

11.1. 4th Quarterly Property Portfolio Public Report_2021/2022

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ATTACHMENTS: Nil

PURPOSE:

The purpose of this report is to provide Council with information on the Property Portfolio for the 4th quarter of 2021/2022 (Period commencing 1 April 2022 and ending 30 June 2022).

EXECUTIVE SUMMARY:

This report comprises the following information, whilst the Confidential report includes the monetary information relating to the Property Income, Leasing Transactions and Arrears data.

- Overview of Council's Property Portfolio
- Property Portfolio Vacancy Rates
- Leasing Transactions for the quarter
- Acquisitions and Disposals for the quarter
- Update on the COVID-19 Rent Abatement & Commercial and Retail Rent Relief Scheme
- Update on the Pandemic Facilities
- Outdoor Dining Licence Fees
- Major Property Projects (Maintenance and Capital works) for the quarter
 - Update on Primrose Park Tennis Centre Lease
 - Installation of Signage: Neutral Bay Community Centre
 - Installation of Tesla Battery: Ros Crichton Pavilion

The associated Confidential Report to this item addresses monetary information of a confidential nature in relation to the Property Income, Leasing Transactions and Arrears Data for the quarter. If the Council wishes to discuss the report, the meeting should be closed to the public to do so in accordance with s10A(2)(a) of the Local Government Act (LGA):

(d)(ii) commercial information of a confidential nature that would, if disclosed confer a commercial advantage on a competitor of the Council and because consideration of the matter in open Council would be, on balance, contrary to the public interest as it would affect Council's ability to obtain value for money services..

FINANCIAL IMPLICATIONS:

The total annual revenue budget for the Property Portfolio for the 21/22 financial year was

forecast at \$5,581,528. This figure was revised down in the 3rd QR of 21/22 to \$4,957,290 because of the ongoing impacts that the COVID-19 Pandemic had on Councils Property Portfolio. As on 30 June 2022 the total actual annual Property Portfolio income on a cash basis was \$5,514,352.

The actual income for the 4th Quarter of 21/22 (April to June) which was received on a cash basis through Colliers International was \$1,381,799.95 as of 30 June 2022, which is \$130,106 more than the forecasted budget of \$1,251,694 for the quarter, that is 10% more than projected. The income received on an accrual basis for this quarter was \$1,203,919. The Year-to-Date income which is received on an accrual basis was \$4,859,951 as at 30 June 2022.

RECOMMENDATION:

1.THAT the report be received.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

2. Our Built Infrastructure

2.1 Infrastructure and assets meet diverse community needs

BACKGROUND

The report comprises both a Public and Confidential Report that provides detailed information on the following key business activities of the Property Portfolio.

This Quarterly Property Portfolio report comprises information on the property portfolio for the 4th Quarter of 2021/22, that is, 1 April 2022 to 30 June 2022. It is designed to give Council and the Community a detailed overview of the Property Portfolio as a whole, its financial performance and the impact of the State Governments COVID-19 restrictions on the portfolio over the quarter.

This reports also includes updates on some of Council's major Projects being undertaken.

CONSULTATION REQUIREMENTS

Community engagement is not required.

DETAIL

The following information is a consolidated summary of North Sydney Council's Property Portfolio financial performance for Q4 1 April 2022 to 30 June 2022.

Total number of leases: 287 including 153 Outdoor Dining Licenses.

Overall vacancy rate: 4.87%

Financial Performance

The actual income for the 4th Quarter of 21/22 (April to June) which was received on a cash basis through Colliers International was \$1,381,799.95 as of 30 June 2022, which is \$130,106 more than the forecasted budget of \$1,251,694 for the quarter, that is 10% more than projected. The income received on an accrual basis for this quarter was \$1,203,919.

For financial year 2021/22 the total actual annual Property Portfolio income on a cash basis was \$5,514,352. The Year-to-Date income which is received on an accrual basis was \$4,859,951 as at 30 June 2022.

