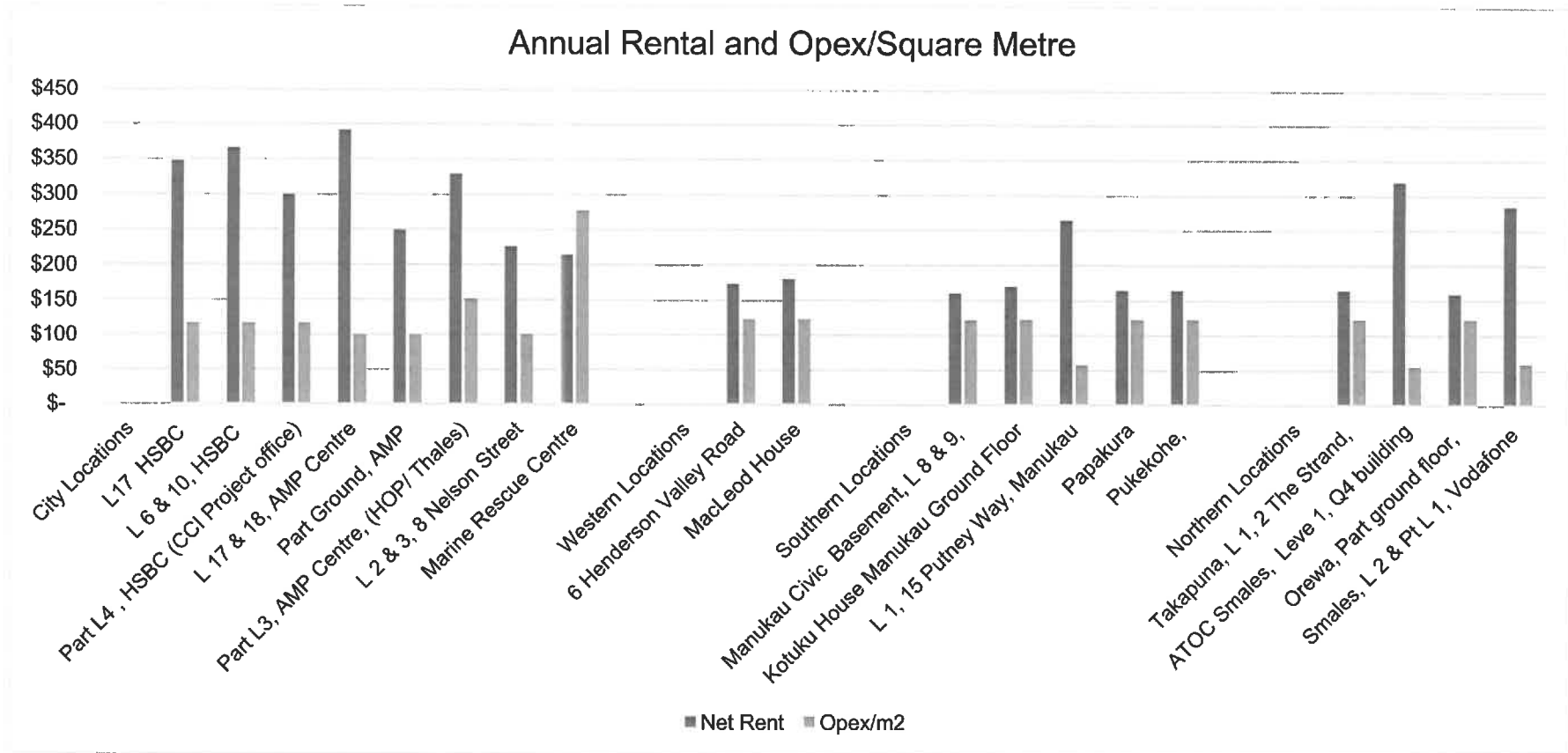
- Part Basement, L 8 & 9, 31 Wiri Station Road, Civic Building, Manukau
- Shared Ground Floor Kotuku House, Manukau
- L 1, 15 Putney Way, Manukau
- 35 Coles Road, Papakura
- 82 Manukau Road, Pukekohe

Northern Locations



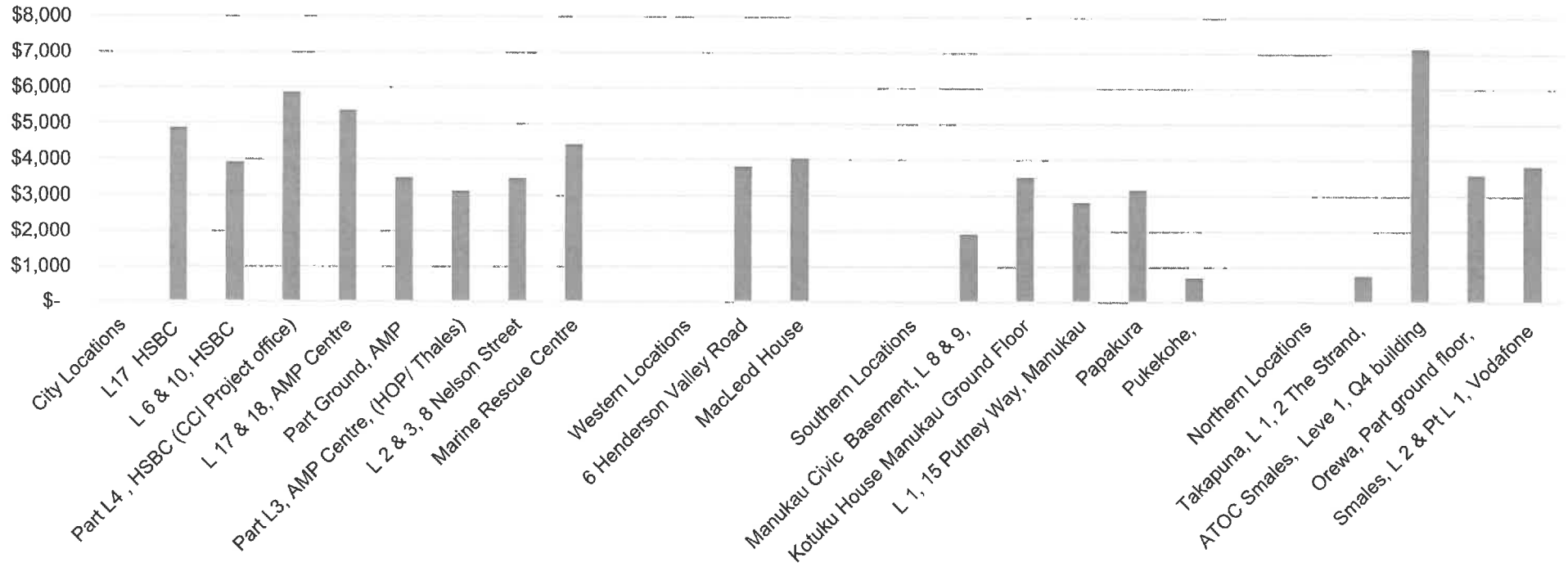
- L 1, 2 The Strand, Takapuna
- ATOC Smales L1, Q4 building, 68-76 Taharoto Road, Smales Farm
- Part ground floor, 50 Centreway Drive, Orewa
- L 2 & Part L 1, Vodafone House, Smales Farm
- Other (Great Barrier, Waiheke, Sandspit)

