



Brussels, 25 May 2010  
EACI/JL/fd D(2010) 32609

## **INFORMATION NOTE FOR THE ATTENTION OF THE BUDGETARY AUTHORITY**

**Subject: Article 50a of the standard financial regulation for executive Agencies<sup>1</sup>  
Information note of the Executive Agency for Competitiveness and Innovation ("EACI") to the Budgetary Authority on a procedure to sign a usufruct contract for office space located at Covent Garden building, Place Rogier 16 at 1210 Brussels**

### **1. INTRODUCTION**

In accordance with Article 50a of the above mentioned regulation, the Executive Agency for Competitiveness and Innovation (hereafter "EACI" or "Agency") informs the Budgetary Authority of its intention to proceed with the signature of a usufruct contract for office space in the Covent Garden building located Place Rogier 16 at 1210 Brussels.

If either branch of the Budgetary Authority intends to issue an opinion, it shall notify the Agency thereof within two weeks after receipt of this information on the project. This opinion shall then be sent to the Agency within two weeks of the notification.

### **2. PRESENTATION OF THE EACI**

The EACI is the former Intelligent Energy Executive Agency created in 2003. By Decision 2004/20/EC of 23 December 2003<sup>2</sup>, the Commission set up the "Intelligent Energy Executive Agency" in order to manage the Community action in the field of energy actions carried out in the framework of the Intelligent Energy — Europe Programme (IEE) 2003-2006.

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<sup>1</sup> Commission Regulation (EC) No 1653/2004 on a standard financial regulation for executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes, as last amended by Commission Regulation (EC) No 651/2008

<sup>2</sup> OJ L5/85 of 9.1.2004

With Decision 2007/372/EC<sup>3</sup> of 31 May 2007, the Commission transformed the "Intelligent Energy Executive Agency" into the "Executive Agency for Competitiveness and Innovation" (EACI) and prolonged its lifetime to 31 December 2015. The responsibilities of the EACI now include the following programmes:

- (a) Intelligent Energy – Europe programme 2003 - 2006
- (b) Marco Polo programme 2003 - 2006
- (c) CIP: Intelligent Energy – Europe programme 2007 - 2013
- (d) CIP: Entrepreneurship and Innovation Programme 2007 - 2013
- (e) Marco Polo II Programme 2007-2013

### **3. OBJECTIVES AND JUSTIFICATION OF THE PROJECT**

The EACI is currently located in two buildings: since 2006 the Agency is located on the 4<sup>th</sup> floor of the Madou Tower, through a rent contract with OIB. In order to lodge the additional staff required to manage the extended tasks, the Agency has been renting since early 2008 additional office space in a building located Square Frère-Orban 10. To this end and in view of a planned move of the EACI at the time<sup>4</sup>, the Agency signed a short term rent contract with the Fortis Real Estate Group Asset Management. This rent contract for ORBAN was extended several times, and the Agency recently signed a final contract extension to 30 November 2010.

Currently about 65 staff members are hosted in Madou and about 90 staff are in the ORBAN building. In order to regroup Agency staff into one single building and to avoid operational inefficiencies, the EACI launched the building tendering procedure: "API 2009 / S 105-151518" in mid 2009. The content of the publication can be summarized as follows:

The Executive Agency for Competitiveness and Innovation is searching for office space between 5 500 and 7 000 m<sup>2</sup> to accommodate between 180 and 200 staff. The surface area shall include 4 meeting rooms (2 for 20 staff and 2 for 40 staff) and offer the necessary archives area (at least 150 m<sup>2</sup>). The surface area must be available in a single building; safety installations should comply with the European Commission's security rules. In addition, synergies (e.g. security costs, facilities, maintenance) with other occupants of a shared building are encouraged.

### **4. DESCRIPTION OF THE PROCEDURE**

The procedure follows the methodology for prospecting and negotiating for buildings, defined by the European Commission in its document C(2008)2299 of 3 June 2008. Throughout this procedure, the Agency has been assisted by technical and administrative

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<sup>3</sup> OJ L140/52 of 1.6.2007

<sup>4</sup> On 21 September 2007 the prospecting notice "2007/S 182-221841" in preparation for a negotiated procedure 'EA — BU 2008' was launched. Lot III of this negotiated procedure, destined to office space for the EACI/TEN, was unsuccessfully closed in 2008.

representatives of OIB, and other Commission services (DIGIT, HR, HR.DS) whenever considered appropriate.