The figures provided in this report are on a cash basis and reported against the Property Portfolio Cash budget and Revised Forecast for 2021/22.

Vacancy Position of the North Sydney Council's Property Portfolio

The following Properties are currently listed as vacant in North Sydney Council's Property Portfolio. Council's Property Managing Agents, Colliers International manage all of Council's leasing transactions and are responsible for all aspects of lease negotiation and management of Council's Properties that are under lease.

Overall, the vacancy rate of Council's Property Portfolio is 4.87%.

Table 1. Current Vacancies within the North Sydney Council Property Portfolio

<u>Building</u>	<u>Unit</u>	<u>Area (m2)</u>	<u>Comments</u>
Alexander Street, 34 Crows Nest	Shop 1	30.8	Update: A new tenant has now been sourced and the lease has been executed by the tenant. Lease commencement date 1/08/2022.
Alfred Street, 52 Milsons Point	Car Park Spaces	4 spaces	Colliers marketing for Lease
Ernest Place, 11 Crows Nest	Shop	70.5	Update: Lease issued to tenant, commencement date 15/08/2022. Development Application for change of use has been lodged with Council.
Hume Street, 36 Crows Nest	Shop 3	76.5	Colliers has sourced a tenant is currently negotiating the lease.
James Place, 1 North Sydney	5.01	273.2	Colliers marketing for Lease.
Miller Street, 242 North Sydney	Shop & Residential	90	Signed HOA and deposit received. Tenant's DA has been approved.
Miller Street 246, North Sydney	Shop & Residential	63	Structural repairs underway, after which Colliers will market for Lease
Miller Street 283A, North Sydney	Suite 9	320.7	Colliers marketing for Lease.
Munro Street, Shed McMahons Point	Shed	21.2	Community facility for the use of community groups only.

			Difficulties in locating a tenant due to size and no water connection or bathroom facilities.
Pacific Highway, 80 North Sydney	Shop 8 and 1 Car Space	43.3	Colliers marketing for Lease.
Ridge Street, 35 North Sydney	Shop	41	Colliers marketing for Lease.
Ridge Street, 43 North Sydney	Ground Floor & Suite 1.02	155.7	Colliers marketing for Lease.

Table 1(a): Summary of Vacancies as an overall area (m²) and % of the total property portfolio

MONTH	June	May	April	Comments
Total Vacant Areas (m2)	1,159.10m2	1,924.80m2	1,924.80m2	
Portfolio NLA (m2)	23,778	23,778	23,778	
Vacancy % of Portfolio NLA	4.87%	8.09%	8.09%	

Table 1(b): Parking Spaces for lease in the Property portfolio

MONTH	April	May	June	Comments
Total Vacant Parking Spaces	4	4	4	Colliers are currently marketing for Lease
Total Parking Spaces under Portfolio	11.00	11.00	11.00	10 of the spaces are at 52 Alfred Street.

Table 2: Leasing Transactions for the 4th Quarter 2021_2022

The following information is provided to Council in relation to the leasing transactions for Council's owned and leased properties for the period ending 30 June 2022.

