

REPORT

OPEN

For Information

To: The Board of ACPL
From: Margrit de Man
Date: 10 August 2013

PROPERTY MANAGEMENT MONTHLY REPORT

Purpose

1. The purpose of this report is to provide an overview of the Property Portfolio Management function within ACPL.

Executive Summary

2. The portfolio property management team delivered excellent debt results in July with total collectable arrears under the 3% target at 1.5%.
3. The tenantable vacancy rate in July was 1.3% well under the SOI target of 3%.
4. The property portfolio increased during July by 18 rental objects.
5. Negotiations on securing Ngati Paoa support towards the Waiheke Quarry consent are well advanced.
6. Greenmount Landfill negotiations are continuing.

Recommendations

7. That the Board receive this report.
8. That the Board note the new lease of 106 Cook St, Auckland City to Fletcher Distribution Ltd.

9. *'Confidential information removed'*
10. *'Confidential information removed'*

Property Management – Key Issues/Activities

11. **Personnel Recruitment** – We are currently recruiting for two property manager roles. One role is focussed on managing the Corporate Property Leases on behalf of ACPD. The second role is a commercial property management role.
12. **Westpark Marina sale** – The sale of the Marina settled on the 8 July 2013. All arrears were cleared on settlement.
13. *'Confidential information removed'*

Property Management – Rental Portfolio Performance

Portfolio Summary

14. The size and make-up of the portfolio continues to be fluid as:
 - properties are acquired and disposed of as part of the business-as-usual flow of project related properties entering and leaving the portfolio;
 - as part of the broader rationalisation process under the auspices of the non-service portfolio review.
15. The following table provide a snapshot of the current portfolio size in terms of both properties (including land) and leases managed, and the overall movement within the portfolio. The current portfolio comprises of 1092 rental objects/properties containing 868 leases, excluding the Third Party leases.

RENTAL OBJECTS				
Property Type	Jun 2012		Jun 2013	Jul 2013
Commercial	522		683	691
Residential	335		391	401
TOTAL PORTFOLIO	857		1074	1092

16. The increase in rental objects of 18 from the figures reported in June consists of a net increase of 8 commercial rental objects and an increase of 10 residential rental objects.
17. During July 6 residential houses and 5 commercial tenancies situated on Puketutu Island transferred into ACPL management. These properties were formerly managed by Watercare
18. The financial and information management system SAP records 827 active leases and 41 third party leases under management by ACPL.

LEASES	
Lease Type	No.
Commercial	473
Residential	354
Third Party	41
TOTAL LEASES MANAGED	868

19. During July we achieved an increase of 21 active residential leases. This has partly been achieved by keeping a close focus on properties undergoing maintenance. We are ensuring an active pre marketing campaign to identify new tenants able to move into the vacant properties at the completion of works.
20. Full details of the Property Portfolio financial performance can be found in the Finance Report.

New Lease Approvals

21. Under the ACPL Financial Authority Policy all new leases with a total dollar value over the lease term of more than \$500,000 must be reported to the Board.
22. In accordance with the Financial Authority Policy; we advise that in July 2013 a new lease was negotiated for 106 Cook St, Auckland City. Key details are :

'Confidential information removed'



Vacancies

Commercial

23. Of 411 Commercial rental objects, 67 are currently vacant, although only 7 are tenable giving a true vacancy of 2%. The balance of 60 properties are not currently available to be re-let for the reasons illustrated in the following table.
24. Of 280 Commercial Use of Council Land rental objects; that is bare land, 149 are currently vacant and not tenable for the reasons illustrated. Typically these are vacant pieces of land with very limited commercial use and not suitable for grazing purposes.

