



Title: Property Portfolio Policy

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1. Purpose

To establish parameters for commercial and residential property investment to ensure Council's Assets achieve optimum Total Returns while providing effective platforms for Council functions and to provide an alternative income source for Council.

Background

Council owns numerous Assets, including properties, acquired over many years for different purposes. As a result of this ad hoc approach Council's Property Portfolio comprises a relatively narrow range of Assets and types of properties. The portfolio is therefore lacking diversity.

Rationale

The Assets in Council's Property Portfolio aim to serve Council's functions detailed in Chapter 5 of the Local Government Act 1993. However, these assets are not always income-producing or experiencing capital growth. The policy aims to restructure the portfolio to maintain overall functionality while improving Total Returns. Under the provisions of the policy, each Asset will be reviewed to ensure that it not only serves as an efficient platform for Council's functions but it also achieves total returns commensurate with an Asset of comparable quality in a similar location.

2. Objectives

- To establish parameters for commercial property investment that Council can apply to existing Assets and future acquisitions to ensure Council's Property Portfolio provides optimal Total Returns while efficiently performing Council functions;
- To achieve maximum possible Total Returns and enhance Council's long-term financial sustainability;
- To own Assets that enable Council to efficiently perform its functions;
- To ensure that as far as is practically possible the Assets of the Property Portfolio are diversified by type and location and are positioned in established local markets of good renown for their respective
- To continually review the Property Portfolio to identify opportunities for acquisition, disposal and/or development to achieve the desired mix of appropriately performing Assets;
- To acquire Assets, to dispose of Assets, and to develop and improve Assets to maintain diversity and achieve Total Returns equivalent to the passing returns for each Property Type in its respective market;
- To acquire and dispose of Assets at optimum stages of the relevant market cycle for the particular Asset and to buy and sell for the best possible price;
- To pro-actively manage the Property Portfolio to maximise Total Return; and
- To ensure built structures on each Asset are of appropriate condition to perform their proper function, provide a suitable level of accommodation for occupants, are safe, and to ensure that condition is maintained.

3. Scope

This policy will apply to Councillors, General Manager, Director Corporate Services, Group Manager Governance and Governance staff.

4. Definitions

Assets – properties or other assets, including, for example, buildings, vacant land, roads, parks, drainage easements, that are owned by Council and contained within its Property Portfolio.

Asset Plan – a report on an Asset detailing its physical condition and its economic and/or civic role and assessing its ongoing ability to perform that role, recommending actions required to improve performance or dispose of the Asset.

Capital Return – the change in capital value of an Asset over a period, quoted on either a per annum basis or in relation to the period of ownership, by dollar value or in percentage terms.

Commercial property – collectively office, industrial, retail, hospitality and miscellaneous property.

Income Return – the net income return generated by an Asset, quoted on a per annum basis by dollar value or in percentage terms. The percentage income return is also known as the Yield.

Property Portfolio – Council's Assets.

Property Type – broadly separated into: office; retail (shopping centres, standalone shops, bulky goods and discount outlets); industrial (warehouses and factories); residential (houses and apartments); hospitality (pubs, motels, hotels, caravan parks); miscellaneous (e.g. bowling clubs, childcare centres, funeral parlours etc).

Residential property – house, unit, flat, villa, town house, vacant land.

Total Return – the sum of a property's income return and capital return usually quoted in percentage terms for a particular per annum period.

5. Principles

We will endeavour to achieve a Property Portfolio that provides for Council's operations while representing the most efficient use of funds.

6. Responsibilities

Councillors – ultimate responsibility for acquisition and disposal of Assets.

General Manager and Director Corporate Services – responsibility for portfolio management for ensuring ongoing review of the portfolio assets and recommending acquisitions and disposals for Council.

Group Manager Governance and Coordinator City Property – responsible for the asset management of the portfolio, including property management and leasing of any vacant tenancies.

7. Procedures

1. Review the Property Portfolio to determine the usefulness of each Asset in performing its intended Council or public function
2. Identify inefficient or inappropriate Assets and develop an Asset Plan for each
3. Implement measures to Improve underperforming Assets where identified and where possible.
4. Develop an understanding of the market fundamentals and passing market conditions for commercial property in Canterbury LGA.
5. Continually monitor local markets for acquisition and disposal opportunities.
6. Governance to recommend Asset sales and acquisitions as required in accordance with Asset Plan assessments and market conditions to ensure the Assets of the Property Portfolio maintain the desired Property Portfolio diversity as described in the Broad Objective.
7. Governance to continually review the Assets of the Property Portfolio for functionality and economic suitability by comparison with alternative investment opportunities in Canterbury LGA.
8. Proceeds from any sale of property are to be put into a property fund.
9. Money invested in the property fund is to be used to purchase new properties.
10. Income received from rental of the new properties will be paid into Council's general fund account.