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permissible Use	Lettable Area	Terms of Lease / Remarks
Renewal Lease	Address: Level 2, 2-20 Ernest Place, Crows Nest	Period: 01/07/2021 to 30/06/2023 Term: Two (2) years Option: N/A	Childcare Centre	219.1 sqm	Council will be responsible for the Lease preparation costs.
Assignment of Lease	Address: Greenwood Plaza Ground Lease 101- 103 Miller Street, North Sydney	Period: 01/07/1992 to 30/06/2032 Term: Forty (40) years Option: Forty (40) years	Ground Lease Side Deed for Retail Shopping Arcade	2537 sqm	The Lessee will be responsible for the Lessor's costs.
Renewal Lease	Address: 41 Ridge Street, North Sydney	Period: 01/09/2021 to 28/02/2023 Term: Eighteen (18) months Option: Three (3) years	Florist	29 sqm	Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.
Option Lease	Address: Shop 2, 283A Miller Street, North Sydney	Period: 01/08/2022 to 31/07/2024 Term: Two (2) years Option: N/A	Retail Suite	45 sqm	Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permissible Use	Lettable Area	Terms of Lease / Remarks
Renewal Lease	Address: Level 1, 1 James Place, North Sydney	Period: 23/09/2022 to 22/09/2023 Term: One (1) year Option: Two (2) years	Commercial Office	480.8 sqm	The Lessee will be responsible for the Lessor's costs.
Renewal Lease	Address: Suite 4.02, 1 James Place, North Sydney	Period: 01/11/2022 to 31/10/2027 Term: Five (5) years Option: Five (5) years	Commercial Office	257 sqm	The Lessee will be responsible for the Lessor's costs.
Renewal Lease	Address: Croquet Club, Cammeray Park	Period: 01/01/2022 to 31/12/2026 Term: Five (5) years Option: N/A	Croquet Club	2350 sqm	The Lessee will be responsible for the Lessor's costs.
Renewal Lease	Address: Tennis Club, Cammeray Park	Period: 01/07/2022 to 30/06/2027 Term: Five (5) years Option: Five (5) years	Tennis Club	unknown	The Lessee will be responsible for the Lessor's costs.
Renewal Lease	Address: Suite 4.01, 2-20 Ernest Place, Crows Nest	Period: 01/07/2022 to 30/06/2023 Term: One (1) year Option: N/A	Community Office	149.8 sqm	Council will be responsible for the Lease preparation costs

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permissible Use	Lettable Area	Terms of Lease / Remarks
New Lease	Address: 11 Ernest Place, Crows Nest	Period: 15/08/2022-14/08/2025 Term: Three (3) years Option: Three (3) years	Retail shoe shop	70.5 sqm	Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.
Renewal Lease	Address: Suite 3.01, 2-20 Ernest Place, Crows Nest	Period: 01/07/2022 to 30/06/2023 Term: One (1) year Option: N/A	Community Office	90 sqm	Council will be responsible for the Lease preparation costs.
Renewal Lease	Address: 57 Ridge Street, North Sydney	Period: 19/07/2022 to 18/07/2027 Term: Five (5) years Option: N/A	Retail: Ground Floor Korean Restaurant Residential: Level 1	Ground Floor: 106sqm Level 1: 73sqm	Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.
New Lease	Address: Primrose Park Tennis Courts	Period: 24/08/2022 to 28/07/2023 Term: 431 days Option: N/A	Tennis coaching and court hire	400 sqm	Each party will be responsible for their own legal costs
Surrender of Lease	Address: Shop 1, 34-48 Alexander Street, Crows Nest	Period: N/A Term: N/A Option: N/A	N/A	30.8 sqm	Top Juice will pay the stamping and registration costs

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permissible Use	Lettable Area	Terms of Lease / Remarks
New Lease	Address: Shop 1, 34-48 Alexander Street, Crows Nest	Period: 01/08/2022 to 31/07/2027 Term: Five (5) years Option: Five (5) years	Hairdresser Studio	30.8 sqm	Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q4 21/22

	Address	Reason	Date	Remarks
Acquisition	Nil			

	Address	Reason	Date	Remarks
Disposal	Nil			

COVID-19 – Update on Rent Abatement and Commercial and Retail Rent Relief Scheme

Commercial tenants were sent a reminder notice on 13 May 2022 to the letters they were sent on 9 September 2021 outlining Council's rent relief policy for the COVID-19 outbreak. The letter also stated that there would be no more rent relief after 31 March 2022 and that tenants were expected to apply for any rent relief by 31 May 2022.

The obligation for landlords to offer rent relief under the Code of Conduct ended on 22 March 2022 so Council will cease the Covid Rent Relief in general from Q4 21/22.

