Lease Approval - Suite 2, Shed 74 - 4D Huntley Street Alexandria - Living Edge (Aust) Pty Ltd

File No: X135068

Summary

This report seeks approval from Council to grant a new lease within the 'Woolstores Alexandria' complex.

The City of Sydney’s property portfolio spans offices, retail, community facilities, and heritage assets, generating revenue while supporting civic and cultural outcomes. The 'Woolstores Alexandria' is a high standard commercial office complex at 4C-4F Huntley Street, Alexandria, and is comprised of 4 separately titled buildings and associated car parking. It forms part of the City's Investment Property Portfolio and is a key income generating asset for the City.

Details of the essential lease terms and conditions are outlined in Confidential Attachment A.

This report recommends that Council approve granting a new lease within the 'Woolstores Alexandria' complex.

Recommendation

It is resolved that:

(A) Council approve the grant of a new lease for Suite 2, Shed 74 - 4D Huntley Street Alexandria, to Living Edge (Aust) Pty Ltd (ACN 603 725 891) for a term of 3 years, with 3 option terms, each of 2 years, in accordance with the essential lease terms and conditions contained within Confidential Attachment A to the subject report

(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 within Confidential Attachment A to the subject report.

Attachments

Attachment A. Essential lease terms and conditions (Confidential)

Background

1. The City of Sydney’s property portfolio spans a wide range of assets, including offices, retail tenancies, community facilities, and heritage buildings. These assets not only generate revenue but also play a critical role in supporting civic, cultural, and community outcomes, aligning with the City’s long-term objectives of place activation, sustainability, and heritage preservation.

2. The income derived from the commercial building portfolio is the City of Sydney's second highest revenue source and provides a vital role in contributing to the financial sustainability of Council, enabling the City to continue to support community-based organisations and infrastructure projects.

3. The City acquired the 'Woolstores Alexandria' complex in September 2022. It is located next to Alexandria Canal, and is a high standard commercial office complex at 4C-4F Huntley Street, Alexandria, comprising 4 separately titled buildings and associated carparking.

4. The 'Woolstores Alexandria' has a total lettable area of 9,958.9 square metres and forms part of the City's Investment Property Portfolio. It is a key income generating asset for the City.

5. This report seeks approval from Council to grant a new lease within the 'Woolstores Alexandria' complex to an existing tenant.

6. The tenant has continuously occupied the premises since November 2019, prior to the City of Sydney's acquisition of the asset. The current lease term is due to expire in November 2026.

7. The broader property leasing market continues to present challenges, with economic conditions and changing work patterns making it difficult to secure long-term tenants that align with the City’s values and strategic objectives.

Key implications

Strategic alignment - Sustainable Sydney 2030-2050 Continuing the Vision

8. 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 1 - Responsible governance and stewardship - specifically expanding revenue from commercial operations and the property portfolio.

Financial implications

9. Financial implications are outlined in Confidential Attachment A.

Relevant legislation

10. Local Government Act 1993 - Sections 10A and 10B 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 if it is in the public interest to do so.

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

12. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest. The reasons supporting this are that disclosure of the confidential information would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers. In addition, disclosure of the information provided in the course of the negotiation process and the assessment of that information would prejudice the commercial position of the participants in the process.

Critical dates / Time frames

13. Critical dates are outlined in Confidential Attachment A.

Options

14. Not agree to the new lease terms, which is likely to lead to the tenant vacating the tenancy. Given the current market conditions and the extended time it has taken to lease other spaces, leaving the premises vacant while seeking a new tenant would result in a loss of revenue. The delay in securing a tenant could lead to additional operating costs and missed opportunities to generate income, especially considering the recent challenges in attracting long-term tenants.

KIM WOODBURY

Chief Operating Officer

Manika Khanna, Property Asset Manager