

10.2. 3rd Quarterly Property Portfolio Report 2020/2021

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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 March 2021.

EXECUTIVE SUMMARY:

This report provides Council with information on the Property Portfolio for the 3rd Quarter of 20/21 – 1 January 2021 to 31 March 2021. 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 3rd quarter of 20/21 which was received on a cash basis through Colliers International was \$4,367,618 as at 31 March 2021, which is \$321,285 more than the revised forecast of \$4,046,333 for the quarter, 108% of the projected budgeted income for the quarter.

The Year-to-Date income which is received on an accrual basis is \$4,945,826 as at 31 March 2021.

RECOMMENDATION:

1. THAT the Quarterly Property Portfolio Report for the 3rd Quarter of 20/21 (January to March 2021), 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.

In the report dated 22 February 2021, Minute Item 10.1 the report provided 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
- Update on Hume Street Park expansion

It should be noted that the short-term leases relating to Hume Street in Crows Nest were removed from the portfolio as the properties were handed over to Council's OSES Division for demolition as part of the Hume Street Park project.

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.

The Option to Renew for the new 2-year term is being reviewed.

CONSULTATION REQUIREMENTS

Community engagement is not required.

DETAIL

The following information provides Council and the Community with a detailed overview of the performance of Council's Property Portfolio for the quarter ending 31 March 2021:

Financial Position of North Sydney Council's Property Portfolio – Q3 -2020/2021

The following information is a consolidated summary of North Sydney Council's Property Portfolio financial performance for Q3, for the period commencing 1 January 2021 and ending 31 March 2021.

Commercial Leases and Outdoor Dining Licences

Total number of leases: 315 including 170 Outdoor Dining Licences

Note: There has been a slight increase from 167 to 170 Outdoor Dining Licences in the 3rd quarter of 20/21.

Overall vacancy rate: 2.79%

The total quarterly income received through Council's Property Portfolio for this Q3 period was \$594,557, making the year-to-date total income to \$4,367,618 as at 31 March 2021.

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

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%.

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

<u>Building</u>	<u>Unit</u>	<u>Area (m2)</u>	<u>Comments</u>
52 Alfred Street South, Milsons Point	Car Park Spaces	2 car spaces	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	Council and the Electoral Commission have now signed the Licence Agreement for a short-term tenancy on Council Election.
242 Miller Street, North Sydney	Retail Shop	93	Pre-approval has been granted by the General Manager, however, the lease is on hold pending a Development Application
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	Council is now utilising this space to store the NS Pool equipment whilst the pool is being redeveloped.
80 Pacific Highway, North Sydney	Retail Shop	45.8	Colliers are currently marketing the property.
80 Pacific Highway, North Sydney	Basement Car Space	1	Colliers are marketing the property for Lease

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

MONTH	January	February	March	Comments
Total Vacant Areas (m2)	663.10	663.10	663.10	
Portfolio NLA (m2)	23,778	23,778	23,778	
Vacancy % of Portfolio NLA	2.79%	2.79%	2.79%	

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

MONTH	January	February	March	Comments
Total Vacant Parking Spaces	6	6	2	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.
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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 March 2021.

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

<i>Proposed Transaction</i>	<i>Subject Property & Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
Exercise of Option	Address: Shop 5, 34-48 Alexander Street, Crows Nest	Period: In the quarter commencing June 2021 to the period ending June 2026 7/06/2021 to 6/06/2026 Term: 5 years Option: 5 years	Retail Sales including liquor	127m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.
Exercise of Option and	Address: Shop 2,	Period:	Asian Supermarket	59m ²	The lessor will be responsible for

<i>Proposed Transaction</i>	<i>Subject Property & Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
Lease Variation	34-48 Alexander Street, Crows Nest	In the quarter commencing May 2021 to the period ending May 2026 25/05/2021 to 24/05/2026 Term: 5 years Option: 5 years			the preparation of the lease documentation. Each party is responsible for their own costs to review the lease
Exercise of Option	Address: Shop 4, 34-48 Alexander Street, Crows Nest	Period: In the quarter commencing June 2021 to the period ending June 2026 07/06/2021 to 06/06/2026 Term: 5 years Option: Nil	Retail sale of bulk whole foods, health and beauty products.	93.9m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease
New Air-Space Lease	Address: 80 Pacific Highway, North Sydney	Period: From the Date of Commencement (which is the Date of Practical Completion) but needs to be work concurrently with the Agreement entered into with the owners of No. 32 Walker Street as per Condition A6 of the Development Consent. It is noted that the above Agreement expires on 30 June 2024.	Airspace within which the signage is constructed	9m ²	The lessee is responsible for all costs associated with the lease.