The Confidential Report comprises information on the updated rent relief and deferrals, as at 30 June 2022, allocated to tenants who have thus far provided all the requisite financial information and met all the criteria in accordance with the National Cabinet Mandatory Code of Conduct to be eligible for rent relief in relation to Commercial and Retail leases and that have been approved by the General Manager.

Council has given rent relief for our tenants in accordance with the National Code of Conduct under the Commercial and Retail Leases COVID Regulations - the total amount of revenue forgone as a result of rent waiver for the last 12 months in FY 2021-22 was \$460,701 with rent deferred amount of \$107,030.

Pandemic Facilities Update

As previously reported, Olinga Services were engaged to treat common touchpoints at all sites that Council was responsible for cleaning, on a monthly basis, with a new TGA approved Antimicrobial Surface Spray Disinfectant which remained active for over 30 days from the date of application. The contract came into effect at the Commencement of the COVID-19 Pandemic.

This application continued until the end of June 2022 and then ceased in the new financial year 2022/2023 from 1 July 2022.

This arrangement will be monitored for any adverse impacts and if necessary it would be further reported to Council in Q1 2022/2023.

Update on Outdoor Dining Licence Fees

In the 3rd QR 2021/22, Council resolved, in part, at its February 21st meeting, that the Outdoor Dining Licence fees continue to be waived until 31 March 2022.

At its February 28th meeting, Council extended the waiver of the fees to June 30th, 2022. In other words, the whole financial year 2021/22 - all 12 months of outdoor dining fees have been waived.

The cost to Council in revenue foregone because of waiving all fees and charges associated with outdoor dining over the last 12 months was \$786,892. This figure does not include revenue foregone for waiving outdoor dining fees in previous financial years (2020-21) as a result of the Impacts of COVID-19.

In financial year 2021/22, the cost to Council in total rent foregone from outdoor dining licences and all leases was \$1,247,593.

Refer to the timeline below to note the progress of the Management of the Outdoor Dining licences, and to those tenants who are in arrears.

Date	Description
5 April 2022	Tenants advised of the extension of the waiver of fees until 30 June 2022
11 May 2022	Letters sent to tenants advising that the waiver credits were applied, and all licence fees were required to be paid in full as of effect from 1 July 2022.
28 July 2022	Final Letters sent to 14 tenants that were in arrears providing them with a deadline until 12 August 2022 to either pay their arrears or enter a payment plan.
24 August 2022	To date, 6 are in negotiations, 4 have agreed to enter payment plans but have not formalised any agreements, whilst 4 have not responded to Council's requests. The Director of Engineering & Property has instructed Colliers that two (2) further notices are to be issued before any licences are terminated. These letters are currently in the process of being prepared.

Major Property Projects (Maintenance and Capital works) for the quarter – Updates

- **Update on the construction of Primrose Park Tennis Courts**

The construction of the new tennis courts at Primrose Park is now complete. In a letter dated 4th August 2022, the operator was advised of his relocation from Green Park Tennis Courts back to Primrose Park, including his new tenure lease arrangements.

New Tenure Lease Arrangements – Primrose Park Tennis Courts

It was confirmed in writing to the operator of the Primrose Park Tennis Courts that the date for the official opening ceremony of the upgraded Courts, 24 August 2022, would be the same day as the commencement of the new lease extension.

The new lease is extended for 431 days. This covers the same number of days that tennis courts at Primrose Park were unable to be occupied because of the upgrading works and same period of time that the operator under Licence occupied the Green Park Tennis Courts, the details of which are provided below.

Green Park occupation period:

19 June 2021 to 23 August 2022 – 431 days

New Extended Lease Period:

24 August 2022 to 28 July 2023 – 431 days.

The lease is now finalised.

- **Neutral Bay Community Centre: Installation of Signage**

New signage were installed at the Neutral Bay Community Centre

- **Tesla Battery installation at Ros Crichton**

The installation of a Tesla Powerwall2 battery was completed in July 2022.

Photographs

Primrose Park Tennis Courts



Neutral Bay Community Centre - new signage







Ros Crichton – Tesla Powerwall2 battery installation

