



City of
Ipswich

AGENDA

SPECIAL MEETING OF THE ECONOMIC AND CULTURAL DEVELOPMENT COMMITTEE

Thursday, 25 July 2024
8:15 AM

Council Chambers, Level 8
1 Nicholas Street, Ipswich

MEMBERS OF THE ECONOMIC AND CULTURAL DEVELOPMENT COMMITTEE

Councillor Pye Augustine (**Chairperson**)
Councillor David Cullen (**Deputy Chairperson**)

Mayor Teresa Harding
Deputy Mayor Nicole Jonic
Councillor Andrew Antonioli

ECONOMIC AND CULTURAL DEVELOPMENT COMMITTEE AGENDA

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** Item includes confidential papers

ECONOMIC AND CULTURAL DEVELOPMENT COMMITTEE NO. 2024(03)

25 JULY 2024

AGENDA

WELCOME TO COUNTRY OR ACKNOWLEDGEMENT OF COUNTRY

DECLARATIONS OF INTEREST IN MATTERS ON THE AGENDA

OFFICERS' REPORTS

1. ****NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR TENANCY T2 VENUE (37 NICHOLAS STREET)**

This is a report concerning an Agreement for Lease for Council's consideration associated with Tenancy T2 on the ground level of the Venue building at 37 Nicholas Street, Nicholas Street Precinct, Ipswich.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and associated documentation of the Agreement for Lease with the proposed lessee for Tenancy T2 of the Venue Building (impacting part of Lot 1 on RP209886) ("Tenancy T2") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Leasing Manager dated 15 July 2024).
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy T2 with the proposed lessee (as detailed in the confidential report and attachments by the Leasing Manager dated 15 July 2024).
- C. That Council note, in relation to Council's disposal of its leasehold interest in the Tenancy T2 to the proposed lessee, that the Ministerial exemption under s236 1(f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy T2 (Ministerial exemption contained in Attachment 1 of this report).
- D. That pursuant to Section 257(1)(b) of the *Local Government Act 2009*, Council resolve to delegate to the Chief Executive Officer the power to take "contractual action" pursuant to section 238 of the Regulation, in order to implement Council's decision at Recommendation A and B.
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.

Doc ID No: A10402527

ITEM: 1

SUBJECT: NICHOLAS STREET PRECINCT - APPROVAL OF AN AGREEMENT FOR LEASE FOR TENANCY T2 VENUE (37 NICHOLAS STREET)

AUTHOR: LEASING MANAGER

DATE: 15 JULY 2024

EXECUTIVE SUMMARY

This is a report concerning an Agreement for Lease for Council's consideration associated with Tenancy T2 on the ground level of the Venue building at 37 Nicholas Street, Nicholas Street Precinct, Ipswich.

RECOMMENDATION

- A. That Council enter into an Agreement for Lease and associated documentation of the Agreement for Lease with the proposed lessee for Tenancy T2 of the Venue Building (impacting part of Lot 1 on RP209886) ("Tenancy T2") within the Nicholas Street Precinct (under the commercial terms detailed in the confidential report and attachments by the Leasing Manager dated 15 July 2024).**
- B. That conditional upon Council satisfactorily executing the Agreement to Lease with the proposed lessee, (contained in recommendation A of this report), Council enter into a lease for Tenancy T2 with the proposed lessee (as detailed in the confidential report and attachments by the Leasing Manager dated 15 July 2024).**
- C. That Council note, in relation to Council's disposal of its leasehold interest in the Tenancy T2 to the proposed lessee, that the Ministerial exemption under s236 1(f) of the *Local Government Regulation 2012* applies to the disposal of Council's interest in Tenancy T2 (Ministerial exemption contained in Attachment 1 of this report).**
- D. That pursuant to Section 257(1)(b) of the *Local Government Act 2009*, Council resolve to delegate to the Chief Executive Officer the power to take "contractual action" pursuant to section 238 of the Regulation, in order to implement Council's decision at Recommendation A and B.**
- E. That Council be kept informed as to the progress and outcome of the execution and publication of details.**

