



**COUNCIL OF  
THE EUROPEAN UNION**

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(OR. fr,en)**

**14501/05**

**IMM 3**

**"I/A" ITEM NOTE**

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from: Antici Group  
to: COREPER/COUNCIL  
Subject: Résidence Palace

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1. Following the European architectural design competition, the jury awarded the winning prize to the project designed by the partnership between Samyn & Partners (BE), Studio Valle Progettazioni (IT) and Buro Happold (UK).

In the light of that outcome, the Council is required to take a decision on the continuation of the Résidence Palace project. To this end, the Council has the following material at its disposal:

- an information note which also contains the jury's assessment report (12078/05 IMM 2);
- the draft Memorandum of Understanding drawn up by the Belgian authorities and the General Secretariat of the Council, defining the binding legal framework for taking the dossier forward<sup>1</sup>.

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<sup>1</sup> That document was circulated separately.

2. It should be added that the project awarded the first prize by the competition jury has the following main characteristics:

- the historical section of the Résidence Palace, which dates from 1925, will be preserved and restored;
- the section dating from the 1960s and the underground car park (under the current expanse of lawn) will be demolished;
- the offices intended for the Presidency, delegations and the GSC in particular will be located in the renovated historical part, which will be extended by an intermediate section;
- the meeting rooms and official function rooms will be housed in a new 12-floor elliptical section erected on the location of the current expanse of lawn between the Résidence Palace and the rue de la Loi;
- a base common to the two above sections will house the semi-public functions such as entrances and the main restaurant;
- a new basement will include parking spaces for the vehicles of dignitaries and their escorts, as well as technical and storage rooms;
- the new elliptical section will be wrapped in a large glass façade at the northern and eastern edges of the site, forming an atrium above the entrances and the main restaurant.

The project also provides for the following connections between the Résidence Palace and Justus Lipsius buildings:

- underground for goods;
- at the yellow cafeteria level for the press;
- on Floor 35 for delegations.

3. As regards works (see item 5 in the table below), the cost of the project selected by the jury is estimated at approximately EUR 190 million<sup>2</sup> (at 1 January 2004 prices). This is admittedly above the "target price" of EUR 170 million set in the architectural design competition. The discrepancy derives in particular from the following factors: a surface 5% larger than initially provided for<sup>3</sup>, complete demolition and reconstruction of the floor and basement sections of the building dating from the 1960s<sup>4</sup> and better handling of underground building constraints.

| No  | Description                             | March 2004 estimate<br>7358/04 | October 2005<br>estimate<br>after verification by QSs | Grounds for the change                                      |
|-----|---|--------------------------------|---|---|
| 1   | Architectural design competition        | 1 000 000                      | 735 000   | Real costs  |
| 2   | Contracting authority: studies, checks  | 4 590 000                      | 6 805 000   | Increased tasks resulting from the MoU                      |
| 3   | Permit                                  | 5 625 000                      | 5 871 000   | Increased surface to be reconstructed                       |
| 4   | Architectural and engineering studies   | 22 950 000                     | 22 986 000  | Fall in fees  |
| 5   | Works, including:                       | 168 000 000                    | 191 551 000   | Cost estimate of the winning project                        |
| (a) | - asbestos removal                      | 3 000 000                      | 3 000 000   | Capped cost   |
| (b) | - demolition                            | 10 000 000                     | 4 660 000   | Overestimate  |
| (c) | - reconstruction and renovation         | 140 000 000                    | 166 750 000   | Increased m <sup>2</sup> to be demolished and reconstructed |
| (d) | - works contingencies                   | 15 000 000                     | 17 141 000  | 10% of the cost of 5(b) and (c)                             |
| 6   | Overall contingencies (Council reserve) | 13 075 000                     | 13 075 000  | Council reserve, including EUR 10 million for security      |
|     | <b>Total estimate</b>                   | <b>215 240 000</b>             | <b>241 023 000</b>                                    | EUR million at 1.1.2004 prices                              |

As a consequence, the initial estimate of overall completion costs, set at EUR 215 million in 2004, must now be raised to approximately EUR 240 million (at 1 January 2004 prices). It should be noted that the latter estimate still includes an allowance of approximately 10% for works contingencies and a budgetary reserve of approximately 5% of the overall cost.

