



Gladstone Regional Council

Council Policy

Title	CORPORATE PROPERTY POLICY
Policy Number	P-2016-23
Responsible Directorate	CORPORATE & COMMUNITY SERVICES
Responsible Officer	DIRECTOR CORPORATE & COMMUNITY SERVICES AND MANAGER FLEET & PROPERTY
Date of Adoption	21 JUNE 2016
Resolution Number	CSC/16/0029 (Commercial Services Committee - 13/06/2016) G/16/2823 (General Meeting - 21/06/2016)
Date Review Due	21 JUNE 2019

1.0 PURPOSE:

Council is the custodian of a large property portfolio which is held for a vast variety of reasons or the outcome of past events. It has a responsibility to effectively and efficiently manage this portfolio for current and future residents of the Gladstone region. Council is also required to manage the portfolio within the requirements of its legislative obligations.

The purpose of this policy is to establish the principles for management of Council's property activities that assist Council in focusing on the effective and efficient delivery of services and reaching its vision - "Doing the everyday things well, every day" and specifically to:-

1. Facilitate efficient and effective management of Council's property assets;
2. Optimise revenue and minimise expenditure associated with Council's property asset portfolio;
3. To provide a framework to:
 - Review the purpose of the property portfolio to ensure that all property assets meet either short-term, operational needs or long-term, strategic needs;
 - Guide the decision-making for investment in or divestment of property assets;
4. To articulate Council's risk appetite for commercial property development.

2.0 SCOPE:

This policy relates to Council's property activities.

3.0 RELATED LEGISLATION:

Council's property activities will be managed within the legislative parameters of the:

1. Local Government Act, 2009;
2. Sustainable Planning Act, 2009;
3. Residential Tenancies & Rooming Accommodation Act 2008;
4. Land Protection (Pest & Stock Route Management) Act, 2002;
5. Any other legislation applicable in a matter.

4.0 RELATED DOCUMENTS:

Nil

5.0 DEFINITIONS:

Nil.

6.0 POLICY STATEMENT:

6.1 Over-Riding Philosophy in Property Decision-Making

Consistent with the aims of this policy outlined above, Council's over-riding philosophy governing actions concerning the property portfolio is to:

- Acquire, hold, develop, manage and/or dispose of assets that serve the greatest public good considering all (strategic and operational) economic, environment and social factors.
- Optimise returns on property investments and/or minimise costs associated with holding and managing such assets.
- Use property as required to respond to demonstrable community need (including where there has been apparent/evident market failure), or to seize commercial opportunity that is considered to be in the overall public interest.
- Property transactions contemplated to stimulate or enable the local economy will be publicly declared as such from the outset.
- It is not Council's intention to compete with the private market but to complement and assist where appropriate.

Other considerations:

- More specifically, any property transaction should satisfy at least on (preferably more) of the following considerations before proceeding.

6.1.1 Financial/Governance

Council and ratepayers receive a direct financial benefit from property activities. This financial benefit is derived from:

1. Achieving the highest and best use of council's land;
2. Minimising costs associated with the maintenance of council's properties;
3. Monitoring performance of any commercial/investment property portfolio;
4. Taking professional advice on market trends and being flexible and pro-active in property dealings;
5. Undertake whole of life project planning to ensure community receives cost effective infrastructure;
6. Seeking commercial activities which on careful analysis, appear viable and suitable for Council;
7. Not selling land which has future development potential.

6.1.2 Environmental/Social

Council's property activities are not always measured solely in financial terms. Non-financial benefits to Council may accrue through:

1. Improvements in the social amenity;
2. Establishment of additional community facilities;
3. Enhancement of existing open space areas;
4. Protection of the environment;
5. Our location adjacent to a World Heritage area;
6. Relevant Local Environmental Plans and Development Control Plans;
7. Bushfire controls;
8. Localised flood mitigation; and
9. Best practice development principles.

