

### **10.3. Council Owned/Leased Properties - 4th Quarterly Property Portfolio Report 2019/20 - April to June 2020**

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**ENDORSED BY:** Duncan Mitchell, Director Engineering Services

**ATTACHMENTS:** Nil

#### **PURPOSE:**

The purpose of this report is to provide information regarding Council's Property Portfolio for the quarter ending 30 June 2020.

#### **EXECUTIVE SUMMARY:**

- Consolidated summary of income received through the Property Portfolio
- Property Portfolio Vacancy Rates
- Leasing Transactions for the quarter
- Major Property Projects (Maintenance and Capital works) for the quarter
- Acquisitions and Disposals for the quarter
- Covid-19 Pandemic updates

#### **FINANCIAL IMPLICATIONS:**

Council's budgeted income from its entire Property Portfolio for 2019/20 was originally forecast at \$7,688,515. However due to COVID-19, the income forecast has been revised down to \$6,327,499 in May 2020.

The Year-to-Date total actual income which is received on a cash basis through Colliers International is \$6,338,322 as at 30 June 2020, which is \$1,350,193 less than the original forecast established at the start of the 2019/20 financial year. The 2019/20 actual full year income is close to the revised forecast figures of \$6,327,499. However, based on the original revenue forecast figures for the full year, this sum is only 82.4% of the original budget.

The Year-to-Date income which is received on an accrual basis is \$6,886,638 as at 30 June 2020. At the time of writing, the year to date income on an accrual basis for the Property Portfolio is above the revised annual forecast of \$6,327,499. This is due to budget revision necessitated by the COVID-19 pandemic and the agreed rental rebates which are to be settled.

In 2019/20 financial year, the total Property Capital Works expenditure for the Property Portfolio was \$1.35 million, while the Operating expenditure which covers property maintenance and utilities costs across all of Council's properties was \$6.18 million for the entire Property portfolio.

**RECOMMENDATION:**

**1. THAT** the Quarterly Property Portfolio Report for the 4<sup>th</sup> Quarter of 19/20 (April to June 2020), 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 community needs**

## **BACKGROUND**

This Quarterly Property Portfolio report is designed to give Council and the Community a detailed overview of the performance of Council Property Portfolio for the quarter ending 30 June 2020:

The report comprises both a Public and Closed Session Report (see Confidential Item 10.3) 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
- Acquisitions and Disposals for the quarter
- Covid-19 Pandemic updates

As per the report to Council in August 2019, Council's General Manager has delegated authority, in accordance with Section 683 of the Local Government Act 1993, 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.

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.

## DETAIL

### Financial Position of North Sydney Council's Property Portfolio – Q4 -2019/2020

The following information is a consolidated summary of North Sydney Council's Property Portfolio financial performance for Q4 – the period ending 1 April to 30 June 2020.

- Total number of leases: 309 including 165 Outdoor Dining Licences.
- Total number of Outdoor Dining Licences: 165
- Overall vacancy rate: 9.34%
- Vacancy rate excluding short term leases: 4.73%
- The total income received through Council's Property Portfolio as at 30 June 2020: \$6,338,322
- The total arrears for Council's Property Portfolio this quarter: Refer to Confidential Memorandum.

### 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 9.34%

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

<b><u>Building</u></b>	<b><u>Unit</u></b>	<b><u>Area (m2)</u></b>	<b><u>Comments</u></b>
Alfred St, 52 Milsons Point	Car Park Spaces	8	Colliers International current marketing car spaces for Lease
Alfred St, 41 Milsons Point	Community	286.2	Council has entered into a lease with a community artist
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 Street, 36 Crows Nest	Shop 1	83.8	Tenant vacated. Colliers marketing for a new tenant.
Hume St, 45-47 Crows Nest	Ground	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

