



## Report to General Manager

Attachments:

1. Proposed New Quarterly Property Portfolio Reports Template
2. Leasing Transactions for Council's Owned and Leased Properties, For Period Ending 14 August 2019

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**SUBJECT:** Leasing Transactions Report and New Draft *Quarterly Property Portfolio Template Report*

**AUTHOR:** Duncan Mitchell, Director of Engineering and Property Services and Risha Joseph, Property Officer

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

## EXECUTIVE SUMMARY:

This report is submitted to Council in relation to the leasing transactions for Council's owned and leased properties, for the period ending 14 August 2019.

In addition, this report also outlines the new draft *Property Portfolio Template Report* for the new Property Portfolio reporting structure which is proposed to be undertaken quarterly.

The change in the property portfolio reporting structure will give Council a more detailed update on the overall Property Portfolio performance for each quarter and will also align with the established quarterly financial reporting regime to Council.

The change to the reporting of the monthly leasing transactions has been enabled by general property leases being executed under signature and without the use of the Council Seal. The Council Seal is not required for standard property leases and is usually only used for more significant legal documents or where a more formal approach may be preferred for ceremonial purposes.

Refer to the detail section of this report and Attachment 1 for the proposed new quarterly reporting template for the Property Portfolio.

## FINANCIAL IMPLICATIONS:

Council's actual Year-to-Date income received through the Property Portfolio is on target for the 2019/2020 financial year. The Property Revenue forecast figures are reflected in the information provided to Councillors in the Confidential Memorandum.

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**RECOMMENDATION:**

- 1. THAT** Council notes the leasing transactions, which are detailed in ‘Attachment 2’ of this report.
  - 2. THAT** Council note that pursuant to Section 400(4) of the Local Government (General) Regulation 2005 the common seal of Council must only be affixed to a document where the Council has resolved that the seal is to be affixed to such documents.
  - 3. THAT** Council note that the common seal of Council shall no longer be affixed to the following business-related documents, unless Council otherwise resolves to affix the seal:
    - i. The sale or purchase of land;
    - ii. The entering into leases relating to Council property;
    - iii. The entering into of Voluntary Planning Agreements.
  - 4. THAT** Council note the general delegation functions under section 377 of the Local Government Act 1993 are not affected by Recommendation 2 or 3.
  - 5. THAT** Council note that the General Manager has delegated authority, in accordance with Section 683 of the Local Government Act 1993, to authenticate documents, unless Council otherwise resolves that a document be authenticated by the affixing of the common seal.
  - 6. THAT** Council note all future Property Portfolio reporting including leasing transactions will be undertaken quarterly whereby a report will be brought to council outlining the overall Property Portfolio performance in detail and that the report will align with Council’s quarterly financial reporting. Refer to Attachment 1 – Proposed New Quarterly Property Portfolio Report Template.
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## **LINK TO COMMUNITY STRATEGIC PLAN**

The relationship with the Community Strategic Plan is as follows:

Direction: 2. Our Built Infrastructure

Outcome: 2.1 Infrastructure and assets meet community needs

## **BACKGROUND**

This report is submitted to Council in relation to the leasing transactions for Council's owned and leased properties, for the period ending 14 August 2019.

In addition, this report also outlines the new Property Portfolio reporting structure which is proposed to be undertaken quarterly.

The change in the property portfolio reporting structure will give Council a more detailed update on the overall Property Portfolio performance each quarter and will align with the quarterly financial reporting to Council that is already established.

## **CONSULTATION REQUIREMENTS**

Community engagement is not required.

## **SUSTAINABILITY STATEMENT**

The sustainability implications are of a minor nature and did not warrant a detailed assessment.

## **DETAIL**

### **Future Quarterly Property Portfolio Reports**

The new Quarterly Property Portfolio reporting structure is designed to give Council and the Community a more detailed overview of the performance of Council's Property Portfolio.

