

10.10.1st Quarterly Property Portfolio Report

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ATTACHMENTS:

1. CONFIDENTIAL - Confidential information for Q1 Report [**10.10.1** - 10 pages]

PURPOSE:

The purpose of this report is to provide Council with information on the Property Portfolio for the 1st quarter of 2022/2023 (period commencing 1 July 2022 and ending 30 September 2022).

EXECUTIVE SUMMARY:

This report relates to information in relation to the 1st quarter of 2022/2023 – July to September 2022, for Council's owned/leased properties.

- Overview of Council's Property Portfolio
- Property Portfolio Vacancy Rates
- Leasing Transactions for the quarter
- Acquisitions and Disposals for the quarter
- Conclusion of the COVID-19 Rent Abatement & Commercial and Retail Rent Relief Scheme
- Major Property Projects (Maintenance and Capital works) for the quarter

Should Council wish to discuss this report it is noted that the attached confidential document includes information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business. Further, release of the information would on balance be contrary to the public interest as publication of all tendered amounts would discourage potential tenderers from submitting commercial information in future and would affect Council's ability to obtain value for money services. As such, should this matter be discussed, it should be considered in closed session.

FINANCIAL IMPLICATIONS:

The actual income for the 1st Quarter of 22/23 (July to September), received on a cash basis through Colliers International was \$1,483,883 as of 30 September 2022, which is \$170,916 less than the forecasted budget of \$1,654,798 for the quarter, 10% less than projected. The income received on an accrual basis for this quarter was \$1,508,463.

The Year-to-Date income, received on an accrual basis was \$1,508,463 as of 30 September 2022.

The figures provided in this report are on a cash basis and reported against the Property Portfolio Cash budget and Revised Forecast for 2022/23.

RECOMMENDATION:

1. THAT the report be received

2. THAT Council resolves that the identified attachment to this report be treated as confidential in accordance with section 11(3) of the Local Government Act for the following reason under section 10A(2) of the Local Government Act:

(c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business

It is further noted that release of this information would, on balance, be contrary to the public interest as publication of all tendered amounts would discourage potential tenderers from submitting commercial information in future and would affect Council's ability to obtain value for money services.

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 diverse community needs

BACKGROUND

This Quarterly Property Portfolio report comprises information on the property portfolio for the 1st Quarter of 2022/23, that is, 1 July 2022 to 30 September 2022. It is designed to give Council and the community a detailed overview of the Property Portfolio, its financial performance and the impact of the State Government's 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 Q1 1 July 2022 to 30 September 2022.

Total number of leases: 289 including 155 Outdoor Dining Licenses.

Overall vacancy rate: 4.56%

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 4.56%.

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

<u>Building</u>	<u>Unit</u>	<u>Area (m2)</u>	<u>Comments</u>
Alexander Street, 34-48 Crows Nest	Shop 4	93.9	Tenant went in to liquidation 25/8/22. Since then the shop has been cleaned out and Colliers have begun marketing with professional photography, online listings and (soon to be installed) window wrapping.
Alfred Street, 52 Milsons Point	Car Park Spaces	4	Colliers are marketing but there are a lot of vacant spaces in the building and the building owner is giving away free parking with new leases so it is hard to compete.
James Place, 1 North Sydney	5.01	273.2	Colliers is marketing but also putting forward a business case to install a speculative fit-out to boost let-ability and asking price.
Miller Street, 242 North Sydney	Shop	90	Tenant's DA is approved, now in final lease negotiations.
Miller Street 246, North Sydney	Shop & Residential	63	Structural repairs are almost complete. 3 HOAs issued in the last 2 months, expecting to receive signed HOA soon.
Miller Street 283A, North Sydney	Suite 9	320.7	Short term license for one room to the cricket centre finalised. Colliers talking to organisations who hire the oval to try to find a suitable tenant.
Pacific Highway, 80 North Sydney	Shop 8	43.3	2 HOAs issued in the last 2 months but no response.
Ridge Street, 35 North Sydney	Shop	41	Lease issued to Ambi's Chai, expecting this to be finalised shortly.
Ridge Street, 43 North Sydney	GF & 1.02	155.7	Colliers is marketing for Lease.

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

MONTH	July	August	September	Comments
Total Vacant Areas (m2)	1,137.90m2	1067.40m2	1,084.80m2	
Portfolio NLA (m2)	23,778	23,778	23,778	
Vacancy % of Portfolio NLA	4.79%	4.49%	4.56%	

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

MONTH	July	August	September	Comments
Total Vacant Parking Spaces	4	4	4	Colliers are currently marketing for Lease
Total Parking Spaces under Portfolio	11.00	11.00	11.00	10 of the spaces are at 52 Alfred Street.

Leasing Transactions for Q1

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 30 September 2022.

Proposed Transaction	Subject Property	Term	Rent Increases	Permitted Use	Lettable Area	Terms of Lease / Remarks
<i>Renewal Lease</i>	Address: Ground Floor, Neutral Bay Community Centre, 190-192 Military Road, Neutral Bay	Period: 01/07/22 to 30/06/22 Term: Two (2) years Option: N/A	N/A	Community Centre member wellbeing activities	Unknown	Council will be responsible for lease preparation costs.
<i>Renewal Lease</i>	Address: Forsyth Park Scout Hall, 2A Montpelier Street, Neutral Bay	Period: 01/07/22 to 30/06/24 Term: Two (2) years Option: N/A	N/A	Community Use	Unknown	Council will be responsible for lease preparation costs.
<i>Option Lease</i>	Address: Lower Ground Floor, Neutral Bay Community Centre, 190-192	Period: 04/11/22 to 03/11/25 Term: Three (3) years	CPI	The provision of community services	Unknown	Council will be responsible for lease preparation costs.