<b><u>Building</u></b>	<b><u>Unit</u></b>	<b><u>Area (m2)</u></b>	<b><u>Comments</u></b>
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	5.01	273.2	Colliers International currently marketing property for lease.
Military Road, 190-192 Neutral Bay	3	24.9	Lease Agreement has been issued to tenant. Awaiting executed documents
Munro Street, Shed McMahons Point	Shed	21.2	Colliers International marketing property for Lease
Miller Street, 232 North Sydney	Retail shop & beauty Therapist	232.5	Tenant vacated early April due to COVID 19
Pacific Highway, 80 North Sydney	Retail Shop	45.8	Colliers International marketing the property for lease.
Pacific Highway, 80 North Sydney	Car Space	1	Colliers International current marketing Property for Lease
Miller Street, 242 North Sydney	Shop	93	Tenant vacated 14 <sup>th</sup> February 2020. Colliers marketing for a replacement tenant.
Miller Street, 246 North Sydney	Shop & Residential	63	Proposal has been received for possible renovation internally.
Willoughby Rd, 90-92 Crows Nest	Shop 1 & 2	188	Vacated for proposed Hume Street Park Development – Building to be demolished

**Table 1(a): Summary of Vacancies as an overall area (m<sup>2</sup>) and % of the total property portfolio**

<b>MONTH</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Comments</b>
<b>Total Vacant Areas (m2)</b>	2147.42	2147.42	2344.92	
<b>Portfolio NLA (m2)</b>	24,988	24,988	24,988	
<b>Vacancy % of Portfolio NLA</b>	8.59%	8.59%	9.34%	Vacancy rate high because this figure includes all Hume Street Park project properties that can no longer be leased as they are earmarked for demolition as part of the Hume Street Park redevelopment.

<b>MONTH</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Comments</b>
<b>Total Short Term Lease Areas</b>	1211.32	1211.32	1211.32	
<b>Vacancy % of Portfolio less Short Term Lease Areas</b>	9.34%	3.94%	4.73%	Excluding Hume Street Park properties, pending demolition for the Hume Street Park Development

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

<b>MONTH</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Comments</b>
<b>Total Vacant Parking Spaces</b>	10		10	Colliers International current marketing Property for Lease
<b>Total Parking Spaces under Portfolio</b>	12.00	12.00	12.00	Most parking spaces are at 52 Alfred Street.

**Note:** Rental income information submitted in a separate memorandum to Councilors.

### **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 June 2020.

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 30 June 2020**

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
Lease Renewal	<p><b>Address:</b> 244 Miller Street, North Sydney</p> <p><b>Lessee:</b> Northcote Wealth Pty Ltd</p>	<p><b>Period:</b> In the quarter commencing June 2020, the period ending May 2025</p> <p>01/06/2020 – 31/05/2025</p> <p><b>Term:</b> 5 years</p> <p><b>Option: 5 years</b></p>	Cafe	40m <sup>2</sup>	Renewal of lease with existing tenant.
Lease Renewal	<p><b>Address:</b> 244 Miller Street, North Sydney</p> <p><b>Lessee:</b> Northcote Wealth Pty Ltd</p>	<p><b>Period:</b> In the quarter commencing June 2020, the period ending May 2025</p> <p>01/06/2020 – 31/05/2025</p> <p><b>Term:</b> 5 years</p> <p><b>Option: Nil</b></p>	Residential	N/A	Renewal of residential lease to coincide with retail lease.
New Lease	<p><b>Address:</b> Shop 3 190-192 Military Rd, Neutral Bay</p> <p><b>Lessee:</b> Tony's Cave Barber shop Pty Ltd</p>	<p><b>Period:</b> In the quarter commencing July 2020, the period ending August 2022</p> <p>01/08/2020– 31/07/2022</p> <p><b>Term:</b> 2 years</p> <p><b>Option: 3 years</b></p>	Barber Shop	24.9m <sup>2</sup>	Tenant has requested the lease to commence after COVID 19 pandemic is over.