Residential

25. Of 401 rental objects/properties, there were 4 tenantable residential properties at month end which equates to a vacancy rate of 1.13%. There is however 46 properties that are vacant but are not tenantable for the reasons illustrated in the following table.
26. Leasing interest was patchy during July due to the impact of the school holidays. Nevertheless 17 properties were let during the month.
27. During July we continued our close monitoring the performance of our maintenance contractors. Our focus is to steadily improve maintenance turnaround times for vacant properties.
28. The majority of our vacant residential homes are within the AMETI portfolio in the Pakuranga/Panmure area. The significant construction work currently underway on Ti Rakau Drive is impacting negatively on leasing interest for houses close to the road.

Vacancy report as at 31.07.2013

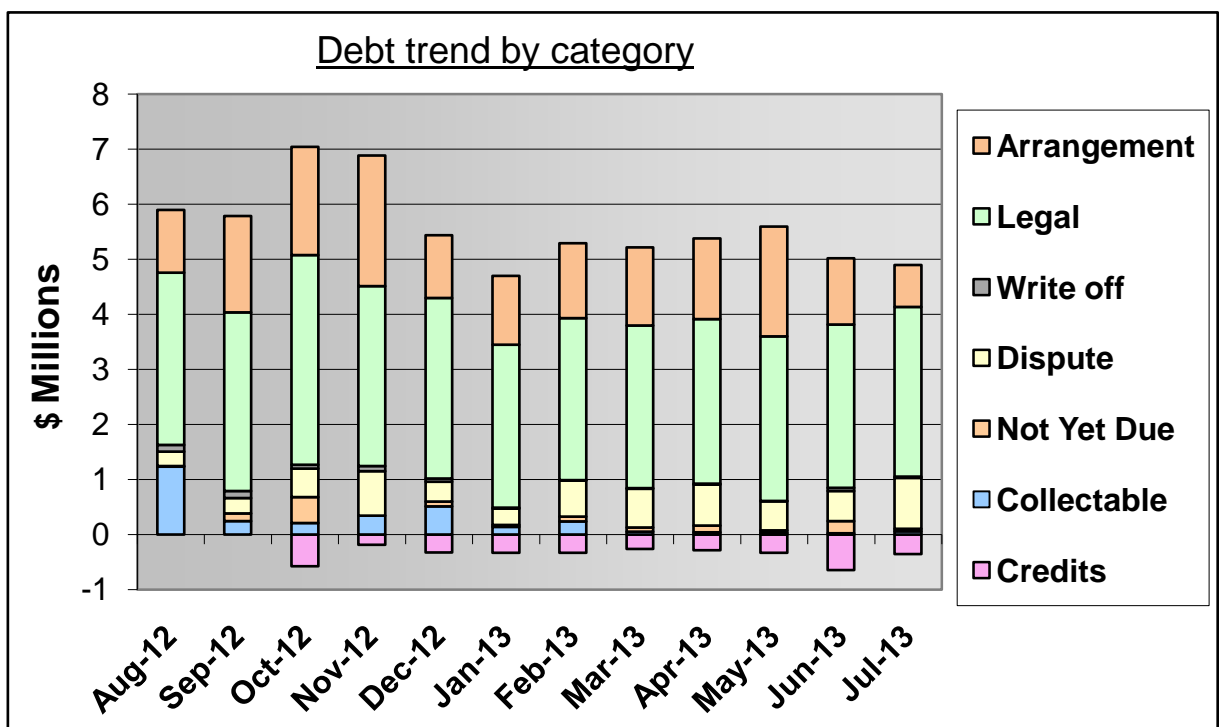
New category	Usage type of rental unit	Vacancy Reason Name	Total
AC Project Holding	Commercial	Awaiting Demolition/Demolished Awaiting Transfer	2
		Awaiting transf to future serv	2
		Capital Works/Minor Maintenance	17
		Under Assessment	15
	Commercial use of Council Land	Awaiting transf to future serv	7
		Land Only	22
		Offered	2
		Under Assessment	6
	Residential	Awaiting Demolition/Demolished Awaiting Transfer	7
		Awaiting transf to future serv	2
		Capital Works/Minor Maintenance	5
		Not Habitable	1
		Offered	1
		Under Assessment	3
AC Project Holding Total			92
AT Project Holding	Commercial	Awaiting Demolition/Demolished Awaiting Transfer	11
		Awaiting transf to future serv	1
		Not Habitable	1
		Under Assessment	1
	Commercial use of Council Land	Awaiting Demolition/Demolished Awaiting Transfer	1
		Closed	5
		Land Only	40
		Offered	1
		Under Assessment	1
	Residential	Awaiting Demolition/Demolished Awaiting Transfer	2
		Capital Works/Minor Maintenance	14
		Not Habitable	1
		Under Assessment	3
AT Project Holding Total			82
For Disposal	Commercial	Closed	1
		Land Only	2
		Not Habitable	2
		Offered	1
		Under Assessment	4
	Commercial use of Council Land	Awaiting transf to future serv	2
		Land Only	42
		Offered	20
	Residential	Not Habitable	1
		Offered	3
		Under Assessment	3
For Disposal Total			81
Grand Total			255