RELATED PARTIES

Knight Frank Valuation & Advisory Queensland – Independent Market Appraisal

IFUTURE THEME

Vibrant and Growing

PURPOSE OF REPORT/BACKGROUND

In 2019 Council was granted a ministerial exemption (initially to 30 June 2023) under section 236 (1)(f) of the *Local Government Regulation 2012* (Regulation) for the disposal of valuable non-current assets (leases and sub-leases) associated with the Nicholas Street Precinct' redevelopment. The exemption allows Council to efficiently and effectively implement its retail strategy through the disposal of leases and State sub-leases (held by Council) by more appropriate, market accepted, transactional means other than by a tender or auction process mandated under section 227 of the Regulation. Owing to the expiry of the initial exemption and to ensure Council has sufficient time to fully implement its retail strategy, on 18 May 2023 a new Ministerial Exemption was granted (end date of 30 June 2028).

This exemption is required as retail and commercial leasing is generally not undertaken through a tender or auction process. It is a specialised process undertaken by experienced leasing firms with relationships with the types of tenants targeted for a project. These relationships allow conversations to explain a project and the opportunities tailored to each prospective tenant. The retail and commercial leasing agents appointed by Council have and continue to actively market the subject tenancies to prospective tenants.

Further, industry advice confirmed it would be highly likely that any tender or auction process for the retail and commercial tenancies would receive very limited responses and that any response would not contain the commercial terms sought by Council. In addition, these processes would be inherently incapable of creating the desired mix and style of lessee Council is seeking for its food and beverage, service and entertainment/leisure tenancies.

Correspondence from the Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning dated 18 May 2023 (refer Attachment 1) confirmed approval of a new exemption for both retail and commercial leasing. The exemption conditions Council to adhere to the sound contracting principles detailed in section 104(3) of the *Local Government Act 2009*, specifically through a number of safeguards to ensure openness and transparency with regard to the related transactions.

The conditions require that each lease/sublease be approved by Council's standing committee, formerly the Ipswich Central Redevelopment Committee and now the Economic and Cultural Development Committee, and then full Council prior to its execution.

This paper is seeking Council's approval to enter into an agreement for lease for a retail tenancy associated with the Nicholas Street Precinct redevelopment utilising the process detailed above. The lease arrangement relates to Tenancy T2 on Level 1 of the Venue building at 37 Nicholas Street (approx. 307m² plus 39m² for outdoor dining). Council holds the Venue building in freehold (Lot 1 RP209886).

A lease is a contract by which one party conveys land, property, services, etc. to another for a specified term, and in this instance in return for a periodic payment. The lease agreement outlines all of the aspects of the lease arrangement so that each party understands their rights and obligations under the lease. An agreement for lease is necessary when the party

owning the land is investing significant capital into refurbishing or building new space for the potential lessee. The agreement for lease pre-empts and contractually links to the final lease document whilst committing both parties to enter into a lease on occupation and/or opening of the space. Essentially an agreement for lease de-risks the landlord's capital expenditure with a contracted outcome.

The Nicholas Street Precinct team will be negotiating additional retail, food and beverage and leisure deals together with commercial floorspace offerings over the next few years. During this process and with the desire to drive the best financial outcome for Council and its constituents, the precinct team need to protect this outcome by maintaining a competitive advantage during the negotiations, which can only happen with an element of confidentiality. The lessees will also seek and in most cases secure contractual obligations on both parties to maintain a level of confidentiality around commercially sensitive material. This is likely to be around key terms like rent, term, options to extend, landlord's contributions, sales data access and general operational costs of the tenancy.

The brand names or companies associated with each executed agreement for lease or lease will be released prior to the tenant's opening with the precinct team's desire being to drive marketing reach across relating real estate and retail and commercial industry media channels to best serve the leasing uptake. As a result, the lessee's details and agreed commercial terms to be reflected in the lease documentation are Commercial in Confidence. A memorandum of advice detailing the Commercial in Confidence nature of the content of this report is attached (refer confidential Attachment 2). Specific details on the lessee, the commercial terms and proposed tenure length are contained in confidential Attachments 3 - 6).

