**1.3 Payment for capital works with efficiency benefit**

[Drafting note - clause (a) - (c) provide for the Tenant to make a monetary contribution to the Landlord towards the costs of the capital upgrade works either after or before the works are carried out and recover that cost over the term of the lease or any renewed term by reducing or capping the Tenants outgoings payments to the Landlord.]

* + - * 1. The Tenant agrees to contribute to the costs of capital upgrades to the building that result in increased building efficiency by making the Capital Works Payment to the Landlord, [if an independently audited costs estimate prepared by an independent qualified surveyor shows that such upgrades will result in a costs savings to the Tenant over the term equal to or in excess of the cost to the Tenant/with the Tenant’s prior consent].
        2. The parties agree that the Tenant will be required to make the Capital Works Payment to the Landlord when the Landlord has satisfied the following conditions:

[Drafting note - consider whether the Tenant is to make the payment to the Landlord before or after the works have been carried out.]  
If before the works have been carried out, then consider the following conditions by way of example:

the Landlord has entered into a contract with a builder to construct the works;

the Landlord has provided to the Tenant an independently audited report from a qualified quantity surveyor demonstrating the projected cost savings to the Tenant as a result of the Landlord carrying out works exceed the Capital Works Payment;

the Landlord provides to the Tenant a valid GST tax invoice addressed to the Tenant for the Capital Works Payment;

If after the works have been carried out then consider the following conditions:

the Landlord provides a certificate from the Landlord’s architect or quantity surveyor verifying that the works have been carried out;

the Landlord provides a certificate verifying the value of works that are the subject of the Capital Works Payment; and

the Landlord provides to the Tenant a valid GST tax invoice addressed to the Tenant for the Capital Works Payment.

[Drafting note - the following clause (c) provides for the Tenant to be reimbursed for the costs of the Capital Works Payment by recovering the cost via a reduction in outgoings over the Term or a period during the term of the lease or any renewed term.]

* + - * 1. In consideration for the Tenant paying the Capital Works Payment to the Landlord, the outgoings payable by the Tenant in clause [insert ] will be capped at an amount of $[insert] per annum for the [insert period].

[Drafting note - if the Tenant is reluctant to make an upfront payment to the Landlord in return for projected future cost savings then this clause (d) allows the Landlord to fund the works by retaining the savings by reducing outgoings as a result of the capital upgrade works instead of passing them on to the Tenant.]

* + - * 1. The Tenant agrees that the Landlord may recover the costs of capital upgrades that result in increased building efficiency from the Tenant over the term of the lease or any renewed term by retaining the outgoings amount saved as a result of the capital upgrade(s).