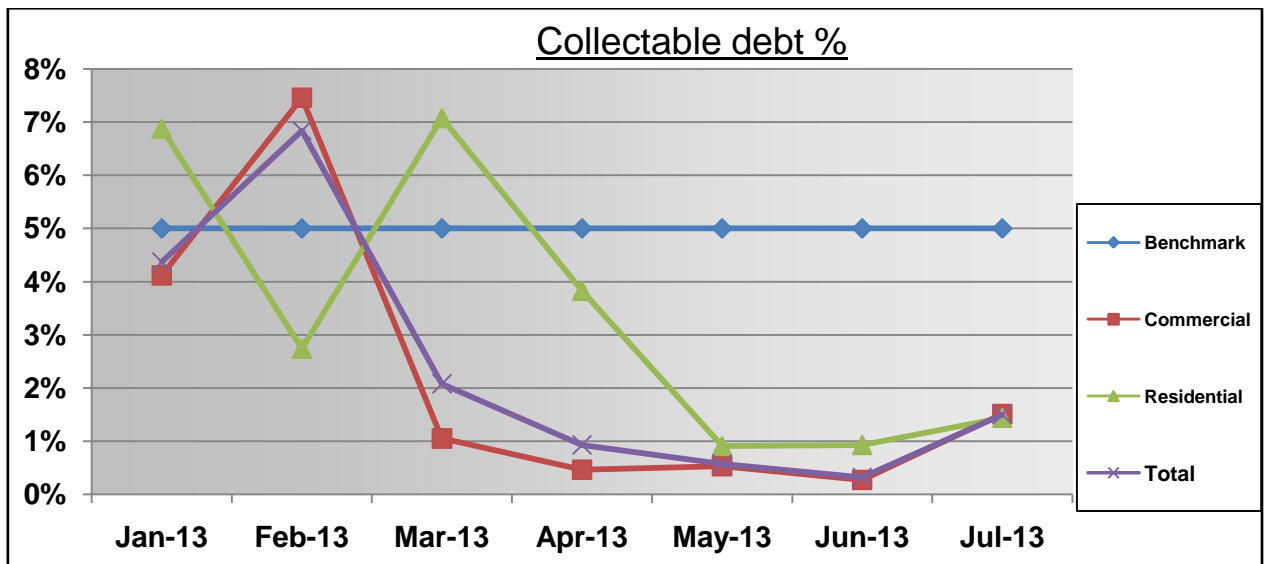
Property Management Costs

29. As part of performance benchmarking we are analysing the cost of the property management services relative to revenue generated. Our July results have delivered a 4.61% actual management cost to revenue. This analysis excludes salary and consultants' costs associated with the Portfolio Review Team.
30. The commercial portfolio management cost equated to 3.24% of revenue generated. The residential portfolio performed unfavourably at a 10% cost to revenue. The poor residential results are explained due to the low rental billings in July of only \$377K. July delivered a 4 week billing run as compared to many other months when 5 weeks are billed at an average of \$530K per month.

