Lease Approval - 22 O'Riordan Street, Alexandria

File No: X116318.002

Summary

The Council of the City of Sydney purchased 22 O’Riordan Street, Alexandria, in December 2024 to support its long-term vision for increased green space in Green Square.

The 7,436 m² site with 5290.5 m² building area will be transformed into a public park, with construction planned to commence in approximately 3 years after design work, community consultation and planning approvals.

A feasibility analysis was undertaken to assess potential short-term uses for 22 O’Riordan Street, Alexandria, during the period prior to works commencing for the park. Four primary options were considered:

1. Leaving the site vacant until works are ready to commence in an estimated timeframe of 3 years.
2. Converting the site into a temporary event venue until required for works to convert to a park.
3. Accelerating the delivery of the future park.
4. Leasing the site on an 'as-is' condition basis for 3 years.

It was assessed that in the interim, securing a commercial short-term lease is a priority to keep the site active and financially sustainable.

This report seeks Council approval to grant a proposed lease; with the essential terms and conditions of the proposed lease outlined in Confidential Attachment B.

Recommendation

It is resolved that:

(A) Council approve the grant of a new lease of 22 O'Riordan Street, Alexandria to Portable Innovations Pty Ltd (ACN 656 165 847) in accordance with Confidential Attachment B to the subject report; and

(B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer any documentation required to give effect to the new lease referred in (A) above and in accordance with the terms contained in Confidential Attachment B to the subject report.

Attachments

Attachment A. Feasibility Analysis (Confidential)

Attachment B. Essential Lease Terms and Conditions (Confidential)

Background

1. The Council of the City of Sydney (City) purchased 22 O'Riordan Street, Alexandria, in December 2024 as part of its long-term vision to deliver more green, open space for the growing community around Green Square. The future park at this site will contribute to the City's commitment to creating a more liveable and sustainable urban environment.

2. This acquisition supports the City's broader open space study, which identified the need for additional parks and recreation areas in response to increasing residential density and limited existing green space in the area.

3. The 7,436m² site is strategically located near Green Square Station and is currently a mixed-use asset comprising a warehouse, office and associated car parking spaces.

4. The City intends to commence construction of the park in approximately 3 years, allowing time to undertake meaningful consultation with the community and develop a design that responds to local needs.

5. In accordance with Local Government Act 1993 requirements, Council endorsed the classification of this land as operational on 17 February 2025. Until the redevelopment of the site by the City is completed, the application of a community classification to the property would be inconsistent with the management of other City-owned land acquired for similar purposes. The operational classification enables the City to appropriately manage the asset throughout the City's planning, design, consultation, development, commissioning and warranty periods.

6. On 12 May 2025, via a Notice of Motion, Council requested that the Chief Executive Officer investigate and report back to Council on the feasibility of using 22 O'Riordan Street, Alexandria, for live music and other cultural events on an interim basis before construction commences for use as a public park.

7. A feasibility analysis was undertaken to assess potential short-term uses for 22 O'Riordan Street, Alexandria. Four primary options were considered:

   (a) Leaving the site vacant until works are ready to commence in an estimated timeframe of 3 years.

   (b) Converting the site into a temporary event venue until required for works to convert to a park.

   (c) Accelerating the delivery of the future park.

   (d) Leasing the site on an 'as-is' condition basis for 3 years.

Option 1 - Leaving Site Vacant

8. This option presents low capital cost but ongoing maintenance costs. It also misses an opportunity to utilise the site generate income from a high-value site or to achieve any other strategic outcomes from the use of the site in the interim period.

Option 2 – Converting to a Temporary Event Venue

9. City staff have undertaken initial discussions with 6 event operators and live music venue hirers.

10. The site is located close to public transport but adjacent to a residential area in Beaconsfield.

11. The site could yield a capacity of between 2,000 to 4,000 people for stand-up events.

12. A 'temporary' event space could generate revenue to the City on an as-is basis, but likely for a small number of events per year.

13. Subject to an investment for significant capital works, a new 'permanent' event space could generate higher revenue to the City.

14. Potential event operators have indicated that they would typically require a lease tenure of over 5 years and ideally 10 years to recover the initial capital outlay to modify existing buildings, if they were responsible for the works.

15. The planning approvals and infrastructure lead time to deliver a permanent event space is anticipated to be at least 12 months, which reduces the time available for live music to a maximum of 2 years, and possibly much less.

16. The risks in planning timeframes, building upgrade costs and live music demand make this option commercially and logistically unviable. The required capital works would become redundant after a 2-year period.

Option 3 - Accelerating Park Delivery

17. Bringing forward the park is not feasible due to required strategic design development, community consultation and planning approvals.

18. Design, consultation and approvals for a permanent park require 2 to 3 years to ensure quality and alignment with City strategies. Main contractor tender periods are typically around 6 months and another 3 months to signing of contracts and commencement on site.

Option 4 - Leasing in 'as-is' condition for a use similar to previous use.

19. This option requires minimal City investment, supports short-term utilisation and offsets holding costs.

20. Leasing market analysis shows demand exists for large, short-term tenancies, even on an 'as is' basis.

21. Feasibility modelling confirms leasing generates significant net revenue from year one, unlike capital-heavy alternatives.

Conclusion

22. Leasing the site on an ‘as is’ basis is the most operationally feasible and financially optimal option. It ensures early activation, minimises cost and diversion of resources, and provides stable income while the City undertakes consultation and planning for the site’s future use as public open space. Further analysis and financial detail of the 4 analysed options is provided in Confidential Attachment A.

23. Securing a short-term lease at a competitive commercial return over the 3 years supports the financial sustainability of the City's activities and offsets holding costs associated with the property.

24. This report recommends that in accordance with the findings in Confidential Attachment A, Council approves granting a new lease for a 3-year period in accordance with the Essential Lease Terms and Conditions outlined in Confidential Attachment B.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

25. 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:

    - Direction 1 - Responsible governance and stewardship - Specifically expanding revenue from commercial operations and the property portfolio.

Risks

26. The City's risk appetite statement encourages detailed planning and programming of asset renewal, which is consistent with the approach outlined in this report.

27. The recommendations in this report are within the City’s risk appetite, which state:

    (a) The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.

    (b) We recognise the importance of prudent financial management when it comes to our assets, and we strive to maintain a financially sustainable position. Our risk appetite acknowledges the need to balance investment in infrastructure with the Council's overall financial capacity. We allocate adequate resources to the maintenance and renewal of assets and ensure that there is alignment between asset management plans, the Delivery Program and our long-term financial plan.

Financial Implications

11. Financial Implications are detailed in Confidential Attachment A.

Relevant Legislation

28. 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.

29. Attachments A and B 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.

30. 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.

Options

31. Alternative options are discussed above and in Confidential Attachment A.

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