

**ITEM 7. LEASE - APPROVAL FOR LEASE VARIATION OF STRATUM
TUNNEL (PIPELINE) LEASE, 33 ALFRED STREET SYDNEY**

FILE NO: S104857

SUMMARY

This report seeks Council's approval to vary the existing stratum tunnel pipeline lease at 33 Alfred St Sydney (registered lease O582165) from the City of Sydney to AMP Capital Investors Limited and AMP Capital Funds Management Limited to include additional beneficial lease conditions to Council. The lease variation will introduce lease security via a Bank Guarantee provision for an amount equal to 12 months gross rent and GST and an increase in Public Liability Insurance from \$10 million to \$20 million.

In January 1987, the City entered into a 40 year lease with Australian Mutual Provident Society (AMP Life Limited). In 2006, AMP Life Limited, with City approval, assigned the lease to Kent Street Pty Limited. The lease is for a stratum area of 89.7 m² used for a seawater pipeline connecting to the lower basement of 33 Alfred Street, Sydney.

The 40 year lease did not contain any requirement for a Bank Guarantee to be provided by the tenant and the lease contained a requirement for Public Liability Insurance to be an amount of \$10 million.

In December 2016, Kent Street Pty Limited sought approval from the City to assign the lease to AMP Capital Investors Limited as trustee for the AMP Capital Wholesale Office Fund and AMP Capital Funds Management Limited as trustee for the AMP Capital Diversified Property Fund. As part of the City's approval for an assignment of lease, improved lease conditions were sought.

The lease expiry date remains 31 December 2026. As the lease term is over five years, Council approval is required to finalise the variation of lease.

RECOMMENDATION

It is resolved that:

- (A) Council approve a variation of the stratum tunnel pipeline lease at 33 Alfred Street, Sydney (registered lease O582165) with AMP Capital Investors Limited and AMP Capital Funds Management Limited. The variation will introduce a Bank Guarantee for an amount equal to 12 months gross rent and GST and an increase in Public Liability Insurance to \$20 million; and
- (B) authority be delegated to the Chief Executive Officer to finalise the terms of the lease variation.

ATTACHMENT

Attachment A: Stratum Tunnel Pipeline Lease Profile

BACKGROUND

1. In January 1987, the City entered into a 40 year lease with Australian Mutual Provident Society (AMP Life Limited) for a stratum area of 89.7 m² used for a seawater pipeline connecting to the lower basement of 33 Alfred Street, Sydney.
2. In November 2006, AMP Life Limited were granted approval to assign the lease to Kent Street Pty Limited.
3. The 40 year lease did not contain any requirement for a Bank Guarantee to be provided and the lease contained a requirement for Public Liability Insurance in an amount of \$10 million.
4. In December 2016, Kent Street Pty Limited sought approval from the City to assign the lease to AMP Capital Investors Limited as trustee for the AMP Capital Wholesale Office Fund and AMP Capital Funds Management Limited as trustee for the AMP Capital Diversified Property Fund. As part of the City's approval for an assignment of lease, improved lease conditions were sought and agreed.
5. The improved lease conditions are lease security via a Bank Guarantee in the amount of 12 months gross rent plus GST and an increase in the Public Liability Insurance from \$10 million to \$20 million, which are to be documented in a Variation of Lease.

KEY IMPLICATIONS

Strategic Alignment – Sustainable Sydney 2030 Vision

6. *Sustainable Sydney 2030* is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This report is aligned with the following SS2030 strategic directions and objectives:
 - (a) Direction 10 - Implementation through Effective Governance and Partnerships – 10.3.3 Strategic Property Management - Manage the investment property portfolio to realise commercial returns and contribute to a diverse income base.
7. The provision of the improved lease conditions is consistent with what City Property Services needs to achieve to meet Action 10.3.3.

BUDGET IMPLICATIONS

8. There is no change to revenue by the lease variation.

RELEVANT LEGISLATION

9. The Local Government Act 1993.

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