<sup>2</sup> Estimate drawn up by the project authors and corrected by quantity surveyors.

<sup>3</sup> The increased surface derives from the architectural design of the building and is intended mainly to improve the spatial structure and organisation but could also be partly allocated to functional areas.

<sup>4</sup> It is worth noting that all participants in the competition's second phase had planned to demolish these sections.

The table below, compared with the one in Annex VIII to 7358/04, shows that aggregate estimates of expenditure on purchased and rented buildings remain constant over the period of the new Financial Perspective (2007-2013). The increase in the project's overall cost will have no negative impact on the Council's financial outlook in the coming years.

| Item   | Expenditure (EUR million) |              |              |              | Estimates (EUR million) (4) |              |              |              |              |              |              |              |              |              |
|--|---------------------------|--------------|--------------|--------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2002                      | 2003         | 2004         | 2005         | 2006                        | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         |
| <b>Frère-Orban</b>                                       |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| - rent plus taxes  | 2,81                      | 2,81         | 2,83         | 2,88         | 2,94                        | 3,00         | 1,50         |              |              |              |              |              |              |              |
| <b>Kortenberg</b>  |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| - rent plus taxes  | 3,76                      | 3,84         | 3,91         | 3,99         | 4,47                        | 4,56         | 4,65         | 4,74         | 4,84         | 4,94         | 5,03         | 5,13         | 2,57         |              |
| <b>Espace Rolin</b>                                      |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| - rent plus taxes  |                           | 3,67         | 5,56         | 5,67         | 5,78                        | 1,47         |              |              |              |              |              |              |              |              |
| <b>Woluwe Heights</b>                                    |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| - rent plus taxes  |                           |              | 1,50         | 3,51         | 3,58                        | 1,83         |              |              |              |              |              |              |              |              |
| <b>Lex</b>   |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| - instalments  |                           | 8,50         | 51,00        | 53,90        | 13,50                       |              |              |              |              |              |              |              |              |              |
| - ground rent (1)  |                           |              |              |              |                             | 6,24         | 6,36         | 6,49         | 6,62         | 6,75         | 6,89         | 7,03         | 7,17         | 7,31         |
| <b>Crèche</b>  |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| - ground rent (2)  |                           |              |              |              | 1,00                        | 1,02         | 1,04         | 1,06         | 1,08         | 1,10         | 1,13         | 1,15         | 1,17         | 1,19         |
| <b>Résidence Palace</b>                                  |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| - instalments  |                           |              |              |              |                             | 13,50        | 13,50        | 13,50        | 13,50        | 13,50        | 13,50        |              |              |              |
| - ground rent (3)  |                           |              |              |              |                             |              |              |              |              |              |              | 10,84        | 11,05        | 11,28        |
| <b>TOTAL (EUR million)</b>                               | <b>6,57</b>               | <b>18,82</b> | <b>64,80</b> | <b>69,95</b> | <b>31,27</b>                | <b>31,61</b> | <b>27,05</b> | <b>25,79</b> | <b>26,04</b> | <b>26,29</b> | <b>26,55</b> | <b>24,15</b> | <b>21,96</b> | <b>19,78</b> |
| (1) <b>Lex</b> : completion cost (2003):                 |                           |              | 233,00       |              |                             |              |              |              |              |              |              |              |              |              |
| Estimate of amount to be financed (2007):                |                           |              | 119,42       |              |                             |              |              |              |              |              |              |              |              |              |
|  |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| (2) <b>Crèche</b> : completion cost (2004):              |                           |              | 17,50        |              |                             |              |              |              |              |              |              |              |              |              |
| Estimate of amount to be financed (2007):                |                           |              | 19,12        |              |                             |              |              |              |              |              |              |              |              |              |
|  |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| (3) <b>RP</b> : completion cost (2004):                  |                           |              | 240,00       |              |                             |              |              |              |              |              |              |              |              |              |
| Estimate of amount to be financed (2013):                |                           |              | 207,46       |              |                             |              |              |              |              |              |              |              |              |              |
|  |                           |              |              |              |                             |              |              |              |              |              |              |              |              |              |
| (4) Estimated annual increase of rents and ground rents: |                           |              |              |              |                             |              | 2%           |              |              |              |              |              |              |              |
| Estimated review of costs and interim interest           |                           |              |              |              |                             |              | 3%           |              |              |              |              |              |              |              |
| Estimated annual ground rent/amount to be financed:      |                           |              |              |              |                             |              | 0,05224      |              |              |              |              |              |              |              |

