



ASSEMBLY
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Agenda item 5

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ADMINISTRATIVE COUNCIL
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Agenda item 3

71FUND/AC.19/2

PREMISES OF THE IOPC FUNDS' SECRETARIAT

Note by the Director

Summary:	As a consequence of the need to vacate the Funds' current office premises during external refurbishment of the building, the landlords would like to secure the Funds' agreement to terminate the lease before June 2010 and have offered to cover all costs in relation to finding suitable alternative premises and to pay relocation costs. The various issues involved are analysed.
Action to be taken:	Authorise the Director to secure alternative office premises.

1 The issue

- 1.1 At the time of signing the lease on the Funds' current office premises in Portland House in 1999 the Funds were made aware that the landlords intended to carry out external refurbishment of the building at some point during the coming ten years. The Director was led to believe that the refurbishment would be carried out while the tenants remained in the building.
- 1.2 In February 2006 the Director was informed, however, that the necessary work could not be carried out whilst the tenants were in the building and that, as a result, the landlords would negotiate with the tenants to obtain their agreement to terminate their leases so as to enable the refurbishment, which was expected to take two or three years, to be carried out. The landlords have offered the tenants alternative office space in their new office buildings close to Portland House.
- 1.3 At their February/March 2006 sessions, the governing bodies were informed of the situation (document 92FUND/A/ES.10/18, paragraph 17.3).

2 Current situation

- 2.1 The office premises occupied by the IOPC Funds on the 23rd floor of Portland House in Victoria are subject to a lease entered into in 1999 and covering the period June 2000 - June 2010.

- 2.2 The premises consist of 11 000 square feet of office space at £39.50 per square foot and 700 square feet of auxiliary space at £15.00 per square foot, used to house the printing machinery and the main IT hardware. A storage space of 600 square feet, at £10.00 per square foot, has been obtained in the basement of Portland House.
- 2.3 The rent has so far totalled £445 000 per annum for the 23rd floor and £6 000 per annum for the basement. The United Kingdom Government refunds 80% of the rent, and consequently only 20%, or £89 000 of the rent has been payable by the 1992 Fund for the 23rd floor and £1 200 for the storage space.
- 2.4 Under the lease agreement, a rent review was to be undertaken in June 2005. This review has not yet been completed. Any increase will be effective from 24 June 2005. The landlords have indicated that they were seeking a review based on a rent of £45.00 per square foot on the main accommodation and half of that on the auxiliary space, resulting in a rent of £510 750 per annum. In the light of the situation as regards the lease the Director considers that there should be no rent increase.
- 2.5 Service charges are also payable for the premises in Portland House. The service charges, which cover building insurance, gas, water and sewerage, building maintenance and renovations, security services and management fees, are estimated at £80 000.
- 2.6 Local taxes ('rates') are also payable for the premises. Like diplomatic missions and other intergovernmental organisations, the IOPC Funds pay only a minor portion of the rates. The 2006 budget contains an appropriation of £10 000 for rates.

3 Landlords' offer

- 3.1 At present the IOPC Funds enjoy the benefits of excellent office accommodation. In the Director's view, the Funds have therefore no reason in principle to terminate the present lease before June 2010. However, since there are only four years remaining of the lease, it would, in the Director's view, be worth considering accepting the landlords' request if appropriate alternative premises could be obtained covered by a lease of 10 to 15 years, provided that the economic conditions offered by the present landlords are acceptable from the Funds' point of view. The arrangements and conditions must also be acceptable to the United Kingdom Government.
- 3.2 With a view to securing the IOPC Funds' agreement to terminate the lease before June 2010, the landlords have offered to cover all costs in relation to finding suitable alternative premises and to pay relocation costs, the amount of which to be agreed with the Director in consultation with the United Kingdom Government
- 3.3 The United Kingdom Government is assisting the IOPC Funds in securing alternative office premises and has indicated that it will continue to refund 80% of the rent relating to the offices of the IOPC Funds, as well as continuing to subsidise the rates as is customary for Diplomatic Missions.
- 3.4 In the Director's view the landlords should cover all costs incurred by the Funds resulting from the move to new premises, including removal costs, fitting-out and decoration. The present landlords will also need to reach agreement with the Funds in respect of the issue of the rent level for the new premises, wherever located, which is expected to be higher per square foot than the rent payable for the present premises, even after the proposed rent increase. The rent of the office space in Victoria is in the region of £50 - £60 per square foot.

4 Search for alternative premises

- 4.1 The IOPC Funds have engaged consultants to identify suitable premises, including office space available in the new office buildings close to Portland House.
- 4.2 The Director, in consultation with the Director-Elect, has identified the following criteria for the selection of premises:
- the new premises should be located reasonably close to the building of the International Maritime Organization (IMO), so as to enable the IOPC Funds to continue to use the conference facilities of IMO;
 - the office space should be sufficient to accommodate the needs of the IOPC Funds for at least the next 10 to 15 years, including accommodation of the HNS Fund should it be decided that the IOPC Funds and the HNS Fund should share a joint Secretariat;
 - the premises should provide a good working environment for staff and enable the Secretariat to carry out its work in an efficient manner;
 - the location should allow easy access for visitors using public transport;
 - the premises should provide an appropriate level of security.
- 4.3 Given the above criteria, and subject to the instruction by the 1992 Fund Assembly, the Director intends to concentrate the search for new premises in the Victoria area.

5 Contractual Arrangements

- 5.1 If the IOPC Funds were to move to new premises, some contractual issues will arise.
- 5.2 The lease should be entered into on behalf of the 1992 Fund only, since the 1992 Fund Secretariat administers not only the 1992 Fund but also the 1971 Fund and the Supplementary Fund. As was the case in respect of the previous lease, the United Kingdom Government may be requested by the landlords to act as a guarantor for the 1992 Fund.
- 5.3 Under Articles 28.2 and 2.2 of the 1992 Fund Convention the Director shall be the legal representative of the 1992 Fund and shall be recognised as such by each Contracting State. The Director takes the view that there can therefore be no doubt as to his authority to sign the necessary documents pertaining to a lease on behalf of the 1992 Fund. However, in order to avoid any problems arising, the Director proposes that the 1992 Fund Assembly should confirm his authority in this regard.

6 Time scale

- 6.1 It has become clear that if suitable alternative premises can be found, a decision will have to be taken to enter into a contract in order to secure these premises very rapidly, since there is great demand for office space in a good location in London. It is likely, therefore, that there would not be time to submit the issue to the 1992 Fund Assembly for a decision.
- 6.2 The 1992 Fund Assembly is therefore invited to consider whether it is prepared to authorise the Director to take the necessary decisions, in consultation with the Director-Elect and the Chairman of the 1992 Fund Assembly, provided that the United Kingdom Government agrees in respect of the rent and other financial arrangements and the duration of the lease.

7 Action to be taken by the governing bodies

7.1 The 1992 Fund Assembly is invited:

- (a) to take note of the information contained in this document;
- (b) to consider whether to authorise the Director, in consultation with the Director-Elect and the Chairman of the 1992 Fund Assembly, to take the necessary decisions in respect of relocation of the IOPC Funds' offices from Portland House, provided the United Kingdom Government agrees in respect of the rent and other financial arrangements and the duration of the lease;
- (c) if so, to confirm the Director's authority to sign on behalf of the 1992 Fund any agreement, lease or any other document relating to the lease of premises outside the present offices at Portland House; and
- (d) to give the Director such other instructions relating to the issue of relocation as it may deem appropriate.

7.2 The Supplementary Fund Assembly and the 1971 Administrative Council are invited to take note of the information contained in the present document
