

Lease Approval - Suites 1 and 2, Ground Floor - 46-52 Mountain Street, Ultimo

File No: S099550

Summary

The City of Sydney owns the property known as "Wilcox Mofflin", 46-52 Mountain Street, Ultimo.

The building is a heritage listed former Wool Store which has been converted into commercial offices. It forms part of the City's Commercial Investment Portfolio and has been a key income asset for the City.

The City has a diverse commercial investment portfolio of approximately 41 buildings and 300 active leases comprising retail, industrial, offices and various stratum.

Revenue from the investment portfolio plays an important role in contributing to the financial stability of Council. This enables the City to fund a broad array of local public services and infrastructure.

This report seeks Council's approval to grant a lease for Suites 1 and 2, Ground Floor, 46-52 Mountain Street, Ultimo, to Hamro Institute of Business Technology Pty Limited, trading as Kingston Institute Australia, for a term of five years with a further option of five years commencing 1 October 2022, subject to Hamro obtaining development consent for educational use. Either party may terminate the lease if development consent for the purpose in the lease is not obtained by 1 October 2022.

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

As the annual rent exceeds \$500,000 per annum, Council is required to approve this lease.

Recommendation

It is resolved that:

- (A) Council approve a five-year lease with a five-year option with Hamro Institute of Business Technology Pty Limited for the premises known as Suites 1 and 2, Ground Floor, Wilcox Mofflin, 46-52 Mountain Street, Ultimo, 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 "Wilcox Mofflin" at 46-52 Mountain Street, Ultimo, forms part of the City's commercial investment portfolio. Wilcox Mofflin is a six-storey commercial building with a total net lettable area of approximately 8,800m² plus underground parking.
2. The ground floor premises has a combined area for the two suites of 1,193.1m².
3. All remaining lettable areas within the building are occupied by long term tenants.
4. Council approval is sought to grant a commercial lease to Hamro Institute of Business Technology Pty Limited, trading as Kingston Institute Australia, for Suites 1 and 2, Ground floor, 46-52 Mountain Street Ultimo for a term of five years with an option of five years, commencing 1 October 2022.
5. The lease is subject to the Lessee obtaining development consent for educational use. If the Lessee has not obtained development consent by 1 October 2022, either party may terminate the lease. The Lessee has engaged a specialist consultant who is confident that development consent can be obtained prior to 1 October 2022.
6. Kingston Institute Australia was established in 2013 and is a VET Accredited College offering courses in Information Technology, Hospitality, Accounting and Business.
7. The lease terms have been negotiated to include the Green Lease Clauses required by Council in all new leases. These lease terms provide a commitment from both parties to proactively improve the sustainable performance of the building.

Rental Determination

8. The City appointed independent valuers, Rawlinsons Corporate Real Estate Services, 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

9. 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

10. Revenue for the 2022/23 financial year will be less than budgeted due to current market leasing conditions.

Relevant Legislation

11. 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.
12. Attachment A contains confidential commercial information and details, which if disclosed, would confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
13. 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.

KIM WOODBURY

Chief Operating Officer.

Matthew Woodroffe, Commercial Portfolio Manager