



**COUNCIL OF
THE EUROPEAN UNION**

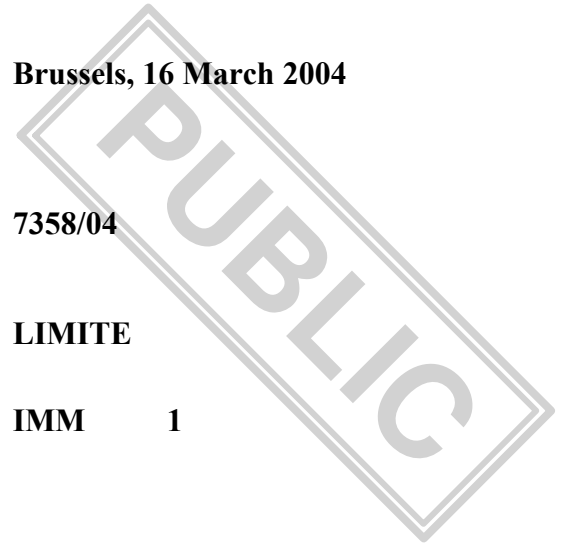
Brussels, 16 March 2004

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IMM 1



"I/A" ITEM NOTE

from : General Secretariat of the Council
to : Permanent Representatives Committee /Council
Subject : Residence Palace building

1. Since the Nice decision to hold European Council meetings in Brussels, the European Council has been meeting in the Justus Lipsius building.

Holding European Council meetings in the Justus Lipsius building can be regarded only as a provisional arrangement, in view of the building's shortcomings as a satisfactory location for such meetings. Moreover, enlargement has generated an acute need for additional premises for the activities of the Council, its preparatory bodies and the staff of the General Secretariat.

2. Bearing in mind the consequences of the Nice European Council conclusions and the additional accommodation needs related to enlargement, the Belgian Government took the initiative of proposing that the Council should use block A of the Residence Palace building, after renovation, as suitable headquarters for the European Council. That initiative is compatible with the Council's buildings programme as defined on the basis of the Task Force report on the administrative consequences of enlargement of the European Union.

3. At its meeting on 12 and 13 December 2003, the European Council took note of the proposal by the Belgian Government that it should use block A of the Residence Palace building, after refurbishment, for its meetings. The European Council thanked the Belgian Government for this initiative and invited Coreper and the General Secretariat of the Council to set out the detailed financial, logistic and legal implications so that the European Council could take a fully-informed decision on this matter at its Spring meeting in 2004.
4. On the basis of the groundwork carried out in collaboration with the Belgian authorities and the General Secretariat of the Council, the Antici Group undertook an in-depth analysis of the financial, logistic and legal aspects. Following that analysis the Antici Group agreed on a general framework for the performance of the project, as set out in Annex. The general framework in particular defines the Council's overall buildings programme up to 2010, the use of the Residence Palace building and the arrangements for carrying out the project (international architectural design competition, division of responsibility and tasks between the Belgian State and the Council, assessment of the cost of the project, financial engineering, security measures and urban planning aspects).
5. Consulted on the financial aspects, the Budget Committee agreed that the building programme as presented in the Annex, together with the costing and financial engineering involved, should enable building costs to be kept to an approximately constant annual level and would, therefore, be compatible with the Financial Perspective ; this however presupposes an estimated maximum cost of EUR 215 million (Residence Palace) and strong and effective control of the projects in question (Lex and Residence) in order to prevent overruns in terms of timing and cost.
6. Member States agree that the relevant Council bodies will be kept closely informed of progress and that any changes to the project that could have a significant cost impact must obtain prior approval from the Council.

7. In light of the above, the Antici Group suggests that Coreper confirm the agreement on the general framework for performance of the Residence Palace project in the Annex and submit the following conclusions to the European Council via the Council :

"The European Council agrees to the proposal by the Belgian Government that it uses block A of the Residence Palace building for its meetings, after it has been refurbished, on the basis of the general framework approved by the Council concerning the financial, logistical and legal aspects of the project.

The European Council invites the Belgian Government and the General Secretariat of the Council to translate this general framework into an operational project in line with its provisions. It asks Council to monitor closely the development of the project and its execution, and, where necessary, to take appropriate decisions to ensure that the implementation of the project adheres to the framework agreed."

Subject : General framework for the Residence Palace building project

1. Introduction

In 2003, bearing in mind the European Council's Nice conclusions with regard to holding its meetings in Brussels, the Belgian government took the initiative of proposing that the Council should use block A ¹ of the Residence Palace building, after renovation, as a suitable headquarters for the European Council.

At its meeting on 12 and 13 December 2003, the European Council took note of the proposal by the Belgian Government that it should use block A of the Residence Palace building, after it has been refurbished, for its meetings. The European Council thanked the Belgian Government for this initiative and invited Coreper and the General Secretariat of the Council to set out the detailed financial, logistic and legal implications so that the European Council could make a fully informed decision on this matter at its spring meeting in 2004.

2. Buildings programme

In connection with the Council's building programme, the General Secretariat submitted a report on the administrative consequences of the enlargement of the European Union (7301/02) to Coreper on 19 March 2002. In that report, additional accommodation requirements, assuming that 10 States would accede and that spare room would be left for three further accessions, were assessed at around 92 000 m² of total surface area, if the occupants of the Kortenberg and Frère-Orban buildings were to be co-located in the vicinity of Justus Lipsius (\pm 26 000 m²), and at around 66 000 m² if co-location were not possible.

¹ Block A of the Residence Palace is the L-shaped building next to Justus Lipsius on rue de la Loi. The Residence Palace complex comprises two further blocks, D and E, which are discussed in point 7 of this note. Blocks B and D were demolished in 1988 in preparation for putting up the Justus Lipsius building (see plan in Annex I).

