

**Report to General Manager**Attachments:
Nil**SUBJECT:** 1st Quarter Property Portfolio Report 2019/20 – July to September 2019**AUTHOR:** Risha Joseph, Property Officer**ENDORSED BY:** Duncan Mitchell, Director Engineering and Property Services**EXECUTIVE SUMMARY:**

Council at its meeting of 26 August 2019, Minute No. 244, resolved in part:

“THAT Council note all future Property Portfolio reporting including leasing transactions will be undertaken quarterly whereby a report will be brought to Council outlining the overall Property Portfolio performance in detail and the report will align with Council’s quarterly reporting”

The purpose of this report is to provide Council with information relating to the performance of Council’s 1st Quarter Property Portfolio for 2019/2020, ending 30 September 2019. In summary this report provides detail information on the following key business activities of the Property Portfolio:

- Financial position of the Property Portfolio;
- Vacancy Position of the Property Portfolio;
- Leasing Transactions for the quarter;
- Acquisitions and Disposals for the quarter; and
- Major Property Projects for the quarter.

FINANCIAL IMPLICATIONS:

Council’s actual Year-to-Date income received through the Property Portfolio is slightly below the projected forecast for this quarter. For a detailed breakdown of the income and the reasons for the shortfall received through the Property Portfolio, refer to the Confidential report.

RECOMMENDATION:

1. THAT the Quarterly Property Portfolio Report for the 1st Quarter of 2019/20 (July to September 2019) be received.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

Direction: 2. Our Built Infrastructure

Outcome: 2.1 Infrastructure and assets meet community needs

BACKGROUND

This Quarterly Property Portfolio report has been prepared to give Council and the Community a detailed overview of the performance of Council's Property Portfolio for the quarter ending 30 September 2019:

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

Consolidated summary of income received through the Property Portfolio including:

- Property Portfolio Vacancy Rates;
- Leasing Transactions for the quarter;
- Major Property Projects (Maintenance and Capital works) for the quarter; and
- Acquisitions and Disposals for the quarter.

As per the report to Council on 26 August 2019, Minute No. 244, Council resolved in part:

“2. THAT Council note that pursuant to Section 400(4) of the Local Government (General) Regulation 2005 the common seal of Council must only be affixed to a document where the Council has resolved that the seal is to be affixed to such documents.

3. THAT Council note that the common seal of Council shall no longer be affixed to the following business-related documents, unless Council otherwise resolves to affix the seal:

(i) The sale or purchase of land;

(ii) The entering into leases relating to Council property;

(iii) The entering into of Voluntary Planning Agreements.

4. THAT Council note the general delegation functions under section 377 of the Local Government Act 1993 are not affected by Recommendation 2 or 3.

5. THAT Council note that the General Manager has delegated authority, in accordance with Section 683 of the Local Government Act 1993, to authenticate documents, unless Council otherwise resolves that a document be authenticated by the affixing of the common seal.

It is therefore no longer a requirement for Council to have its Official Seal affixed to Leases pursuant to Section 400(4) of the Local Government (General) Regulation 2005.

To effectively manage Council's large and varied Property Portfolio, Council engages Property Consultants. The existing Property Management Services Contract was awarded to the current Management Consultants, Colliers International (NSW) Pty Ltd in 2019, with options to extend the contract based on performance on a 2+2-year basis up to a total of 6 years.

CONSULTATION REQUIREMENTS

Community engagement is not required.

SUSTAINABILITY STATEMENT

The sustainability implications are of a minor nature and did not warrant a detailed assessment.

DETAIL

Financial Position of North Sydney Council's Property Portfolio - Quarter 1 - 2019/2020

The following information is a consolidated summary of North Sydney Council's Property Portfolio financial performance for the first quarter – the period ending 1 July to 30 September 2019.

Total number of leases and licences: 309 including 177 Outdoor Dining licences.

Total number of Outdoor Dining Licences: 177

Overall vacancy rate: 9.84%

The total income received to date for the first quarter through Council's Property Portfolio: \$1,977,988.