6.1.3 Political

In the political sphere Council must be mindful of the following considerations when managing its property portfolio:

1. Council's two distinct roles in its property activities;
 - As a developer seeking the best possible return for its property
 - As a statutory authority responsible for the assessment and approval of any Development Application for the property.
2. Council must exercise particular care to ensure its roles as consent authority and as a developer are kept separate and seen to be separate; and
3. In asset managing both public land and funds in its property role Council must be suitably transparent in dealings to ensure adequate public scrutiny;
4. Ensuring that any interest conflicts and commercial-in-confidence considerations are declared publicly at the earliest juncture.

6.2 Transaction Types

There are different types of property transaction that Council might contemplate from time to time. A basic framework for considering these types is outlined below:

6.2.1 Sales

The key principle guiding a decision to sell a property asset is that Council will only consider a sale under the following circumstances:

1. If the property is not being used for the purpose intended at the time of Council's acquisition;
2. If the property is not serving a current or a future operational or community need;
3. If the property is not facilitating Council's service delivery objectives;
4. If the property disposal would deliver better outcomes for the local community;
5. If the property does not provide the expected return and represent a risk to Council.

The key principles in disposal of these assets are:

6. Council will dispose of property assets using a process that is transparent and equitable to all interested parties;
7. Generally Council will not sell property which has future development potential for community facilities;
8. Council will identify the most appropriate marketing strategy for each sale on a case by case basis.

6.2.2 Acquisitions

Council may decide to purchase land and property for statutory, public or investment/redevelopment purposes. For example, Council could acquire land for road widening, road opening, recreational and sporting facilities, parks and reserves, bushland and environmental conservation, investment, redevelopment, subdivision and resale, or development of community facilities purposes.

After identifying a property for acquisition Council will:

- Firstly make its best endeavours to negotiate with the owner a fair and reasonable price;
- Only if agreement cannot be reached will Council pursue compulsory acquisition (under *Acquisition of Land Act 1967*) if the acquisition has strategic importance or is very important for the local community.

6.2.3 Lease and Licences

As a property owner it is necessary for council to deal with various types of leases and licences (e.g. residential, commercial, retail, special use, outdoor eating areas, community land, recreational & sporting facilities, temporary road closures, golf courses, bowling clubs, neighbourhood centres etc).

The key principles in Council's management of commercial and residential leases and in the setting licence agreements are:

1. Community land will only be leased or licensed if it is specifically provided for the Management Plan of the property;
2. Any lease/licence of community facilities/land for the purposes of providing community services will be assessed on a case by case basis.

6.2.4 Investment Strategy/Commercial Development

Council's requirements as a potential developer/investor are similar to any other investors in the market. Accordingly, Council's property investment decisions consider:

1. Returns (profits) on funds employed;
2. Risks (by a full risk analysis) associated with the proposal (as previously mentioned):
 - Property market fluctuation;
 - Change in economic climate;
 - Weak financial feasibility;
 - Lack of appropriate market research;
 - Lack of sensitivity analysis;
 - Poor project delivery or project management system;
 - Unexpected costs derived from weather, strike, inflation, etc;
 - Unsuitable marketing strategies;
 - Unsecured tenants;
 - Lack of finding i.e. high level of borrowing;
 - No guidelines and procedures policy;
 - Lack of long term asset management planning;
 - Not providing sufficient skills and resource.
3. Locality of the development/investment;
4. Current market trends and conditions;
5. Market demand for and supply of the property in question;
6. Security of income;
7. On-going costs relating to the provisions of building maintenance/refurbishment;
8. Community objectives expected;
9. Appropriateness of the property and its use as an asset owned by a public authority.

Property development/investment opportunities will thus be assessed in accordance with the following criteria:

- Any development/investment must have the potential to provide a greater return than is presently being obtained on invested funds.
- Should take into account the provisions of market supply and demand, realistic development potential, capital growth, secured income and have potential for increase in resale value.
- May span residential, industrial, commercial or community facilities.
- Should allow Council to set high development standards as an example to other developers.
- May provide scope for increasing the return on property assets if certain alterations, renovation and/or change of land use are made.