WESTERN LOCATIONS			
MacLeod House	120	30/06/2016	30/06/2017
6 Henderson Valley Road	7,703	1/07/2016	01/07/2017
Total	7,823		
SOUTHERN LOCATIONS			
Pukekohe 82 Manukau Road	2	30/06/2016	28/06/2017
Papakura 35 Coles Road	22	30/06/2016	26/06/2017
31 Wiri Station Road, Civic Building, Manukau	479	30/06/2016	25/06/2017
Manukau Kotuku House	12	30/06/2016	26/06/2017
15 Putney Way, Manukau	200	30/06/2016	
Total	715		
NORTHERN LOCATIONS			
Takapuna 2 The Strand	50	30/06/2016	27/06/2017
Centreway Drive, Orewa	165	30/06/2016	29/06/2017
Smales Farm Level 2 & Part Level 1	1,851	2/06/2017	
ATOC Smales Farm (NZ Transport Agency / AT shared)	1,300	7/03/2019	07/03/2031
Total	3,366		



When looking at rental rates, AT also need to consider the number of people per square metre that can effectively be located in the space as this affects the amount of space that is required. This can be impacted by the size of the floor plates, building core, services and columns, efficiency of layout for example desk size, number of offices, and type of use. Parking warden’s sites can operate at six square metres per person whereas office locations are between eight to twelve square metres per person. Workplace Standards and Guidelines for Office Space (Crown, 2014) recommend no more than 16 square metres per person.

Annual rent+ Opex/person



An assessment of total number of desks provided across AT office locations has been completed along with a Unispace Desk Utilisation study at Henderson, HSBC and Smales Farm offices. On assessing total desks that are currently allocated AT also need to consider the following:

- 26 desks (other than call centre, ATOC and parking warden functions) currently shared by 2 users (Smales Farm and City locations)
- 49 vacant and hot desks located in non-project CBD locations
- 82 positions currently being recruited (38 in City locations, 15 Smales Farm and 24 Henderson)
- A desk utilisation study at Henderson, HSBC and Smales Farm found the 24% of desks had no occupant. In addition less than half of the desks had someone actually at the desk throughout the study. This suggests that there is scope for better utilisation of desk space.

A Utilisation Survey was undertaken to identify causes of inefficiency. The results of which are as follows:

Top Time Lost inefficiencies (per week across total surveyed employees)

- Travel between offices (397.5 hours) 23.1%
- Noise (168.5 hours) 9.8%
- Quiet areas (154.5 hours) 9%
- Temperature/Air quality (122.5 hours) 9%
- Privacy (103 hours) 6%

This suggests consolidation into properly fitted out buildings will provide productivity improvements.

Technology and Information Management

- Employees need laptops, Wi-Fi access and remote access to AT file storage and SAP to increase mobility
- All desks need to be set up with the same standard equipment to enable any user to work from any location
- Hot desks need to be set up with screens, docking stations, mouse and keyboards for ergonomic working conditions
- There are too many paper files stored around office space using up valuable work space. Use of SharePoint needs to increase.
- Education and equipment to encourage Lync, video conference and teleconference meetings rather than travelling between sites

Unknown User Requirements and Ownership of Space

- Teams' ownership of areas within the office space – there can be a number of vacant desks in one team, and on the same floor another team will be desk sharing due to lack of available desks
- Movement of people and creation of new positions without notification
- Unplanned/unbudgeted growth across all areas of the business
- Short notice request for office accommodation for individuals and teams of new users (e.g. six weeks' notice for Light Rail requirement for 20 – 30 desks)

