

ITEM 5. LEASE RENEWAL TO KAPLAN PTY LTD LEVEL 8, 540 GEORGE STREET, SYDNEY

FILE NO: S098637

SUMMARY

Kaplan Pty Limited leases 1,154.90 m2 on level 8 of 540 George Street, Sydney for an educational training institute and associated facilities and administrative offices.

The current lease commenced on 1 May 2013 and expires 30 April 2016, with no option.

The City and Kaplan Pty Limited have now completed commercial negotiations for a new lease term of two years and two months commencing 1 May 2016, and the parties have now entered into a non-binding Heads of Agreement setting out essential terms and conditions of the proposed lease.

The premises are located within the Woolworths building that is earmarked for development of the Council's civic square project. In 2011, Council resolved that the civic square project would not commence before 2021, and that these commercial buildings could be leased on a fixed term leases which could not run past 2021.

RECOMMENDATION

It is resolved that:

- (A) Council approve the granting of a lease to Kaplan Pty Ltd, on the essential terms and conditions set out in confidential Attachment A to the subject report; and
- (B) authority be delegated to the Chief Executive Officer to finalise the terms of the lease, and authorise its execution on behalf of the Council.

ATTACHMENTS

Attachment A: Essential Lease Terms and Conditions (Confidential)

(As Attachment A is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. Kaplan Pty Limited leases 1,154.90 m2 of Level 8, 540 George Street, Sydney for educational training institute and associated facilities and administrative offices.
2. The current lease commenced on 1 May 2013 and expires 30 April 2016, with no option to renew.
3. The City and Kaplan Pty Limited have now completed commercial negotiations for a new lease term commencing 1 May 2016 for two years and two months, the parties having now entered into a non-binding Heads of Agreement setting out the essential terms and conditions.
4. The premises are located within the Woolworths building that is earmarked for the development of the Council's civic square project. The proposed development includes other adjacent City-owned buildings such as the Lowes building on the corner of Pitt and Park Streets and some strata lots in 309 Pitt Street.
5. In 2011, Council resolved that the civic square project would not commence before 2021, and that these commercial buildings could be leased on fixed term leases which could not run past 2021.
6. Council's current intention is not to develop the civic square before 2021, however, site development could be brought forward due to other factors such as Transport for NSW's Sydney Rapid Transit project. The lease term and terminations clauses allow for such factors.
7. The City and Kaplan Pty Limited have now completed commercial negotiations for a new lease term until 30 June 2018, the parties have now entered into a non-binding Heads of Agreement setting out the essential terms and conditions.
8. The Lessor will be entitled to terminate the lease (at its sole discretion) by giving 12 months' written notice to the lessor. Such notice cannot be issued prior to 30 June 2017.
9. The Lessee will be entitled to terminate the lease (at its sole discretion) by giving 6 months written notice to the lessee. Such notice cannot be issued prior to 31 December 2016
10. The City's independent valuer, Preston Rowe Patterson, Property Consultants, has confirmed that the essential terms and conditions, including the rental provisions, represent a fair and reasonable market related return.

BUDGET IMPLICATIONS

11. The 2015/16 budget did not allow for May and June 2016 revenue, as a vacancy was anticipated at the time of budgeting; therefore, the proposal will favourably impact on the 2015/16 budget. In addition, the revenue under the new lease includes a minor increase above the expiring lease.

RELEVANT LEGISLATION

12. Local Government Act 1993 and Local Government (General) Regulation 2005.

13. Attachment A contains confidential information which, if disclosed, would prejudice the commercial position of the person who supplied it.
14. Discussions of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the Council's ability to achieve the best outcome for its ratepayers.

OPTIONS

15. The premises are not required for any of the City's corporate or community activities.
16. The City considered going to the market to lease these premises. However, due to the short term lease (ie, two years considering Sydney Rapid Transport requirements), it was not considered commercially viable to go to the market to source an alternative tenant.

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