6.2.5 Easements

Council may grant (or relinquish) an easement over its land in favour of private land or seek to create (or relinquish) an easement over private land in favour of public land and or public utility. Easements can be for different purposes such as right of way, drainage, sewerage, electricity, utility and any other specific purposes.

The creation of easements or rights of way may be initiated by either Council or developer as a result of:

1. A conditional DA approval on Council owned Land;
2. A proposed development adjoining Council land;

3. Council's proposed drainage system;
4. Council's existing pipes under the surface of the land.

The key principles in effective management of easement issues are:

- Council will advise and negotiate (if required) with the private landowners affected by Council's proposed works;
 - Council will negotiate a fair and reasonable package with the private landowner(s) who seek to create an easement over Council owned land;
 - Council will relinquish easements at the instigation of land owners if this is:
 - Technically a sound decision for Council; and
 - The initiating land owner agrees to pay all Council's costs.

Council will only consider granting an easement over Council land if the proposed easement would not detrimentally affect the objectives of the land and if the proponent agrees to fairly and reasonably compensate Council.

6.3 Review of Property Portfolio

In managing its land and property asset portfolio, Council's challenge is to determine whether these parcels of land meet its strategic objectives or operational needs. If not, strategies need to be put in place to transfer the ownership, control and liability to other parties who can better use these parcels of land.

The focus is on property asset management and maintenance, not creating maintenance liabilities that cannot be funded. The returns of savings from such transfers can then be applied to add value to those parcels of land that serve Council's objectives, and to increase community benefits.

In implementing this, the underlying objective is to minimise cost and maximise usage and returns so that Council's land portfolio is managed and maintained to a standard that benefits the community now and in the future.

When reviewing the corporate portfolio the following test will be used to assess each property's value to Council.

6.3.1 Operational Need

- Service cannot (or would struggle to) function properly without this property asset e.g. Offices, car parks, drains, community halls, parks and open spaces (including sporting facilities), utilities (water, sewerage, telecommunication etc.).
- Operating costs funded from a mix of user charges and general rates.
- TEST: Can holding this property for less than commercial return be justified?

6.3.2 Strategic Value

- Property held for anticipated future operational need or future commercial value.
- Acquisitions funded from cash reserves or from asset sales.
- Holding/maintenance costs funded from user charges/general rates.
- TEST: Is Council satisfied that this property will deliver future operational (satisfying test above) or future commercial (including funding holding costs) benefit?

6.3.3 Commercial Value

- Established rate of return for different asset classes.
- TEST: Such properties are only retained if they are achieving a commercial rate of return.

6.3.4 Surplus

- Does not satisfy any of the above criteria.
- Then becomes a disposal timing matter?

6.3.5 Shortfall

- Where does our planning tell us we need property assets?

6.4 Preferred Commercial Returns

Acknowledging the risk assessment requirements of Section 6.2.4 of this policy, Council records its preferred outcomes for property portfolio investments:

- Any development/investment must have the potential to provide a greater return than is presently being obtained on invested funds.
- Returns on residential leases and commercial/retail/industrial property should achieve a minimum of the current market rental.

6.5 Funding Strategy

Council will establish a Property Investment Reserve for corporate property activities. Any income received from property related activities will be held in the reserve for future acquisitions or development. Surplus funds over time will be transferred to the general budget.

7.0 ATTACHMENTS:

Nil

8.0 REVIEW TRIGGER:

This policy will be reviewed when any of the following occur:

1. The related legislation/documents are amended or replaced.
2. Other circumstances as determined from time to time by a resolution of Council.
3. Periodic Review – 3 years from date of adoption.

TABLE OF AMENDMENTS		
Originally Adopted	19 November 2013	G/13/1795
Amendment 1	16 June 2016	G/16/2823 (CSC/16/0029 - Commercial Services Committee)
Amendment 2	<INSERT DATE COUNCIL MEETING>	<INSERT RESOLUTION NUMBER>
Amendment 3	<INSERT DATE COUNCIL MEETING>	<INSERT RESOLUTION NUMBER>

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STUART RANDLE
CHIEF EXECUTIVE OFFICER