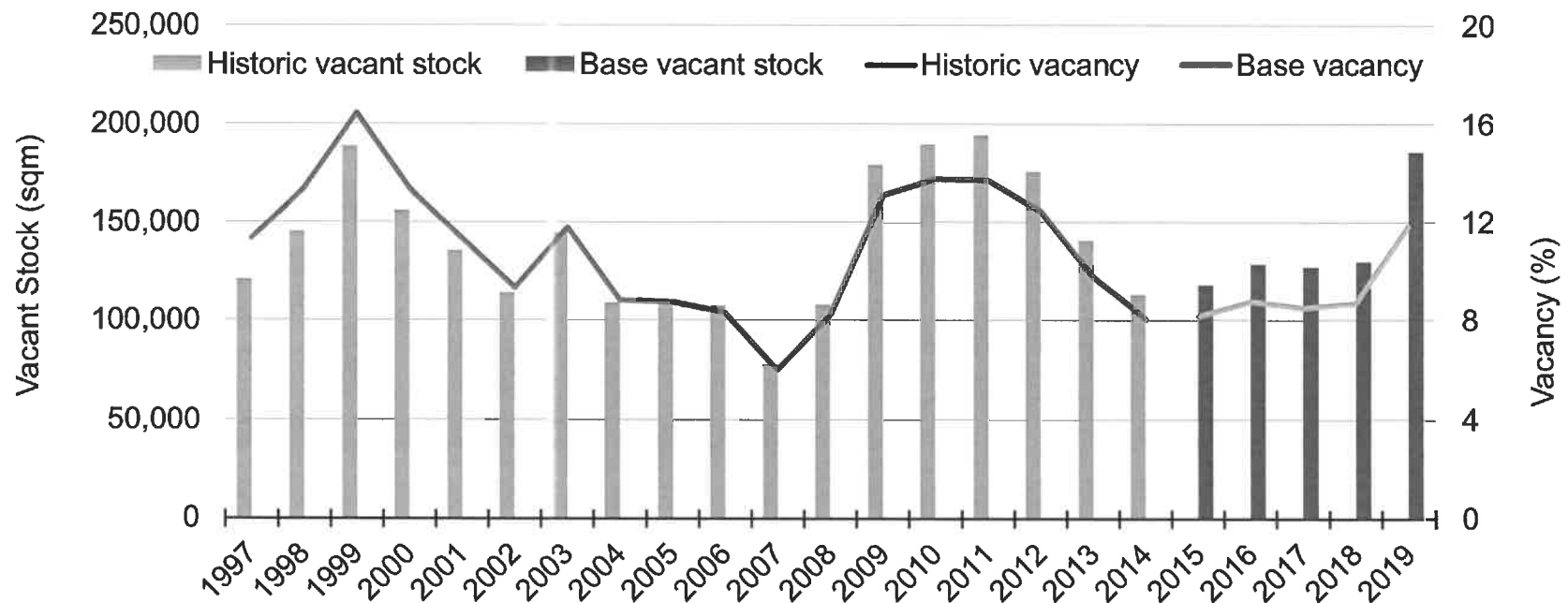
Henderson Building Issues

- AC has indicated that they intend to sell the staff car parking area within next two years
- 95 staff car parks onsite which are oversubscribed on a daily basis
- General level of crime in surrounding area leads to employees not feeling safe when walking in the area
- Poor utilisation of floor area due to inefficiencies in current design and layout of buildings (one person per twelve square metres, industry standard is one person per ten square metres)
- Large amounts of common space due to Waitakere City Council fitout still in place (Council Chambers and offices)
- Lack of control on service levels being provided to AT tenancy space within the building (e.g. air-conditioning issues that were not addressed promptly)

Market Conditions

CBRE Real Estate reports that the current office market is tight and expected to remain so for the next 36 months even with new office space that is currently under development. The average gross occupancy cost excluding car parking for new office space is \$539 per square metre. Currently there is approximately 22,500 square metres of office space under construction in Ponsonby and CBD. A further 55,000 square metres is expected to start before the end of the year across Auckland due for completion by 2017. Due to the large amount of floor space required by AT (either 10,000 square metres for tranche one or 15,000 square metres for tranche one and two), and depending on timing and numbers, AT is working in a very narrow market with a limited number of options to suit AT's time frame.

Auckland CBD Office Vacancy



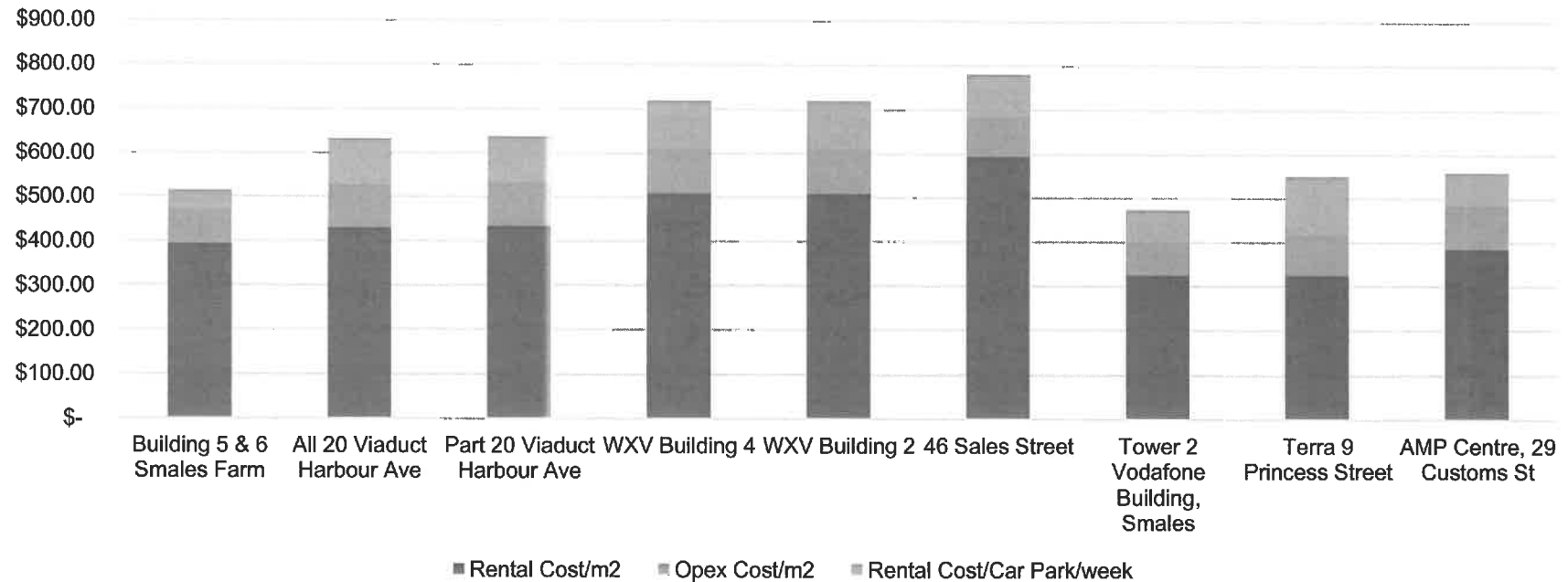
	PRIME GRADE CBD RENTS (PREMIUM AND A)			SECONDARY GRADE CBD RENTS (B AND C)		
	Face	Effective (incl. incentives)	Incentive (Nine year lease)	Face	Effective (incl. incentives)	Incentive (Nine year lease)
Rent at Jun 2015	\$416	\$383	5.7 months	\$248	\$216	7.4 months
Rent at Dec 2015	\$411	\$376	6.0 months	\$241	\$205	8.4 months
Six Monthly Change	1.4%	1.6%	-0.3 months	2.8%	5.0%	-1.1 months
Annual Change	3.3%	3.8%	-0.4 months	5.3%	8.3%	-1.4 months

Likely Available Lease Options

To confirm market conditions, a considerable amount of time has been spent going out to the market to check current and future premises that are potentially available for lease. Premises that met AT's space requirements and had an average floor plate of a minimum 900 square metres and 10,000 square metres of space available were as follows:

