

Item 7.**Lease Approval - Levels 3, 4 and 5 - 46-52 Mountain Street, Ultimo****File No: S099955****Summary**

This report seeks Council approval to grant a new lease to DDB Sydney Pty Ltd for Levels 3, 4 and 5, Wilcox Mofflin, 46-52 Mountain Street, Ultimo for a term of five years with a lease option term of five years. Lease to commence 22 June 2022.

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

Recommendation

It is resolved that:

- (A) Council approve a lease to DDB Sydney Pty Ltd for a term of five years with a further option for five years for Levels 3, 4 and 5, Wilcox Mofflin, 46-52 Mountain Street Ultimo on the terms and conditions contained 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, including the exercise of the lease option.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. The City of Sydney has a commercial investment portfolio of 41 buildings and approximately 300 active retail, commercial and stratum leases.
2. The income derived from the commercial investment portfolio is the City's second highest revenue source and plays a vital role in contributing to the financial sustainability of Council. This will enable the City to continue to support community based organisations, infrastructure projects and provide financial relief and assistance for small business recovery impacted by Covid-19.
3. "Wilcox Mofflin", 46-52 Mountain Street, Ultimo, is a heritage listed property which has been part of the City's commercial investment portfolio since 2001.
4. DDB Sydney Pty Ltd (DDB) is an advertising agency who have been a tenant in the Wilcox Mofflin building since 2001.
5. The current lease to DDB expires 21 June 2022.
6. DDB has requested a new five-year lease be issued from 22 June 2022 with an option to renew for a further five years.
7. The total office area being leased is 3,662 m².
8. DDB have been model tenants at all times.
9. Covid-19 has had an adverse impact on commercial rents which has seen a rise in vacancy rates resulting in intense competition amongst landlords to retain and attract tenants during the Covid recovery phase.
10. It is essential that the City be able to operate competitively and effectively in the commercial property market during this time and will need to be agile in its ability to grant lease approvals.

Key Implications

Strategic Alignment - Sustainable Sydney 2030

11. 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.

Financial Implications

12. The new rent and incentive are consistent with the current market conditions and this will be allowed for in the forward estimates.

Rental Determination

13. Rawlinsons Corporate Property Services were engaged by the City to undertake an independent assessment of the rental value for the premises and the lease proposal is in line with the report provided by Rawlinsons.

Relevant Legislation

14. 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.
15. 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.
16. Discussion of this 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 rate payers.

AMIT CHANAN

Director City Projects and Property

David Graham, Commercial Property Manager