



INVESTMENT - PROPERTY

Policy 13/2024-2028

DATE

- Ordinary Meeting of Council 24.11.2015, 22.05.2018, 12.07.2022 and 11.02.2025

POLICY NO:	13/2024-2028
LEGISLATIVE REQUIREMENTS	Section 8B Local Government Act 1993
RESPONSIBILITY:	CHIEF FINANCIAL OFFICER
OBJECTIVE:	Council’s property assets collectively have a significant role in supporting both service delivery to the community and the financial sustainability of Council.
REVIEW	Within the first 12 months of each term of Council or as required.

Contents

Section	Subject	Page
1	Objective	4
2	Principles of Investments	4
3	Unsolicited Property Proposals	5
4	Risk Management	5
5	Investment Horizon	5
6	Benchmarks	6
7	Proceeds from Property Investments	6
8	Funding and Property Investments	6
9	Approval	6
10	Monitoring and Reporting	7
11	Associated Documents	7
12	Appendix	7

1. Objective

Council's property assets collectively have a significant role in supporting both service delivery to the community and the financial sustainability of Council. The objectives of Council's Investment Property Policy are:

- To comply with the legislative requirements outlined in Section 8B of the Local Government Act 1993, ensuring that Council invest in responsible and long-term sustainable assets.
- To generate additional revenue as an alternate source of traditional income to Council by way of realising one-off or perpetual financial returns.

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

- Acquisitions
- Development of property assets
- Divestments

2. Principles of Investments

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/or also have Capital Growth potential.
3. Council may engage in Re-Development activity that is greenfield or infill by:
 - a) Creating development interests,
 - b) Divesting Council-owned Operational land holdings or
 - c) Facilitating 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 of a Community Asset.

3. Unsolicited Property Proposals

Council may in some instances receive unsolicited property proposals where no formal expressions of interest have been sought. In the interests of good governance and transparency, in addition to the principles of investments detailed above in Section 2, these unsolicited proposals may be considered if they meet the following criteria:

- Sufficient Reserve funds are available to purchase such property, ensuring liquidity can be maintained sufficiently to meet other cashflow requirements as per adopted budget.
- Aligns with Council's Strategic Plans and Objectives
- Is always in the best interests of Council, ratepayers and the community
- Abides by Council's adopted Financial Charter Policy and ensures long term financial sustainability

Divestment decisions in response to such unsolicited property proposals should not undermine Strategic Objectives.

4. Risk Management

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.

5. Investment Horizon

Investments are expected to achieve a market average rate of return in line with the Council's risk tolerance supporting Council's long-term financial sustainability.

Council target the property portfolio as follows:

- Up to 10% of the value of its portfolio be assets that are held for extra-long term (>40 years or more).
- At least 90% of the value of the property portfolio to be held for medium to long term that deliver consistent passive income or present development opportunities to support Council's financial goals.

6. Benchmarks

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

These benchmarks are intended as indicative targets. Each property investment will be assessed individually, taking into account market conditions, the property’s strategic alignment, unique characteristics, and potential opportunities.

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

7. Proceeds from Property Investments

- 50% of funds generated from divestments be placed in the Land 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 Reserve 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.

8. Funding and Property Investments

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

9. Approval

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.

10. Monitoring and Reporting

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

Annually, Council will be provided 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.

11. Associated Documents

Nil

12. Appendix

Nil