

10.1. 2nd Quarterly Property Portfolio Report 2020/21

AUTHOR: Damian Warren, Property Officer

ENDORSED BY: Duncan Mitchell, Director Engineering and Property Services

ATTACHMENTS: Nil

PURPOSE:

The purpose of this report is to provide Council with information on Council's Property Portfolio for the quarter ending 31 December 2020.

EXECUTIVE SUMMARY:

This report provides Council with information on the Property Portfolio for the 2nd Quarter 20/21 – 1 October 2020 to 31 December 2020. The report addresses the following matters:

- Consolidated summary of income received through the Property Portfolio
- Property Portfolio Vacancy Rates
- Leasing Transactions for the quarter
- Acquisitions and Disposals for the quarter
- Major Property Projects (Maintenance and Capital works) for the quarter
- Update on Councils Car Parking Stations
- Update on Hume Street Park expansion

FINANCIAL IMPLICATIONS:

Council's budgeted income from its entire Property Portfolio for 2020/21 was originally forecast at \$7,235,387. However due to COVID-19, the income forecast has been revised down to \$5,726,500.

The Year-to-Date total actual income for the 2nd quarter of 20/21 which was received on a cash basis through Colliers International was \$1,538,549 as at 31 December 2020, which is \$255,924 more than the revised forecast at \$1,282,625 for the quarter, 120% of the projected budgeted income for the quarter.

The Year-to-Date income which is received on a cash basis is \$2,792,981 as at 31 December 2020.

RECOMMENDATION:

1. THAT the Quarterly Property Portfolio Report for the 2nd Quarter of 20/21 (October to December 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 31 December 2020:

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
- Property Portfolio Vacancy Rates
- Leasing Transactions for the quarter
- Acquisitions and Disposals for the quarter
- Update on COVID-19 Hygiene Measures put in Place
- Major Property Projects (Maintenance and Capital works) for the quarter
- Update on Council's Car Parking Stations

To effectively manage Council's large and varied Property Portfolio, Council engages Property Management Consultants. The current Property Management Services Contract was awarded to 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 – Q2 -2020/2021

The following information is a consolidated summary of North Sydney Council's Property Portfolio financial performance for Q2, for the period commencing 1 October 2020 and ending 31 December 2020.

Commercial Leases and Outdoor Dining Licences

Total number of leases: 311 including 167 Outdoor Dining Licences

Total number of Outdoor Dining Licences: 167

Note: This is slightly up from 166 in the quarter July to September 2020 but down from 174 Outdoor Dining Licences in October – December 2019.

Overall vacancy rate: 2.79%

Note: Short term leases have been removed from the portfolio as Hume Street, Crows Nest properties have been handed over to Council's OSES Division for demolition as part of the Hume Street Park project. Refer to photos in this Report.

The total quarterly income received through Council's Property Portfolio as at 31 December 2020 was \$1,538,549.

The total arrears for Council's Property Portfolio for this quarter forms part of the Confidential attachment to this report.

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 2.79% excluding properties at 43 to 49 Hume Street and 90-92 Willoughby Road that are currently being demolished for the Hume Street Park project.

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

<u>Building</u>	<u>Unit</u>	<u>Area (m2)</u>	<u>Comments</u>
-----------------	-------------	------------------	-----------------

<u>Building</u>	<u>Unit</u>	<u>Area (m2)</u>	<u>Comments</u>
52 Alfred Street South, Milsons Point	Car Park Spaces	6	Colliers are currently marketing the car spaces for Lease
36 Hume Street, Crows Nest	Shop 1	83.8	Colliers are currently marketing the property.
36 Hume Street, Crows Nest	Shop 3	83.1	Colliers are currently marketing the property.
1 James Place, North Sydney	Suite 5.01	273.2	Colliers are currently marketing the property.
242 Miller Street, North Sydney	Retail Shop	93	Pre-approval has been granted by the General Manager. Solicitors have been instructed to prepare the lease.
246 Miller Street, North Sydney	Shop	63	Premises not on market due to extensive structural repairs required.
Munro Street, Shed McMahons Point	Shed	21.2	Colliers are marketing the property for Lease
80 Pacific Highway, North Sydney	Retail Shop	45.8	Potential tenant has been sourced. Negotiations are underway.
80 Pacific Highway, North Sydney	Basement Car Space	1	Colliers are marketing the property for Lease
1 James Place, North Sydney	Office Suite 4.01	250.1	Property vacant in October 2020 but leased out from 1November 2020
232 Miller Street, North Sydney	Shop	232.5	Property vacant in October /November 2020 but leased out from 1December 2020