Vacancy Position of the North Sydney Council 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 vacancy rate of Council's Property Portfolio as on 30/09/2019: 9.84%

Table 1: Current Vacancies within the North Sydney Council Property Portfolio for the Quarter

<u>Building</u>	<u>Unit</u>	<u>Area (m²)</u>	<u>Comments</u>
Alfred St, 52 Milsons Point	Car Park Spaces	8 spaces	Colliers International currently marketing car spaces for Lease
Alfred St, 56 Milsons Point	Camden Villa	157.2	Colliers International currently marketing Property for Lease. Update: Heads of Agreement signed on 6 November 2019.
41 Alfred Street, Milsons Point	Community	286.2	Tenant vacated August 2019. Colliers International awaiting further instructions from Council regarding future use in order to market the property.
Hume St, 43 Crows Nest	Ground Floor	79.72	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 43 Crows Nest	Level 2	210	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 45-47 Crows Nest	Ground Floor	281	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 45-47 Crows Nest	Parking	1	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 49 Crows Nest	Level 1	254.6	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 49 Crows Nest	Level 2	198	Vacated for proposed Hume Street Park Development – Building to be demolished
James Place, 1 North Sydney	Level 1	480.8	Tenant has executed the Lease. Update: Tenancy commenced on 23 September 2019
James Place, 1 North Sydney	Level 3, Suite 3.01	169.8	Heads of Agreement signed. Lease issued to tenant.
James Place, 1 North Sydney	Level 5, Suite 5.01	273.2	Colliers International currently marketing property for lease.
James Place, 1 North Sydney	Level 5, Suite 5.02	274.6	Update: Tenancy commenced 1 August 2019
Military Road, 190-192 Neutral Bay	Shop 3	21.7	Colliers International currently marketing for Lease
Munro Street, Shed McMahons Point	Shed	21.2	Colliers International currently marketing Property for Lease
Pacific Highway, 80 North Sydney	Car Space	1	Colliers International currently marketing Property for Lease
Pacific Highway 261- 263 North Sydney	Level 1	216.3	Update: Property sold – settlement scheduled for 23 November 2019
Ridge St, 55 North Sydney	Retail	106	Update: Property leased. Tenancy commenced 30 September 2019.
246 Miller Street North Sydney	Retail & Residential	63	Structural Engineers are preparing a structural report on this property
Willoughby Rd, 90-92 Crows Nest	Shops 1 & 2	188	Vacated for proposed Hume Street Park Development – Building to be demolished

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

MONTH	July 2019	August 2019	September 2019	Comments
Total Vacant Areas (m²)	2,785.12	2,510.50	2,510.50	
Portfolio NLA (m²)	25,508	25,508	25,508	Total area of Property Portfolio available for lease.
Vacancy % of Portfolio NLA	10.92%	9.84%	9.84%	Vacancy rate high because this figure includes all Hume Street Park properties that cannot be leased long term as they are earmarked for demolition as part of the Hume Street Park redevelopment.
Total Short-Term Lease Areas	1427.62	1427.62	1427.62	This includes 43, 45-47, 49 Hume Street and 90-92 Willoughby Road
Vacancy % of Portfolio NLA less Short-Term Lease Areas	5.64%	4.5%	4.5%	Excluding Hume Street Park properties, pending demolition for the Hume Street Park Development

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

MONTH	July 2019	August 2019	September 2019	Comments
Total Vacant Parking Spaces	11	11	10	Colliers International currently marketing Property for Lease
Total Parking Spaces under Portfolio	12	12	12	Most parking spaces are at 52 Alfred Street.

Leasing Transactions for the Quarter

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 September 2019.

Note: As per the report to Council in August 2019, Council's General Manager has the delegated Authority to enter into leases and will be the signoff authority for Council when entering into a lease. It is no longer a requirement for Council to have its Official Seal affixed to Leases pursuant to Section 400(4) of the Local Government (General) Regulation 2005, whereby:

- (a) the use of the Council seal only in circumstances where the Council has resolved that the seal is to be affixed.
- (b) the discontinuing of the use of the Council Seal relating to the following documents:
 - (i) The sale or purchase of land;
 - (ii) The entering into leases relating to Council property;
 - (iii) The entering into of Voluntary Planning Agreements.