Council engaged Knight Frank Valuation & Advisory Queensland to provide an independent market appraisal of each proposed lease arrangement's commercial terms as detailed in a Heads of Agreement (a precursor to an agreement for lease/lease detailing agreed commercial terms between the parties). This advice is considered by Council prior to the Chief Executive Officer endorsing any Heads of Agreement progressing to the preparation of related legal documentation including agreements for lease, leases and ancillary documentation. Knight Frank's review of the commercial terms for Tenancy T2 on Level 1 of the Venue building is attached (refer confidential Attachment 4). Also attached is the Lease Deal Approval Report for the subject tenancy (refer confidential Attachment 5). Confidential Attachment 3 discusses the commercial terms and details any material changes from the Knight Frank review to the preparation of the lease. Confidential Attachment 6 identifies key financial outcomes from an asset valuation model (Forbury real estate software) utilising the subject deal's terms and conditions.

This paper seeks approval for Council to enter into an Agreement for Lease for a retail tenancy associated with the Nicholas Street Precinct redevelopment. The delegation to the Chief Executive Officer will enable Council's execution of the agreement for lease and any ancillary documentation for Tenancy T2 on Level 1 of the Venue building at 37 Nicholas Street, Ipswich and ensure the lessee can commence their fit-out works and open as soon as possible.

Post the execution of the lease documentation for each tenancy, Council will be provided with a subsequent report detailing lessee specifics and their offering.

LEGAL/POLICY BASIS

This report and its recommendations are consistent with the following legislative provisions:

Local Government Act 2009

Local Government Regulation 2012

RISK MANAGEMENT IMPLICATIONS

The medium to long-term success and viability of the retail and commercial precincts and the overall Ipswich Central CBD Redevelopment is heavily dependent on the leasing program delivering a tenancy mix comprising high-quality, commercially successful tenants. The approval and subsequent execution of additional leases will send positive signals to the retail and commercial leasing market around the precinct's future success.

HUMAN RIGHTS IMPLICATIONS

HUMAN RIGHTS IMPACTS	
OTHER DECISION	
(a) What is the Act/Decision being made?	<p>Recommendation A relates to Council entering into an agreement for lease and an associated documentation for Tenancy T2 on the Ground Level of the Venue building, 37 Nicholas Street, Ipswich.</p> <p>Recommendation B relates to Council entering into a lease for Tenancy T2 on the Ground Level of the Venue building, 37 Nicholas Street, Ipswich.</p> <p>Recommendation C outlines how Council will apply a ministerial exemption to the disposal of a leasehold interest in the Venue building.</p> <p>Recommendation D delegates to the CEO the power to execute related agreement for lease and lease documentation.</p> <p>Recommendation E relates to the provision of an update to Council.</p>
(b) What human rights are affected?	No human rights are affected by this decision. This is because the prospective lessee is a company (only individuals have human rights).
(c) How are the human rights limited?	Not applicable.
(d) Is there a good reason for limiting the relevant rights? Is the limitation fair and reasonable?	Not applicable.
(e) Conclusion	The decision is consistent with human rights.

FINANCIAL/RESOURCE IMPLICATIONS

The precinct's short to medium term commercial success remains dependent on identifying, attracting and securing a commercially viable tenancy mix through executed leases and sub-leases. Funding for the retail and commercial leasing agent's payments and any associated landlord contributions is incorporated into the project's budget.

COMMUNITY AND OTHER CONSULTATION

The contents of this report did not require any community consultation.

Detailed consultation has occurred with the Department of Housing, Local Government, Planning and Public Works on both the conditioned process and the associated documentation to be provided to Council for AFL/lease approvals.

Council's Legal Services team have previously been consulted on the form and contents of leasing reports and their attachments.



CONCLUSION

The flexibility provided by the ministerial exemption over the Regulation's tender and auction provisions allows Council to optimise the tenancy mix, the commercial outcomes and the long-term success for each tenancy and the project overall.