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

MONTH	October	November	December	Comments
Total Vacant Areas (m2)	2,357.02	663.10	663.10	Hume Street & Willoughby Rd properties

				removed from portfolio
Portfolio NLA (m2)	24,988	23,778	23,778	
Vacancy % of Portfolio NLA	9.24%	2.79%	2.79%	

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

MONTH	October	November	December	Comments
Total Vacant Parking Spaces	6	6	6	Colliers are currently marketing the Property for Lease
Total Parking Spaces under Portfolio	11.00	11.00	11.00	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 31 December 2020.

As per the report to Council in August 2019, Council's General Manager was delegated authority, in accordance with Section 377 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. 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 31 December 2020

Proposed Transaction	Subject Property & Lessee/Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
Renewal Lease	Address: Harnett Street, North Sydney	Period: In the quarter commencing September 2020 to the period ending August 2023 01/09/2020 - 31/08/2023 Term: 3 years Option: Nil	Car park	13 m ²	Lessor to pay for the preparation of the lease. Lessee is responsible for the cost of the registration of the lease.
New Licence Agreement	Address: 52 Alfred Street South, Milsons Point	Period: In the quarter commencing January 2021 to the period ending July 2021 26/01/2021– 25/07/2021 Term: 6 months Option: Nil	Car Park	N/A	Colliers International utilising standard licence agreement. No legal costs involved.
Assignment of Lease	Address: Hume Street Carpark 41 Oxley	Period: In the quarter commencing February 2021 to the period	Cafe	85.3 m ²	Lessee to pay all legal cost in preparation and execution of assignment of lease

Proposed Transaction	Subject Property & Lessee/Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
	Street, Crows Nest	ending October 2023 05/02/2021–31/10/2023 Term: 2 years and 7 months Option: Nil			
Renewal of Licence Agreement	Address: 190-192 Military Road, Neutral Bay	Period: In the quarter commencing July 2020 to the period ending June 2022 01/07/2020–30/06/2022 Term: 2 years Option: Nil	Seniors Room Community use	N/A	Lessor to pay for the preparation of the licence Agreement.
1 James Place, North Sydney	Suite 4.01	Period: In the quarter commencing November 2020 to the period ending October 2024 01/11/2020 - 31/10/2024 Term: 4 years	Office space	250.1	Lease commenced in November 2020

Proposed Transaction	Subject Property & Lessee/Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
		Option: 2 years			
232 Miller Street, North Sydney	Retail Shop	Period: In the quarter commencing December 2020 to the period ending November 2025 01/12/2020 - 30/11/2025 Term: 5 years Option: 5 years	Shop	232.5	Lease commenced in December 2020

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

Table 3. Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q2 20/21

	Address	Reason	Date	Remarks
Acquisition	Nil			

	Address	Reason	Date	Remarks
Disposal	Nil			

The impacts of COVID-19 on Council's Property Portfolio:

The total Outdoor Dining Licences is currently 167 which slightly up from 166 in the quarter July to September 2020 but down from 174 Outdoor Dining Licences in same period - October to December 2019. Details of Council's Loss of Revenue in the

Outdoor Dining Licences portfolio is provided for in the Confidential Attachment to this report.

Update on Hygiene Measures put in place to manage COVID-19 at Council Properties

Mitigation measures previously reported on are still in place and are summarised below.

- extra touchpoint cleaning including the wiping and disinfection of all door handles, communal surfaces and bathrooms.
- Additional cleaners employed to undertake these special tasks are still being maintained.
- Hand sanitisers and dispensers which were installed are still in use.
- Antibacterial wipes for the wiping down of all chairs and surfaces are still being used at Stanton Library and other community venues.
- The Perspex screen installed at the customer service desk and the open plan areas which have low partitions are currently still functional.

List of Property Projects for the Quarter (Major Periodic maintenance and Upgrades)

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.