It should be noted that neither of those estimates took account of the accommodation effects of other decisions taken in the meantime or still under discussion, notably:

- the decision to hold all European Council meetings in Brussels ²;
- the new structures which may result from a European Constitution (e.g. a President of the European Council);
- recent decisions taken on politico-military matters (defence) and civilian crisis management (e.g. Operations Centre) ³;
- enlargements in excess of 28 Member States.

As an initial approach, leaving aside the effect of future enlargements, the General Secretariat of the Council considers it prudent to allow spare room of around 10 000 m² for these new requirements.

In the medium term, the Council's accommodation requirements could therefore amount to 102 000 m² (with co-location) or 76 000 m² (without co-location).

In the light of the 2002 estimates, the Council concluded a contract in March 2003 for the construction and purchase of the Lex building ⁴.

It was also in connection with space requirements arising out of enlargement that the Council rented two buildings for temporary accommodation: Rolin in 2002 and Woluwe Heights in 2003 ⁵.

² Holding European Council meetings in the Justus Lipsius building has to be regarded as a provisional arrangement, in view of the building's shortcomings as a suitable location for such an event.

³ These decisions mean that the Kortenberg building is now too small to accommodate all those functions.

⁴ Lex building: area 58 000 m², site value EUR 60 million and construction cost EUR 173 million (at 2003 prices); scheduled to be available by 31.10.2006.

⁵ Apart from Justus Lipsius, the Council has four buildings at its disposal for temporary use:

- Frère-Orban building: 11 000 m², rent EUR 2,9 million a year, first lease term ends on 30.6.2007;
- Kortenberg building: 15 000 m², rent EUR 3,8 million a year, first lease term ends on 31.12.2006;
- Rolin building: 19 000 m², rent EUR 5,5 million a year, first lease term ends on 31.3.2007;
- Woluwe Heights building, end of 2003: 13 000 m², rent EUR 3,4 million a year, first lease term ends on 30.6.2007.

The lease terms for those buildings are thus compatible with the expected date of delivery of the Lex building.

Delivery of the 58 000 m² Lex building towards the end of 2006 would thus cover half of the total space requirements initially estimated at 92 000 m², leaving at least 34 000 m² still to be provided in order to allow co-location of all Council departments (an additional 10 000 m² need to be added to meet new requirements arising since March 2002).

In these circumstances, the General Secretariat of the Council takes a positive view of the Belgian Government's offer of the Residence Palace accommodation. The building has a floor area of 34 000 m² at the moment, which could rise to between 40 000 and 45 000 m² after refurbishing, thus covering all the requirements currently foreseeable (enlargement plus requirements relating to the organisation of European Council meetings) and enabling Council departments to be co-located, notably for the politico-military structures as desired by a large number of Member States.

Ultimately, the Council would then have three buildings in close proximity: Justus Lipsius, the Residence Palace and Lex (see plan in Annex I). Direct, secure links should be organisable to allow people and material to move between the three buildings.

What exactly these buildings will be used for remains to be determined, pending a Council decision on the use of the Residence Palace and completion of refurbishment. Nevertheless, the General Secretariat of the Council takes the view that they could be used mainly as follows:

- Residence Palace: headquarters and meeting rooms for the European Council and the Council of Ministers ⁶, and offices for the Presidency, the delegations, the Secretaries-General and departments closely related to those activities;
- Justus Lipsius: meeting rooms for Council bodies, press centre ⁷, General Secretariat offices and politico-military functions;
- Lex: some meeting rooms (original number to be reduced) and General Secretariat offices (especially for the translation departments).

⁶ The provision of meeting rooms in the Residence Palace building will, of course, allow a review of the Lex building programme and, in the long term, will allow some Justus Lipsius rooms to be redeployed for other functions as the need arises. The fact is that Council meetings in the Justus Lipsius building when European Council meetings are being held in the Residence Palace cannot be ruled out.

⁷ Given the considerable investment already put in or envisaged to make the Justus Lipsius press centre suitable for European Council meetings, the proposal is to leave it in Justus Lipsius and provide:

- short link routes between the Residence Palace and Justus Lipsius;
- some facilities for press meetings with dignitaries in the Residence Palace.

3. Use of the Residence Palace

As proposed by the Belgian Government, the Residence Palace could, after thorough renovation and refurbishment, become the headquarters of the European Council and meet the needs of meetings of the European Council, the Council of Ministers and other high-level bodies.

If the building is to be used for those purposes, the following infrastructure will be required:

- meeting rooms for the European Council and the Council of Ministers; associated accommodation, including official reception rooms and some press facilities;
- offices for the Presidency, for Member States' delegations and for new bodies arising out of a European Constitution (particularly President of the European Council) and for Council General Secretariat senior staff;
- General Secretariat services relating to the above functions;
- auxiliary functions such as catering, logistical services, security, etc.

Annex II contains an initial outline of the functions and rooms and offices which could be accommodated in the Residence Palace.

4. Organisation of Residence Palace refurbishment

Block A of the Residence Palace comprises a historic section dating from 1925, originally designed as an apartment block, and a more recent section dating from 1965 designed as offices. In its current configuration the building is not suited for its intended future function.

Adapting it to Council needs, notably providing the meeting rooms and other accommodation necessary for the European Council in a functional and aesthetic manner, requires major refurbishment and renovation.

The new design will thus have to be the subject of an international architectural design competition.

The competition will be organised by the General Secretariat of the Council with the assistance of Belgian Government services, on the basis of a programme of requirements, technical specifications and a target price to be met ⁸, once those parameters have been approved by the Council (see point 3 above and Annex II).

The selection panel would comprise dignitaries appointed by the Council on the one hand and representatives of the Belgian State, Brussels-Capital Region, the City of Brussels and the General Secretariat of the Council on the other. The competition could be in two phases (see Annex III):

- the first phase would relate mainly to architectural, town planning, functional and security considerations;
- the second phase would relate mainly to the development of functional aspects and security, technical aspects and costs and time constraints.

