

Lease Variation – Palace Cinema Nominees Pty Ltd, Chauvel Cinema, Paddington

File No: X103824

Summary

This report seeks a variation to the lease to Palace Cinema Nominees Pty Ltd for Cinema 1 and 2, 247 Oxford Street, Paddington (Chauvel Cinema) from 1 November 2024 for the remaining lease term to 6 March 2026.

The proposed variation terms are shown in Confidential Attachment A.

Recommendation

It is resolved that:

- (A) Council approve a variation to the lease with Palace Cinema Nominees Pty Ltd for Cinema 1 and 2, 247 Oxford Street, Paddington (Chauvel Cinema) from 1 November 2024 for the remaining lease term to 6 March 2026 for the amount outlined in Confidential Attachment A to the subject report; and
- (B) authority be delegated to the Chief Executive Officer to enter into and administer any documentation required to give effect to the variation to the lease referred in (A) above and in accordance with Confidential Attachment A to the subject report.

Attachments

Attachment A. Lease Variation Details and Financial Implications (Confidential)

Background

1. Originally built in 1891 Paddington Town Hall is a State heritage listed building at the corner of Oxford Street and Oatley Road, Paddington. Paddington Town Hall is the City's 2nd Largest Town Hall (Sydney Town Hall being the largest).
2. The property is classified as 'community land' and subject to the legislative requirements of the Local Government Act 1993 which limit lease terms to a maximum of 21 years without ministerial approval.
3. The building has five main uses which include: Stapleton Hall (venue for hire operated by the City), Woollahra Library, Chauvel Cinema (operated by Palace Cinemas), East Side Radio and The Paddington Tech and Media Collective operated by Dream Channel.

The Chauvel Cinema

4. In 1977 Paddington Town Hall underwent a major upgrade which included the conversion of a former ballroom (Hall 2) into the Chauvel Cinema.
5. The Chauvel Cinema was leased by the City of Sydney to the Australian Film Institute (AFI) from 1977 until 1989 when Paddington Town Hall became part of the new South Sydney Council area.
6. From 1989-2004 AFI continued to lease the site from South Sydney Council. In 2004 following the amalgamation the building returned to the City of Sydney local government area.
7. In September 2005, unable to secure funding necessary to operate from state and federal government bodies the Australian Film Institute ceased operations.

Palace Cinemas Lease at Paddington Town Hall

8. In 2006 following an expression of interest for a new operator for the Chauvel Cinemas Council entered into a long-term (10 years plus 2 x 5-year options) lease with Palace Cinemas Nominees Pty Ltd to continue the operations of the Chauvel Cinemas. The initial lease of 10 years commenced 7 March 2006 with two options each of 5 years. The lease requires Palace Cinemas to:
 - (a) undertake an upgrade of the audio and projection equipment and the internal finishes including new seating, carpets and curtains within the original 10-year lease term; and
 - (b) maintain, replace, repair, paint, renew and cleanse the premises, and keep the premises in good repair, order and condition for the duration of the lease.
9. The upgrade works were partially completed during the original 10-year lease term and the final 5 year option was exercised on 7 March 2021. Noting the requirements of the Local Government Act 1993 no further options or extension of the current lease can be considered.
10. This report seeks a variation to the lease to Palace Cinema Nominees Pty Ltd for Cinema 1 and 2, 247 Oxford Street, Paddington (Chauvel Cinema) from 1 November 2024 for the remaining lease term to 6 March 2026.

11. This proposed variation to the lease does not impact on the current lease proposal approved by Council in relation to its purpose, duration or the identity of the lessee.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

12. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. 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 6 - An equitable and inclusive city - The activation of Paddington Town Hall by Chauvel contributes to Sydney's reputation as an inclusive city with a vibrant and diverse cultural life, contributing to innovation and talent attraction.
 - (b) Direction 8 - A thriving cultural and creative life - the refurbishment of Paddington Town Hall will make a significant contribution to the cultural life of Sydney and ensure the city is open, accessible, and renowned for quality creative experiences.

Organisational Impact

13. There is no organisational impact resulting from the proposed variation.

Risks

14. If this variation is not approved this could lead to the immediate closure of the Chauvel..

Social / Cultural / Community

15. Implementing the variation supports the Lessee's continued operation and access for regular cinema patrons for the 15 months until lease expiry.

Financial Implications

16. The lease variation will reduce the current year operating income, and the annual forecast has been updated accordingly. Financial implications are detailed in Confidential Attachment A.

Relevant Legislation

17. Local Government Act 1993 - sections 46, 46A and 47.
18. Local Government Act 1993 - section 10A provide 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 and if discussion of the information in an open meeting would, on balance be contrary to public interest.

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

Options

21. Council could decide not to endorse the variation. This may lead to the early closure of the Chauvel Cinema.

Public Consultation

22. There is no public consultation required to endorse the variation of lease.

KIM WOODBURY

Chief Operating Officer

Marcia Morley Executive Manager Delivery and Infrastructure