	Location	Potential Availability
Smales Farm	Buildings 5 & 6 Smales Farm	1 February 2017
Goodman	20 Viaduct Harbour Ave	1 July 2017
Goodman	WXV Building (Wynyard Quarter)	1 May 2017
Mansons	46 Sales Street	1 March 2017
Terra Ltd	9 Princess Street	1 January 2017
Smales Farm	Tower 2, Vodafone Building	1 July 2017

Landlord Rental, Operating and Car Parking Cost Potential Leasing Options



It is also important to assess the occupancy rates of the building in conjunction with the rental. In this case, 20 Viaduct Harbour is able to house one person per nine square metres whereas all other buildings have been designed to allow one person per ten square metres. Landlord incentives and rent review mechanisms also need to be considered to understand total costs over the term of the lease. The following table has taken into account these items and looks at the rental on a per person basis. On this basis the existing buildings such as Princess Street (old Fonterra building) at \$4,342 per person and Tower 2 Vodafone Building, Smales Farm (current Vodafone building) \$4,140 per person are comparative to some of our current lease terms such as Henderson \$3,817, HSBC Level 6 and 10 \$3,924 and HSBC Level 17 \$4,878 per person.

Options

There are three distinct lease expiry groups (there are a couple of minor lease terms outside of these groups) in 2016/17, 2019/20 and 2026. This leaves AT with the following options:

	BENEFITS	RISKS
OPTION 1		
<ul style="list-style-type: none"> 2019/20 relocation all AT premises to CBD location 	<ul style="list-style-type: none"> One move and fitout for entire organisation with time to prepare a well-planned and implemented strategy Market conditions expected to be more favourable if planned developments proceed in 2019 	<ul style="list-style-type: none"> Continued struggle with employee drift into the CBD locations in the interim period No space for further unplanned FTE growth Potential loss of Henderson staff car parking making Henderson less attractive location for employees due to safety concerns and commute Substantial investment of resources required in Henderson fitout to ensure that these premises continue to meet business requirements Due to size of requirement there may be limited options for final consolidation of 18,000 forcing AT into a new build with higher rental rate Continued cost to business due to lost time commuting between offices
OPTION 2		
<ul style="list-style-type: none"> Consolidate first tranche of approximately 10,000 square metre (Henderson and Smales Farm) 2016/17 and then second tranche of CBD located portfolio approximately 6,000 square metres in 2019/20. Maintain operational hubs North, South and West 	<ul style="list-style-type: none"> Reduction in lost time and travel costs due to decreased distance between offices, and CBD offices combined Lease term minimum of nine years will ensure that fitout in consolidated premises is fully utilised Can still investigate longer term option of locating AT over CRL railway hub 	<ul style="list-style-type: none"> Changes to AT business requirements over the nine year term Staff churn due to relocation and less time for change management/implementation in initial move Office market conditions less favourable Substantial fitout costs

Building Services Engineering: Reporting to Julie, responsible for supporting Julie and the Negotiator to provide high level electrical / mechanical / hydraulic building services comparative analysis between the options under consideration (50 hours @ \$150 (plus GST) per hour- \$7,500 (plus GST) up to 31/10/15).

Financial Analyst: Reporting to Julie and likely to be supplied internally from AT, responsible for comparative financial analysis between the competing options using NPV or other AT preferred financial modelling (assume this resource is available at no cost to the Project Team up to 31/10/15).

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Corporate Accommodation – Long Term Strategy

Recommendation

That the Board:

- i. Notes the proposed accommodation strategy to be executed from the end of this calendar year.

Executive summary

The impending expiry of several accommodation leases over the next few years raises the need for a coordinated response to new office accommodation. Analysis of AT's requirements, the Auckland leasing market and the needs of the wider Council group indicate the preferred solution is to co-locate most operations in Auckland central, leaving operational delivery bases in the North, South and West.

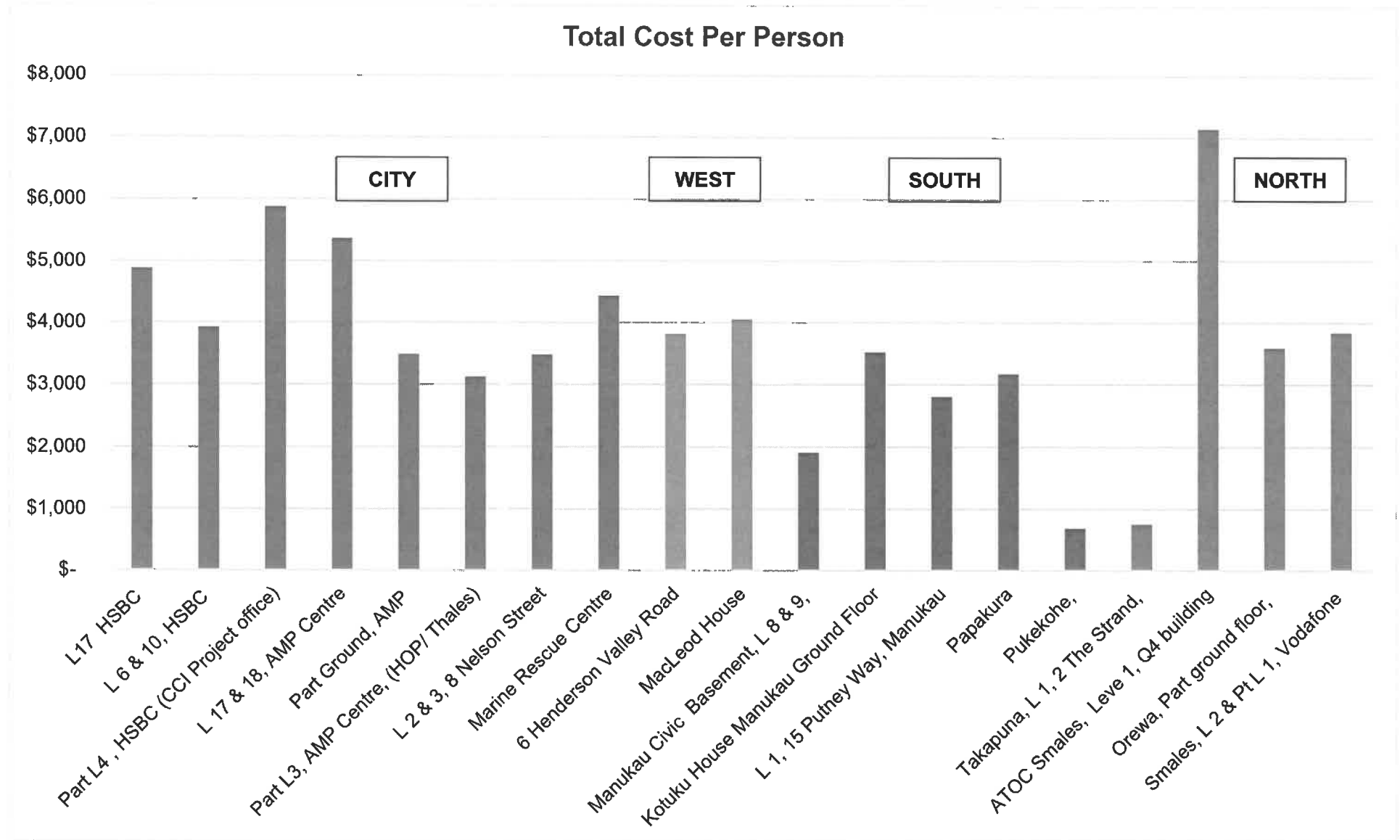
The proposed operating cost is cost-neutral although there will need to be a capital investment of approximately \$9 million over the next six years to replace fully depreciated office fit-out with appropriate facilities at new locations.

