



1 November 2019

Meluka Bancroft
Executive Manager, Corporate Strategy and Governance
City of Vincent
PO Box 82,
LEEDERVILLE, WA 6902

Dear Meluka

**LEASE: MINISTER FOR WORKS
WHOLE BUILDING, 246 VINCENT STREET, LEEDERVILLE**

I refer to your emailed counter-response dated 31 October and accordingly my client has instructed me to respond as follows.

Details are outlined below:

1. Landlord : City of Vincent;
2. Tenant : Minister for Works;
3. Leased Premises : Whole Building located at 246 Vincent Street, Leederville and having the rent and outgoings paid over a net lettable area of 2,516 sqm;
4. Lease Term : Ten (10) years;
5. Option Period : One Option term for a further five years;
6. Lease Commencement Date : 22nd December 2019.
7. Proposed Net Rental : \$300 per sqm p.a.;
8. Net Rental Reviews : Annual reviews of 3% p.a.

Market review (no ratchet) on commencement of the option period;
9. Estimated Outgoings : As per existing lease (currently estimated to be \$50.91/sqm).
10. Proposed Use : Office;



11. Car Parking : 23 single secure basement car bays @ \$225 pcm per bay = \$62,100 per annum plus GST
- 21 single secure car park bays @ \$125 pcm per bay = \$31,500 per annum plus GST., for use by staff during business hours (7.30am – 5.30pm) Monday to Friday.
- 10 designated single open visitor car bays at no cost, for use by visitors during business hours (7.30am – 5.30pm) Monday to Friday.
12. Lease documentation : To be based on the current lease by way of a Deed of Extension and Variation of Lease and prepared by the State Solicitor's Office (WA);
13. Legal Costs: Each party shall pay for its own legal costs associated with the review of the lease documentation;
14. Building Management Landlord to appoint a commercial managing agent for the Premises, to be agreed with the Tenant. The managing agent fees are not to exceed 3% of the rent, and will be recovered via the Outgoings.

14. Other Conditions:

14.1 Formal Government Approval

The lease will not be legally binding until the Minister for Works executes the Lease Document at its sole discretion (for any reason);

14.2 Incentive – Landlord Contribution

40%: \$300 per sqm x 2,516 sqm x 10 years x 40% = \$3,019,840

The incentive may be applied against rent, amortised evenly over the initial term of the lease, or as a cash payment, up to a maximum total value of \$1,600,000 (\$794 per sqm) plus GST. The incentive will not be paid prior to 30 June 2020.

14.3 Building Services & Building Compliance

In accordance with the lease the Landlord confirms that where applicable all services including but not limited to mechanical services, electrical services, hydraulic services, fire



and safety services provided to the Premises are in good working order and compliant with the relevant building codes and standards at the Lease extension commencement date and that the Landlord will be liable to ensure such services remain in good working order and are compliant during the Lease term and any extension thereto.

The Landlord confirms that the premises are free of any contamination or hazardous materials. It is also requested that Landlord provides the tenant with a letter from an accredited engineer outlining what materials make up the building's cladding and confirmation that all associated materials/cladding have no non-compliant Aluminium composite panels (ACP) and or cladding located anywhere on, in and around the structure of the building.

14.4 Energy Efficiency and Green Star Ratings

Following the completion of its Commercial Building Disclosure (TLA and NABERS assessments) by a licensed consultant, the Landlord will provide the Tenant details of the associated ratings for its review and records.

14.5 Restoration Obligations

As per the existing lease.

For the sake of clarity, the Tenant will not be required during the Lease Term or any Option to Renew period, to redecorate the Premises however it will have an obligation to maintain the Premises in a good state of repair.

The Tenant shall not be responsible for the make good of the Premises (reinstatement) to base building standard and configuration or the removal of any fit-out or loose furniture (whether installed by the Landlord, the Tenant or any other third party) at the expiry of the Lease but will leave the Premises in a clean and tidy condition only.

The Tenant shall have the right to its belongings and items of fit-out owned by the Tenant under the provision it shall be required to repair any damage to the Premises caused by its removal.

