

CA/5/19

Orig.: en

Munich, 8.02.2019

SUBJECT: Extension of the lease agreement for building 8inOne in Haar

SUBMITTED BY: President of the European Patent Office

ADDRESSEES: 1. Budget and Finance Committee (for opinion)
2. Administrative Council (for decision)

SUMMARY

Following the Administrative Council's decision CA/82/16, the Boards of Appeal (BOA) relocated to the building 8inOne in Haar, which is leased for a period of 15 years.

Further office space is required a) to accommodate 39 additional BOA staff members and b) to provide conference and opposition rooms and common areas for the BOA. The lease extensions are expected to be concluded for a fixed term of 7 years commencing 1 October 2019 (a) and for 7.5 years commencing 1 April 2019 (b) respectively. This proposal entails a total budget of EUR 4.8 million for the entire period, including investments of EUR 773 000 (see details in Annex 1) for specific building adaptations, to be carried out by the landlord on behalf of the EPO.

This proposal covers two key areas:

- The Budget and Finance Committee is requested to give a favourable opinion on the extension of leased space in the building 8inOne, Richard-Reitzner-Allee 8 in Munich/Haar
- Based on the Budget and Finance Committee's opinion on the financial aspects of the lease agreement, the Administrative Council is requested to authorise the President of the Office to sign the lease agreement in due course.

I. STRATEGIC/OPERATIONAL

1. Operational

II. RECOMMENDATION

2. The Budget and Finance Committee (BFC) is requested to give a favourable opinion on the extension of leased space in the building 8inOne, Richard-Reitzner-Allee 8 in Munich/Haar for the Boards of Appeal (BOA).

3. The additional space is needed to:

a) accommodate a further 39 BOA members. The space will be adapted to the needs of the BOA and leased as of 1 October 2019.

b) accommodate further conference (auditorium and opposition rooms) and common areas, from 1 April 2019. These areas are required by the BOA immediately after contract signature. They do not require extensive renovation.

4. Based on the Budget and Finance Committee's opinion on the financial aspects of the lease agreement, the Administrative Council will be requested to authorise the President of the Office to sign the lease agreement's extension immediately.

III. MAJORITY NEEDED

5. Simple majority.

IV. CONTEXT

6. In December 2016, the Administrative Council authorised the President of the Office to sign a lease agreement to rent approx. 11 000 m² in the 8inOne building for 237 BOA staff members for a 15 year period, i.e. until 2032 (CA/82/16).

7. In December 2018, the Administrative Council approved the President's proposal for the 2019 budget, which includes the recruitment of an additional 23 staff members for the BOA in 2019 and foresees the recruitment of a further 16 members in 2020 (CA/50/18, p. 46 and 171). The recruitment of these 39 additional members is intended to help reduce the BOA's current backlog and the resulting increase in total staff will only be temporary. In accordance with an agreement between the President of the Office and the President of the Boards of Appeal, an equivalent number of staff members retiring in the years ahead will not be replaced to offset the recruitment wave in 2019 and 2020.

8. For obvious efficiency reasons, the new staff members have to be accommodated in the same building in Haar as the other BOA members.

9. To ensure office space availability as early as 2019, negotiations with the landlord were started at the end of 2018 and successfully concluded.
10. In view of the size of the budget covered by the lease agreement, the BFC's support and the AC's approval must be obtained before it can be signed and refurbishment can start. Moreover, the landlord's offer and the exclusive option on the lease granted to the EPO are only valid until April 2019. This is why the prior involvement of the BFC in the form of a written procedure is essential so that the AC can take a decision by the end of March 2019.

V. ARGUMENTS

11. As all BOA employees are currently already located in the Haar building, it would seem well-advised to accommodate the 39 new staff members and the additional conference and common areas in this building. The area of 11 000 m² currently leased by the Office is already fully occupied by the BOA's current staff. However, the 8inOne building is composed of different wings, which can be easily linked together to create a common space. That is why the additional staff can be accommodated in the same building without any disruption for a certain period by agglomerating supplementary space, while maintaining existing security and safety standards.
12. The main lease contract for the area of 11 000 m² occupied by the BOA since 2017 has a fixed term of 15 years. The additional office space is needed to accommodate the new staff members who will help the BOA to reduce its backlog by 2023. It is proposed to rent this office space for 7 years to allow a flexible gradual phasing out of this temporary measure.
13. The main lease contract does not cover space for gatherings of more than around 80 people. The additional opposition rooms and conference area will provide this kind of space for meetings of all BOA staff. In addition, two more opposition rooms in this area will increase the capacity for opposition proceedings, which will also have a positive effect on reducing the backlog.
14. The need for additional opposition rooms is acute and essential to reducing the backlog. The proposal is to lease the available space "as is" as of the 1 April 2019. The available opposition rooms and conference area are, from an architectural and operational point of view, an extension to the additional leased area and will be leased for 7.5 years. This area will also become redundant as retiring staff are not replaced, meaning that all staff can once again be accommodated in the initially leased space.

VI. ALTERNATIVES

15. The extension of the existing leased space in Haar meets a request made by the President of the BOA. No other alternative provides a comparable positive cost/benefit result.

VII. FINANCIAL IMPLICATIONS

16. The proposed additional lease contract entails expenditure of EUR 4.8 million, detailed as follows:
17. a) For the accommodation of the 39 BOA members, requiring 1 266 m², over a period of 84 months (7 years) starting in October 2019:
- monthly rent rate of 19.20 EUR/m² = EUR 24 307.
 - monthly ancillary rate of 3.50 EUR/m² = EUR 4 431.
 - additional EUR 688 000 investment in EPO-BOA tenant-related specifications and measures including IT cabling and hardware, cooling ceilings for air-conditioning and security installations totalling EUR 3.1 million.
18. b) For the additional conference and common areas, covering 1 253 m², over a period of 89 months (7.5 years) starting in April 2019:
- Monthly rent rate of 10.75 EUR/m² = EUR 13 469.
 - Monthly ancillary rate of 3.50 EUR/m² = EUR 4 385.
 - Additional EUR 85 000 investment in minimal adaptations (i.e. IT, connections to main lease area, security installations) totalling EUR 1.7 million.

VIII. LEGAL BASIS

19. Article 58(2) FinRegs

IX. DOCUMENTS CITED

20. CA/82/16

X. RECOMMENDATION FOR PUBLICATION

21. Yes

ANNEX 1 TENANT RELATED INVESTMENTS

A.	IT – Installations, cabling and hardware	EUR 80 000
B.	HVAC – cooling ceilings	EUR 560 000
C.	Security equipment & access control	EUR 95 000
D.	Additional installations (sun blinds, kitchenettes)	EUR 38 000
TOTAL		EUR 773 000