Background

AT's current office accommodation is not optimised:

- Current space ranges from top end downtown office space to legacy low quality space well outside the city centre.
- AT is currently spread across 25 locations. This is sub-optimal and entails significant productivity loss.
- Amenity value needs improvement. A consistent and modern approach to meeting and break-out space, sufficient kitchen, toilet and shower/locker space and physical security are needed. The standard should reflect that of a publically funded body.
- Opportunities to leverage technology including reduced paper storage and video-conferencing from an employee's desk need to be taken.

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Document ownership

Submitted by	Julie Sarten Corporate Accommodation Manager	
	Jeff Parsons Head of Procurement	
Recommended by	Richard Morris Chief Financial Officer	
Approved for submission	David Warburton Chief Executive	

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Corporate Accommodation – Long Term Strategy

Recommendation

That the Board:

- i. Approves the commencement of commercial negotiations with Wynyard Precinct No 5 Ltd (Wynyard) and the building at 20 Viaduct Harbour Avenue (currently occupied by Vodafone), being Auckland Transport's preferred location for the consolidation of the majority of AT staff to a single building in Auckland's CBD. All commercial discussions with Wynyard will be within the commercial terms detailed in the financial analysis table below.
- ii. Delegates authority to the Chief Executive to approve and execute a nine year lease commitment with Wynyard based on the commercial terms being the same or better than those details in the financial analysis table below
- iii. Approves the expenditure of up to \$11 million for the fitout of 20 Viaduct Harbour over the next two financial years
- iv. Approves make-good expenditure of up to \$8.35 million for existing premises

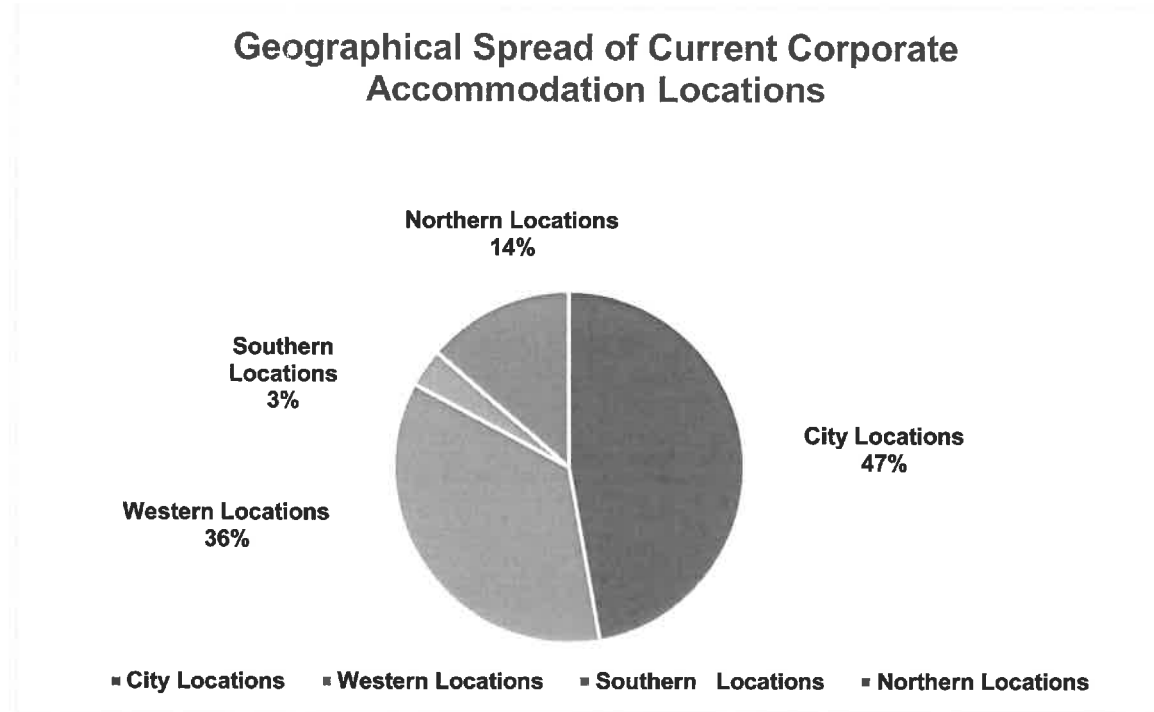
Executive Summary

In September 2015, the Board noted the Corporate Accommodation – Long Term Strategy. The key driver was the expiry of the Smales Farm lease in mid 2017. Key principles were the desire to reduce the inefficiency of operating from three main sites (Henderson, Smales and CBD) and multiple locations. The need for a primary location in the CBD to service key stakeholders such as AC and the NZ Transport Agency was acknowledged. The strategy observed that rent per square metre was only one element of total cost and that AT sought to exceed benchmark standards of 13 m² per person and instead aim for 10 m² or better. Ideally AT would consolidate the majority of AT staff to a single building in Auckland's CBD.