The new Quarterly Property Portfolio report will comprise of 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 including
  - Property portfolio vacancy rates
  - Leasing Transactions for the quarter
  - Major property projects (Maintenance and Capital works) for the quarter
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- Acquisitions and Disposals for the quarter

Refer to Attachment 1 which includes a copy of the Draft Quarterly Property Portfolio Report.

*Councillors are to note that Attachment 1 is the proposed draft template report for Quarterly reporting on the Property Portfolio – it is not an actual report.*

### **Future Leasing Transactions Reports to Council**

Previously, a monthly Leasing Transactions report was required to be brought to Council as past legal advice was that permission to use Council's Official Seal was required to be used when entering into Leases. This practice meant that any entity wishing to enter into a lease with Council would have to wait for a Council meeting to take place so that the following resolution could be made:

*THAT Council hereby authorises its Official Seal to be affixed to the legal instruments necessary to implement the proposed leasing transactions which are noted in "Attachment A" of this report, under the signature of the Mayor and the General Manager.*

This practice could lead to delays in the execution of leases and complaints from the lessees about unnecessary bureaucratic process. The practice was also an administrative burden for the Property Officers preparing leases who would then also have to prepare a monthly report to Council requesting the use of Council's Official Seal.

Council has recently received Legal advice confirming that the Local Government Act 1993 does not impose any positive obligation on a Council to execute any business-related document under the common seal of Council, unless Council elects to otherwise resolve that the common seal be affixed. It is therefore open to Council to determine which, if any, business-related documents must or should be executed under common seal.

The legal advice received is predicated upon the terms of clause 400(4) of the Local Government (General) Regulation, which states:

*(4) The seal of council must not be affixed to a document unless the document relates to the business of the council and the council has resolved (by resolution specifically referring to the document) that the seal be so affixed.*

It is noted that the General Manager has delegated authority, in accordance with Section 683 of the Local Government Act 1993, to authenticate documents which do not require a seal, to include the entering into leases relating to Council property.

Leasing Transactions will still be reported to Council in full but only quarterly, like Council's financial quarterly reporting regime.

Individual Leasing Transactions reports will still also be required to be reported to Council from time to time.

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**Report to General Manager**

Attachments:

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**SUBJECT:** Draft Quarterly Property Portfolio Template Report – dated 27 September 2019**AUTHOR:** Damian Warren, Property Officer**ENDORSED BY:** Duncan Mitchell, Director Engineering and Property Services**EXECUTIVE SUMMARY:**

The purpose of this report is to provide Council with the following information for the quarter ending 27 September 2019:

- Financial position of the Property Portfolio
- Vacancy Position of the Property Portfolio
- Leasing Transactions for the quarter
- Acquisitions and Disposals for the quarter
- Major Property Projects for the quarter

*Councillors are to note that this is the proposed draft template report for Quarterly reporting on the Property Portfolio – it is not an actual report.*

**FINANCIAL IMPLICATIONS:**

Council's actual Year-to-Date income received through the Property Portfolio is on target as per the annual forecast. For the detailed breakdown of income received through the Property Portfolio refer to Table 1 of this Report.

**RECOMMENDATION:**

**1. THAT** the Quarterly Property Portfolio Report for Quarter 3 dated 27 September 2019 be received.

Signed:

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Endorsed by:

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Director Engineering and  
Property Services:

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Report of Damian Warren, Property Officer

Re: Draft Quarterly Property Portfolio Template Report – dated 27 September 2019

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## **LINK TO COMMUNITY STRATEGIC PLAN**

The relationship with the Community Strategic Plan is as follows:

Direction: 2. Our Built Infrastructure

Outcome: 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 27 September 2019:

The report comprises of 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 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

As per the report to Council in August 2019, Councils 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 Councils 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.

## **SUSTAINABILITY STATEMENT**

The sustainability implications are of a minor nature and did not warrant a detailed assessment.