<b>Proposed Transaction</b>	<b>Subject Property &amp; Lessee/ Tenant</b>	<b>Term</b>	<b>Permitted Use</b>	<b>Lettable Area</b>	<b>Terms of Lease / Remarks</b>
Renewal of Licence Agreement	<p><b>Address:</b> Ground Floor 190-192 Military Rd, Neutral Bay</p> <p><b>Lessee:</b> Neutral Bay Senior Citizens Club Incorporated</p>	<p><b>Period:</b> In the quarter commencing July 2020 and ending May 2022</p> <p>01/08/2020– 31/07/2022</p> <p><b>Term:</b> 2 years</p> <p><b>Option: Nil</b></p>	Senior Citizens meetings	0m <sup>2</sup>	Tenant exercised the option period.
Lease Renewal	<p><b>Address:</b> 248 Miller St, North Sydney</p> <p><b>Lessee:</b> Johvane Pty Ltd</p>	<p><b>Period:</b> In the quarter commencing August 2020 and ending July 2025</p> <p>01/08/2020– 31/07/2025</p> <p><b>Term:</b> 5 years</p> <p><b>Option: Nil</b></p>	Retail news agency	94m <sup>2</sup>	Each party is to pay their own legal expenses. Tenant is to pay for the registration of the lease.
Licence Agreement renewal	<p><b>Address:</b> Flower Stand, 58 Kurraba Rd, Neutral Bay</p> <p><b>Lessee:</b> Janine Pearson</p>	<p><b>Period:</b> In the quarter commencing May 2020 and ending April 2025</p> <p>01/05/2020– 30/04/2022</p> <p><b>Term:</b> 5 years</p> <p><b>Option: Nil</b></p>	Flower stand	N/A	Each party is to pay their own legal expenses.



Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
Exercise of Option/Lease Renewal	<b>Address:</b> Suite 3.01, Level 3, Crows Nest Centre, 2-20 Ernest Place, Crows Nest  <b>Lessee:</b> Lower North Shore Community Transport Inc.	<b>Period:</b> In the quarter commencing July 2020 and ending June 2021  01/07/2020–30/06/2021  <b>Term:</b> 1 years  <b>Option: Nil</b>	Offices for the provisions of community transport	90m <sup>2</sup>	Exercise of option.
Licence Agreement	<b>Address:</b> 52 Alfred Street, Milsons Point  <b>Lessee:</b> Keco City Project Management	<b>Period:</b> In the quarter commencing August 2020, the period ending July 2021  01/08/2020–31/07/2021  <b>Term:</b> 1 year  <b>Option: Nil</b>	Car Space	N/A	Colliers International prepared the licence agreement using North Sydney Council's template licence agreement

Refer to Attachment (Confidential Memorandum) for details relating to the rental income Council will receive through these leasing transactions.

### Acquisitions and Disposal for the Quarter

**Table 3. Acquisitions and Disposals within the North Sydney Council Property Portfolio**

	Address	Reason	Date	Remarks
<b>Acquisition</b>	Nil			
	Address	Reason	Date	Remarks
<b>Disposal</b>	Nil			

## **COVID-19 Update on Commercial Leasing and Footpath / Outdoor Dining Licenses**

On 11 March 2020, the World Health Organisation declared novel coronavirus (COVID-19) as a pandemic. As a result, significant measures were put in place by the Federal and State Governments to manage the spread of COVID-19. On 20 March 2020 the Federal and NSW Governments mandated the closures of all cafés and restaurant businesses to stop the spread of COVID-19.

In response to the Government mandated closures, Council developed a Business Support Package inclusive of the Waiving Charges During Novel Coronavirus (COVID-19) Policy (D5-49) which was specifically designed to provide direct financial relief to those businesses and not-for-profit organisations that had current leases and licenses with North Sydney Council and that were forced to close on 20 March 2020 because of Government regulation.

The Policy was approved under delegation by the General Manager and Mayor on 25 March 2020. Letters were sent to all eligible lease and license holders in Council's property portfolio on 30 March 2020, informing them of the Policy and that it was effective from 20 March 2020. The letters were sent on Council's behalf by its appointed Property Management Agents - Colliers International.

