

Lease Approval - Level 4, 343 George Street, Sydney

File No: S096173.016

Summary

The City purchased 343 George Street, Sydney in 2011, as part of its investment property portfolio.

The property has approximately 10,000 square metres of net lettable area over 10 levels.

This report seeks Council's consent to a new lease for the current occupant, Marque Lawyers Pty Ltd ("Marque"), at Level 4, 343 George Street, Sydney. The proposed lease is for a five-year term, with a further lease option of five years. The current lease expires 30 June 2019.

Essential terms and conditions of the proposed lease and the additional option term of five years are shown at Confidential Attachment A.

Recommendation

It is resolved that:

- (A) Council approve a lease with Marque for Level 4, 343 George Street, Sydney. The proposed new lease includes a term of five years with an additional option term of five years; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the terms of the lease, including in relation to exercise of the option term, substantially in accordance with Attachment A to the subject report.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. Marque is a well-known boutique law firm working across all areas of the corporate / commercial business sector. Commencing with a team of 10 staff, the company has now grown to employ over 40 staff since commencing the lease at 343 George Street.
2. Marque commenced occupation of the building in Suite 4.01, Level 4, 343 George Street, Sydney, in May 2009. They completed a full fit-out of the suite, which occupies two-thirds of the total floor space. Marque commenced a lease over the remainder of Level 4 from 2011. Extensive renovations of the fit out were carried out in 2013 and 2016. There are no plans to make any major changes to the existing fit out.
3. Marque has sought to renew the existing lease which expires on 30 June 2019.
4. The new terms have been negotiated to include the Green Lease Clauses now required by Council in all leases within this group of buildings. The additional clauses will provide a commitment from both parties to proactively improve the sustainable performance of the building.
5. The City's independent valuer, Rawlinsons, has undertaken an assessment of the market rent for this tenancy. The agreed terms of the proposed lease are in line with the market rental valuation, as detailed at Confidential Attachment A.

Option Lease Term

6. Marque submitted a request to the City for a new lease of five years, with a five-year option. Should this lease with the option period be exercised, this would extend the tenure over Level 4 to 30 June 2029.
7. The City is supportive of extending the term of this lease, given the new lease would offer no vacancy and therefore no impact on the 2019/20 operating budget. This recommendation also takes into consideration the tenant's excellent payment history.
8. Marque has executed a Heads of Agreement and the key terms are summarised as per Confidential Attachment A.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

9. 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 strategic directions and objectives:
 - (a) Direction 10 - Implementation through Effective Governance and Partnerships – specifically, Action 10.5.1 - Expand revenues from commercial operations, property portfolio and other income generating assets.

Budget Implications

10. The proposed lease commencement date is 1 July 2019. The rental income has been included in the draft 2019/20 operating budget.

Relevant Legislation

11. Local Government Act 1993.
12. Attachment A contains confidential commercial information and details of the City's valuation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
13. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Options

14. Marque's current lease expires on 30 June 2019. If the City does not offer a new lease to Marque we will have to take the property to the open market.
15. This action would incur costs, including leasing agent fees, marketing costs, refurbishment costs and a possible vacancy period resulting in loss of income.
16. At this stage, there is no commercial advantage for the City to take the property to the market to source an alternative tenant.

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