

Lease Approval - 31 Alfred Street, Sydney - Australian Venue Co**File No: X119037.001****Summary**

This report seeks approval from Council to grant a new lease within Customs House, 31 Alfred Street, Circular Quay.

Customs House is a landmark heritage-listed building located at the northern end of Alfred Street, adjacent to Circular Quay in the heart of Sydney. It comprises multiple levels of public exhibition space, Council commercial tenancies, and hospitality uses. As a prominent and historically significant asset within the City's Commercial Property Portfolio, Customs House generates substantial revenue while supporting a diverse range of cultural and commercial uses.

Details of the lease proposal and essential lease terms and conditions are provided in Confidential Attachment B.

This report recommends that Council approve the granting of a lease for part of the front section of the ground floor within Customs House, 31 Alfred Street, Circular Quay that previously housed a food and beverage operator.

Recommendation

It is resolved that:

- (A) Council approve the grant of a new lease to AVC Operations Pty Limited (ACN607 832 299) for part Ground Floor Suites, Custom House, 31 Alfred Street, Circular Quay in accordance with the essential lease terms and conditions contained within Confidential Attachment B to the subject report;
- (B) Council approve the granting of a 15-year licence over the area of Crown Land that forms part of the lease area, in accordance with the licence terms outlined in Confidential Attachment B to the subject report, and in compliance with the applicable provisions of the Crown Land Management Act 2016 (NSW); and
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the terms of the lease, including the Crown Land Licence component, in accordance with the essential terms and conditions contained within Confidential Attachment B to the subject report.

Attachments

Attachment A. Site Plan

Attachment B. Essential Lease Terms and Conditions (Confidential)

Background

1. The City of Sydney's property portfolio is broad and varied, covering offices, retail spaces, industrial sites, airspace and sub-surface assets, as well as essential community facilities such as libraries, community centres, childcare centres, and public toilets. Together, these assets support a range of civic, cultural, hospitality, and community uses, contributing to the City's goals of place activation, heritage preservation, public engagement, and quality service delivery.
2. This portfolio includes prominent public buildings like Customs House at Circular Quay, which was constructed between 1843 and 1845 to serve as the headquarters for the NSW Customs Service, overseeing the regulation and taxation of goods entering the colony.
3. On 28 March 2019, the City of Sydney acquired the freehold interest in Customs House from the Department of Finance, acting on behalf of the Commonwealth of Australia. The acquisition ensures that the building remains in public ownership, balancing its community and commercial uses.
4. The premises and associated land comprise internal building areas, portico spaces, Crown Land and Road Reserve Land. The land is legally described as Lot 23 Section 103 in Deposited Plan 984172 (Customs House building and curtilage) and Lot 7001 in Deposited Plan 93667 (Crown Land). Customs House is classified as Operational and zoned SP5 Metropolitan Centre, and the Forecourt is Crown Land and Road Reserve and is zoned RE1 Public Recreation.
5. Part of the front section of the ground floor previously housed a food and beverage operator. Following their departure, the City conducted a commercial Expression of Interest (EOI) process with its leasing agent to secure a new tenant that aligns with the strategic objectives for Customs House.
6. Confidential Attachment B provides further detail on the outcomes of this process. Due to the level of investment required to renovate and activate the space, the proposed tenant has requested a 15-year lease term for the ground floor and a designated area within the courtyard at the front of the building to support long-term viability.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

7. 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.

Risks

8. The decision is within the City's risk tolerance and represents a well-considered opportunity that delivers on commercial, operational, and civic priorities while maintaining appropriate safeguards.

Financial Implications

9. Financial implications are outlined in Confidential Attachment B

Relevant Legislation

10. 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.
11. Attachment B to the subject report 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 because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

13. Critical Dates are outlined in Confidential Attachment B.

Options

14. Current proposal: The proposed use of the site represents an effective utilisation of the space, activating both the ground floor and the adjacent outdoor undercover areas. The lease proposal also offers a strong financial return to Council, reflecting a fair market rent for the location.
15. Leave Vacant: Leaving the premises vacant would result in a loss of rental income and limit activation of this prominent and high footfall location at Circular Quay. The underutilised space would create an underwhelming presence at the gateway to Customs House, detracting from the broader strategic objectives of enhancing public domain activation and vibrancy in this iconic civic building. In addition to the opportunity cost of foregone revenue, vacant premises may attract increased maintenance and security costs and diminish passive surveillance of the area.

Public Consultation

16. In accordance with the requirements of the Crown Land Management Act 2016 (NSW), a 28-day public notification period will be undertaken to allow community members and stakeholders an opportunity to review and provide feedback.

KIM WOODBURY

Chief Operating Officer

Carmel Forster, Property Portfolio Manager