Once the competition had been completed, the Belgian State, as the owner of the building, would, on the basis of an agreement concluded between it and the Council in the meantime, be prepared to act as the contracting authority and conclude the feasibility study contract with the competition winner.

As contracting authority, the Belgian State will direct and coordinate the architectural and engineering studies, take charge of the planning permission and environmental authorisation, initiate the calls for tenders, award and conclude contracts with the architects, engineers and contractors, supervise the works, take charge of formal acceptance, make progress reports and establish the final accounts.

Under the agreement, the Council will determine the programme of needs and technical standards the building is required to meet, will approve the studies, the design and the cost at the various stages of preparation on the basis of proposals to be prepared by the General Secretariat. Moreover, the relevant Council bodies will be kept regularly informed of progress and any changes to the project that could have a significant cost impact must obtain prior approval from the Council.

⁸ Observance of the target price will have to be monitored by an independent quantity surveyor.

The security engineering part of the design and the calls for tender for security installations will require the Council Security Office to be closely involved in the work and the decisions to be taken. The Council Security Office will ensure that existing standards in this area are met (see also point 6).

The Belgian State will finance the survey and implementation phases of the project and the Council will undertake to repay the Belgian State's investment. For the purposes of repayment, the Belgian State will undertake, firstly, to grant the Council a long-term lease⁹ on the land and on the building once renovated and, secondly, to give the Council an option to buy the land and the building on the terms laid down in the agreement (see point 5 below). The Council could take up the option to buy at any time during the lifetime of the lease, for the token sum of one euro, thereby requiring full ownership of the property; it would, of course, continue to repay renovation costs (see Annex IV).

The various phases (preparation, surveys and renovation work) are set out in a preliminary schedule in Annex V, which indicates that the renovated Residence Palace could be ready by the end of 2010, provided there are no hitches along the way (lawsuits, permits, etc.). The future agreement between the Council and the Belgian State will have to specify who is financially responsible for any overrun of the schedule agreed for carrying out the works. Unless circumstances beyond its control are to blame, the party responsible will be liable for the cost. For example, the consequences of a delay caused by changes requested by the Council would be borne by it, while the Belgian State would be liable for any delay in carrying out the works and would pass on the cost to the construction firms.

Naturally, all the operations involved in rebuilding block A of the Residence Palace to fit its new purpose, and the financing of those operations, will have to be carried out in strict compliance with the relevant provisions of Community and Belgian law. This applies in particular to:

- the holding of an international architectural design competition;
- invitations to tender for works and service contracts.

⁹ See Annex IV for the legal and financial framework for a long-term lease.

5. Investment and finance

5.1. Costs

The Belgian State is prepared to hand over the land and the existing building (block A of the Residence Palace) to the Council for the token sum of one euro. The costs of the project to the Council will therefore mainly relate to renovation. Clearly, it is not possible to make any precise estimate of the investment involved until the international architectural design competition has been held and the contract specifications have been drawn up and European tenders assessed.

However, taking the costs of the Lex building (standard level) as a guide and based on the estimated number of m² to be demolished and rebuilt, the initial estimate given in Annex VI puts the cost of the Residence Palace project, as at 1.1.2004, somewhere between EUR 190 million (for a building of 40 000 m²) and EUR 215 million (for a building of 45 000 m²).

It is recalled that the Budget Committee agreed that the building programme as presented in this Annex, together with the costing and financial engineering involved, should enable building costs to be kept to an approximatively constant annual level and would, therefore, be compatible with the Financial Perspective ; this however presupposes an estimated maximum cost of EUR 215 million (Residence Palace) and strong and effective control of the projects in question (Lex and Residence) in order to prevent overruns in terms of timing and cost.

It should be noted that the estimated costs of renovating the Residence Palace are higher than the construction costs for the Lex building because:

- the building has to be stripped of asbestos ¹⁰;
- the intended use of the building is different and requires a different standard of quality;
- special security measures need to be integrated at the construction stage, on the basis of advice from the Member States' specialists, in view of the regular presence of prominent figures in the building (see point 6 below);
- there are constraints arising from the need to preserve certain parts of the building (listed sections, basement levels and easements).

It was also thought wise at this stage to add an extra 15% to the budget estimate for unforeseen expenses, given the as yet unknown factors involved in finalisation of the Council's programme and the results of the architectural design competition and calls for tenders (this is a lower percentage than that applied in some Member States).

To cover the amount of investment indicated above, the annual ground rent for a 27-year lease, at current market conditions and values as at 1.1.2004, would be between EUR 11 and EUR 13 million, i.e. approx. EUR 285/m² per annum (see [Annex VII](#)).

5.2. Financing

Architectural design competition

An international architectural design competition will be held prior to the construction phase. It will be financed from the Council's budget.

The necessary appropriations have already been entered in the Council's budget for 2004; an additional sum will be entered in the 2005 budget.

¹⁰ The Belgian authorities have detected the use of asbestos in four areas:

- flocked asbestos on a metal structure (mezzanine) on floor 11;
- asbestos cement panels in the facing of the facade above the cornice (floors 8 to 11);
- internal ventilation ducts (out of use);
- traditional small-scale use in boilers, other machinery and pipes (joints).

Building

It has emerged from talks with the Belgian authorities that the only realistic option for the renovation of block A of the Residence Palace is an operation in which the Belgian State is the contracting authority.

The Belgian State could contract a loan that would not be chargeable to its budget if an agreement were first concluded with the Council whereby the latter undertook to repay, in the form of ground rent, the entire cost of financing the investment over the duration of the contract.