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
		Term: Approximately 3 years Option: 5 years subject to DA approval			
New Lease Outdoor Dining and Storage Area Licence Car Park Licence	Address: 165 Blues Point Road, McMahons Point	Period: In the quarter commencing May 2021 to the period ending April 2026 01/05/2021 – 30/04/2026 Term: 5 years Option: 5 years	Café and outdoor dining	142.7m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease
Renewal of Lease Licence for the Playground Car Parking Licence	Address: 165 Blues Point Road, McMahons Point	Period: In the quarter commencing May 2021 to the period ending April 2026 01/05/2021 – 30/04/2026 Term: 5 years Option: Nil	Childcare Centre	144.9m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.
New Lease	Address: 1 Elizabeth Plaza, North Sydney	Period: 20 years from the date of Practical Completion Term: 20 years Option: 2 X 10 years	New painted non-combustible solid aluminium panelling as part of the re-cladding works and the proposal to re-configure the	102.6m ²	The tenant is responsible for the payment of all costs associated with the lease.

<i>Proposed Transaction</i>	<i>Subject Property & Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
			south-west corner of the existing curved corner to a square geometric design.		
New Lease Licence & Licence	<p>Address: 220 Miller Street, North Sydney</p> <p>Lessee: North Sydney Community Centre Incorporated</p>	<p>Period: In the quarter commencing 1 May 2021 to the period ending April 2026</p> <p>01/05/2021 – 30/04/2026</p> <p>Term: 5 years</p> <p>Option: Nil</p>	Community cultural and leisure centre	911m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease. The Lessee is responsible for the cost of the registration of the lease
Land Swap for Leasing purposes: New Lease	<p>Address: 3 Westleigh Street, Neutral Bay</p>	<p>Period: To be determined</p> <p>Term: 5 years</p> <p>Option: N/A</p>	Temporary Shade Structures	50m ²	Each Party to pay their own legal costs
Renewal of Lease & Licence	<p>Address: Upper Level, Kendall Community Centre</p>	<p>Period: In the quarter commencing April 2021 to the period ending April 2026</p> <p>16/04/2021 – 15/04/2026</p> <p>Term: 5 years</p> <p>Option: N/A</p>	Childcare Centre & Playground	N/A	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease

<i>Proposed Transaction</i>	<i>Subject Property & Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
Renewal of Lease	Address: Lower Level, Kendall Community Centre, Warwick Avenue, Cammeray	Period: In the quarter commencing January 2021 to the period ending December 2025 01/01/2021 – 31/12/2025 Term: 5 years Option: N/A	Preschool	224.3m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.
Licence Agreement:			Playground		As above
Renewal of Lease & Licence Agreement	Address: Mollie Dive Stand, 283A Miller Street, North Sydney	Period: In the quarter commencing January 2021 to the period ending December 2025 01/01/2021 – 31/12/2025 Term: 5 years Option: N/A	Preschool; Playground	331m ² 406m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.
Renewal of Lease & Licence Agreement	Address: 16-18 Fitzroy Street, Kirribilli	Period: In the quarter commencing January 2021 to the period ending December 2025 01/01/2021 – 31/12/2025	Community Centre	381.3m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.

<i>Proposed Transaction</i>	<i>Subject Property & Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
		Term: 5 years Option: N/A			
Renewal of Lease	Address: Coffee Kiosk 1 James Place, North Sydney	Period: In the quarter commencing October 2020 to the period ending September 2023 01/10/2020 – 30/09/2023 Term: 3 years Option: N/A	Coffee Kiosk	12m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.
Exercise of Option	Address: Shop 2 190-192 Military Road, Neutral Bay	Period: In the quarter commencing April 2021 to the period ending March 2025 01/04/2021 – 31/03/2025 Term: 4 years Option: 4 years	Retail Shop	24.6m ²	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.
New Licence Agreement: 2 Car spaces	Address: 52 Alfred Street Milsons Point Road,	Period: In the quarter commencing April 2021 to the period ending March 2022 01/04/2021 – 31/03/2022 Term: 1 years	Car Space	N/A	Colliers International prepared the licence agreement. No additional costs.

