POLICY NAME:	**(REVIEW) PROPERTY INVESTMENT AND DEVELOPMENT**
POLICY REF:	**P07**
MEETING ADOPTED:	**28 January 2016 Resolution No. 280116/16**
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TABLE OF CONTENTS

OBJECTIVES **1**

POLICY **1**

1. Principles 1
2. Policy Statement 1
3. Sustainability Implications 2
4. Political Implications 3

BACKGROUND **3**

DEFINITIONS **4**

SCOPE OF POLICY **4**

RELATED DOCUMENTATION **4**

REVIEW DATE **5**

OBJECTIVES

The objectives of this policy are to:

- Facilitate the effective management of Council's property assets so as to complement the existing financial investment policy in providing an alternate income source, thereby reducing the call on rate revenue and other statutory income generating activities of council
- Establish the principles of equity and transparency in Council's commercial property related activities
- Ensure that all Council's commercial property related activities occur within legislative frameworks
- Support the objective of generating alternate/additional forms of income via property development and investment activities
- Facilitate local business where able
- To invest in, and maintain a strong property portfolio as a strategy for providing capital growth and a recurrent income source.
- To acquire and maintain an optimum balance of short, medium and long term property investments ensuring exponential growth and the financial capacity to further invest and develop.

POLICY

1. Principles

- To ensure optimum financial return is realised through appropriate identification, selection and management of Council's investment portfolio including acquisition and disposal of assets.
- To utilise effective property management techniques and investment practices in the management of Council's assets to ensure maximum long term advantage.
- To satisfy the real estate needs of Council by meeting the requirements and corporate objectives outlined within the existing financial investment policy.

2. Policy Statement

The overall mix and nature of investment properties will provide a balanced source of income that complement existing financial holdings.

All future investment and development activities will provide a return on investment greater than achievable cash rates at any given time. If a decision is made to accept a return less than achievable cash rates then the reasons for that decision must be outlined in the resolution relating to that investment and development activity.

In respect to investment return decisions, Council will apply the following matrix in determining the appropriateness of investment and development activities.

Risk Determination Matrix

Level of Risk	Benchmark Above 90 Day BBSW
Low	< 2%
Medium	2% to 5%
High	5% to 10%
Speculative	> 10%

In determining the level of risk Council is to consider the following, as a minimum,

- Council experience in the proposed type of development
- Nature of tenancies
- Funding sources
- Term asset is to be held
- Recent precedence.

Council will systematically assess and review the performance of its investment portfolio and use the information derived to determine when and how to preserve or increase each property's value and usefulness, or otherwise dispose of individual properties.

Decisions in this regard will be based on analysis of cost information for individual properties and will reflect the viability of Council's commitment of financial resources to specific projects. Priority will be given to projects with a positive effect on investment returns without imposing on short term cash availability.

All property investment activities will be undertaken in accordance with Council's operational plan and will reflect Council's ongoing commitment to sustainability.

Community identified needs within the Operational Plan, will also provide guidelines for the sustainability of property investment decisions in relation to the vision of Council and Council's corporate goals. Investment activities will reflect both financial and strategic objectives.

Borrowings, if required, may be considered in accordance with relevant policy, the operational plan and targeted debt ratios.

3. Sustainability Implications

3.1 Social

- Increased employment opportunities via the development and sale of industrial land
- Improved social amenity
- Community facilities
- Enhancement of open space including environmental protection areas.

3.2 Economic

- The efficient management of the acquisition, development and disposal of investment and development properties will provide an ongoing income stream which reduces the call on rate revenue and provides funds for further investment.

- Public land must be managed so as to maximise its usefulness (eg development potential) whilst at the same time minimising costs (eg maintenance).
- Council's property activities can be seen as an agent to promote economic growth

3.3 Environmental

- The impact on the environment will be assessed as part of any property development decision

4. Political Implications

- Council has two separate and distinct roles in its property activities, one as developer; the other as consent authority. Particular care must be exercised to ensure the two roles are clearly separated.
- The desire of Council to generate alternative forms of income stemming from increasing demands on the budget by the community and increasing financial constraints imposed by government must be balanced with council's other obligations.
- In asset managing both public land and funds in its property role, Council is likely to be subject to increased public scrutiny.
- Change in political focus and direction can influence past and present decision making.

BACKGROUND

This policy provides guidelines for consideration in the acquisition, development and disposal of investment properties. Investment and development properties can be cited as those properties that provide a financial return and/or provide for future income generation.

The principles of this policy provide a basis to ensure optimum financial return is achieved via appropriate identification, selection and management of Council's investment portfolio, including acquisition and disposal of assets. The principles also support the basis for recommendation upon which Council may determine to pursue acquisition or disposal of its investment properties.

This policy pertains only to land classified by Section 31 of the Local Government Act 1993 as 'operational'.

Council's investment and property portfolio has, over the years, helped to achieve our sound financial position, a position that can be enhanced by realising further property investment and development opportunities.

The bulk of revenue derived to finance Council activities comes from:

- Annual property rates
- Annual property service charges
- Other fees and charges (DA fees, inspection and licence fees etc)
- Borrowings
- Government grant monies
- Interest on financial investments

Ancillary, but of no less importance to the foregoing, are the income streams derived from:
- Property development and sale
- Property development and lease
- Rents derived from commercial and residential properties.

Council must provide effective and efficient management of property related activities to fulfil legislative and community obligations.

Council is well placed to have greater involvement in property and entrepreneurial activities to supplement its traditional income base. This has been emphasised in recent years with the continuation of rate pegging, decreased levels of government funding, limitations on borrowing and increased community's expectations on Council's roles and responsibilities.

DEFINITIONS

- Commercial property – This is defined as real estate holdings held by Council that are discretionary in nature and held by Council to generate current or future income streams.

SCOPE OF POLICY

This policy applies to:
- Council employees
- Councillors
- Council owned businesses

RELATED DOCUMENTATION

Legislative Framework

Council's property related activities will be managed within the legislative parameters provided by (i.e. including, but not necessarily limited to):

- Local Government Act
- Minister for Local Government's Investment Order
- Valuation of Land Act
- Residential Tenancies Act
- Retail Leases Act
- Real Property Act
- Environmental Planning and Assessment Act
- Crown Land Management Act

Related Council Policies

- Property Reserves Policy
- Investment Policy

REVIEW DATE

This policy is to be reviewed every four years.