The Belgian State's role would differ in the short term (construction period) and the long-term (buyback of the long-term lease). The arrangements would be as follows:

(a) During the surveys and works:

- The Belgian State retains ownership of the land and building constituting block A of the Residence Palace.
- The Belgian State is the contracting authority (the Belgian Government must determine, in agreement with the Council, whether to entrust the task to a public body – the Public Buildings Administration – , a coordinating general contractor designated following a call for tenders, or a combination of the two).
- Before the surveys commence, a Memorandum of Understanding (hereafter "MOU") will be signed by the Council and the Belgian State. It will set out the main points of the future agreement, including the concept of renovation of the building on the basis of flat-rate prices, the financing arrangements and the Council's firm commitment in any event to repay the principal (which will require the approval of the Council) and the interest to the Belgian State in the form of ground rent payable as specified in the long-term lease.
- The Belgian State will pre-finance the operation during the construction stage (and to that end will contract a loan on the best market conditions applicable to a sovereign loan, including the conditions offered by the EIB. The duration of the loan could, if appropriate, be fixed from the outset for the sum total of the construction period and the repayment period).
- A direct loan will enable the Belgian State to benefit on the markets from a short-term interest rate equivalent to the Euribor flat rate, which, compared with normal market terms, could mean a saving of around 1% on the spread rate.
- The MOU will be converted into an agreement between the Council and the Belgian State before the start of renovation work on the building on the basis of the real costs and deadlines agreed following the call for tenders.
- During that period, the Council may contribute to the financing by paying advances (from its annual budget) on terms to be agreed between the parties.

(b) Following completion of the works:

- Upon completion of the works, the Belgian State will place the building at the Council's disposal by concluding a 27-year lease. The total sums paid in ground rent must enable the Belgian State to recoup the entire amount of the investment, including interest, over a period of 27 years exclusively at the expense of the Council of the European Union, taking into account the option to buy granted by the Belgian State.
- The agreement will include an option in the Council's favour enabling ownership without usufruct of the Residence Palace to be transferred during the lifetime of the long-term lease.
- This operation could be financed by a bank consortium, to which the Belgian State could transfer its rights under the long-term lease in return for a lump sum equivalent to the outstanding debt. The real debt would then disappear entirely from the Belgian State's accounts. The bank consortium would have the Council as its debtor (a sovereign risk). The Council would obtain ownership without usufruct of the building, followed by full ownership once it had taken up the option to buy granted by the Belgian State.

(c) Financial engineering

Financing of the project via the Belgian State should make it possible to optimise the terms.

In the short term, a combination of a sovereign loan on the best market terms and/or a loan from the EIB (Project financing) could perhaps be envisaged. These two sources of financing would make it possible to minimise the cost of financing during the construction phase.

The idea of an EIB loan for the entire period (construction + long-term lease) could also be envisaged from the outset. In that case, it would not be necessary for the Belgian State to assign the debt to a bank consortium. The Belgian State would keep its debts, which in any case would be repaid on schedule by the Council in strict compliance with the commitment given in the long-term lease.

Pending negotiations with the Belgian State on the agreement, it is not yet possible to put forward an approved solution.

5.3. Saving compared with an alternative solution

Given that the Residence Palace is to be handed over as it stands for a price of one euro, the saving on investment can be put at the market value of a similar site (\pm EUR 50 million) less the cost of asbestos removal, relocation of easements and demolition (\pm EUR 13 million). On a cautious assessment, the saving on investment afforded by the Belgian State's gesture may be put at EUR 37 million.

Another saving in carrying out the Residence Palace project would be made by acquiring the building by means of a long-term lease rather than the more traditional solution of rental. A reading of the table in Annex VII shows that the Residence Palace will, indeed, cost more than the Lex, particularly in view of the constraints linked to its intended use, its design (competition) and security, but that its annual cost per m² is lower than the recent buildings rented by the Council ¹¹.

The formula of purchase by means of a long-term lease would, in fact, enable the promoter (the Belgian State), when the building was completed, to recover the total investment in one go, and thus to minimise the risks linked to letting the property. In addition, the long-term lease technique would enable the Council to benefit from a tax exemption and to become the owner while spreading the financial burden. Added to this, the Council would benefit, for the amount of the lease charge, from the conditions of a long-term sovereign loan at "*AAA rating*", which means an interest rate lower than the rate of return required by a private promoter in the event of conventional letting.

¹¹ Recent prospection of the Brussels property market has, moreover, confirmed that:

- the rents charged for "standard" office buildings in the European Quarter in Brussels are all above EUR 200/m²/year, to which are added taxes and the amortisation of fitting out by the tenant (partitions, security, cabling, restaurant);
- the rents for "standard" office buildings in the other areas of Brussels are not much lower than those charged in the European Quarter;
- irrespective of the issues of distance from the Justus Lipsius and security, none of those buildings are suitable as premises for the European Council (meeting rooms).

To the savings resulting from sale of the land and financing of the work in the form of a long-term lease would be added further savings as a result of:

- the possibility of terminating the rental leases for all the current peripheral buildings, unless new requirements were to change the assumptions used in calculating requirements;
- geographical regrouping of the Council's departments and a reduction in the number of buildings to be managed and therefore also in human resources ¹²;
- the positive environmental impact resulting from a reduction in the movements of persons and goods between the buildings.

As shown by the table in Annex VIII, concentration of the Council's activities in the Justus Lipsius, Lex and Residence Palace buildings would be a gradual operation. The first phase of this regrouping will take place in 2007, with the availability of the Lex building, and should make it possible to free the Frère-Orban, Rolin and Woluwe Heights buildings. The savings in terms of rents alone linked to these removals amount to EUR 11,8 million/year and could be allocated, during the period from 2007 to 2010, to settling payments on account to the Belgian State on the cost of renovating the Residence Palace building.

The payments on account would make it possible to reduce the amount of the long-term financing of the Residence Palace (along the lines of what is currently being done for the Lex), thus to bring closer the payments of the amount of the charge which will be due upon occupation of that building (in 2010) and to contain immovable property expenditure within a more or less constant budgetary limit without negative effects on the financial perspective (cf. table in Annex VIII).

