

Lease Approval - Ground Floor Suite 3, Level 1 and 2 - 46-52 Mountain Street, Ultimo**File No: S099555****Summary**

This report seeks Council approval to grant a new lease to Torrens Global Education Services Pty Ltd for Ground Floor Suite 3, Level 1 and Level 2, Wilcox Mofflin, 46-52 Mountain Street, Ultimo, for a term of five years with a five-year option. Lease to commence on 1 April 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 Torrens Global Education Services Pty Ltd for a term of five years with one further option of five years for Ground Floor Suite 3, Level 1 and Level 2, 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 term.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. The City of Sydney has a commercial investment portfolio of 41 buildings and around 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 and 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. Torrens Global Education Services Pty Ltd are a leading post-secondary education network offering undergraduate, graduate, and technical vocational credentials. Think Education and Torrens University form part of the Torrens Group.
5. Think Education Services Pty Ltd have been tenants in the building since April 2014 and currently have a lease on Suite 3, Ground Floor and Levels 1 and 2 of Wilcox Mofflin which will expire 31 March 2022 with an option to renew for a further five years.
6. Think Education Services Pty Ltd and Torrens Global Education Pty Ltd are two related entities, both controlled by SEI Newco Inc which is a company listed on the Nasdaq. SEI Newco Inc are consolidating university names with Torrens being the preferred name in most cases.
7. Think Education Services Pty Ltd have requested a new lease be issued in the name of Torrens Global Education Services Pty Ltd commencing 1 April 2022 for a five-year term with a five-year option.
8. The total office area being leased is 3,941.2 m².
9. Torrens Global Education Services Pty Ltd (Think Education) have been model tenants at all times.
10. Covid-19 has had an adverse impact on commercial rents and has seen a rise in vacancy rates resulting in intense competition amongst landlords to retain and attract tenants during the Covid recovery phase.
11. 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

12. 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

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

Rental Determination

14. 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

15. 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.
16. Attachment A contains confidential commercial information and details which, if disclosed, would confer a commercial advantage on a person with who Council is conducting (or proposes to conduct) business.
17. 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.

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