

Lease Approval - Level 9, 540 George Street, Sydney

File No: S098637.006

Summary

This report seeks Council's approval to grant a new lease to the existing tenant, Australian Technical & Management College Pty Ltd, for Level 9, 540 George Street, Sydney, to include an eight-year term. The current lease expired 30 November 2018.

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

Recommendation

It is resolved that:

- (A) Council approve the grant of a lease to Australian Technical & Management College Pty Ltd for Level 9, 540 George Street, Sydney. The proposed new lease includes a term of eight years, which would extend the current tenant's tenure to 31 December 2026; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the terms of the lease in accordance with the terms contained in Confidential Attachment A to the subject report.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. Australian Technical & Management College Pty Ltd is a nationally recognised education facility providing further education in business and management programs. The College has campuses in Melbourne and Sydney, offering a range of courses to prepare students for the global workforce.
2. Australian Technical & Management College enrolled over 6,000 students for the 2018 financial year, and employ over 400 staff across both campuses. Australian Technical & Management College are affiliated with two leading Australian Universities, the Federation University Australia and the University of the Sunshine Coast.
3. Dr Manish Malhotra is the Chief Executive Officer / Director and Founder of Australian Technical & Management College. Dr Malhotra holds a PhD in Computer Engineering and has over 15 years' experience in the training industry.
4. Australian Technical & Management College commenced occupation in the building on Level 9 on 1 December 2013. It occupies a whole floor and last updated the fit out in 2016, consisting of a reception area, classrooms, lunch / break out rooms and staff offices. There are no plans to make any major changes to the existing fit out within the next 12 months.
5. The new terms have been negotiated to include the Green Lease clause now required by the City in all leases within this group of buildings.

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 strategic direction 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.

Lease Term

7. On 22 August 2011, Council resolved that the period available for commercial and retail leases in the buildings required for Town Hall Square be extended to the end of 2021. Any lease term past the 2021 date required a demolition clause be included in the terms.
8. The current lease with Australian Technical & Management College contains a specific demolition clause, whereby the City may terminate the lease by giving six months' notice, should the City wish to demolish the building.
9. The inclusion of a demolition clause adversely impacts potential revenue due to the tenant's uncertainty of tenure.

10. The City have reviewed the demolition clause and this clause has been removed from the proposed eight-year lease with Australian Technical & Management College to offer certainty to the tenant, and to reflect the revised likely timeframes for the future Town Hall Square project.
11. The current lease expired 31 December 2018 and the Lessee is currently on holdover. This delay was due to the renegotiation of lease terms, noting the removal of the demolition clause.
12. Should this lease be granted to Australian Technical & Management College, this would extend the tenure over Level 9 to 31 December 2026.
13. The City is supportive of extending the term of this lease, given the new lease would offer no vacancy. This recommendation is also in conjunction with the tenant's excellent payment history.
14. Australian Technical & Management College have executed a Heads of Agreement and the key terms are summarised at Confidential Attachment A. The agreed terms are subject to approval by a resolution of Council.

Budget Implications

15. Rent received in the financial year 2018/19 will result in income surplus to the operating budget.

Options

16. Given the current lease expired on 30 November 2018, if this proposal is not approved, the City will have to go to the market to source a new tenant. This action would incur costs, including leasing agent fees, marketing costs, refurbishment costs and a possible vacancy and loss of income. There is no commercial advantage for the City to go to the market to source an alternative lessee.

Relevant Legislation

17. Local Government Act 1993.
18. Attachment A contains confidential commercial information and details which, if disclosed, would confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
19. 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 negotiate fairly and commercially to achieve the best outcome for its ratepayers.

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