Council has received a lot of positive feedback from the affected business in its property portfolio for its prompt response in helping them manage their financial hardship through these unprecedented times.

The NSW Government announced that cafes and restaurants, including outdoor dining areas, could re-open allowing businesses to seat up to 10 patrons at a time effective from 15 May 2020.

On the 22 of May 2020, Council's Property Management Agents Colliers International sent letters to all lease and footpath dining license holders informing them that as at 1 June 2020, Council deems that cafes and restaurants have now been allowed to re-open. This triggers the respective clauses in the "Waiving Charges during Novel Coronavirus (COVID-19) Policy of a further two months rental abatement for re-establishment, meaning that businesses will be required to recommence full lease or license payments to Council from 1 August 2020.

The impacts of COVID-19 on Council's Property Portfolio: The total Outdoor Dining Licence has been reduced from 177 in the previous quarter to 165 in this quarter.

One Retail lease (Jagos on 232 Miller Street) - the original lease expired on 31/1/2020. Prior to the expiry of the lease, the owner advised Council's Property Management Agents - Colliers International that she was not interested in renewing the lease which was offered at the same rent, hence the lease expired on 31/1/2020 and the tenant was on "hold over" until Council could find a new tenant. At the onset of COVID-19 (March

2020) the owner met with Council's Property Management Agents Colliers International to tell them that she was closing the business as a result of the government restrictions. It was agreed between both parties that the lease would be terminated which it was in April 2020.

### **COVID-19 Update on measures in place including Cleaning, Hand Sanitisers and Perspex screens**

To mitigate any possible spread of COVID-19 coronavirus, extra touchpoint cleaning including the wiping and disinfection of all door handles, communal surfaces and bathrooms is ongoing at all Council properties where Council is responsible for cleaning. One extra cleaner has been engaged at Council Chambers, the Council Depot and the Stanton Library to carry out daily touchpoint cleaning during office hours. At other locations the cleaner's hours have been extended so that they can carry out touchpoint cleaning each day in addition to their normal cleaning duties.

Weekly disinfection spraying of amenities from top to bottom with hospital grade disinfectant at all staff occupied sites is ongoing. This is in addition to normal daily cleaning and extra daily touchpoint cleaning.

Hand Sanitiser dispensers have been installed at all staff occupied sites and Community Centres.

Antibacterial wipes have been installed at the Stanton Library and all of Council's venues for hire so that hirers can wipe down and disinfect all chairs and surfaces before and after use.

To minimize the risk of transmission of COVID-19 between Customer Service staff and customers, clear Perspex screens have been installed on the Customer Service desk at Council Chambers and the Stanton Library. In open plan areas with low partitions and workstations that accommodate staff less than 1.5m away from each other, the installation of Perspex screens is underway.

### **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 works upgrades for properties throughout Council's Property portfolio. These essential works need to be carried out in each financial year. These works 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.

### **Schedule of Rates Contract for Property maintenance – Update**

On 24 June 2020 Council awarded its Schedule of Rates contracts for Property maintenance works. This includes building trades such as Carpentry, Plumbing, Electrical, Painting, Fire Services, Exit & Emergency lights, Air Conditioning as well

as Pest Control. These contracts are initially for 2 years with options to extent up to a maximum of further 2 years. The tender report was approved by Council at its June 2020 meeting.

