

Appendix 1

Merrion House: Summary Phase 1 to Date

1. The Councils' Executive Board at its meeting in July 2012 approved the provisionally agreed Heads of Terms with Town Centre Securities Plc (TCS) or their wholly owned subsidiary to enter into an Agreement for Lease and Lease for the Council's occupancy of a refurbished Merrion House and a new build extension.
2. The Agreement for Lease and all supporting documentation between the City Council and Merrion House LLP (a new company established by the TCS Group, which will be the Council's landlord under the agreement concluded) was completed on 17th October 2013.
3. Under the terms of the Agreements, the TCS group will be responsible for;
 - (i) Re-gearing the existing head lease, with a lease for a term of 175 years in a form to be approved by the City Council.
 - (ii) Obtaining a release of the building from an existing Debenture Security.
 - (iii) Obtain planning permission for the proposed refurbishment and new build extension works.
4. Members of Executive Board should note that the structure for the delivery of the proposed refurbishment of Merrion House and the new build extension will see the owners of the building (TCS) assuming responsibility for the design and delivery of the Shell and Core (Cat A) works as detailed in an agreed building specification document attached to the Agreement for Lease. TCS will be contractually committed to deliver the Cat A works under the lease, which will form the basis of the rental to be charged by TCS for the Council's occupancy of the building.
5. The Council will be responsible for its own bespoke fit out (Cat B) works, which would normally be carried out by the Council once TCS had completed the Cat A/Shell and Core works. However, under the terms of the Agreement for Lease concluded between the Council and Merrion House LLP, the Council is allowed to request that TCS undertake additional tenant enhancement works. These are over and above the basic Cat A works and are works that would normally form part of the Council's Cat B fit out works, but which in this instance make sense for TCS to progress in terms of practicality and value for money to the Council. The Council will make a capital payment to TCS for the cost of both assuming design responsibility and undertaking the delivery of such enhancements on site as part of the Cat A/Shell and Core works. Members of Executive Board should note that the value of the tenant enhancements will not be reflected in the rental to be paid by the Council for its occupancy of the building, nor would such works form part of the Council's dilapidation liability at the end of the lease term, except where they are one of a structural nature or impact on the net lettable floor area of the of the refurbished building or new build extension. Examples of the nature of the proposed tenant enhancements include enhanced mechanical and electrical services provision to comply with the Council's staff occupation densities, works to include an additional customer lift and the provision of meeting rooms and staff welfare facilities.
6. Executive Board at its meeting in July 2012 also approved the Heads of Terms provisionally agreed with TCS whereby the City Council will acquire a 50% share in the ownership of the Limited Liability Partnership (the LLP) which owns Merrion House and subsequently the completed New Merrion House development. The current building and the adjacent site have been put into the ownership of the LLP

and, the Council will make an initial capital payment up front, representing 50% of the current value of the property and, at the time such payment is made, the rent payable by the Council to the LLP will be reduced by 50%. During the construction period, the Council will make further phased payments to the LLP until the Council's ownership represents 50% of the value of the refurbished Merrion House and new build extension.

7. Significant progress has been made to date in bringing forward the proposed development in partnership with TCS which may be summarised as follows:

(i) Agreement for Lease

8. The Agreement for Lease and Lease was completed in October 2013. Since then, the Conditions Precedent have been satisfied and, as at the date of report preparation it is envisaged that the Council's Agreements with TCS will go unconditional by March 2015.

(ii) Planning Permission

9. The LLP is responsible for obtaining planning permission for the proposed works. Conditional planning consent for the refurbishment of Merrion House and the new build extension, reconfiguration of the Georgian Mall and the development of the retail units fronting onto Merrion Way (which are under the control of TCS) was granted on 25th November 2014.

(iii) Contractor Appointment

10. The Agreement for Lease contains a clause obligating the LLP to procure the building contractor for the proposed works via an OJEU procurement process. Following a competitive tender exercise, Shepherd Construction Ltd has been appointed as the preferred contractor for the works. At the date of report preparation, the preferred contractor is working through the second stage tender period with a view to submitting a tender for the works in July 2015.
11. Shepherd Construction are in discussion with officers from the Council's Employment and Skills team to progress delivery of the employment and skills targets that have been agreed with the contractor during the tender process and which they are committed to provide.

(iv) Tenant Enhancements

12. The City Council has agreed a schedule of tenant enhancements with TCS to be incorporated into the base build/Cat A works. Subject to reaching agreement, TCS will assume responsibility for developing the design proposals for the enhancements will rest with TCS' design team and, the preferred contractor will incorporate the proposed works into their design and procurement programme for pricing.

(v) BREEAM

13. Following a BREEAM pre-assessment of the proposed development, the City Council and TCS remain on target to achieve a BREEAM excellent rating for the building, reflecting both parties' commitment to sustainability and the environment.

(vi) Programme

14. Officers of the Council have worked with TCS' design team in order to achieve an accelerated development programme for the proposed works. At the date of report preparation, work under the main contract is currently scheduled to commence on site in September 2015, though a programme of enabling works could commence on site in March/April 2015. Assuming works progress on site as scheduled, it is envisaged that the Council will be able to commence the balance of its fit out works in early 2017, to allow re-occupancy of the building to commence on a phased basis shortly thereafter.