In order to find new premises to host all staff members in one building, the Agency published a property prospection notice API 2009 / S 105-151518 in the Official Journal of the European Union on 4 June 2009, with a deadline for the submission of proposals of 13 July 2009. A total of 26 proposals were received and subject to evaluation by an Evaluation Committee appointed by the Director of the Agency. The Evaluation Committee examined the price per m<sup>2</sup> office space as well as the following quality criteria mentioned in the prospection notice: accessibility of the building by public transport, interconnections with the other Commission buildings, energy performance of the building, efficiency of the surface areas proposed and compliance with the building standards manual before fitting out.

Based upon the report prepared by the Evaluation Committee, the EACI presented the evaluation results to the Real Estate Committee. This report concluded that only the proposals for the Zenith and the Covent Garden building matched all the award criteria. Therefore they were pre-selected for entering into financial and technical negotiations.

On 26 October 2009, the Real Estate Committee gave a favourable opinion to the evaluation report. As a result, on 4 November 2009 the Director of the EACI took the decision to start the technical and financial negotiations with the respective owners of the Zenith and the Covent Garden building.

In accordance with the European Commission's methodology mentioned above, the selection of the final building took account of the overall cost of the projects and was based upon:

- the negotiated price quoted for the contract, i.e. a 15 year usufruct contract with the possibility to unilaterally break the contract at 31 December 2015 (see point 6 below)
- the estimate of costs necessary for compliance with the MIT (technical standards specifications from the Commission) as well as any costs for specific fitting-out works
- the time schedule for making the building available
- an analysis of tax implications
- an assessment of the operational costs (in particular security costs, facilities, maintenance).

The Agency presented the results of the negotiations to the Real Estate Committee on 29 April 2010, concluding that the Covent Garden building represented the best offer. The Real Estate Committee gave a favourable opinion on 21 May 2010. Subsequently the project is brought to the information of the Budgetary Authority.

## **5. DESCRIPTION OF THE BUILDING**

The real estate complex "Covent Garden" is owned by the company "Immobilière du Royal Rogier S.C.S". It is located Place Rogier 16 at 1210 Brussels and is a landmark building situated outside the European Quarter but at less than 3 km from the Berlaymont building.

The Covent Garden building is easily accessible by public transport given that the "Rogier" metro station, many bus lines and the "Brussels North" railway station are within 5 minutes walking distance.

The complex comprises two buildings: building A is a 10-floor building currently occupied by the services of the European Commission; building B is a 27-floor tower which is partly occupied by the Research Executive Agency ("REA") and the European Research Council Executive Agency ("ERCEA").

Building B totals 56.000 m<sup>2</sup> out of which the aforementioned agencies occupy about 30.000 m<sup>2</sup>, the rest being unoccupied. The EACI would also be located in building B and would occupy 6.499 m<sup>2</sup> office space, 150 m<sup>2</sup> archives and 41 parking places. Thanks to the presence of the European Commission services and executive agencies, the building is already equipped with safety installations according to the European Commission's security rules. Moreover, the core IT hard-and software equipment is present and can be shared with the EACI. A cafeteria was recently installed.

To give a detailed overview, the EACI would occupy the following surfaces in the Covent Garden building:

Office space			6.499 m <sup>2</sup>
	Level +10	2.075 m <sup>2</sup>	
	Level +11	2.075 m <sup>2</sup>	
	Level +12	2.075 m <sup>2</sup>	
	Ground floor	242 m <sup>2</sup>	
	Common space	32 m <sup>2</sup>	
ARCHIVES			150 m <sup>2</sup>
	Level – 2	150 m <sup>2</sup>	
PARKING PLACES			41
	Level – 1 (for disabled persons)	2	
	Level – 2	39	

## 6. BUILDING CONTRACT AND ASSESSMENT

The EACI envisages signing a contract which will encompass, on the one hand, the conditions for the long term occupation of part of the building and, on the other hand, the conditions for the fitting-out works that are necessary to get the building ready for use by the Agency.

As mentioned in the prospection property notice, the Agency intends to sign a usufruct contract of 15 years duration, with a possibility to unilaterally break the contract on 31 December 2015, in order to respect the current legal life span of the Agency. The EACI opts for a 15 year usufruct contract as this will enable it to realise annual operational cost savings, namely real estate tax and regional tax savings. These two taxes amount to about

38 €/m<sup>2</sup> office space leading to annual savings estimated at 246.962 € for the Covent Garden building.

The landlord Immobilière du Royal Rogier assesses that the time needed for the fitting-out works of the building and getting it ready for use by the Agency amounts to about three to four months (+ one month for the holiday period). The latest and hereafter presented offer from the landlord assumes the contract signature in June 2010 and the start of the usufruct contract as soon as the works are carried out, i.e. on 1 December 2010.

