



# INVESTMENT - PROPERTY

Policy 13/2021-2024

## DATE

- Ordinary Meeting of Council 24.11.2015, 22.05.2018 and 12.07.2022

<b>POLICY NO:</b>	13/2021-2024
<b>LEGISLATIVE REQUIREMENTS</b>	Nil.
<b>RESPONSIBILITY:</b>	CHIEF FINANCIAL OFFICER
<b>OBJECTIVE:</b>	Council's property assets collectively have a significant role in supporting both service delivery to the community and the financial sustainability of Council.
<b>REVIEW</b>	Within the first 12 months of each term of Council or as required.

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## 1. Objective

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Council's property assets collectively have a significant role in supporting both service delivery to the community and the financial sustainability of Council.

In relation to Property this policy establishes a framework for the proper assessment criteria for:

- Acquisitions
- Development of property assets
- Divestments

It aims at either to generating additional revenue as an alternate source of income to Council or to realise one-off or perpetual financial returns.

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## 2. Type of Investments

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When making decisions to invest in Property related investments one or more of the following criteria needs to be satisfied.

1. Council may invest in Land holdings that will have capital growth for future generations.
2. Council may invest in Commercial Property which gives continuous source of ongoing returns and also have Capital Growth potential.
3. Council may engage in Re-Development activity that be greenfield or infill by
  - a) Creating development interests,
  - b) Divest Council-owned Operational land holdings or
  - c) Facilitate development of Council owned property assets
4. Council investment in Property must be considered within the following broad investment framework:
  - a) Within close proximity to major infrastructure including public hospitals, transport, employment, retail and education,
  - b) Purchase at Market Price or if special value is relevant the offer/sale price must be based on market driven rationale
  - c) Must be capable of providing reasonable commercial rental returns,
  - d) Capital Works are to be restricted to value adding principles, and
  - e) Tenants are carefully considered and properties are actively managed
5. Council may consider converting surplus property for reclassification and/or rezoning in order to be able to convert them to a development or divestment opportunity.
6. Council may use its land holdings to leverage acquisition, of other land critical to the orderly development of important urban or environmental areas.
7. Council may also include selling or development activity to generate returns to enable funding a Community Asset.

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### 3. Risk Management

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When considering a Property investment a Business case needs to be prepared along with Due Diligence identifying Economic, Operational and other associated Risks.

It also needs to meet one or more of the above Investment Criteria and the Rate of Return (ROR) requirements.

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### 4. Investment Horizon

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Investments are expected to achieve a market average rate of return in line with the Council’s risk tolerance and are to be considered in light of the following:

Council target the property portfolio as follows:

- 10% of the value of its portfolio be assets that are held for long term (> 40 years or more )
- 90% of the value of the property portfolio to be held for medium to long term

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### 5. Benchmarks

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The performance of each property investment will be assessed against the benchmarks listed below:

Type	Rate Of Return
Land	Capital Growth
Re- Development & Joint Ventures (Green field/Infill)	> 20% Internal Rate of Return
Commercial Establishments	> 3% Net Rental Income above 90 Day Bank Bill Rate per

If debt is used to, the return should take into consideration the borrowing costs. The Rate of Return criteria may be varied by a resolution of Council.

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### 6. Proceeds from Property Investments

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- 50% of funds generated from divestments be placed in the Property Development Reserve to seed other property acquisitions or development projects across the portfolio.
- Balance of Proceeds (50%) from any Property related activities are to be placed in the Infrastructure fund for providing for changing Community infrastructure needs and to refurbish existing Community Infrastructure.
- All net returns from Commercial Rental property be used for day to day activities. (As Recurrent Income)

These allocations may be changed from time to time by Council Resolution.

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## **7. Funding and Property Investments**

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Borrowing from other Council Reserves may be considered in the short term to fund property development activity, provided there is no other competing demand for those funds such as allowing for any temporary funding shortfalls in Section 94 land acquisitions.

External options via sourcing of bank debt and or partnering can also be given full consideration if the required above Investment Criteria and benchmarks can be met

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## **8. Approval**

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Between formal reporting periods the Council may identify specific development opportunities that will be presented to Council for consideration.

Each of these proposals would then lead to specific acquisition and divestment recommendations that would be brought to Council for their review and direction and subject to relevant community consultation where appropriate, before formal approval and progression with the approved strategy for the asset.

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## **9. Monitoring and Reporting**

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All property investments are to be appropriately recorded in Council's financial records and reconciled.

Annually Council will be providing with a review of the Property portfolio which will consider priorities and opportunities and a comparison against the agreed benchmarks and progress on divestment activities.

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## **10. Associated Documents**

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## **11. Appendix**

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