

Lease Approval - Kings Cross Police Station

File No: S090986

Summary

This report seeks Council's approval for the Chief Executive Officer to consent to a lease renewal to The Crown in right of the State of NSW represented by the NSW Police Force for 1-7 Elizabeth Bay Road, Elizabeth Bay, known as the Kings Cross Police Station. The proposed term is for eight years with two option periods, each option is three years. Total term being fourteen years.

Essential lease terms and conditions of the proposed lease are shown in Confidential Attachment A.

As the annual rent is above \$500,000.00 per annum and the initial lease term exceeds five years, Council approval is required to grant this lease renewal to NSW Police Force.

Recommendation

It is resolved that:

- (A) Council approve the granting of a lease to The Crown in the right of the State of NSW represented by the NSW Police Force for 1-7 Elizabeth Bay Road, Elizabeth Bay, premises known as Kings Cross Police Station. The proposed new lease is for an eight year term, with two additional options of three years each which would extend NSW Police Force tenure until 30 June 2033; 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, in accordance with Attachment A to the subject report.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. 1-7 Elizabeth Bay Road, Elizabeth Bay, is a property which is part of the City's commercial investment portfolio.
2. NSW Police Force currently have a ten-year lease which expired 30 June 2019 with no option to renew.
3. NSW Police Force have requested a new eight-year lease with two options, each option period being three years.
4. NSW Police Force have been model tenants at all times and provide an essential service to the local community.

Key Implications

Strategic Alignment - Sustainable Sydney 2030 Vision

5. 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.

Rental Determination

6. BEM Property Consultants and Valuers were engaged by the City to undertake an independent assessment of rental value for the premises. The report provided by BEM Property Consultants has detailed numerous leasing transactions in the area and the rent, as determined, is acceptable from a market perspective.

Budget Implications

7. The terms of the new lease reflect the rent and incentive recommended by BEM Property Consultants, which will see a small reduction in rent and will have a minor impact on revenue, on the 2019/2020 Operating Budget and future year forward estimates. The small reduction in rent reflects the market conditions in the area.

Relevant Legislation

8. Local Government Act 1993 - Section 10A provides that a Council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
9. Attachment A to the subject report contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
10. 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.

Options

11. To place the property onto the open market and source an alternative Lessee. This option is not recommended as this could result in considerable vacancy and loss of income if NSW Police were to vacate.
12. There is no commercial advantage for the City to go back to the market and source an alternative lessee as the premises is fit for its current purpose and it is unlikely to attract another tenant who could use the building with its current fit out.

Public Consultation

12. There is no requirement for public consultation for this commercial lease.

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