

## 11.6. 3rd Quarter Property Portfolio Report

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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 the Property Portfolio for the 3<sup>rd</sup> quarter of 2021/2022 (Period commencing 1 January 2022 and ending 31 March 2022).

### **EXECUTIVE SUMMARY:**

This report relates to the confidential information in relation to the 3<sup>rd</sup> quarter of 2021/2022 – January to March 2022 for Council’s owned/leased properties.

Whilst the public report comprises the following information, the Confidential report includes the monetary information relating to the Leasing Transactions and Arrears data.

- Overview of Council’s 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
- Pandemic Facilities Update
- COVID-19 Commercial Rent Relief and Outdoor Dining Licence Fees
- Primrose Park Tennis Centre Lease
- Major Property Projects (Maintenance and Capital works) for the quarter

This report is confidential in accordance with Section 10A(2) of the Local Government Act and the Local Government (General) Regulation 2005 for the reason listed below:

*(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 3<sup>rd</sup> QR of 21/22 to \$4,957,290 as

a result of the ongoing impacts that the COVID-19 Pandemic is having on Councils Property Portfolio.

The Year-to-Date total actual income for the 3<sup>rd</sup> Quarter of 21/22 which was received on a cash basis through Colliers International was \$1,459,102 as of 31 March 2022, which is \$266,212 more than the forecasted budget of \$1,192,890 for the quarter, that is 22% more than projected.

The Year-to-Date income which is received on an accrual basis was \$3,656,032 as at 31 March 2022.

**RECOMMENDATION:**

**1.THAT** the report be received.

**2.THAT** the report be treated as confidential and remain confidential until Council determines otherwise.

## **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**

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 3rd Quarter of 21/22, that is, 1 January 2022 to 31 March 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.

## **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 Q3 1 January 2022 to 31 March 2022.

Total number of leases: 291 including 161 Outdoor Dining Licenses.

Overall vacancy rate: 8.09%

### **Financial Performance**

The total quarterly income received through Council's Property Portfolio on a cash basis for the Q3 period was \$1,459,102. 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.

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

<u>Building</u>	<u>Unit</u>	<u>Area (m2)</u>	<u>Comments</u>
Alfred Street, 52 Milsons Point	Car Park Spaces	4 spaces	Colliers marketing for Lease
Ernest Street, 11 Crows Nest	Shop	70.5	Signed HOA and deposit received
Hume Street, 36 Crows Nest	Shop 3	76.5	Colliers marketing for 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 has lodged DA for a 3 <sup>rd</sup> time.
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
Ridge Street, 45-51 North Sydney	Whole	765.7	Lease issued, expecting to be finalized soon

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

MONTH	January	February	March	Comments
<b>Total Vacant Areas (m2)</b>	2,022.70	2,022.70	1,924.80	
<b>Portfolio NLA (m2)</b>	23,778	23,778	23,778	
<b>Vacancy % of Portfolio NLA</b>	8.51%	8.51%	8.09%	

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

MONTH	January	February	March	Comments
<b>Total Vacant Parking Spaces</b>	5	5	4	Colliers are currently marketing for Lease
<b>Total Parking Spaces under Portfolio</b>	11.00	11.00	11.00	10 of the spaces are at 52 Alfred Street.

#### Leasing Transactions for the Quarter

**Table 2:** 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 2022.

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Rent Increases	Permitted Use	Lettable Area	Terms of Lease / Remarks
Option Lease	<b>Address:</b> Shops 7 & 8, 283A Miller Street	<b>Period:</b> 26/04/2022 – 25/04/2027  <b>Term:</b> Five (5) years  <b>Option:</b> Five (5) years	3.5%	Dentistry Practice	89.4 sqm	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

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Rent Increases	Permitted Use	Lettable Area	Terms of Lease / Remarks
						responsible for the cost of the registration of the lease.
New Lease	<b>Address:</b> 56 Alfred Street, Milsons Point	<b>Period:</b> 01/07/2022 – 30/06/2025  <b>Term:</b> Three (3) years  <b>Option:</b> N/A	3.5%	Commercial Office	167.4 sqm	The Lessee will be responsible for the Lessor's costs
Renewal Lease	<b>Address:</b> Suite 4.02, 2-20 Ernest Place, Crows Nest	<b>Period:</b> 20/07/2022 – 19/07/2027  <b>Term:</b> Five (5) years  <b>Option:</b> NA	NA	Community based non-profit making healthcare centre, subject to the licensing requirements of the Department of Health.	225.2 sqm	The Lessee will be responsible for the Lessor's costs
New Lease	<b>Address:</b> 67 Pine Street, Cammeray	<b>Period:</b> Indefinitely – Council may terminate under clause 9.1 by way of notice	NA	Construction of the inclinator, timber staircase and new timber platform for the	10.3 sqm	The Lessee will be responsible for the Lessor's costs

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Rent Increases	Permitted Use	Lettable Area	Terms of Lease / Remarks
		<b>Term:</b> Indefinitely – Council may terminate under clause 9.1 by way of notice  <b>Option:</b> NA		purpose of accessing the Premises.		

**Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q3 20/21**

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

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

**Table 4: COVID-19 Rent Abatement update**

Outlined below are the rent relief and deferrals 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 have been approved by the General Manager.

Commercial & Retail Leases	No. of Applications	Rent Relief	Rent Deferred
20/21 FY	16	\$188,426.61	\$188,426.61
21/22 FY (Q1)	31	Projected: \$371,247.76 Actual Allocated: \$365,878.78	Actual Allocated: \$45,776.99
21/22 FY (Q2)	7	Projected: \$216,787.12	Projected: \$14,604.93

Commercial & Retail Leases	No. of Applications	Rent Relief	Rent Deferred
		Actual Allocated: \$150,343.39	Actual Allocated: \$1,120.20
21/22 FY (Q3)		Projected: \$3,437.87 Actual Allocated: \$98,059.01	Projected: \$3,437.87 Actual Allocated: \$23,727.78

<b>Outdoor Dining</b>	
100% waiver 21/22 FY (Q1 – Q3)	\$590,169.51

**Table 5: Forecast loss estimate**

Type of Property	Financial Impact for January - March 2020/21 (Q3)	Comments
Outdoor Dining Licenses	-196,723.17	Note: This is an estimate only. We anticipate this financial implication will vary depending on the actual level of income loss of Council tenants.
Commercial (includes Café / Restaurants & other lessees)	-121,909.05	
Community Centres	0.00	
Recreational Facilities	-5,011.61	
<b>Total</b>	<b>-323,643.83</b>	

### **Pandemic Facilities Update**

There have been no changes to report since Q2 when Olinga Services were engaged to treat common touchpoints at all sites that Council is responsible for cleaning, on a monthly basis, with a new TGA approved Antimicrobial Surface Spray Disinfectant that remains active for over 30 days from the date of application. This special cleaning regime will cease at the end of the 2021/22 financial year.

### **COVID-19 Commercial Rent Relief and Outdoor Dining Licence Fees**

*Council resolved at its February 2022 meeting to extend the waiving of Outdoor Dining Fees and charges from 31 March to 30 June 2022. This included the “Temporary Licences” that’s had been issued via Councils Rangers and Economic Development Officer. A copy of the resolution of Council is below.*

Council at its February 21, 2022 meeting resolved the following:



- 1. THAT all existing Outdoor Dining Licences fees continue to be waived until 31 March 2022*
- 2. THAT Council note that the Temporary Outdoor Dining Licences were extended to 31 March 2020, under delegation, and that those Operators who wish to continue with occupying the temporary licenced area apply for a formal Outdoor Dining Licence which is subject to approval based on Councils existing Outdoor Dining Policy and Guidelines and will be subject to the adopted fees and charges for Outdoor dining Licences.*
- 3. THAT a report be provided at the next Council meeting on the cost of this extension*

A report was provided to the March, 2022 Council meeting on the cost of the extension.

Outdoor Dining tenants were sent a letter on 5 April 2022 informing them that Council had resolved to extend the existing waiver of Outdoor Dining fees from 1 February to 30 June 2022.

On 11 May 2022 tenants were sent a letter confirming that the waiver credit had been applied to their accounts and that Council expects all licence fees to be paid in full, from 1 July 2022. Tenants were also reminded that fees for all periods other than those specifically waived, are still due in full and payable. This includes the period from 1 August 2020 to 30 June 2021 and if any tenants are still in arrears or have not entered a payment plan by 30 June 2022, their Permits may be cancelled.

Commercial tenants were sent a reminder notice on 13 May 2022 to the letter 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.

### **Primrose Park Tennis Centre Lease – Green Park**

Construction of the new tennis courts in Primrose Park is due to be completed by the end of June 2022. The existing operator was moved to the Green Park tennis courts for the duration of the works, and when the new Primrose Park tennis courts are ready it is intended that the operator's Green Park lease will end on the same day that the Primrose Park lease recommences. The original lease will then be extended for the same length of time that the tenant was displaced while construction works were taking place.



### 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 6: Major Maintenance and Capital Works to Council Properties for the third quarter 2021/22**

Property	Project Description	Commencement Date	Completion Date
57 Ridge Street	Courtyard paver repairs	February 2022	February 2022
Stanton Library	New carpet lower ground floor	May 2022	May 2022
Primrose Park Artist Studio	Renovation	April 2022	May 2022
Neutral Bay Community Centre	Repainting of pedestrian ramp	June 2022	June 2022
Primrose Park Tennis Centre	Complete re-construction	June 2021	June 2022
North Sydney Community Centre	Internal repainting	June 2022	June 2022



Stanton Library new carpet



57 Ridge Street – North Sydney - courtyard pavers



Primrose Park Artist Studio – external courtyard



Primrose Park Artist Studio - internal



Primrose Park Artist Studio - internal



Primrose Park Artist Studio - internal



Neutral Bay Community Centre pedestrian ramp





Primrose Park Tennis Centre



Primrose Park Tennis - Synthetic grass being laid



New shop at Primrose Park Tennis Centre



North Sydney Community Centre - internal repainting



North Sydney Community Centre - internal repainting