

ITEM 10 CLIFFHANGER CAFE - BULLI TOPS, LEASE PROPOSAL

Cliffhanger Café is situated on The Bulli Tops Reserve Trust on Crown land, managed under lease arrangement by Council. Council wishes to tenant the building with the proposed lessee's intention of utilising the premises for a café and events centre and weekend accommodation.

RECOMMENDATION

- 1 Council authorise the lease of the vacant premises known as Cliffhanger Café at Bulli Tops to RDS Investments (NSW) Pty Ltd for a period five years with an option to renew for a further three x five years, subject to the terms and conditions outlined in this report.
- 2 Authority is granted to affix the Common Seal of Council to the licence documents and any other documents required to give effect to this resolution.

REPORT AUTHORISATIONS

Report of: Peter Coyte, Manager Property and Recreation
Authorised by: Renae Elrington, Director Community Services - Creative and Innovative City

ATTACHMENTS

There are no attachments for this report.

BACKGROUND

The previous lease for the property known as Cliffhanger Café was terminated on 9 May 2017 due to tenant's failure to pay rent. For the 18 months prior to the termination of the lease, the tenant was in arrears and receiving monthly reminder letters from Council's Accounts Receivable Section. On 27 January 2016, the tenant entered into a repayment plan with Council however it was frequently not adhered to despite letters and telephone calls reminding them of their obligations. On 17 March 2017 Council issued a letter to the tenant advising that if all arrears were not paid in full by 31 March 2017, the lease would be terminated and action taken to recover the outstanding debt.

Council invited Expressions of Interest for the lease of the property in July 2017 however no formal proposals were received.

There has been little interest in the operation of the premises due to its remote location and the promotion of the Sea Cliff Bridge and the Lower Coast drive in the northern suburbs of Wollongong as being desirable destinations. This has diverted much of the weekend traffic and therefore much of the passing trade.

In October 2017, a request for information was received from the operators of Panorama House. A proposal for the lease of the premises was received by Council's Property Section for consideration. The applicant proposes to utilise the premises as a café/event centre, with the residence used as weekend accommodation, in association with events. The applicant proposes a revitalisation of the building and the associated premises to revitalise the area. The proposed use complies with the permitted use under the zoning (being SP3 Tourist).

The applicant is proposing to make structural changes to the building's roof line, and to upgrade the interior including air conditioning, electrical re-wiring, painting and the inclusion of a new bar area, with an initial spend of over \$100,000. A new kitchen fit-out is proposed in addition to this and a refurbishment of the residence for weekend accommodation. All works will be required to be carried out to comply with relevant standards and regulations and to the satisfaction of Council. Make good provisions will be incorporated in the lease documentation.

The salient terms and conditions of the proposed lease are set out below:

Lessee	RDS Investments (NSW) Pty Ltd
Permitted Use	Café/ Events Centre and weekend accommodation
Term of Lease	Five year Lease
Option Term	3 x 5 year option
Commencing Rent	\$25,000 + GST
Rent Review	Annual increases of CPI. Market rental determination at the commencement of each option term.
Outgoings	The Lessee is to be responsible for 100% of outgoings in relation to the property including land taxes and council rates
Special Conditions	<p>Payment of rent shall commence six months from the commencement date of the lease.</p> <p>The Lessee must keep current an insurance policy covering Public and Products Liability in an amount not less than \$20 million (for each accident or event).</p>

PROPOSAL

Council approve the lease of the premises to RDS Investments Pty Ltd to enable the prospective lessee to lodge a development application for the proposal and proceed with the fit-out and associated works.

CONSULTATION AND COMMUNICATION

Martin Morris & Jones Real Estate – undertook a Market Rental Valuation to determine the market rent.

Crown Lands was consulted for the suitability of the terms negotiated and support in principle given for a lease to RDS Investments Pty Ltd.

Council’s Building and Facilities Infrastructure and Maintenance Planner – inspection of the premises and review of the proposed works.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal “Goal 1”. We have an innovative and sustainable economy

It specifically delivers on core business activities as detailed in the Property Services Service Plan 2017-18. “Achieve market return on Commercial Premises”.

The subject site is a Reserve Trust (R 1004388), the original purpose of this Trust was for Tourist Facilities and Associated Services, the activities under the proposed lease align to this purpose.

FINANCIAL IMPLICATIONS

The lease of the premises will contribute rent in the amount of \$25,000 plus GST in the first 12 months of the lease term (less the six months’ rent free period).

The lessees will be responsible for all fees and costs incurred in lodging a development application. All fit-out costs will be met by the lessee.

CONCLUSION

This proposal provides an opportunity for Council to lease the premises at Cliffhanger allowing the area to be reactivated for hospitality and tourism.