4. As regards the timetable, the Belgian authorities have stated that the project could be completed by July 2013.

It is worth noting that that timetable, which is significantly longer than initially provided for in 2004 (occupation of the building in November 2010), has turned out to be unavoidable for a number of reasons that could not readily be foreseen when the project was adopted by the European Council:

- owing to the programme's complexity and constraints inherent to the site on the one hand and to the time required for the competition's various stages on the other, the competition has taken six months more than the nine initially planned;
- given the amount of demolition and reconstruction work and the fact that part of the building is listed as a historical monument, it is necessary to commission an impact assessment and heritage study lasting approximately two years prior to the permit application phase;
- the works tender phase cannot begin until the tender documents have been adapted to take into account any requirements resulting from the above impact assessment or linked to the environmental, heritage and planning permits.

5. The Budget Committee was asked for an opinion on the project and reached the following conclusions at its meeting on 10 November 2005:

"Based on the evidence made available by the Council Secretariat, the Budget Committee expresses concern about significant increases proposed to the overall budget of the building. The Budget Committee believes that ceilings for cost should in principle be considered as absolute maxima and not guidelines, and believes that the evidence provided to date does not yet justify the proposed 11,6 per cent increase in overall cost. The Budget Committee also expresses the view that the end date of the project should not be prolonged as this entails additional cost.

Effective, rigorous and regular oversight continues to be needed on this project. Consequently we recommend that the secretariat report to the relevant Council Working Groups (Antici and Budget Committee) every six months. These reports should include details of costs and timings, progress on building works and projected expenditure compared to current projection. In case of possible material over-runs, interim reports should be provided as quickly as possible.

All projects should be scrutinised for their full compliance with the Financial Regulation, and in particular the provisions for contractual agreements. While advising Antici to accept the present proposal, the Budget Committee will in future advise against accepting projects that exceed the maxima set for cost."

6. In the light of the background information available and of the opinion issued by the Budget Committee, the Antici Group would suggest that Coreper invite the Council to:
- call on the Belgian authorities to continue the Résidence Palace project, in particular by concluding a study contract with the competition winner (Partnership of Samyn & Partners, Studio Valle Progettazioni, Buro Happold);
  - call on these authorities to have the winning design adapted in the light of the functional, security and technical comments it has prompted from the GSC;
  - decide to sign the Memorandum of Understanding with the Belgian State and mandate the Deputy Secretary-General accordingly;
  - confirm that the amount of EUR 240 million (at 1 January 2004 prices) and the deadline of July 2013 for completion of the project to the agreed standards are in principle absolute maxima and not guidelines and that these maxima should be strictly observed;
  - accordingly, give the GSC responsibility for implementing the Résidence Palace project, it being understood that it must report every six months to the Antici Group and to the Budget Committee; these reports should include details of costs and timings, progress on building works and projected expenditure compared to current projection. In case of possible material over-runs, immediate interim reports should be provided as quickly as possible;
  - reiterate that in any event, no change in cost or deadline shall be admissible without the Council's prior consent.
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