14.5 Landlord Works and Building Upgrades

Please refer to Appendix A.

14.4 GST

All figures quoted in this letter are plus GST. The definition of GST will be based on the existing Lease definition.

Please confirm if the above terms and conditions are acceptable and note time is of the essence.

APPENDIX A – LANDLORD WORKS AND BUILDING UPGRADES

The Landlord, in consultation and agreement with the Tenant (or its advisors), will on a staged basis undertake the following works within the Premises. The timing of the works is to be agreed before agreement on the lease terms, so that the Landlord can budget for these works. The works will not be completed prior to 1 July 2020:

- a) Upgrade and refurbishment of the existing male and female toilet facilities (including disabled facilities) to a modern standard. This work is to include the replacement of all fixtures and fittings including but not limited to new ceramic tiles (floor and wall), installation of new pans, waterless cisterns, cubicles, basins, tapware, urinals, hand towel dispensers, cupboards etc.
- b) The Landlord will provide modernisation to the ground floor Eastern wall tea preparation area. Execution and delivery of works will be completed in partnership with the Tenant. Jobs will include for new cupboards, tiling, sink, tapware and will consist of the installation of a new Billi or Zip unit. For the avoidance of doubt, the cabinets are to have a fridge recess, the size of which to be confirmed by the Tenant.

Other tea prep areas located throughout the building will be repainted and where there is damage the Landlord at its cost will repair.

- c) The Landlord will modernise the internal façade and lighting of the lift and for the assurance of the Tenant, provide documentation to demonstrate its appropriate servicing, detail its end of life and certificates of operation to ensure the lifts will be in good working order throughout the term of the lease and extensions to that.
- d) The Landlord is to provide additions to its existing end-of-trip facilities through further bicycle storage, “Z” style lockers and the aforementioned improvements to the current male and female shower and toilet facilities located on the ground and first floor. This City will liaise with DLGSC in respect to the location of the lockers.
- e) The Landlord is to replace all lights with LED lights.

The Landlord is to provide specifications to any proposed works for input and approval by the Tenant acting reasonably. At the time of submitting the specifications, a detailed program and staging plan together with detail on how the works will be undertaken must be provided for consideration by the Tenant.

All works undertaken by the Landlord are to be conducted following all Australian Standard and Building Codes of Australia (including disability codes relating to access). The Landlord where necessary will obtain relevant approvals and comply with all Government regulations, acts and requirements. All water appliance, tapware, showerheads and toilets are to have a minimum of a 4A rating.

After each stage of works, the Landlord is to advise the Tenant five (5) business days before the conclusion that the works are nearing completion. On practical completion of the works, inspection is to be undertaken with the Tenant (or its appointed representative) to handover the area the subject of the works. If the Tenant has any concerns, a notice will be provided advising of its concerns, and these are to be addressed by the Landlord within five (5) business days of receipt of the notice. (acting reasonably to the issue raised)

All works undertaken by the Landlord are to have a defects liability period of twelve (12) months. The Landlord is to minimise defects before the handover of any area.

General Maintenance

These items of general maintenance will be undertaken by the City within one year of the commencement of the new lease and will be at its cost if structural or capital works. Any other works will be recouped via the Outgoings.

1. Address external "vertical fin" deterioration at the eastern and western ends of the building. City to pay costs of this work.



2. Address external Donnybrook Stone cladding deterioration on the exterior of the building (mainly at ground level). City to pay costs of this work.



3. The Landlord will remove existing tiles, regrade subbase and install new non-slip tiles at the main entrance of the building, as required to ensure the tiles are safe and compliant. City to pay costs of this work.



4. Address corrosion and deterioration of external aluminium cladding to the building. City to pay costs of this work.



5. Air Conditioning System: As part of the handover of the property management of the building, the Landlord will arrange an end of life audit for the air-conditioning system which will address repair, maintenance and parts replacement of the system. The cost of this audit will be recovered from the Tenant via the Outgoings.

7. Repaint all core walls in a mutually agreed colour (two coats), with the cost to be recouped from the Tenant. .

8. Replace all water stained and damaged ceiling tiles, with the cost to be recouped from the Tenant. .