As is foreseen in the specifications and in the European Commission's methodology, the overall cost of the project encompasses the cost for the usufruct contract, the price of the fitting-out works and an assessment of operational charges and cost savings. Financial interest is not taken into account as the EACI envisages anticipated reimbursement of the costs for the fitting-out works subject to budget availability. Moreover, the 15 years usufruct contract will contain a possibility to unilaterally break the contract at 31 December 2015. Therefore, the information given below shows two scenarios: firstly, the most likely situation of the cost of a 15 year usufruct contract, and, secondly, the cost situation if the contract was ended at 31 December 2015 (see table 5 below).

1. *Annual fees for the usufruct contract*

Description	Surface/units	Price per m <sup>2</sup> or unit	Annual amount
Office space	6 499 m <sup>2</sup>	<b>160 €/m<sup>2</sup></b>	1 039 840 €
Archives	150 m <sup>2</sup>	100 €/m <sup>2</sup>	15 000 €
Parking places	41	1 500 €/unit	61 500 €
<b>TOTAL</b>			<b>1 116 340 €</b>

The owner offers free rent for 6 months at the signature of the usufruct contract. As the EACI is signing a 15 year usufruct contract, no VAT is due.

The annual fees are subject to adaptation following the evolution of the consumer price index. Thus, in the overview table below no correction is made for the annual evolution of fees.

2. *Fitting-out works*

Description	Surface	Price per m <sup>2</sup>	Total amount
Fitting-out works	6.499 m <sup>2</sup>	+/- 415 €/m <sup>2</sup>	2 697 565 €
Costs paid by owner	6.499 m <sup>2</sup>	25 €/m <sup>2</sup>	- 162 475 €
<b>Net amount to be paid</b>			<b>2 535 090 €</b>

The fitting-out works and getting the building ready for use by the EACI, will be carried out by the landlord Immobilière du Royal Rogier and will be charged to the Agency as additional annual fees. The EACI envisages anticipated reimbursement of these costs for fitting-out works subject to budget availability. No VAT will be due on the works.

### 3. Charges

The Agency opts for a 15 year usufruct contract, so no taxes (regional tax, précompte immobilier,...) are due. The Covent Garden building is an energy-efficient building with an estimated E-value of 100, the annual charges are estimated at 38 €/m<sup>2</sup>/year, no VAT due.

### 4. Operational cost savings

Currently about 30.000 m<sup>2</sup> or 54% of the Covent Garden tower building are occupied by two executive agencies of the European Commission, ERCEA and REA. As a result, several synergies and operational cost savings to the EU budget are envisaged compared to a stand-alone building:

Description	Savings amount
Data provider and telephony lines	47 913 € per year
Security: 1/2 security guard for frequent inspections at different locations (e.g. garage,...), present 15 h/day 2 security guards at the reception of the building, present 15 h/day	49 979 € per year 199 914 € per year (=2 x 99.957 €)
<b>Subtotal recurrent/annual operational cost savings</b>	<b>297 806 €</b>
Cafeteria: 'one off' investment cost estimate	100 000€
<b>Subtotal one off operational cost savings</b>	<b>100 000 €</b>

### 5. Summary of the total costs for the project

	<b>Usufruct contract till 31 December 2015 (A)</b>	<b>15 y usufruct contract (B)</b>	<b>Annual Amount (C) = (B)/12</b>
1. Usufruct contract	5 116 558 € <sup>5</sup>	16 186 930 €	1 079 129 € <sup>6</sup>
2. Fitting-out works	2 535 090 €	2 535 090 €	169 006 €
3. Charges	1 255 390 €	3 704 430 €	246 962 €
<b>TOTAL cost for EACI</b>	<b>8 907 038 €</b>	<b>22 426 450 €</b>	<b>1 495 097 €</b>
<b>4. Operational cost savings for EU budget</b>	<b>- 1 613 847 €</b>	<b>- 4 567 090 €</b>	<b>- 304 473 €</b>

<sup>5</sup> In case of ending of the contract at 31 December 2015, VAT will be due. The exact amount is to be calculated by the owner.

<sup>6</sup> This annual usufruct contract amount takes into account the 6 months free rent granted by the landlord.

As mentioned above, the operational cost savings represent operational costs (security, IT maintenance,...) which will not have to be disbursed by the EU budget as these costs are already incurred by other European Commission services and executive agencies. The fact that the EACI will occupy additional office space in a building that is already partly and solely occupied by other Commission services clearly offers financial and operational synergies with current (and possible future) EU-related tenants.

