

Management report to Council

Agenda item 6.3

Proposed New Sub-Lease – City Library

Council

Presenter: Michael Tenace, General Manager Finance and Corporate and Chief Financial Officer, and Katrina McKenzie, General Manager City Economy and Activation

24 November 2020

Purpose and background

1. The purpose of this report is to seek Council approval for a new sublease over part of the ground floor and all of the first floor at 253-256 Flinders Lane, Melbourne (Premises).
2. In December 2000, the City Library was established at the Premises.
3. The Council subleases the Premises from Box Hill Institute (BHI). The sublease expires on 15 December 2020 with no further options to renew. The current rental is just over \$1M per annum plus outgoings of approximately \$130k.

Key issues

4. In 2017–18 the City Library was one of Australia’s busiest public libraries, with an average of 224 visitors an hour and 50 to 60 new memberships a day. The lease renewal presents an opportunity for Council to consider alternative locations for the City Library and how it can further enhance the City Library as a unique destination in the City of Melbourne library network.
5. API: A New City Library 2020–21, requires a future libraries plan that responds to our rapidly changing and diversifying population and the impacts of COVID-19. This framework will be informed by the vision that ‘no-one is left behind’, and focus on strengthening the library service’s social access and equity role in particular those impacted by the ‘digital divide’. The new City Library will honour and celebrate Aboriginal knowledge, and also be a place of leadership and focus for working towards the relevant UN Sustainable Development Goals. These framework principles will be tested with the community.
6. There is great potential for a new City Library to reactivate community connection and the city economy. Through purposeful and strategic partnerships, the reach of the new City Library can be expanded to connect new audiences to the service.
7. Any relocation of the City Library will include a programme of Councillor engagement.
8. A new short term sublease has been negotiated with BHI at a reduced rental of \$915,000 per annum (plus GST) with fixed annual increases of 3 per cent, plus outgoings and continuation of no make good obligation at the lease expiry.
9. The initial rental offered by BHI was in the order of \$1.3M per annum plus outgoings.
10. It is recommended that Council agrees to a new sublease for a period of 2 years with an option to renew for 1 year to allow time to progress the options to relocate the City Library.
11. Council may assign or sublet the Premises during the term, subject to Council complying with its obligations set out in the sublease, including obtaining both BHI and the Head Landlord’s prior written approval.

Recommendation from management

12. That Council:
 - 12.1. Approves entering into a new sublease under delegation over the premises at 253-256 Flinders Lane, Melbourne on the following terms and conditions:
 - 12.1.1 A term of 2 years with a further option to renew for 1 year commencing on 16 December 2020.
 - 12.1.2 A commencing rental of \$915,000 per annum plus GST and outgoings with increases of 3 per cent per annum.
 - 12.1.3 All other existing sublease terms and conditions remaining unchanged.

Attachments:

1. Supporting Attachment (Page 2 of 2)

Supporting Attachment

Legal

1. As entry into the sublease will (with the option) incur more than \$2m expenditure beyond the current approved annual budget, a resolution of Council is required.

Finance

2. Expenditure for FY20–21 of \$915,000 per annum (plus GST) plus outgoings will be paid from current approved budget.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Health and Safety

4. The operation of the City Library will continue in accordance with Council's established occupational health and safety policies and procedures.

Stakeholder consultation

5. Negotiations have been held with BHI regarding the proposed new sublease. Residents, workers, students and visitors will still be able to continue to visit the City Library at its current location.

Relation to Council policy (if applicable)

6. The recommendation is consistent with Melbourne City Council 2017–2021 Council Plan, Goal: A City for People and Goal: A Knowledge City

Environmental sustainability

7. There are no environmental or sustainability implications as a result of this report.