**Table 4: Major Maintenance and Capital Works to Council Properties for the last quarter**

<b>Property</b>	<b>Project Description</b>	<b>Commencement Date</b>	<b>Completion Date</b>
Holtermann Street Car Park	Solar PV car shade system	9 June 2020	In progress
Central Depot	External re-painting / facia repair	15 June 2020	26 June 2020
Forsyth Park Community Centre	Internal re-painting	29 June 2020	10 July 2020
Alexander Street Car Park	Stairway - new vinyl floor coverings	04 May 2020	22 May 2020
Kendall Community Centre	New floor coverings	03 July 2020	11 July 2020

*Holtermann Street Car park – Solar PV car shade system*

*Car port structure up*



*Roofing sheets installed*



*Rails installed for solar PV panels to be mounted on*



*Solar PV system Inverters*



*New main switchboard at Holtermann Street Car park*



*Central Depot – external repainting*



*Central Depot – external repainting*



*Staff lunch area - floor paint*

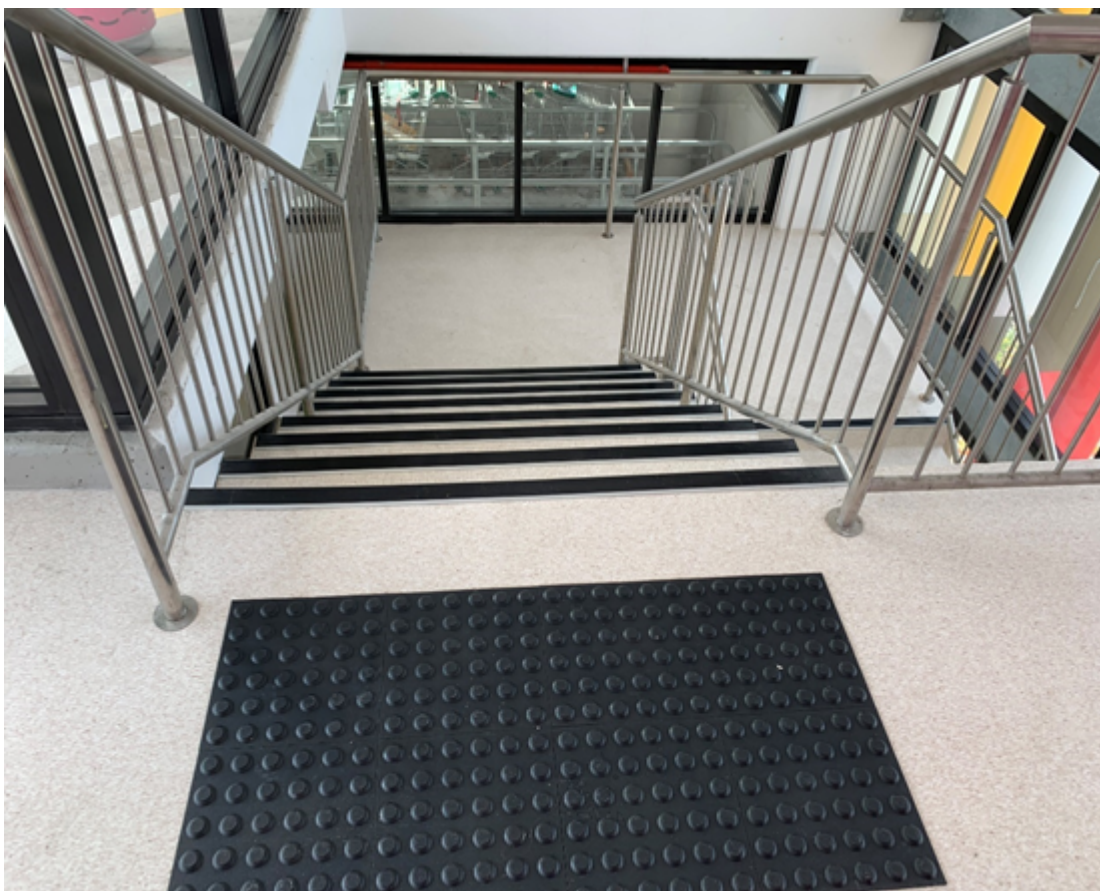




*Forsyth Park Community Centre – internal repainting*



*Alexander Street Carpark Stairway – new vinyl floor coverings*



***Kendall Community Centre new floor coverings***



*Hand Sanitiser Sanitation Station located at Council Chambers front entrance*



**Perspex screens at Council Chambers Customer Service**