Table 3: Major Maintenance and Capital Works to Council Properties for the first quarter 2020/21

Property	Project Description	Commencement Date	Completion Date
McMahons Point Community Centre Solar PV System	Installation of 21.5 KW Solar PV system supplying the Community Centre and the Café	28/11/2020	23/12/2020
McMahons Point Community Centre	New floor coverings for the Preschool and Early Learning Centre	09/01/2021	19/01/2021
Forsyth Park Community Centre	New floor coverings and flooring timbers replacement.	20/12/2020	23/01/2021

KU Greenwood Childrens Centre	Internal painting and minor repairs	23/12/2020	06/01/2021
Wyllie Wing, Council Chambers	Computer Room modification; reduction in size of the Computer Room to accommodate additional work points and storage	16/11/2020	26/11/2020
Wyllie Wing, Council Chambers	Construction of End of Trip facilities in the Wyllie Wing, Ground Floor	29/12/2020	In progress
Hume Street Car Park	Repainting	11/01/2021	19/01/2021



McMahons Point Community Centre new solar panels.



McMahons Point Community Centre new inverters. The total system capacity is 21.5 kW comprising two systems – 6.5 kW for the Community Centre and 15 kW for the

Café. The two systems will generate 27,900 kWh (worth \$6,100) of electricity per annum, with a greenhouse gas reduction of 22.6 tonnes of CO2 pa.



McMahons Point Community Centre Preschool new floor coverings – vinyl planking



McMahons Point Community Centre Preschool new floor coverings – carpet



Forsyth Park Community Centre rotten flooring timbers



Forsyth Park Community Centre new vinyl planking floor covering



KU Greenwood internal painting



KU Greenwood new cabinet



Computer room modification - external



Computer room modification – internal



End of Trip Facilities in progress - Male



End of Trip Facilities in progress – Female



Hume St Car Park 1 Re-Painting



Hume St Car Park 2 Re-Painting

Car Parking Stations Update

Council's Carparking Stations revenue has been impacted by COVID-19; however, there was an improvement in revenue in the final part of 2020. This improvement in revenue was primarily due to the revenue from the Casual parking take up at the Ward Street Carpark.

Discount Parking revenue remains lower, as does permanent parking at all of Councils parking stations.

It should be noted casual parking revenues are further improving in the opening weeks of 2021, with some increased demand for permanent parking becoming evident as more people return to work.

The total number of carparking spaces in Council's network of Parking Stations is now 1696.

Table 4. Council's Carparking Stations Revenue for Q2 2020/21

Carpark	Q2 20/21 - Actual	Q2 20/21 - Target	Q2 20/21 - Net Position
---------	----------------------	----------------------	----------------------------

Alexander St - Permanent	\$16,910	\$16,000	\$910
Holtermann St - Permanent	\$19,069	\$25,875	-\$6,806
Hume St - Permanent	\$60,451	\$77,000	-\$16,549
Nicholson St - Permanent	\$27,914	\$28,500	-\$586
Parraween St - Permanent	\$680	\$2,500	-\$1,820
Ridge St - Permanent	\$103,355	\$123,000	-\$19,645
Ward St - Permanent	\$18,310	\$19,460	-\$1,150
Casual Parking Income	\$666,337	\$438,641	\$227,696
Discount Parking Income	\$38,489	\$54,842	-\$16,353
TOTAL	\$951,515	\$785,818	\$165,697

Note: For a full breakdown of Carparking revenue refer to the Confidential attachment to this report.

Hume Street Park Expansion – Stage One Works

Contractor Lloyd is the contractor Council has engaged to undertake the Hume Street Park Expansion - Stage One works. Major demolition on the four buildings to become parkland (43, 45-47, 49 Hume Street & 90-92 Willoughby Road) commenced in December 2020 and is expected to be complete in February 2021. After a period of post-demolition investigations (including geotechnical, environmental and re-surveying), construction will commence on foundations including underpinning of adjacent properties where required. Installation of in-ground services including drainage, power and water supply will then be undertaken. The main above-ground works including paving & pathways, roof canopy structure, balustrading, lighting, furniture and planting are due to commence in May 2021 and are scheduled for completion in September 2021.

The façade of 90-92 Hume Street (former Penfolds Furniture building) will be retained, restored and a new awning installed, forming an entry to the new open space from the Crows Nest main street precinct.

See images below of works in progress:



Demolition works in progress 43-49 Hume Street.



Demolition works in progress 90-92 Willoughby Road



Looking towards Hume Street from rear of 90-92 Willoughby Road



49 Hume Street demolition in progress



Willoughby Road Façade to be restored

Renderings of Completed works:



Looking west from Willoughby Road



Looking east towards Willoughby Road from Hume Lane



Looking south-east towards Hume Lane from Hume Street