Proposed Transaction	Subject Property	Term	Rent Increases	Permitted Use	Lettable Area	Terms of Lease / Remarks
	Military Road, Neutral Bay	Option: N/A				
New Lease	Address: Shop 3, 36 Hume Street, Crows Nest	Period: 01/10/22 to 30/09/28 Term: Six (6) years Option: N/A	CPI	Café	76.5 sqm	Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.
Renewal Lease	Address: 96 Bank Street, North Sydney	Period: 01/11/22 to 31/10/24 Term: Two (2) years Option: N/A	CPI	Community Uses	Unknown	Council will be responsible for lease preparation costs.
Assignment & Variation of Lease	Address: Shop 4, 41 Oxley Street, Crows Nest	Period: 01/11/18 to 31/10/28 Term: Ten (10) years Option: N/A	CPI	Café	85.3 sqm	The Lessee will be responsible for the Lessor's costs.
Renewal Lease	Address: Cnr Hume Street & Clarke Street, Crows Nest	Period: 01/01/23 to 31/12/23 Term: One (1) year	N/A	Community based not-for-profit childcare centre	500 sqm approx	Council will be responsible for lease preparation costs.

Proposed Transaction	Subject Property	Term	Rent Increases	Permitted Use	Lettable Area	Terms of Lease / Remarks
		Option: N/A				
<i>New Deed of Consent</i>	Address: <i>Shed, Munro Street, McMahons Point</i>	Period: <i>Indefinitely on a month-to-month basis</i> Term: <i>Indefinitely on a month-to-month basis</i> Option: N/A	N/A	<i>Community use</i>	<i>21.2 sqm</i>	<i>The Lessee will be responsible for the Lessor's costs.</i>
<i>New Lease</i>	Address: <i>35 Ridge Street, North Sydney</i>	Period: <i>01/02/23 to 31/01/26</i> Term: <i>Three (3) years</i> Option: <i>Three (3) years</i>	4%	<i>Food & Beverage operator</i>	<i>40.2 sqm</i>	<i>Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.</i>

COVID-19 – Conclusion of Rent Abatement and Commercial and Retail Rent Relief

The obligation for landlords to offer rent relief under the Code of Conduct ended on 22 March 2022. Council ceased providing Covid Rent Relief at the end of Q4 2021/22 - 1 July 2022.

Q and A session - 5.30pm on Monday 7 November 2022

The following questions were taken on notice at the Q&A session:

Qs. Outdoor dining fees in Crows Nest – Director, Engineering and Property Services

Response: The period of non-waiver for outdoor dining licence fees when the NSW government health orders were relaxed was between August 2020 to June 2021. The nonwaiver period was communicated to all NSC outdoor Dining Licence operators via a letter

sent out in May 2020 – giving them a 2 month notice period and also 2x months of further waiver from the date the Government announced the lock down laws were relaxed in May 2020. During that 11-x month period a number of outdoor Dining licence operators continued to operate and occupy Council footpaths and paid Council \$399,560.06 in revenue on a cash basis and the same income was reported on an accrual basis as \$762,944.91.

Based on these figures we can estimate a bit more than (50%) half of Outdoor Dining tenants (ODD) continued paying the fees during the period and a bit less than half have paid the arrears in full since.

The waiver and non-waiver periods in question are:

1. April – July 2020: License fees waived.
2. August 2020 – June 2021: Full fees due (Non-Waiver period)
3. July 2021 – June 2022: License fees waived
4. July 2022 onwards: Full fees due In terms of the current arrears for Outdoor Dining tenants (ODD), we have: • 152 current outdoor dining licensees • We only have 2 x ODD tenants refusing to pay the arrears from August 20 – June 21. • We have 9 x ODD tenants who are still repaying the rent from August 20 – June 21 on payment plans which have been agreed between the tenant and Council Community noticeboard for Harrison/Bennett Precinct – Executive Manager, Governance

Major Property Projects (Maintenance and Capital works) for the quarter

Forsyth Park Community Centre – Solar and Battery system

A solar photovoltaic (PV) system was installed on the roof of Forsyth Park Community Centre. The system has 44 x Longi high efficiency panels, each 450w, with a combined total maximum total output of 20 kW. The project was undertaken by EPS Property Department under the building sustainability initiative.



The system comprises a 3-phase SolarEdge Inverter of 17 kW capacity complete with 44 x SolarEdge optimisers and 1 x Tesla Powerwall batteries (1 x 13.5kWh). The Tesla battery

system has recently been completed by ZEN Energy, the energy provider of 100% renewable electricity to North Sydney Council.



The battery system has been sized to maximise on-site consumption of solar electricity, by charging from excess solar generation during the middle of the day and discharging when solar generation is less than the on-site consumption i.e. during peak hours and/or during non-sunlight hours.

The system is estimated to generate 28,690 kWh of free electricity from the sun per year with a reduction of 23.5 tonnes of CO2 greenhouse gas emissions per annum - equivalent to 1080 trees planted. The new system will form part of the list of Council's solar PV systems which will help significantly in reducing Council's carbon footprint in the coming years. Enquiries can be directed to Albert Lo, Property Asset Manager.



North Sydney Indoor Sports Centre – building louvre replacement

In order to improve the natural ventilation in North Sydney Indoor Sports Centre, it was recommended by a mechanical consultant that the original building louvres be replaced by a more efficient louvre system. Work is currently in progress with approximately half of the louvres replaced to date.



Ward Street Carpark repainting on P3

