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# Approval to Issue Heads of Terms for Units 1 and 2 Manukau Bus Station

For decision:

For noting:

## Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

- a) Approves Auckland Transport (AT) issuing Heads of Terms to a future tenant(s) and to negotiate an Agreement to Lease and Deed of Lease for Units 1 and 2, Manukau Bus Station.
- b) Delegates agreement of final terms and conditions of an Agreement to Lease and Deed of Lease for Units 1 and 2, Manukau Bus Station to the Chief Executive.
- c) Notes that the Deed of Lease for Units 1 and 2, Manukau Bus Station will be provided to the Board for signature by two (2) board members.

## Te whakarāpopototanga matua / Executive summary

1. The board approved AT entering into a Deed of Lease with Wangland Limited T/A PappaRich (“Lessee”) for Units 1 and 2 at Manukau Bus Station on 24 October 2017 for the use as a Malaysian Restaurant.
2. The Lessee has faced difficulties in establishing a successful restaurant at Manukau Bus Station and unsuccessfully attempted to sell the business or assign the lease.
3. AT entered into an Agreement to Surrender Lease with the Lessee effective from 11 December 2020. The retail units are now vacant and available for lease to a new tenant.
4. The Agreement to Surrender contained a personal guarantee for the Lessee to pay any arrears and a surrender sum of 18 months gross rental. All rental arrears have been paid in full and the Lessee is adhering to the provisions set within the surrender document.
5. AT has procured real estate agency services to assist with the marketing of the retail lease opportunity.

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6. The tenancy will be catered towards commuters and AT customers using Manukau Bus Station.
7. This report seeks board approval for AT to issue Heads of Terms to a future tenant(s) and to delegate agreement of final terms and conditions of an Agreement to Lease and Deed of Lease for Units 1 and 2, Manukau Bus Station to the Chief Executive.
8. AT is exploring the opportunity to divide Units 1 and 2 into two premises and enter into separate leases for each unit to achieve an optimised outcome for AT and its customers.
9. Delegation of the final terms and conditions of the Agreement to Lease and Deed of Lease to the Chief Executive will allow AT to be agile through the leasing negotiation process and will allow commencement of the tenancy and rental income once final lease terms have been negotiated.

## **Ngā tuhinga ō mua / Previous deliberations**

10. The board approved AT entering into a Deed of Lease with Lessee for Units 1 and 2 at Manukau Bus Station on 24 October 2017.

## **Te horopaki me te tīaroaro rautaki / Context and strategic alignment**

11. The AT Retail Strategy was approved in 2015 with the objectives of enhancing customer experience and increasing commuter patronage and non-fare revenue.
12. The proposed tenancy will provide a revitalised customer offering and amenity for commuters, visitors and locals.

## **Ngā matapakinga me ngā tātaritanga / Discussion and analysis**

13. The lease with Lessee at Units 1 and 2, Manukau Bus Station commenced on 7 April 2018.
14. The Lessee has faced difficulties in establishing a successful restaurant at Manukau Bus Station and ceased operating in September 2019 and has not been able to provide a service to AT's customers.
15. The Lessee has attempted to sell the business or assign the Lease but has been unsuccessful in achieving either outcome.
16. The non-operation of the Premises has had a negative impact on AT's customer experience for Manukau Bus Station.
17. In order to enable AT to commence marketing of the premises for lease to a new tenant, enhance customer experience and increase activation at Manukau Bus Station an Agreement to Surrender Lease was agreed with the Lessee effective 11 December 2020.

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18. In order to optimise the retail tenancy leasing, AT will commence an EOI procurement process to secure a new tenant on the open market. AT has also procured real estate agency services to assist with marketing of the retail lease opportunity. The agency will be instructed to direct all interest via the AT EOI process.

## Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
Covid-19 pandemic reduces market willingness or ability to secure a tenant.	This risk has been addressed by allowing for a flexible marketing programme.

## Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

19. AT Metro have an approved budget of \$12,500 plus GST for real estate agency fees to market the tenancy opportunity.
20. The estimated rental for Units 1 and 2, Manukau Bus Station is \$40,000 – \$44,500 + GST per annum based on market rental advice from Bayleys Real Estate Limited.

## Ngā whaiwhakaaro o te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations

21. The leasing is for an existing retail unit therefore there are no perceived impacts.

## Ngā reo o mana whenua rātou ko ngā mema pooti, ko ngā roopu kei raro i te maru o te Kaunihera, ko ngā hāpori katoa / Voice of mana whenua, elected members, Council Controlled Organisations, customer and community

22. AT has ongoing consultation with the Elected Member Relationship unit for retail leasing at Manukau Bus Station.

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## Ngā whaiwhakaaro haumaruru me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations

23. The Agreement to Lease for Units 1 and 2 Manukau Bus Station will include provision for compliance with Auckland Transport's Pre-Start Manual for Tenancy Fit Outs to ensure tenancy fit out design and construction meets AT's Health and Safety Policy Guidelines.

### Ā muri ake nei / Next steps

24. AT will release the EOI, issue Heads of Terms and negotiate an Agreement to Lease and Deed of Lease with a future tenant.

25. AT Chief Executive will approve the Agreement to Lease and final lease terms.

26. The Deed of Lease will be provided to the board for two (2) board directors to execute the Deed of Lease for Units 1 and 2 at Manukau Bus Station following completion of the Agreement to Lease conditions being met by the future tenant and AT.

### Te whakapiringa / Attachment

Attachment number	Description
	Not applicable

### Te pou whenua tuhinga / Document ownership

Submitted by	Emma Cheetham Property Optimisation Manager	
Recommended by	Jane Small Group Manager Property and Planning	
	Mark Lambert Executive GM Integrated Networks	

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Approved for submission

Shane Ellison  
Chief Executive