The fact that the EACI will be located in a large building together with other EU-related services fits in with the European Commission policy<sup>7</sup> to accommodate staff in fewer and larger buildings in order to generate increased efficiency such as more efficient use of space, shared facilities, consolidated and shared ICT infrastructure and related services, costs of controlling access and security, building management, water consumption, heating and cooling, lighting, lifts and other services.

In the framework of its building procedure, the EACI has invited the SIPP ("Service Interne de Prévention et Protection de travail") of the European Commission to visit both pre-selected buildings. For the Covent Garden building, the SIPP referred to the opinion of the CSHT ('Comité de sécurité, d'hygiène et d'embellissement des lieux de travail de Bruxelles' and predecessor of SIPP) in which it had already advised favourably to the other executive agencies on a move to this building. Moreover, compared to buildings in which both EU and non-EU related services are located, a move of the Agency to the Covent Garden building will avoid difficulties for harmonising and cohesion of evacuation procedures, emergency calls, maintenance of technical installations, fire extinguishers and technical inspections.

## 7. CURRENT BUILDING SITUATION AND ADVANTAGES OF NEW BUILDING

At present, the Agency is paying an annual rent amount of 781 850 € for its temporary premises. A detailed breakdown is as follows:

Description	Number of staff (incl. in-house consultants) in the building	Number of m <sup>2</sup>	Rent price per m <sup>2</sup>	Total amount per year
MADO – 4th floor	65	1.482 m <sup>2</sup>	247 €	366 050 €
ORBAN 10	90	2.772 m <sup>2</sup>	150 €	415 800 €
<b>TOTAL</b>				<b>781 850 €</b>

The annual usufruct fee for the proposed Covent Garden building (1 079 129 €, see part 6, point 5) is 38% higher than the annual rent currently paid for the two premises.

<sup>7</sup> COM(2007)501 of 05.09.2007 – Communication from the Commission on policy for the accommodation of Commission services in Brussels and Luxembourg, point 3 on page 7

However, the rented surface in Covent Garden is 53% larger because, in the near future, the Agency will have to increase its rented surface substantially, from 4 254 m<sup>2</sup> to 6 499 m<sup>2</sup>. The increased surface is necessary in order to adequately host the 180 to 200 staff as foreseen in the property prospection notice. The Agency would like to make the point that the additional surface replies to the current shortage in office and archives space, given that several offices are shared by 3 to 4 persons and as increased archives space is required to ensure a proper filing of the growing number of projects the EACI is managing.

The price per m<sup>2</sup> office space in the Covent Garden building equals 160 €/m<sup>2</sup> which is substantially lower than the price of comparable office space occupied by Commission services in or outside the European Quarter (247 €/m<sup>2</sup>).

The quality of the Covent Garden building is very high, in particular in accordance with the Commission's standards as defined in the MIT. The building has been constructed only a few years ago and conforms to the highest standards in the fields of water management and energy efficiency (E-value of +/- 100). In this respect, it is noteworthy to mention that the owner of the ORBAN building, in which currently about 60% of the Agency's staff is located, intends to demolish the building following the departure of the Agency.

As mentioned in part 5 above, the Covent Garden building is easily accessible by means of public transport. It is situated in the neighbourhood of the railway station Brussels North and the Rogier Metro station within 3 km distance of the Berlaymont though outside of the European Quarter. Although difficult to financially quantify, it is clear that being able to interconnect with European Commission buildings within 15-20 minutes offers substantial efficiency gains when EACI's staff follow training sessions or attend meetings with Commission services and/or one of the four parent DGs.

Moreover, there are further synergies to be had at Covent Garden in the form of operational efficiencies. Each year, the EACI carries out at least 3 major evaluations of proposals received following calls under the EU programmes which the Agency manages. These evaluations - involving some 330 Agency staff days and 160 external experts - take place in the specialised premises located at Covent Garden. Again while not included in the financial balance, such a facility offers considerable advantages in favour of Covent Garden.

## **8. BUDGETARY IMPACT**

The expenditure linked to the project will be covered by the Agency's operating budget. No additional appropriations are required to cover the increase in expenditure on the building compared to the 2010 operating budget appropriations. The 2010 budget and the 2011 draft budget appropriations have already taken into account the increase in agency staff and in the required increase of office space.

The Agency's director, M. Patrick Lambert (tel. 50531) is available for further information or any additional clarification deemed necessary.