Report of Damian Warren, Property Officer

Re: Draft Quarterly Property Portfolio Template Report – dated 27 September 2019

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## DETAIL

### Financial Position of North Sydney Councils Property Portfolio – Q3 -2019

The following information is a consolidated summary of North Sydney Councils Property Portfolio financial performance for Q3 – the period ending July 1 to September 29, 2019.

Total number of leases: 314 including 181 Outdoor Dining Licences.

Total number of Outdoor Dining Licences: 181

Overall vacancy rate: 9.93%

The total income received to date through Councils Property Portfolio: \$1,233,689

The total arrears for Councils Property Portfolio this quarter: Refer to Confidential Memorandum dated 14 August 2019.

The figures provided in this report are on a cash basis and report against the Property Portfolio Cash budget and Forecast for 2019/20.

**Table 1. Income received through the North Sydney Council Property Portfolio**

<b><u>Current Period Date: July – September 2019</u></b>				<b><u>Comments</u></b>
	<b>Actual</b>	<b>Budget</b>	<b>%</b>	
<b>Income</b>	<b>\$</b>	<b>\$</b>		
Commercial	\$	\$		
Outdoor Dining	\$	\$		
Recreational	\$	\$		
Community Housing	\$	\$		
Public Land	\$	\$		
Roads	\$	\$		
Outdoor Dining Licences	\$	\$		
Community Centres	\$	\$		
<b>Total</b>				

**Note:** All income is reported as excluding GST (Ex GST)

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Re: Draft Quarterly Property Portfolio Template Report – dated 27 September 2019

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<b><u>Full Year 2019/20</u></b>				<b><u>Comments</u></b>
	<b>Actual</b>	<b>Budget</b>	<b>%</b>	
<b>Income</b>	<b>\$</b>	<b>\$</b>		
Commercial	\$	\$		
Outdoor Dining	\$	\$		
Recreational	\$	\$		
Community Housing	\$	\$		
Public Land	\$	\$		
Roads	\$	\$		
Outdoor Licences	\$	\$		
Community Centres	\$	\$		
<b>Total</b>				

**Note:** All income is reported as excluding GST (Ex GST)**Vacancy Position of the North Sydney Council Property Portfolio**

The following Properties are currently listed as vacant in North Sydney Councils Property Portfolio. Councils Property Managing Agents – Colliers International manage all of Councils leasing transactions and are responsible for all aspects of lease negotiation and management of Councils Properties that are under lease.

Overall vacancy rate of Councils Property Portfolio: 9.93%

**Table 2. 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	9	Colliers International current marketing carspaces for Lease
Alfred St, 56 Milsons Point	Camden Villa	157.2	Colliers International current marketing Property for Lease
Hume St, 43 Crows Nest	Ground floor	79.72	Vacated for proposed Hume St Park Development – Building to be demolished
Hume St, 45-47 Crows Nest	Ground floor	281	Vacated for proposed Hume St Park Development – Building to be demolished
Hume St, 45-47 Crows Nest	Parking	1	Vacated for proposed Hume St Park Development – Building to be demolished
Hume St, 49 Crows Nest	Level 1	254.6	Vacated for proposed Hume St Park Development – Building to be demolished
Hume St, 49 Crows Nest	Level 2	198	Vacated for proposed Hume St Park Development – Building to be demolished
James Place, 1 North Sydney	Level 1	480.8	Heads of agreement has been signed
James Place, 1 North Sydney	5.01	273.2	Heads of agreement has been signed



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Re: Draft Quarterly Property Portfolio Template Report – dated 27 September 2019