¹² This would include savings in the following areas:

- security: because of a reduction in the number of buildings to be protected (number of entrances, intervention teams, nightwatchmen, etc.);
- catering: because of a reduction in the number of restaurants and kitchens (the Council currently already has kitchens and restaurants in 4 buildings, and shortly a 5th restaurant in the Woluwe Heights building);
- logistics: reduction of storage areas and in the number of shuttle journeys for persons and material between the various buildings.

This table shows that if all the peripheral buildings could be abandoned in 2010, the resulting total reduction in rents (EUR 15 million, 2004 value) would exceed the amount envisaged for the charge of acquiring the Residence Palace (about EUR 10 million, 2004 value). The result would therefore be a reduction in immovable property costs for the Council, or a reserve for future requirements.

Regrouping the Council's activities in three buildings would enable quite appreciable savings to be made in terms of human resources (devoted, inter alia, to maintenance, security guards, security and support services).

Compared to the solution of transferring the Residence Palace building to the Council, according to the Belgian State and the General Secretariat of the Council there are no other plots of land or buildings available in the European Quarter in Brussels in which premises for the European Council could be located.

Finally, it should be mentioned that, because of the impact of a meeting of the European Council on the functioning of the Brussels-Capital Region, the Belgian authorities have clearly expressed their preference for organising such events in the area immediately surrounding the Justus Lipsius ¹³.

6. Security

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¹³ Construction of premises for the European Council at a site which is distant from the Justus Lipsius and Lex buildings would, moreover, result in dissociating the European Council from the current structures needed for its optimum functioning.

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7. Urban planning aspects

To enable the Council to be installed effectively in the Residence Palace, the Belgian State has undertaken to resolve the issues linked to urban planning, the environment and the abovementioned easements.

With regard to urban planning, this mainly involves the current constraint on this building to create about 6 000 m² of housing in it. To resolve this issue, the Belgian State and the Brussels-Capital Region concluded an agreement on 17 January 2003 which, among other things, commits the Federal State to create housing on another site in the area.

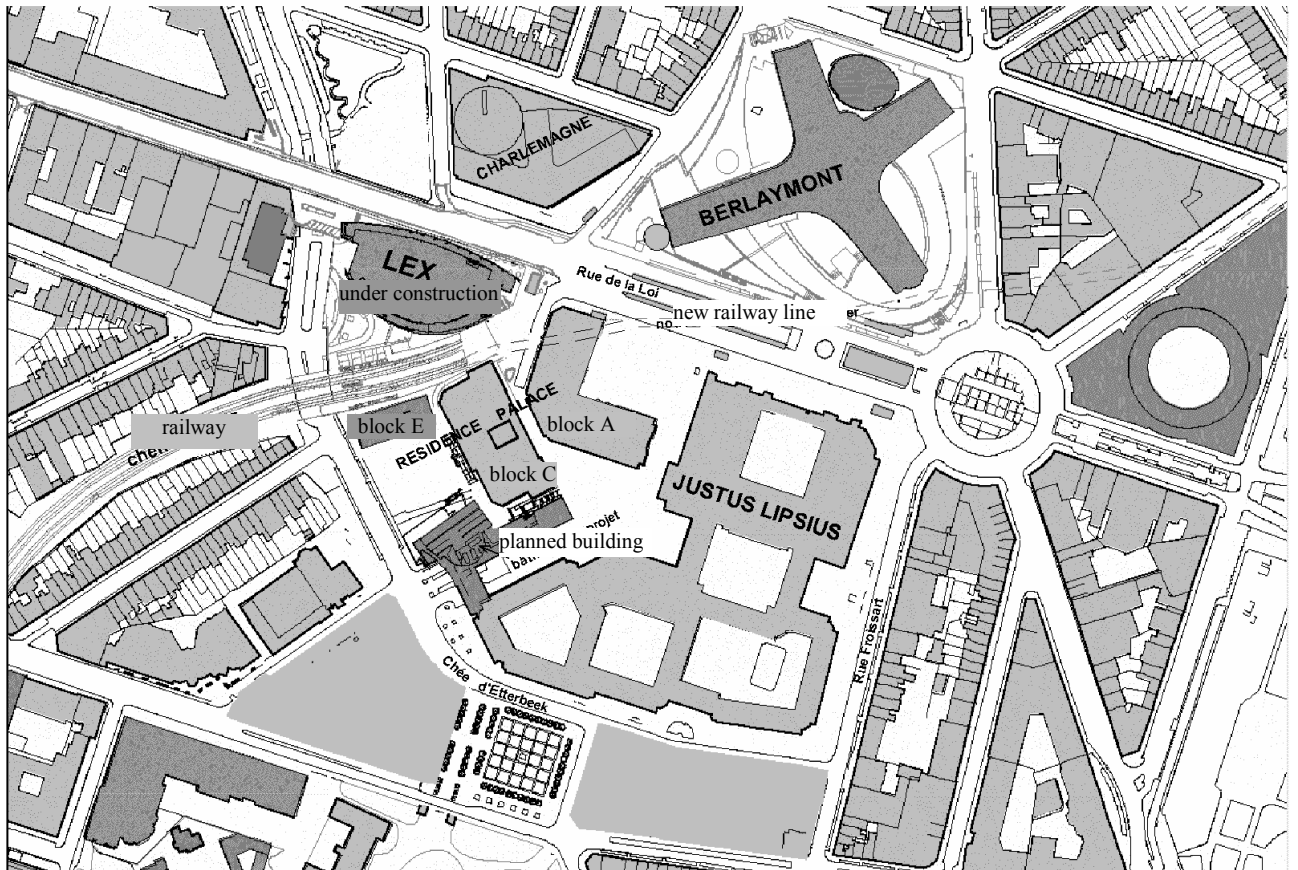
This also involves the possibility, deemed essential by the Council, of retaining the parking spaces which would still remain under the building after the construction of the new railway station and changes to the underground road traffic layout resulting from the current plans. There is also the need to separate off the central technical installations shared with third parties (other buildings in the Residence Palace complex).