AT has subsequently conducted a market RFP tender for suitable office accommodation options. Twenty-six available properties were considered. Following a desk-top evaluation, nine options were offered the opportunity to tender. From the six RFP responses received, there were three shortlisted parties. Only two responses fully met AT's premises brief:

- a) 14 non-contiguous storeys in the 20 storey AMP Centre at 29 Customs Street West, owned by Precinct Properties; and
- b) All of the six storey building presently occupied by Vodafone at 20 Viaduct Harbour Avenue, owned by Wynyard (Goodman's).

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Utilisation

AT employee numbers are currently approximately 1,600 staff (not FTEs). There are a number of open positions and contractors not in staff roles. Due to project work and outsourcing there are also seating allowances for contractors working from AT office locations, for example CRL have in-excess of 100 contractors that spend time working from the CRL office space that are not shown in the FTE number below. These extra requirements result in AT having no available space within some of our CBD and outlying locations for the open positions.

While this paper discusses CBD options, delivery of the Accommodation Strategy will also require consideration of operational service requirements in the North, South and West of Auckland, the future location of the Traffic Operation Centres and the potential for services that have previously been outsourced for rail security to be brought back into the business.

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Current Rental Rates

The rental rate range for AT current office accommodation is \$160 to \$392 per square metre. The lowest rental rates are currently found in outlying premises such as Henderson, Manukau and Orewa, but also in one of the CBD properties at Nelson St. This is a reflection of the standard of the premises and the location of the site. Rental rates in outlying locations are lower than those in the CBD due to the land values, and the Nelson Street premises is in a partially sub ground location that had proven difficult to lease prior to AT taking the space. It required extensive refit, offsetting some of the rental saving.

Base rental is only one factor in considering total cost. Fitout cost, including reception areas, kitchens and the existence of existing offices can make a considerable difference to choice of building.

The number of people per square metre that can effectively be located in the available space is also a key cost determinant. This can be impacted by the size of the floor plates, building core, services and columns, efficiency of layout (desk size), number of offices, and type of use. Workplace Standards and Guidelines for Office Space (Crown, 2014) recommend no more than 16m² per person.

Premises located in AT owned space¹ do not incur any rental or operating expenses and has not been included in the following analysis. AC premises include all operating cost such as cleaning and power. These costs are not included in external landlords' costs. They add approximately \$40 per m² to operating costs depending on the use and density.

The conclusions from the following analysis are:

- AT needs a significant presence in the CBD
- CBD is not necessarily more expensive provided space utilisation is optimal
- The density of staff and fitout are a key determination of cost
- Few locations are more efficient than multiple sites in terms of both economy and efficiency
- Space which can be utilised efficiently lowers the cost per employee

¹ ATOC, Downtown Car Park and various Customer Service Centres

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Current Office Accommodation Challenges

CBD Drift

- Outstanding requests from teams and individuals to be moved from Henderson to the CBD
- Increasingly Henderson space is becoming vacant and CBD demand cannot be met
- Key external clients such as AC and the Transport Agency located within the CBD
- 47% of AT employees located in the CBD resulting in other areas of the business travelling into this location
- A reluctance from CBD located people to travel to other office locations
- CBD is more central to all areas of Auckland and is the point that all forms of public transport currently terminate
- Recruiting for Henderson based positions can sometimes prove to be more difficult due to location
- Analysis of where current employees live suggest wide dispersal across Auckland (and therefore CBD is probably least total travel distance, albeit over more congested routes)

Multiple Locations

- The Utilisation Survey indicated approximately 0.8 hours of lost time per employee per week due to travel between offices, which averaged across the business is an estimated 63,440 hours of lost time per annum or an estimated \$2 million per annum.
- Work related travel costs within Auckland were over \$200,000 for the last financial year
- 25 locations encourages areas of the business to form silos
- Duplications in services and amenities
- Internal and external client expectations require AT employees to work from more than one office location on a daily or weekly basis
- Less efficient use of desks, due to people traveling between offices and increased requirement for more than one desk per person
- Various lease terms and conditions due to the variety of leased areas, including fitout, rental rates and expiry dates
- Parts of AT business require office accommodation in CBD, South, West and North Auckland to ensure operational efficiencies

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Flexibility

- A new facility presents the opportunity to build modern, flexible work practices in from the design upwards. An internal working group is working on flexible work practices is developing proposals. These are likely to include greater use of collaborative work space, less paper-based working/ clear desks, hot desks and more break-out space along with sensible use of tele-commuting.

Current Market Conditions

Prior to releasing the RFP AT spent time investigating the current market conditions for office space. These investigations highlight that there was very little space available within the office market within the next two years that could meet AT's space and rental requirements. The following table shows the 26 available office buildings with more than 1,800m² available office space to lease. Based on the information gathered, AT put a closed RFP out to the market to nine parties that could potentially meet AT's space and rental requirements.