Table 2: Council's Leasing Transactions for the Period Ending 8 November 2019

<i>Proposed Transaction</i>	<i>Subject Property</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
New Lease	Address: Suite 301, Level 3, 1 James Place, North Sydney	Period: In the quarter commencing November 2019 to the period ending January 2023 01/11/2019 – 31/01/2023 Term: 3 years and 3 months Option: Nil	Commercial Office	304.80m ²	The lessor will be responsible for the preparation of the lease documentation. The Lessee is responsible for the costs of the registration of the lease and for all legal costs incurred for any further negotiations in relation to the lease.
Assignment of Lease	Address: 165 Blues Point Road, McMahons Point	Period: In the quarter commencing September 2019 to the period ending April 2021 16/09/2019 – 30/04/2021 Term: 19 months Option: 3 years	Café/restaurant	142.7m ²	Lessee to pay all legal costs in relation to the assignment of lease
Licence Agreement	Address: Shop 3, 34-48 Alexander Street, Crows Nest	Period: In the quarter commencing September 2019 to the period ending May 2023 06/09/2019 – 24/05/2023 Term: 3 years and 8 months Option: 7 years	Sale of Belgian chocolate cafe	158.3m ²	Lessee to pay all legal costs in relation to the Licence Agreement

<i>Proposed Transaction</i>	<i>Subject Property</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
Exercise of Option	Address: Shop 1, 190 Military Road, Neutral Bay	Period: In the quarter commencing October 2019 to the period ending September 2023 01/10/2019 – 30/09/2023 Term: 4 years Option: Nil	Shoe repair shop	13.2m ²	The lessor will be responsible for the preparation of the lease documentation. The Lessee is responsible for the costs of the registration of the lease and for all legal costs incurred for any further negotiations in relation to the lease.
Assignment of Lease	Address: 45-51 Ridge Street, North Sydney	Period: In the quarter commencing November 2019 to the period ending October 2021 01/11/2019 – 31/10/2021 Term: 2 years Option: 2 years	Office Space	327.8m ²	Lessee to pay all legal costs in relation to the assignment of lease
Residential Tenancy Agreement	Address: 3/43 Hume Street, Crows Nest	Period: In the quarter commencing October 2019 to the period ending April 2020 01/11/2019 – 30/04/2020 Term: 6 months Option: NIL	Residential	N/A	Council to pay legal costs
New Lease	Address: Suite 2, 190-192 Military Road, Neutral Bay – Part of Neutral Bay Community Centre	Period: In the quarter commencing November 2019 to the period ending October 2022 04/11/2019 – 31/10/2022 Term:	Community Services	N/A	The lessor will be responsible for the preparation of the lease documentation. The Lessee is responsible for the costs of the registration of the lease and for all legal costs incurred for any further

<i>Proposed Transaction</i>	<i>Subject Property</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
		3 years Option: 3 years			negotiations in relation to the lease.
New Lease	Address: 56 Alfred Street South, Milsons Point	Period: In the quarter commencing December 2019 to the period ending November 2021 02/12/2019 – 30/11/2021 Term: 2 years Option: 3 years	Commercial Office Space	167.4 m ²	The lessor will be responsible for the preparation of the lease documentation. The Lessee is responsible for the costs of the registration of the lease and for all legal costs incurred for any further negotiations in relation to the lease.
Car Park Licence Agreement	Address: 52 Alfred Street South, Milsons Point	Period: In the quarter commencing October 2019 to the period ending April 2020 21/10/2019 – 20/04/2020 Term: 6 months Option: Nil	Car Parking	N/A	Standard Licence Template used. No costs applicable to the Licence Agreement are applicable.

Acquisitions and Disposal for the Quarter

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for the Quarter

	Address	Reason	Date	Remarks
Acquisition	Nil			
Disposal				
Disposal	261 Pacific Highway, North Sydney	Low performance property that was earmarked for disposal	Settlement is scheduled for 23 November 2019	Contracts were exchanged on 23 May 2018 and an 18 month settlement period was agreed to.

