

10.10. New Lease on Council Property - Suite 3.01, 1 James Place, North Sydney

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ATTACHMENTS	Item 10.11 - Confidential Attachments
CSP LINK	3. Our Innovative City 3.1 Our commercial centres are prosperous and vibrant

PURPOSE:

The purpose of this report is to seek Council's endorsement to enter the proposed new lease over Suite 3.01, Level 3, 1 James Place, North Sydney on the terms and conditions contained in this report.

EXECUTIVE SUMMARY:

- Council has received a lease proposal for Suite 3.01, Level 3, 1 James Place, North Sydney which requires a rental abatement to be considered.
- 1 James Place is an office building forming part of Council's property portfolio which is held as investments for income purposes, and to diversify and spread the risk of Council's revenue streams.
- The confidential attachments include monetary information relating to property income, as well as leasing transactions. Should Council wish to discuss this report it is noted that the attached confidential document includes information that would, if disclosed, confer a commercial advantage on a competitor of the Council. Further, release of the information would, on balance, be contrary to the public interest as it would affect Council's ability to obtain value for money services.
- If Council wishes to discuss the report, the meeting should be closed to the public to do in accordance with Section 10A(2)(a) of the Local Government Act (LGA).

RECOMMENDATION:

1. THAT Council resolves to enter the proposed lease over Suite 3.01, Level 3, 1 James Place, North Sydney on the terms and conditions detailed in the confidential report.

2. THAT Council authorise the Chief Executive Officer (or their delegate) to sign all necessary legal documents in relation to this matter.

3. THAT Council resolves that the identified attachment to this report is to be treated as confidential in accordance with section 11(3) of the Local Government Act for the following reason under Section 10A (2) of the Local Government Act:

(d) commercial information of a confidential nature that would, if disclosed

(ii) confer a commercial advantage on a competitor of the Council. It is further noted that the release of this information would, on balance, be contrary to the public interest as it would affect Council's ability to obtain value for money services.

Background

Council has a significant portfolio of commercial properties, with a total replacement cost in the order of \$53.7m. The portfolio comprises office space, retail, food premises, and outdoor dining spaces.

Report

Council's Property Portfolio incorporates a diversified portfolio, consisting of office, retail, community centres, outdoor seating arrangements, and other assets. Council's Property Managing Agents, Colliers International, are responsible for the lease negotiations and management of Council's properties under lease.

With Council's current financial situation and the focus on the potential of commercial property as a source of revenue, all new leases will go to Council for approval, pending the creation of a commercial property policy.

Incentives such as rental abatements are common to commercial property, are a long-standing feature of the market and are utilised to attract tenants. The commercial property policy will address financial incentives such as rental abatements and will be developed to provide guidance and relevant delegations in relation to future property leasing transactions.

Under Council's adopted Governance Strategy, a review of commercial property will be undertaken to consider the steps to be taken for it to best align with Council's strategic direction.

Proposed Lease Transaction

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
New Lease	Address: - Suite 3.01, Level 3, 1 James Place, North Sydney Lessee: Lifeline Harbour to Hawkesbury, Sydney	Period: 01/05/2025 – 30/04/2028 Term: 3 years Option: 1 x 3-year option	Offices	304.8 sqm

Recommendation

Council has the following options in relation to this matter:

1. Do nothing/take no action
2. The recommended option

These options are assessed in the table below.

Option	Finance/Resourcing	Risk/Opportunity	Consultation
1.	Loss of potential rental revenue. Impact of continuing vacancy on future valuations.	High risk of continuing vacancy and further loss of potential revenue.	Not applicable
2.	Increased revenue to the property portfolio. Uplift in value due to reduction in vacancies.	The prospective tenant's business aligns with council's community resilience goals, and they are already working with council and volunteers in the community.	Not applicable

Option 2, is recommended for the following reasons:

- Increased revenue to the property portfolio, and potential uplift in the value of the property.
- The prospective tenant's business (crisis support and suicide prevention) aligns with council's community resilience goals, and they are already working with council and volunteers in the community.
- Community consultation is not required.

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

Council's property portfolio generates an annual income of \$6.35 million from leases of commercial property (retail and office), recreational facilities, community centres, public land, roads, private residential properties, and outdoor dining licences.

The subject office suite has been vacant for two years. This lease proposal will grow the income generated by the property portfolio and assist with improving the property value.

Legislation

The management of leases within Council's Property Portfolio is governed by the provisions of the Retail Leases Act 1994 and the Local Government Act 1993. These legislations set out the legal framework and requirements for handling retail leases and property management in Local Government, NSW.