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	Sep-16	68 Shortland Street	CBD	4	757	B Grade	4,216.00	\$400.00	\$1,686,400.00	\$110.00	\$463,760.00	\$2,160,160.00	\$510.00
	Sep-16	82 Wyndham Street	CBD	3	1,672	B Grade	4,163.00	\$350.00	\$1,453,550.00	\$100.00	\$415,300.00	\$1,868,850.00	\$450.00
	Jan-16	167 Victoria Street West	Freemans Bay	6	1,023	A Grade	5,668.00	\$595.00	\$3,312,960.00	\$95.67	\$532,690.56	\$3,845,650.56	\$690.67
	Apr-16	82 Halsey Street	Wynyard Quarter	2	1,542	A Grade	3,084.00	\$475.00	\$1,464,900.00	\$95.00	\$292,980.00	\$1,767,880.00	\$570.00
	Jun-16	17 Hargreaves Street	Freemans Bay	2	1,528	B Grade	3,066.00	\$375.00	\$1,146,000.00	\$65.00	\$198,640.00	\$1,344,640.00	\$440.00
	Oct-16	9 Princes Street	CBD	12	914	B Grade	10,266.00	\$370.00	\$3,794,720.00	\$88.56	\$908,271.36	\$4,702,991.36	\$458.56
	Dec-16	34 Sale Street	Freemans Bay	4	1,620	A Grade	6,721.00	\$450.00	\$3,024,450.00	\$78.13	\$525,111.73	\$3,549,561.73	\$528.13
	Dec-16	Britomart	CBD	3	1,067	A Grade	3,200.00	\$575.00	\$1,840,000.00	\$150.00	\$480,000.00	\$2,320,000.00	\$725.00
	Jan-17	139 Pakenham Street	Wynyard Quarter	3	1,668	A Grade	3,341.00	\$500.00	\$1,670,500.00	\$100.00	\$334,100.00	\$2,004,600.00	\$600.00
	Jan-17	54 Cook Street	CBD	3	1,258	A Grade	4,025.00	\$375.00	\$1,509,375.00	\$100.00	\$402,500.00	\$1,911,875.00	\$475.00
	Mar-17	210 Federal Street	CBD	4	933	A Grade	3,832.00	\$395.00	\$1,513,640.00	\$85.00	\$325,720.00	\$1,839,360.00	\$480.00
	May-17	14-18 Customs Street	CBD	3	1,038	A Grade	3,105.00	\$475.00	\$1,474,875.00	\$150.00	\$465,750.00	\$1,940,625.00	\$625.00
	May-17	20 Viaduct Harbour Ave	Wynyard Quarter	6	2,444	A Grade	14,265.00	\$430.00	\$6,129,650.00	\$100.00	\$1,425,500.00	\$7,655,150.00	\$530.00
	May-17	48 Sale Street	Jul-17	5	1,737	A Grade	8,077.00	\$595.00	\$4,805,815.00	\$90.00	\$726,930.00	\$6,632,745.00	\$685.00

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RFP Objectives and Process

The RFP objectives were as follows:

- CBD Location
- Consolidation to minimise travel time disruptions and work inefficiencies, increasing overall productivity
- Efficient floor plates that provided good amenity while achieving lowest overall space per person
- Cost

WESTERN LOCATIONS			
MacLeod House	120	30/06/2016	30/06/2017
6 Henderson Valley Road	7,074	1/07/2016	01/07/2017
Total	7,823		
SOUTHERN LOCATIONS			
Pukekohe 82 Manukau Road	2	30/06/2016	28/06/2017
Papakura 35 Coles Road	22	30/06/2016	26/06/2017
31 Wiri Station Road, Civic Building, Manukau	479	30/06/2016	25/06/2017
Manukau Kotuku House	12	30/06/2016	26/06/2017
15 Putney Way, Manukau	200	30/06/2016	
Total	715		
NORTHERN LOCATIONS			
Takapuna 2 The Strand	50	30/06/2016	27/06/2017
Centreway Drive, Orewa	165	30/06/2016	29/06/2017
Smales Farm Level 2 and Part Level 1	1,851	2/06/2017	
ATOC Smales Farm (NZ Transport Agency / AT shared)	1,300	7/03/2019	07/03/2031
Total	3,366		

The 21 locations identified above exclude some small Council-owned sites used as operating bases. Not all of the above locations will be replaced by this proposal.

	BENEFITS	RISKS
OPTION 2		
<ul style="list-style-type: none"> 2019/20 relocation all AT premises to CBD location 	<ul style="list-style-type: none"> One move and fitout for entire organisation with time to prepare a well-planned and implemented strategy Market conditions expected to be more favourable if planned developments proceed in 2019 Better buying power with office accommodation market due to size of requirement. 	<ul style="list-style-type: none"> Continued struggle with employee drift into the CBD locations in the interim period No space for further FTE positions or project requirements Potential loss of Henderson staff car parking making Henderson less attractive location for employees due to safety concerns and commute Substantial investment of resources required in Henderson fitout to ensure that these premises continue to meet business/amenity requirements which will not be fully depreciated when 2019 move occurs Due to size of requirement there may be limited options Continued cost to business due to lost time commuting between offices Continued duplication of amenities/desk requirements Silo mentality continuing to strengthen within organisation Substantial fitout costs in new premises Shorter lease term to meet 2025/26 wider consolidation date
OPTION 3		
<ul style="list-style-type: none"> Gradual consolidation as each lease expires Maintain operational hubs North, South and West 	<ul style="list-style-type: none"> Gradual change to one CBD location as lease legacies expire Final consolidation could occur within shorter timeframe than Option 1 	<ul style="list-style-type: none"> High risk that AT will end up spread across a number of buildings, or with multiple moves and resources spent on short term fitouts Reduction of incentives and less favourable lease terms from landlords due to smaller requirement Higher rental rates Duplication of amenities/fitout Lost time travelling between offices Silo mentality Landlord termination right in HSBC lease might result in an unplanned move as landlord may empty out this building for redevelopment

Corporate Accommodation – Further Information

Recommendation

That the Board:

- i. Approves the commencement of commercial negotiations with Wynyard Precinct No 5 Ltd (Wynyard) and the building at 20 Viaduct Harbour Avenue (currently occupied by Vodafone), being Auckland Transport's preferred location for the consolidation of the majority of AT staff to a single building in Auckland's CBD. All commercial discussions with Wynyard will be within the commercial terms previously presented.
- ii. Delegates authority to the Chief Executive to approve and execute a nine year lease commitment with Wynyard based on the commercial terms being the same or better than those details in the financial analysis table below
- iii. Approves the expenditure of up to \$11 million for the fit-out of 20 Viaduct Harbour over the next two financial years
- iv. Approves make-good expenditure of up to \$8.35 million for existing premises

Executive Summary

In September 2015, the Board noted the Corporate Accommodation – Long Term Strategy. In December 2015 the Board considered a further paper containing the recommendations quoted above. The Board requested further information before making a decision and delegated this to a sub-committee. The further information was contained in a supplementary paper dated 23 December. This supplementary paper is loaded in the December Closed Board Session of Boardbooks at page 71.

In hindsight, the original December Board paper was prepared in haste and didn't adequately take Board members through the decision-making process that led to the recommendations. In addition, some Board members felt the proposed solution appeared inappropriate for a publically funded organisation.

To briefly recap the earlier papers:

- The proposal is to lease 13,686 m² at 20 Viaduct Harbour being the entire lettable space of the current "Vodafone Building"
- The NPV of the proposal, at \$74 million over 9 years at a 6% discount value, was cheaper than the other two short-listed options. The primary driver for the cost is the ability to have occupancy of 9.1 m² per person and low fit-out cost due to large floor plates and the existing open-plan lay-out
- 26 properties were initially considered of which 9 were offered a chance to submit tenders. Six chose to do so and three were short-listed.