The General Secretariat of the Council has also taken note of the fact that the Belgian authorities have listed certain parts of the Residence Palace (notably the façades overlooking the internal road, the ground-floor corridors and the theatre in the basement) as being of historical interest. Although this listing will restrict free architectural design of the renovation project, the Belgian authorities and the General Secretariat of the Council take the view that this constraint is not likely to prevent development of a sound project in the context of an international architectural design competition.

With regard to the immediate surrounds of the Residence Palace (cf. plan in [Annex 1](#)), the Belgian State has confirmed that its intentions include the following:

- to continue development of the International Press Centre and the United Nations Liaison Office in block C of the Residence Palace (this U-shaped building will look onto block A of the Residence Palace; it will remain the property of the Belgian State);
- to impose the creation of housing in block E of the Residence Palace (this building, which is the property of a private promoter, is located along the railway line in the direction of the chaussée d'Etterbeek; it faces the Lex building, but does not look onto block A of the Residence Palace);
- to retain the possibility, for the land situated between block C of the Residence Palace, the chaussée d'Etterbeek and the "Secretariat" part of the Justus Lipsius building, of developing an office building (from part of that new building, which will be private property, there would be views onto block A of the Residence Palace).

Plan
of the Residence Palace complex



Residence Palace Building

Outline schedule of use

1. Meetings of the European Council and of the Council of Ministers

The following requirements have been established assuming that two meetings would be held simultaneously¹⁵:

- A large meeting room (3+3 seats per delegation), +/- 30 interpreting booths (28 languages)¹⁶;
- A medium-sized meeting room (2+2 seats per delegation), +/- 30 interpreting booths;
- Rooms associated with the holding of meetings:
 - two overflow rooms,
 - one "Antici" room,
 - one room for classified meetings;
- Ceremonial rooms:
 - two Ministerial dining rooms with sufficient interpreting booths,
 - an area which can be converted into 3 rooms for their close assistants;
- Related offices and areas, including:
 - offices for bilateral meetings,
 - logistical offices (photocopying, first aid),
 - delegates' bar.

2. Functions linked to the holding of meetings of the European Council and of the Council

These are the offices to be provided for:

- the Presidency of the Council of Ministers and its close assistants;
- the delegations of the Member States, the Commission, the Parliament, third countries and for distinguished visitors;
- the Secretaries-General and their close assistants;
- the new bodies which may arise from the European Constitution, in particular President of the European Council.

¹⁵ The number of meeting rooms currently available in the Justus Lipsius and the number of rooms planned for the Lex building are to be adjusted, in due course, depending on the number of meeting rooms to be created in the Residence Palace.

¹⁶ Just as with room 50.1 in the Justus Lipsius, this room could also be used in a 1+2+3 seats per delegation configuration.

3. General Secretariat of the Council

The aim would be to house in the Residence Palace those departments of the Council General Secretariat whose activities are closely connected with the functions already planned for that building. This would make it possible to free up space in the Justus Lipsius in order to house there some of the requirements ¹⁷ connected with enlargement and to give up the present "outlying" buildings.

4. The Press

In view of the major investments made to adapt the Press Centre in the Justus Lipsius and for reasons of security (separation of functions), it is proposed to retain the briefing rooms, the work rooms for journalists and the radio-TV booths in that building.

In the Residence Palace it would only therefore be necessary to provide for a meeting room for short interviews with the press and a press conference room ¹⁸.

All the other Press functions would remain in the Justus Lipsius which, as a result of its proximity, could be connected with the Residence Palace on the upper floors, which would allow all the necessary contact between dignitaries and the press.

This link would also make it possible for delegates, interpreters and officials to move routinely between the two buildings.

5. Auxiliary functions

The auxiliary functions to be provided in the Residence Palace would include:

- catering facilities which take account of the fact that the Justus Lipsius and the Lex already have a restaurant;
- logistical and security services;
- car park.

¹⁷ The bulk of the "enlargement" requirements (Translation Divisions) would be housed in the Lex building.

¹⁸ This room could be created in the present theatre (unused), situated in the basement between block A in the Residence Palace and the International Press Centre.

Residence Palace building
Proposals for an
international architectural
design competition

1. The Selection Committee for the International Architectural Design Competition could consist of a total of 13 full members:
 - 6 eminent persons appointed by the Council;
 - 1 eminent person appointed by the Belgian State;
 - 1 representative of the Federal Mobility Department;
 - 1 representative of the Brussels Capital Region;
 - 1 representative of the City of Brussels;
 - 1 representative of the Royal Committee for Monuments and Sites;
 - 1 representative of the General Secretariat of the Council;
 - 1 representative of the International Union of Architects (IUA).

In accordance with the rules applicable to competitions, at least half of the members of the Selection Committee should be architects by profession.

Each of the abovementioned full members could be represented by a deputy.

2. The competition would be of the restricted type, which means that following publication of a notice of competition in the Official Journal of the European Union and in the specialised press, the firms interested will first have to submit an application containing all the documentation and information required to determine whether they have the necessary capabilities to carry out the project with the desired result.

The restricted competition would also enable the contracting authority (the General Secretariat of the Council) to invite a number of internationally renowned firms so as to ensure the highest level of competition. The specifications would then be sent to the candidates which satisfy the selection conditions.

The Selection Committee would scrutinise the tenders from the town planning, functional, technical, security, and costs and deadlines aspects in accordance with the criteria detailed in the specifications.

Such scrutiny would consist of two stages:

- the first stage, open to all the candidates selected, would cover matters of architecture, town planning, functionality and security;
- the second stage, limited to a small number of candidates resulting from the first stage (e.g. max. 20), would concern in particular more detailed development of functionality and security, the technical aspects of the project and the costs of and deadlines for carrying it out; the candidates would be required to comply with a target price for their project.