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<b><u>Building</u></b>	<b><u>Unit</u></b>	<b><u>Area (m2)</u></b>	<b><u>Comments</u></b>
Military Road, 190-192 Neutral Bay	3	21.7	Colliers International current marketing car spaces for Lease
Munro Street, Shed McMahons Point	Shed	21.2	Colliers International current marketing Property for Lease
Pacific Highway, 80 North Sydney	Car Space	1	Colliers International current marketing Property for Lease
Pacific Highway 261- 263 North Sydney	Level 1	216.3	Colliers International current marketing Property for Lease
Ridge St, 55 North Sydney	Shop1	106	Structural Engineers are preparing a structural report on this property
246 Miller Street North Sydney	Shop & Residential	63	Colliers International current marketing Property for Lease
Willoughby Rd, 90-92 Crows Nest	Shop 2	94	Vacated for proposed Hume St Park Development – Building to be demolished
<b>MONTH</b>	<b>July</b>	<b>June</b>	
<b>Total Vacant Areas (m2)</b>	<b>2,257.72</b>	<b>2532.32</b>	
<b>Total Parking Spaces</b>	11.00	11.00	Colliers International current marketing Property for Lease
<b>Portfolio NLA (m2)</b>	25,508	25,508	
<b>Vacancy % of Portfolio NLA</b>	8.85%	9.93%	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>Total Short Term Lease Areas</b>	1123.62	1123.62	Figure includes some properties acquired for the Hume Street Park project which are earmarked for demolition and can only be offered for short term lease. There has not been much interest in these properties.
<b>Vacancy % of Portfolio NLA less Short Term Lease Areas</b>	4.65%	5.78%	Colliers International current marketing Property for Lease

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

### 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 14 August 2019.

Note: As per the report to Council in August 2019, Councils 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:

Report of Damian Warren, Property Officer

Re: Draft Quarterly Property Portfolio Template Report – dated 27 September 2019

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- (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 3. Councils Leasing Transactions for the Period Ending 14 August 2019**

<i><b>Proposed Transaction</b></i>	<i><b>Subject Property &amp; Lessee/ Tenant</b></i>	<i><b>Term</b></i>	<i><b>Permitted Use</b></i>	<i><b>Lettable Area</b></i>	<i><b>Terms of Lease / Remarks</b></i>
New Lease	<b>Address:</b> Level 5, Suite 501, 1 James Place, North Sydney	<b>Period:</b> In the quarter commencing December 2019 to the period ending December 2024  01/12/2019 – 30/11/2024  <b>Term:</b> 5 Years  <b>Option:</b> Nil	Commercial Office	273.2m <sup>2</sup>	Each party is responsible for their own costs in relation to the lease preparation and negotiation. The Lessee is responsible for the cost of the registration of the lease.
Licence Agreement	<b>Address:</b> 246 Miller Street, North Sydney	<b>Period:</b> In the quarter commencing August 2019 to the period ending December 2019  05/08/2019 – 20/12/2019  <b>Term:</b> 5 months  <b>Option:</b> Nil	Community Services	63m <sup>2</sup>	This is additional space being licenced to North Sydney Community Centre for a limited period. North Sydney Community Centre also occupies 220 Miller Street. Legal Costs are not applicable to the Licence agreement.
Car Park Licence Agreement	<b>Address:</b> 52 Alfred Street South,	<b>Period:</b> In the quarter commencing September 2019 to	Parking	0m <sup>2</sup>	Standard Licence Template used. No costs applicable to the Licence Agreement are applicable.

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<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>
	Milsons Point	the period ending August 2021  01/09/2019 – 31/08/2021  <b>Term:</b> 2 years  <b>Option:</b> Nil			
New Lease	<b>Address:</b> Level 1, 1 James Place, North Sydney	<b>Period:</b> In the quarter commencing September 2019 to the period ending August 2022  23/09/2019 - 22/08/2022  <b>Term:</b> 3 years  <b>Option:</b> 2 years	Commercial Office	480.8 m <sup>2</sup>	Each party is responsible for their own costs in relation to the lease preparation and negotiation. The Lessee is responsible for the cost of the registration of the lease.

Refer to Attachment dated 14 August 2019 (Confidential Memorandum) for details relating to the rental income Council will receive through these leasing transactions.