- After initially indicating it did not envisage collocating with AT, NZTA has now indicated a preference to do so. The proposed site will allow this.

While the new information does not necessarily reinforce the proposed solution, it also does not detract from it.

In summary, the initial rationale was not well explained. However a good solution has been identified at a reasonable cost. Amenity concerns can be rebutted and amenity value was not a factor in selecting the preferred site.

The Board sub-committee is asked to approve the recommendations above.

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Issues and Options

A comparative financial analysis of the three shortlisted options resulting from the RFP is summarised in the table below:

	Wynyard (20 Viaduct Harbour)	Precinct (AMP Building)	Sanctuary (Princes Street)
NPV - 6% discount	74,083,470	75,888,714	80,891,590
Non-Financial			
<i>Area (m²)</i>	13,686	14,472	10,441*
<i>Total Workstations</i>	1,500	1,608	1,044
<i>Person/ m²</i>	9.1	9	10
Nominal Dollars			
<i>Space</i>	56,029,663	53,360,965	59,954,186
<i>Opex</i>	12,565,331	14,075,319	11,338,525
<i>Incentive</i>	(7,725,000)	0	0
<i>Fitout</i>	10,869,600	11,577,600	12,968,000
<i>Make good (new)</i>	6,843,500	0	0
<i>Make good (existing)</i>	7,043,937	5,314,132	7,043,937
Total	85,627,031	84,328,017	91,304,648

* The financial analysis adds an additional 4559m² to the Sanctuary offer in an additional building to meet the requirement to house 1,500 work stations.

It is anticipated that commercial lease terms and financial benefits will be moderately improved from the above following detailed lease negotiation with the landlord of the preferred option.

The likely relocation from Smales Farm and Henderson is early 2017. There is a possibility all city sites could be co-located at that time. This possibility will be investigated but is only feasible if existing AMP/HSBC leases can be exited on favourable terms (refer to subsequent timing section).

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PROPERTY	RISKS	BENEFITS
Precinct	<ul style="list-style-type: none"> • Cannot confirm they can provide all the space at the timing required as currently building is fully lease to other parties • AT space would be across 15 floors with another tenant in between 11 and 13 • Limited end of Journey facilities • Public perception of building quality and location • Extensive fitout required • Due to number of floors there will be duplication of amenities • Silo mentality could still be an issue 	<ul style="list-style-type: none"> • Central location, close to stakeholders and AT facilities • Average quality building • Lowest \$/ m2 rental levels • Experience landlord and AT currently tenant buildings owned by this landlord • Only Nelson Street lease legacy of concern with this option
Sanctuary	<ul style="list-style-type: none"> • Cannot meet second tranche of 5,000m2 business would be across a minimum of two locations in CBD • Landlord not experienced in major office accommodation both as a provider or ongoing management, intending to sell building should AT lease the space • 12 year lease term • 11 floors, average floor plates of 800-900m2 • Occupation rate of one person/10m2 • New owners with very little knowledge of the building and its services • Extensive fitout required • Required to lease all 149 car parks on site • Limited end of journey facilities • Less opportunity to minimise silos due to the number of floors and locations 	<ul style="list-style-type: none"> • Seven min walk to all key stakeholders and AT facilities • Average building quality • Public perception • Only tenant within building enabling us to control building services and opex costs

On considering both the financial analysis and the non-commercial considerations the Wynyard option at 20 Viaduct Harbour provides the best solutions to all of AT's requirements. The location and amenity of the building is of average quality, providing attractive surrounding amenity for AT employees but not being located in the heart of the city in prime sites such as HSBC and AMP. The large floor plates and current layout will

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Attachments

Attachment Number	Description
1	Current Leased Premises
2	Options
3	Project Timeline

Document Ownership

Submitted by	Julie Sarten Corporate Accommodation Manager	
	Jeff Parsons Head of Procurement	
Recommended by	Richard Morris Chief Financial Officer	
Approved for submission	David Warburton Chief Executive	

Current AT Leases and Associated Costs

	Location	Annual Lease and Opex Costs	Costs Recovered/ Avoided	Net Annual Costs	Comments
Commercial Leased Properties	20 Viaduct Harbour	\$7,361,987.64	-	\$7,361,987.64	Head office
	HSBC Levels 6 and 10	\$1,123,786.80	\$1,123,786.80	-	Sub leased to Transdev (AT Rail franchise operator), Downtown Joint Venture and Telco
	8 Nelson Street	\$764,970.30	\$577,552.58	\$187,417.72	NZTA/AT Supporting Growth Alliance (co-funded by NZTA)
	AMP Part Level 3	\$55,409.40	\$28,258.79	\$27,150.61	AT HOP Test Lab
	15 Putney Way, Manukau	\$70,842.96	-	\$70,842.96	AT Southern Hub
	Mechanics Bay	\$76,585.46	-	\$76,585.46	Harbour Masters office
	67 Corinthian Drive, Albany	\$325,708.72	-	\$325,708.72	AT Northern Hub
	ATOC Smales Farm	\$997,653.80	\$498,826.90	\$498,826.90	NZTA/AT operations centre (co-funded by NZTA)
Council Owned Leased Properties	Civic Building, Manukau	\$139,786.27	-	\$139,786.27	AT Southern Hub
	6 Henderson Valley Road	\$321,551.58	-	\$321,551.58	AT Western Hub
	35 Coles Crescent, Papakura	\$5,259.55	-	\$5,259.55	Parking Services
	82 Manukau Road, Pukekohe	\$5,365.92	-	\$5,365.92	Parking Services
	1 The Strand, Takapuna	\$3,996.40	-	\$3,996.40	Parking Services
	50 Centreway Drive, Orewa	\$5,986.18	-	\$5,986.18	Parking Services
Exited since move to 20 Viaduct Harbour	HSBC Level 4	-	-	-	
	HSBC Level 11	-	-	-	
	HSBC Level 12	-	-	-	
	HSBC Level 17	-	-	-	
	AMP Part Ground	-	-	-	
	AMP Part Level 17 and 18	-	-	-	
	Smales Farm Level 2 and Part 1	-	-	-	
	TOTAL	\$11,258,890.98	\$2,228,425.07	\$9,030,465.91	