The successful candidate would subsequently be entrusted with the task of designing the architectural and engineering components of the renovation of the Residence Palace building.

4. The General Secretariat of the Council would be responsible for organising the competition and the secretariat of the Selection Committee.

It should be assisted in this task by:

- the Public Buildings Administration of the Belgian State, notably in connection with all matters concerning the present situation of the Residence Palace and the future development of its surroundings;
- external consultants with regard to building techniques and cost estimates.

Residence Palace building

Long-term lease

1. Legal and financial framework of a long-term lease

Long-term leasehold is governed by the Belgian law of 10 January 1824. This is a right *in rem* whereby the leaseholder enjoys full use of premises belonging to another party on condition that he pays an annual ground rent. The term may not be more than 99 years or less than 27 years. The lease must be recorded in the appropriate public register (land register, mortgage register). The leaseholder exercises all the rights attaching to ownership of the property but may do nothing to diminish its value. The lease is extinguished *inter alia* by the purchase of the property by the leaseholder or by the expiry of the agreed term.

The agreement to be negotiated with the Belgian State for the renovation of the Residence Palace will include a draft long-term lease which both parties undertake to sign on approval of the work. An option to buy, of which the Council may avail itself, will be an essential feature of that draft lease. The option may be taken up at any time over the period of 27 years; however, in view of the time limits for building guarantees and the time required to draw up the official deed, it will in practice have to be taken up between the third and the 26th year.

If the option is taken up, the effect will be to transform outstanding ground rent into the purchase price of the building; the Belgian State's credits will, without any further modification, thus become purchase price credits instead of leasehold ground rent yet to fall due. The purchase price thus determined will be payable in the same amounts and by the same deadlines as the leasehold ground rent.

For the Residence Palace project the price of exercising the purchase option will amount to EUR 1.

2. Compatibility with the Financial Regulation

The conclusion of a long-term lease with option for the Council to purchase is perfectly in line with the Financial Regulation applicable to the European Union budget. Under the agreement with the Belgian State, the European Communities will undertake to pay the annual ground rent according to a formula to be determined in the draft long-term lease. The rent will be definitively set on approval of the work, when the exact amount of the investment and the interest rate determined on completion of a tendering procedure or as a result of negotiation with a public institution specialising in the financing of such projects (EIB) become known.

Residence Palace building
Provisional implementation schedule

<u>Work to be carried out</u>	<u>Duration</u>	<u>Completion date</u>
1. Establishment of the Council's position on the programme, the agreement with the Belgian State and the architectural competition	6 months	July 2004
2. Organisation of the architectural design competition; selection of the winner	9 months	April 2005
3. Signing of the agreement between the Belgian State and the Council	—	April 2005
4. Preliminary architectural and technical designs; impact assessment; detailed cost estimates	6 months	September 2005
5. Application for planning and environmental permits; issue of permits	6 months	April 2006
6. Preparation of the building design and tender documentation	12 months ¹⁹	September 2006
7. Elimination of asbestos and relocation of easements	6 months ²⁰	September 2006
8. Demolition work	6 months	April 2007
9. Call for tenders; award of contracts	6 months ²¹	April 2007
10. Council approval of costs, of firm deadlines and of the start of building work	—	August 2007
11. Building work	40 months	August 2010
12. Preparations for occupancy; removals	3 months	November 2010

Comments:

The above timing assumes trouble-free implementation; it might be overrun in the event of:

- *either the preliminary design or the design being rejected because of excessive cost;*
- *an appeal against the procedures for selecting the competition winner or for awarding works contracts;*
- *any appeal against the issue of final, enforceable planning and environmental permits;*
- *bankruptcy of firms while work is in progress;*
- *unforeseen contingencies or changes of plan while work is in progress.*

¹⁹ Including 6 months concurrently with the permit-issuing procedure.

²⁰ As soon as permits have been issued.

²¹ Concurrently with demolition work.

Residence Palace building**Initial estimate of the development cost**

The following estimate of the development cost of the Residence Palace project has been drawn up with reference to the economic conditions on the construction market on 1 January 2004.

The development cost includes: the international architectural design competition, architecture and engineering studies, impact assessments, and the cost of obtaining permits, demolition and other preparatory work, actual construction, and development and project management fees. Not included in the estimate are: price variations and interim interest payments over the development period.

The estimates have been drawn up on the basis of several hypotheses:

- the surface area of the superstructure: 40.000 or 45.000 m²;
- the quality of techniques and fittings (equivalent to the quality standard of the Lex building);
- the level of security required by the Security Office of the General Secretariat of the Council;
- a contingency reserve of 15% (as there is no specific project yet), which does not cover any special security cost going beyond the specific security measures referred to in item 10 of the tables below, which may be considered necessary by the relevant security authorities of the Member States;
- a sum of EUR 3 million has been allocated for the removal of asbestos from the building. This is based upon the assessment of the Belgian authorities communicated to the Council on the presence of asbestos in the building (cf. footnote 10 on page 11). The estimated cost of the removal of that asbestos is, according to the Belgian authorities, EUR 1 million. A further EUR 2 million safety margin has been added to that. In the event of higher level of asbestos been found in the building, the Council will not be responsible for additional costs.