List of Property Projects for the Quarter (Major Periodic Maintenance and Upgrade)

Apart from routine maintenance for Council properties, the Property Asset Management Plan has identified major periodic maintenance and capital upgrades for properties throughout Council's Property portfolio. These essential works need to be carried out in each financial year. They are funded from the annual Property Capital Works program which is essential to avoid asset deterioration that would result in operational and functional degradation of the buildings.

Table 5: Major Maintenance and Capital Works to Council Properties for the Last Quarter

Property	Project Description	Commencement Date	Completion Date
Council Chambers	Supper Room, Councillors Room and Conference Room refurbishment	06/06/2019	23/08/2019
Crows Nest Community Centre	External waterproofing of dining room area adjacent to Zig Zag lane	05/08/2019	30/08/2019
Alexander Street Car Park	Construction of additional toilet facilities and cleaner store on Level one	27/08/2019	Scheduled in early December 2019
Sexton's Cottage	Complete external repainting	13/09/2019	03/10/2019
Cremorne Early Childhood Centre	Replace air conditioning system	16/09/2019	02/11/2019
165 Blues Point Road Café	Replace Bi-fold windows	25/09/2019	30/10/2019
283A Miller Street Colonnade Shops	Complete external repainting	30/09/2019	22/10/2019

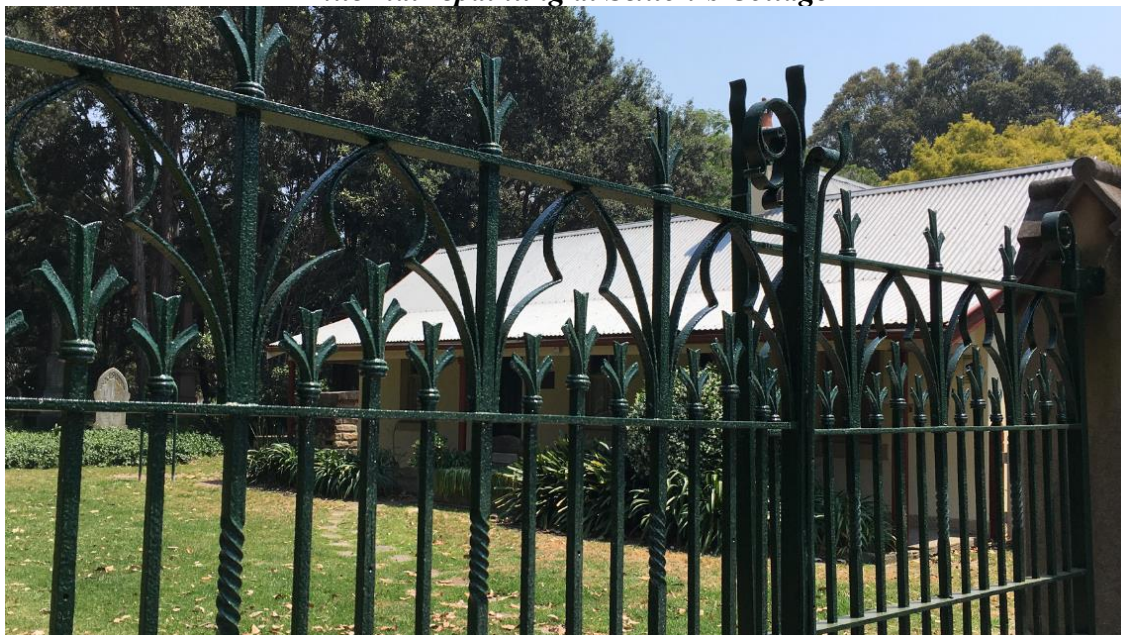
Waterproofing work completed at Crows Nest Community Centre



Additional toilets being constructed at Alexander Street Car park



External repainting at Sexton's Cottage



New Air Conditioning system at Cremorne Early Childhood Centre



Replacement of Bi-fold windows at 165 Blues Point Road Café



External repainting at 283A Miller Street Colonnade Shops



Paint works completed at North Sydney Oval – Mollie Dive Grandstand and Colonnade Shops at Miller Street

