

**ITEM 7. LEASE RENEWAL TO DDB SYDNEY PTY LTD OF PART GROUND FLOOR AND LEVELS 3, 4 AND 5, 46-52 MOUNTAIN STREET ULTIMO**

**FILE NO: S099550**

**SUMMARY**

DDB Sydney Pty Ltd (DDB) currently occupy 4,896 square metres under a lease with the City over part of the ground floor and levels 3, 4, and 5, 46-52 Mountain Street, Ultimo (the Premises). The current lease expires on 21 June 2017. The City and DDB have completed commercial negotiations for a new lease term of five years and an option period of four years for the Premises, and have entered into a non-binding Heads of Agreement setting out essential terms and conditions of the proposed lease.

**RECOMMENDATION**

It is resolved that:

- (A) Council approves the granting of a lease and option to DDB Sydney 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. DDB currently occupy 4,896 square metres under a lease over the Premises expiring on 21 June 2017.
2. The City and DDB have completed commercial negotiations for a new lease term of five years and option period of four years, and the parties have entered into a non-binding Heads of Agreement setting out essential terms and conditions of the proposed lease.
3. The City's independent valuer, BEM, Property Consultants, has confirmed that the essential terms and conditions, including the rental provisions, represent a fair and reasonable market related return.

**BUDGET IMPLICATIONS**

4. The budget for 2017/18 is based on the Premises being leased. The endorsement of this lease and the option period will see the City receive a higher rental return than that budgeted.

**RELEVANT LEGISLATION**

5. Local Government Act 1993 and Local Government (General) Regulation 2005.
6. Attachment A contains confidential information which, if disclosed, would prejudice the commercial position of the person who supplied it.
7. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to achieve the best outcome for its ratepayers.

**OPTIONS**

8. The City did not consider going to the market to lease the Premises. In line with current commercial practice, the current lease with DDB does not allow for make good by the tenant and, therefore, the City would have had to bear the cost of any make good or remediation of the Premises. In addition, the City would have incurred a significant leasing fee, and suffered loss of rental while DDB moved out of the premises and the City made good, and also during the period of time for a new tenant fit out. This is estimated to be approximately a six-month loss of income to the City.

**AMIT CHANAN**

Director City Projects and Property

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