

## **Lease Approval - Basement, Ground Floor and Level 1, 295 Pitt Street, Sydney**

**File No: S099062**

### **Summary**

The City owns the property known as "Park House" at 295 Pitt Street (corner of Park Street), Sydney.

The property is part of the City's Commercial Investment Portfolio and has been a key income asset for the City along with the adjoining Pitt Street properties owned by the City.

This property, along with 303, 307 and 309 Pitt Street, the Coronation Hotel, and 540 and 546 George Street, all form part of the City's vision for the future Town Hall Square.

This report seeks Council's approval to grant a retail lease to Pharmacy 4 Less Pty Ltd (Pharmacy 4 Less ) for the basement, ground floor and Level 1 of 295 Pitt Street, Sydney, for a term of five years with a further lease option term of 10 years, commencing 1 June 2021.

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

As the annual rent is above \$500,000 per annum and the option lease term exceeds five years, Council approval is required to grant this lease.

### **Recommendation**

It is resolved that:

- (A) Council approve a five-year lease with a 10-year option with Pharmacy 4 Less Pty Limited for the premises known as Basement, Ground Floor and First Floor, 295 Pitt Street, Sydney, on the terms contained in Confidential Attachment A to the subject report; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, finalise and administer the lease.

### **Attachments**

**Attachment A.** Essential Lease Terms and Conditions (Confidential)

## Background

1. The property known as "Park House" at 295 Pitt Street, Sydney, is located on the corner of Park Street and comprises three retail levels, being the basement, ground floor and first floor area (subject of this report). The building also has four upper levels which are leased to commercial tenants.
2. This property along with 303, 307 and 309 Pitt Street, the Coronation Hotel, and 540 and 546 George Street, all form part of the City's vision for the proposed Town Hall Square.
3. The retail premises were vacated by Lowes - Manhattan on 30 December 2020.
4. The premises comprise a retail basement area of 237.2 sqm, a ground floor retail area of 198.0 sqm and a first-floor retail area of 200.6 sqm. The total net lettable area is 635.8 sqm.
5. Council approval is sought to grant a retail lease to Pharmacy 4 Less for the basement, ground floor and Level 1 of 295 Pitt Street, Sydney, for a term of five years with a further lease option term of 10 years, commencing 1 June 2021.
6. Pharmacy 4 Less is a discount chemist chain, operating since 2007, with a network of over 100 stores Australia wide.
7. The lease 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.
8. The lease also contains a demolition clause that will allow the City to obtain vacant possession of the site at any time from November 2026 onwards. Further detail on this is contained in Confidential Attachment A.

## Rental Determination

9. The City appointed independent valuers, Rawlinsons Corporate Real Estate Pty Ltd, to undertake an assessment of the rental value of the premises. The proposed lease terms are in line with the independent valuation.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030

10. 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 Sustainable Sydney 2030 strategic directions and objectives:
  - (a) Direction 10 - Implementation through Effective Governance and Partnerships - Specifically, Action 10.5.1 - Expand revenues from commercial operation, property portfolio and other income generating assets.

### **Financial Implications**

11. The new lease will have a favourable impact on the 2021/22 Operating Budget as there is an uplift in rent.

### **Relevant Legislation**

12. 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.
13. Attachment A contains confidential information and details which, if disclosed, would confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
14. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Councils ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

### **AMIT CHANAN**

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