Arrears

31. Total portfolio debt increased by \$172K during July 2013 to \$4.54m.
32. During the month two large debtors cleared in full.
33. These clearances were offset however by an increase in OPEX debtors following the June invoicing of over \$2m in OPEX costs.
34. Debt classified as Legal comprises \$3.1m of the total debt figure.
35. Total Collectable debt as at 31 July 2013 was \$54K which equated to 1.5 % of monthly billings. Residential collectable debt amounted to \$5K or 1.4% of monthly residential billings. Commercial debt amounted to \$48K which equated to 1.5 % of monthly billings.





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Joint Ventures and Business Interests

Waste Disposal Services

36. Waste Disposal Services (WDS) is a joint venture, between the shareholders Auckland Council (AC) and Transpacific Industries (TPI), to run the Whitford Landfill.

37. TPI are the contracted managers of the site, with a Chair and two ExCo directors, on behalf of each of the shareholders, controlling the venture.

38. *'Confidential information removed'*

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Forests

Araparera Forest

45. The Araparera forest is a joint venture between the Maori Trustee, on behalf of the Landowners, and Auckland Council, having started approximately 26 years ago.
46. There has been no activity for July as access to the last stand of trees to be harvested has yet to be arranged.
47. The last stand of trees comprises approximately 5% of the original total harvest quantity of trees of 93,087 tonnes. It is anticipated that these will be harvested in November 2013.
48. There continues to be a high interest in this JV and a media statement is to be released shortly to address some concerns raised in recent community and Local Board meetings.

Ti Point Forest

49. The harvest of 14.5 hectares of forest on the approximately 17.9ha block of land on the corner of Leigh Road and Ti Point Road, Whangateau is still delayed. This is to allow for the management of a recently identified Kauri Snail population.
50. Management has obtained advice from the AC Biodiversity team as to relocation of the snail population. We are now waiting on approval from the Department of Conservation that they approve the relocation plan. The physical relocation of the snails must be completed before harvesting starts.

Quarries

Great Barrier

51. *'Confidential information removed'*
52. *'Confidential information removed'*

Waiheke

53. *'Confidential information removed'*
54. *'Confidential information removed'*
55. *'Confidential information removed'*
56. *'Confidential information removed'*
57. *'Confidential information removed'*

Waitakere

58. *'Confidential information removed'*

59. *'Confidential information removed'*

Whitford

60. *'Confidential information removed'*

Greenmount Landfill

61. Auckland Council Property Limited (ACPL) manage the leasing of the Greenmount Landfill site on behalf of the Infrastructural and Environmental Services team of Auckland Council (AC), as Land Owner. Greenmount has operated as a clean fill only landfill since 2005.

62. The most recent resource consent granted in March 2009 (CM/MAR/422/09) for this site provided for land filling operations to cease by 30 June 2015 or earlier, if the levels (before settlement) specified on Drawing No: 125-1609-213C have been met.

63. The ground lease to Envirowaste Services Limited (ESL) expired on 30 June 2009, with occupation continuing on a month to month basis since then. ESL has continued paying the existing rental of \$12,000 per annum plus GST pending negotiation of a new lease.

64. The negotiations with ESL have subsequently changed, now that the resource consent has lapsed, to consider an increase of fill volume on the site and to continue filling past June 2015.

65. *'Confidential information removed'*

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Meanwhile, it is noted that a newly created separate ground lease for the truck storage site within this property has recently been executed *'Confidential information removed'*

LGOIMA status

76. There are parts of the above report to be kept confidential, as releasing it would prejudice the commercial position of ACPL or Auckland Council. In terms to Section 7 of the Local Government Official Information and Meetings Act 1987, Auckland Council Property Limited is entitled to withhold information where making available the information –
- a) would affect the commercial interest of a third party (s7(2)(b)(ii); and
 - b) would be likely to prejudice or disadvantage the commercial position of council (s7(2)(h)).

Margrit de Man

Property Portfolio Manager

Auckland Council Property Limited (ACPL)