

Item 8.

Lease Assignment and Variation - Queen Victoria Building

File No: X028643.007

Summary

Council owns the Queen Victoria Building (QVB) and associated tunnels, located at 429-481 George Street, Sydney.

The QVB is the largest single asset within Council's Commercial Property Portfolio.

Council leases the QVB and the associated tunnels to Vicinity Custodian Pty Limited (Vicinity) and Ipoh Property Pty Ltd (Ipoh) under a long term lease as tenants in common in equal shares.

Ipoh have recently sold their 50 per cent leasehold share in QVB and associated tunnels to a new lessee, QVB TC Pty Ltd as Trustee, for the Link QVB Trust (Link).

Ipoh is now seeking approval from Council, as Lessor, to transfer their leasehold interest to Link, via a Deed of Assignment of Lease and Variation of Lease.

There are no material changes to the essential lease terms and conditions nor the Council's rights and obligations as Lessor.

Recommendation

It is resolved that:

- (A) Council approve the Assignment of Lease and Variation of Lease from Ipoh Property Pty Ltd to a new lessee, QVB TC Pty Ltd, as Trustee, for the Link QVB Trust. The Assignment is for the 50 per cent leasehold interest, currently owned by Ipoh Property Pty Ltd, in accordance with the essential terms and conditions contained within Confidential Attachment A to the subject report; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the terms of the lease in accordance with the essential terms and conditions contained in Confidential Attachment A to the subject report.

Attachments

Attachment A. Essential Terms and Conditions (Confidential)

Background

1. The Queen Victoria Building and associated tunnels, is the largest single asset within Council's Commercial Property Portfolio.
2. Council leases the Queen Victoria Building, Galleries Tunnel and Queen Victoria Building Tunnel, to Ipoh and Vicinity, as tenants in common in equal shares.
3. Ipoh has sold their 50 per cent leasehold interest to Link and is now seeking Council approval, as Lessor, to transfer their interest via a Deed of Assignment of Lease and Variation of Lease for each part.
4. The assignment will not materially change the essential lease terms and conditions nor impact the Council's rights and obligations as Lessor.
5. Vicinity Custodian Pty Limited will retain its 50 per cent share and continue to manage the QVB.

Key Implications

Strategic Alignment - Sustainable Sydney 2030

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 directions and objectives:
 - (a) Direction 10 - Implementation through Effective Governance and Partnerships - specifically 10.5.1: Expand revenues from commercial operations, property portfolio and other income generating assets.

Economic

7. There are no material changes to the essential lease terms and conditions nor the Council's rights and obligations as Lessor. The economic impact is considered nominal.

Financial Implications

8. There are no material changes to the essential lease terms and conditions and therefore no impact on the budget.

Relevant Legislation

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

11. 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.

Critical Dates / Time Frames

12. The sale from Ipoh Property Pty Ltd to QVB TC Pty Ltd is required to take place by 30 June 2022.

Options

13. The Council, as Lessor, is legally bound by the terms and conditions of the lease and subject to the parties meeting the lease assignment conditions, is obligated to approve the Deed of Assignment of Lease and Variation of Lease.
14. The lease assignment conditions have been met and there are no alternative options.

Public Consultation

15. No public consultation is required as there are no material changes to the legal or financial terms and conditions of the lease or the rights and obligations of Council as Lessor.

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Chief Operating Officer

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