Renovated building of 40.000 m² (present building 35.000 m²)

No	Description	Standard (= extrapolated from Lex)			EC headquarters		
		m ²	UP (€)	Total	m ²	UP (€)	Total
1	Architectural design competition			0			1.000.000
2	Development and project management	3% of 5 to 10		2.580.000	3% of 5 to 10		4.125.000
3	Architecture and engineering studies	12% of 5 to 10		10.320.000	15% of 5 to 10		20.625.000
4	Permits, town planning charges	40.000	125	5.000.000	40.000	125	5.000.000
5	Removal of asbestos			3.000.000			3.000.000
6	Demolition, adaptation of easements	10.000	500	5.000.000	20.000	500	10.000.000
7	Rebuilding of superstructure	15.000	1.000	15.000.000	25.000	1.000	25.000.000
8	Renovation of existing structure	25.000	1.500	37.500.000	15.000	1.800	27.000.000
9	Fitting out of new areas	15.000	1.700	25.500.000	25.000	2.100	52.500.000
10	Specific security measures			0			20.000.000
11	Contingency	10% of 1 to 10		10.390.000	15% of 1 to 10		25.237.500
	Total			114.290.000			193.487.500

Renovated building of 45.000 m² (present building 35.000 m²)

No	Description	Standard (= extrapolated from Lex)			EC headquarters		
		m ²	UP (€)	Total	m ²	UP (€)	Total
1	Architectural design competition			0			1.000.000
2	Promotion and project management	3% of 5 to 10		2.985.000	3% of 5 to 10		4.590.000
3	Architecture and engineering studies	12% of 5 to 10		11.940.000	15% of 5 to 10		22.950.000
4	Permits, town planning charges	45.000	125	5.625.000	45.000	125	5.625.000
5	Removal of asbestos			3.000.000			3.000.000
6	Demolition, adaptation of easements	10.000	500	5.000.000	20.000	500	10.000.000
7	Rebuilding of superstructure	20.000	1.000	20.000.000	30.000	1.000	30.000.000
8	Renovation of existing structure	25.000	1.500	37.500.000	15.000	1.800	27.000.000
9	Fitting out of new areas	20.000	1.700	34.000.000	30.000	2.100	63.000.000
10	Specific security measures			0			20.000.000
11	Contingency	10% of 1 to 10		12.005.000	15% of 1 to 10		28.074.750
	Total			132.055.000			215.239.750

Residence Palace building

Comparison between the ground rent for the
Residence Palace and Lex buildings and the rents and
fitting out of the Rolin and Woluwe buildings

	Residence low estimation ²²	Residence high estimate ²¹	Lex contract	Rolin execution	Woluwe estimate	
Basic investment	193,49	215,24	233,00			million EUR
Annual ground rent	10,11	11,24	12,17			million EUR
Basic rent per m ²				210,00	185,00	EUR/m ² /year
Total rent plus taxes				5,53	3,43	mioEUR/year
Total fitting out				4,01	3,50	mioEUR
(written off over 10 years)				0,45	0,39	mioEUR/year
Total annual rent + fitting out				5,98	3,82	mioEUR/year
Superstructure surface area	40.000,00	45.000,00	58.600,00	18.800,00	13.500,00	m ²
Annual cost per m²	252,75	249,78	207,68	317,85	283,18	EUR/m²/an

(amounts at 2003 prices)

²² The calculations of the annual ground rent for the Residence Palace are based on a financing offer for the Lex building on the basis of an initial investment at 1.1.2004 prices, without the effect of price variations and interim interest payments and in the absence of any down payment; thus, on the basis of initial capital of EUR 1 million, payment by instalments over 27 years, flat-rate indexing of that payment at 2% per year and quarterly payments in advance, the first annual payment would be EUR 59.657.

Residence Palace building
Financial perspective 2007-2013

1. Assuming that the Council's accommodation requirements remain as in the current inventory of requirements, purchase of the Residence Palace can be financed within a buildings budget that remains more or less constant.

The table below shows that the Council's buildings programme, including the cost of purchasing the Residence Palace in 2007, requires a more or less constant amount of EUR 30 million per year. After 2010, the cost of accommodation could even fall to about EUR 22 million (25% reduction) if the financial conditions on the market could be fixed at current rates.

Table : Costs of the Council's buildings 2002-2013

Subject	Financial perspective 2002-2006					Financial perspective 2007-2013						
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Frère-Orban												
– rent plus taxes	2,86	2,86	2,86	2,86	2,86	1,43						
Kortenbergh												
– rent plus taxes	3,76	3,76	3,76	3,76	3,76	3,76	3,76	3,76	3,76	1,88		
Espace Rolin												
– rent plus taxes		4,16	5,54	5,54	5,54	1,39						
Woluwe Heights												
– rent plus taxes			1,72	3,44	3,44	1,72						
Lex												
– instalments	8,50	15,90	13,50	13,50								
– interim rent					1,64							
– ground rent					10,52	10,73	10,94	11,16	11,38	11,61	11,84	12,08
Residence Palace												
– instalments						13,50	13,50	13,50	6,75			
– ground rent									9,74	9,93	10,13	10,33
Totals	15,12	26,68	27,38	29,10	27,76	32,52	28,20	28,42	31,63	23,42	21,98	22,41

It should be noted that:

- the amounts in the above table have been expressed in EUR million at 1.1.2004 prices (no allowance for inflation);
 - the instalments for the Residence Palace have been determined within an accommodation budget for 2005-2009 that remains more or less unchanged;
 - the ground rent for Lex and the Residence Palace has been calculated on the following basis:
 - investment cost for Lex is EUR 233 million; for the Residence Palace EUR 215 million;
 - the amounts to be paid after acceptance of the buildings on completion will be covered by a long-term lease for a period of 27 years;
 - the ground rent calculated for the long-term lease has been based on a SWAP curve taking into account the market rate plus a spread of 13 base points (conditions obtained by the Communities for a similar operation);
 - the investment cost to be financed on the date the long-term lease is signed (investment cost + price variations and interim interest payments - instalments) estimated at EUR 200 million for Lex and EUR 186 million for the Residence Palace.
2. On the basis of this table, it may be seen that the Residence Palace project will have no negative impact on the 2007-2013 financial perspective.
3. The General Secretariat of the Council intends to use the margins available in the budget and the financial perspective during the period 2004 to 2006 to maximise the payment of instalments for the Lex project.