As a priority, the focus is to progress the conversion of endorsed Heads of Agreement into agreement for leases and leases particularly due to the completion of refurbishment works on both the Eats and Tulmur Walk buildings and the significant progress of construction works on both the Venue building and the Commonwealth Hotel.

Approval of this retail lease for Tenancy T2 on Level 1 of the Venue building at 37 Nicholas Street will continue the positive message to the Ipswich community and the market that the redevelopment is moving forward.

ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS

1.	Ministerial Exemption Approval 18.5.23.  
	CONFIDENTIAL
2.	Memorandum of Advice CBD Leases Confidentiality.
3.	Leasing Report - Tenancy T2 on Level 1 of the Venue building, 37 Nicholas Street.
4.	Knight Frank Assessment - Tenancy T2 on Level 1 of the Venue building, 37 Nicholas Street.
5.	Lease Approval Form - Tenancy T2 on Level 1 of the Venue building, 37 Nicholas Street.
6.	Forbury Model Analysis - Tenancy T2 on Level 1 of the Venue building, 37 Nicholas Street.

Melissa Annis
LEASING MANAGER

I concur with the recommendations contained in this report.

Mitchell Grant
PRECINCT GOVERNANCE MANAGER

I concur with the recommendations contained in this report.

Sonia Cooper
CHIEF EXECUTIVE OFFICER

“Together, we proudly enhance the quality of life for our community”



Hon Steven Miles MP
Deputy Premier
Minister for State Development, Infrastructure,
Local Government and Planning
Minister Assisting the Premier on Olympic and Paralympic Games Infrastructure

Our ref: MC23/375

18 May 2023

Councillor Teresa Harding
Mayor
Ipswich City Council
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Telephone + 61 3719 7100
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Website www.statedevelopment.qld.gov.au

ABN 65 959 415 158

Dear Councillor Harding

Thank you for your letter of 2 February 2023 submitting a request for a ministerial exemption, under section 236(1)(f) of the Local Government Regulation 2012 (the Regulation), from compliance with the tender or auction requirements in section 227 of the Regulation for the disposal of the Ipswich City Council's interest in land within the Ipswich Central Business District (CBD) redevelopment project area.

Following an assessment of the council's request, I have approved an exemption under section 236(1)(f) of the Regulation subject to the following conditions:

- The exemption relates to the properties identified in Schematic 3 provided by the council in the Business Case accompanying its application.
- The exemption is for the period 1 July 2023 to 30 June 2028.
- When exercising the exemption, the council must address the sound contracting principles outlined in section 104(3) of the *Local Government Act 2009*, including by undertaking the activities proposed by the council to address the sound contracting principles as outlined in the council's Business Case accompanying its application (except in relation to the reporting requirements – see final dot point).
- In relation to the additional land coming under the exemption, referred to by the council as the Ellenborough Street site, the council is encouraged to consider using a similar expression of interest/request for tender process it used for the cinema where appropriate.
- For the period of the exemption, the council must provide a six-monthly report to me as Minister for Local Government detailing the exercise of this exemption. The report is to include details of the status of all lease arrangements, an independent market appraisal of the lease, reasons for any lease being under market value and details of any conflicts of interest (COI) held by any councillor or employee of the council in relation to each lease and how the COI was managed. This six-monthly report must also include information about the Ipswich CBD redevelopment project's overall implementation and achievements and its impacts on the wider Ipswich economy.

I have asked for Ms Rebecca McAnalen, Principal Region Advisor Southern, Local Government Division in the Department of State Development, Infrastructure, Local Government and Planning to assist you with any further queries. You may wish to contact Ms McAnalen on (07) 3452 6738 or by email at rebecca.mcanalen@dsdilgp.qld.gov.au.

Yours sincerely



STEVEN MILES MP
DEPUTY PREMIER
Minister for State Development, Infrastructure,
Local Government and Planning
Minister Assisting the Premier on
Olympic and Paralympic Games Infrastructure

cc Ms Sonia Cooper
Chief Executive Officer
Ipswich City Council
sonia.cooper@ipswich.qld.gov.au