### Acquisitions and Disposal for the Quarter

**Table 4. Acquisitions and Disposals within the North Sydney Council Property Portfolio**

	<b>Address</b>	<b>Reason</b>	<b>Date</b>	<b>Remarks</b>
<b>Acquisition</b>	90-92 Willoughby Road, Crows Nest	Acquired for Hume Street Park project	01/09/2017	Demolished to create a public park at Hume Street

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

### List of Property Projects for the Quarter (Major Periodic Maintenance and Upgrade)

Report of Damian Warren, Property Officer

Re: Draft Quarterly Property Portfolio Template Report – dated 27 September 2019

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Apart from routine maintenance for Council properties, the Property Asset Management Plan has identified major periodic maintenance and capital works upgrades for properties throughout Councils 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 5 below outlines the major maintenance and capital works to Councils Properties for the last quarter and also coming quarters in the 2019/20 financial year.

**Table 5. Major Maintenance and Upgrades scheduled for the North Sydney Council Property Portfolio Q3 - 2019/20**

Property	Project Description	Commencement Date	Completion Date
Alexander Street Car Park	Construction of additional toilets on Level one	27/08/2019	15/11/2019
Crow's Nest Community Centre	External waterproofing of dining room area adjacent to Zig Zag lane	05/08/2019	30/08/2019
Council Chambers	Supper Room Refurbishment	06/06/2019	12/07/2019
Council Chambers	Councillors Room Refurbishment	06/06/2019	23/08/2019
Council Chambers	Conference Room Refurbishment	17/07/2019	23/08/2019

*Councillors are to note that this is the proposed draft template report for Quarterly reporting on the Property Portfolio – it is not an actual report.*

**Attachment 2**

<b><i>Proposed Transaction</i></b>	<b><i>Subject Property &amp; Lessee/ Tenant</i></b>	<b><i>Term</i></b>	<b><i>Permitted Use</i></b>	<b><i>Lettable Area</i></b>	<b><i>Terms of Lease / Remarks</i></b>
New Lease	<b>Address:</b> Level 5, Suite 501, 1 James Place, North Sydney	<b>Period:</b> In the quarter commencing December 2019 to the period ending December 2024  01/12/2019 – 30/11/2024  <b>Term:</b> 5 Years  <b>Option:</b> Nil	Commercial Office	273.2m <sup>2</sup>	Each party is responsible for their own costs in relation to the lease preparation and negotiation. The Lessee is responsible for the cost of the registration of the lease.
Licence Agreement	<b>Address:</b> 246 Miller Street, North Sydney	<b>Period:</b> In the quarter commencing August 2019 to the period ending December 2019  05/08/2019 – 20/12/2019  <b>Term:</b> 5 months  <b>Option:</b> Nil	Community Services	63m <sup>2</sup>	This is additional space being licenced to North Sydney Community Centre for a limited period. North Sydney Community Centre also occupies 220 Miller Street.  Legal Costs are not applicable to the Licence agreement.

**Attachment 2**

<b><i>Proposed Transaction</i></b>	<b><i>Subject Property &amp; Lessee/ Tenant</i></b>	<b><i>Term</i></b>	<b><i>Permitted Use</i></b>	<b><i>Lettable Area</i></b>	<b><i>Terms of Lease / Remarks</i></b>
Car Park Licence Agreement	<b>Address:</b> 52 Alfred Street South, Milsons Point	<b>Period:</b> In the quarter commencing September 2019 to the period ending August 2021  01/09/2019 – 31/08/2021  <b>Term:</b> 2 years  <b>Option:</b> Nil	N/A	0m <sup>2</sup>	Standard Licence Template used. No costs applicable to the Licence Agreement are applicable.
New Lease	<b>Address:</b> Level 1, 1 James Place, North Sydney	<b>Period:</b> In the quarter commencing September 2019 to the period ending August 2022  23/09/2019 - 22/08/2022  <b>Term:</b> 3 years  <b>Option:</b> 2 years	Commercial Office	480.8 m <sup>2</sup>	Each party is responsible for their own costs in relation to the lease preparation and negotiation. The Lessee is responsible for the cost of the registration of the lease.