<i>Proposed Transaction</i>	<i>Subject Property & Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
		Option: N/A			
New Licence Agreement	Address: Suite 5.01, 1 James Place, North Sydney	Period: Twelve weeks (12) and five (5) days 12 /07/2021 to 8/10/2021	Temporary Office and early voting centre		
New Lease Agreement	Address: Green Park Tennis Courts, Cammeray Road	Period: Approximately 9 months. Commencing 19/06/2021	Tennis coaching	n/a	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.

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

The total Outdoor Dining Licences are slightly up from 167 in the October to December quarter 2020 to 170 in the January to March 2021 quarter.

Details of Council's Outdoor Dining Licences revenue resulting from the effects of Covid 19 is provided for in the Confidential Memorandum to this report.

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

All Covid-19 hygiene measures put in place since the commencement of Covid-19 continue to be maintained.

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			

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 4: Major Maintenance and Capital Works to Council Properties for the third quarter 2020/21

Property	Project Description	Commencement Date	Completion Date
Council Chambers Wyllie Wing	End of Trip Facilities – male and female shower rooms	29/12/2020	23/4/2021
Council Chambers Main Building	External re-painting along Miller Street frontage and part of McLaren Street side	29/03/2021	30/04/2021
Ward Street Car Park	Renovation of customer toilet and shower facilities	15/03/2021	29/04/2021
Munro Street Shed	External re-painting and gutter replacement	22/2/2021	18/03/2021
Hume Street Car Park	Re-painting of steel structures	15/2/2021	12/3/2021



Council Chambers End of trip facilities - Female



Council Chambers End of Trip facilities – Female shower



Council Chambers End of Trip facilities – Male shower



Council Chambers – External repainting on Miller Street frontage



Ward Street Car Park – new customer toilet



Ward Street Car Park new facilities



Ward Street Car Park – new shower



Munro Street Shed after re-painting



Hume Street Car Park – repainting of steel structural members

Car Parking Stations Update

In the wake of the significant impacts from COVID-19, Councils Car parking revenue has continued to improve significantly in Q3 from the recovery of late 2020.– in particular reflecting significant improvement in revenue flowing from Casual parking, primarily from Ward Street Carpark. The total income compares favourably with pre-pandemic levels.

It should be noted casual parking revenues are further improving after the 2021 Easter Break, with 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 5: Council’s Carparking Stations Revenue for Q3 2020/21

Carpark	Q3 20/21 - Actual	Q3 20/21 - Target	Q3 20/21 - Net Position
Alexander St - Permanent	\$18,487	\$16,000	\$2,487
Holtermann St - Permanent	\$17,820	\$24,750	-\$6,930
Hume St - Permanent	\$66,649	\$77,000	-\$10,351
Nicholson St - Permanent	\$27,659	\$28,500	-\$841
Parraween St - Permanent	\$8,018	\$2,500	\$5,518
Ridge St - Permanent	\$123,405	\$104,500	\$18,905
Ward St - Permanent	\$47,078	\$21,600	\$25,478
Casual Parking Income	\$884,656	\$660,000	\$224,656
Discount Parking Income	\$45,829	\$49,242	-\$3,413
TOTAL	\$1,239,601	\$984,092	\$255,509

Note: For a full breakdown of Carparking revenue refer to Confidential Report.

Hume Street Park Expansion – Stage One Works

In Q2, Council saw the commencement of the demolition works on the Hume Street Park expansion Stage One project. Demolition is now approximately 95% complete. Some delays were experienced due mostly to waiting on the energy authority to deenergize the electricity wires (so that hoardings could be erected), as well as inclement weather. Most post demolition investigations have now been undertaken and underpinning of properties on 90-92 Willoughby Road is underway. Following the underpinning installation of footings and slabs will commence.







