

## 1 Objective

To provide a guiding framework to Council in the effective management of its land, property assets and services, with the view to increase non-rate revenue generation to provide increased financial capacity and sustainability for the City of Swan through:

- appropriate identification, selection and management of the City's investment portfolio including acquisition and disposal of real property;
- effective property management techniques and investment practices in the management of City assets to ensure maximum long term economic return to the City;
- the real property needs of the City by meeting the requests and corporate objective outlined in the City's Investment Portfolio model;
- improving existing service provision to be commercially focused, where appropriate, by selling the City's service provision where there is a market for those services.

**Key Principle 1:** Net operating revenue derived from commercial assets and services is to be used to reduce the reliance on rates through the annual transfer, at the end of the financial year, to the following (in order of priority):

- a) City Asset Replacement Reserve,
- b) Repayment of loans for community infrastructure,
- c) Mechanisms to reduce the following year annual rate increase

**Key Principle 2:** Sale of commercial assets are used to acquire other revenue generating assets. Linking the sale of commercial assets to the acquisition or refurbishment of community infrastructure is not to occur.

## 2 Policy Statement

The purpose of this Policy is to provide a structured and consistent approach to the increased generation and diversification of non-rate revenue through the development and management of an investment portfolio. This will be achieved through different delivery models whilst considering the increased risk profile to the City.

The Policy is directed to achieve the following objectives:

- Acquisition mix of residential, commercial and industrial properties;
- Divestment or development of identified City owned land;
- Investment of seed capital to encourage development;
- Increase commercial viability of existing facilities (better utilisation);
- Retention of financially viable land holdings;
- Delivery of services and provision of infrastructure;
- Creation of new business opportunities; and
- Improvement of existing business service.

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### **3 Governance**

All commercialisation projects will be considered within a defined decision-making structure. Opportunities and strategies will be identified through working groups and cross-functional teams. Application of a broad range of feasibility studies to these opportunities will be undertaken and reported to the Executive Management Team. The Steering committee, Swan Development Committee, will receive recommendations from the Executive Management Team and consider, evaluate and recommend or reject projects to other committees and/or Council.

The primary objective of the Steering committee is to consider, evaluate and recommend or reject projects to other committees and/or Council actions that would achieve a commercial outcome. This includes, but is not limited to, consideration of the strategic direction, policy, strategies, scope, benefits, risk and timeliness of each of the commercial projects.

The Executive Management Team will review reports, consider opportunities and strategies from the Commercialisation business unit referring these onto the Steering committee for consideration.

Recommendations made by the Steering committee will be considered in light of any financial, political or reputational drivers, as well as the City's strategic imperatives, current and future market conditions, the risk profile of each of the projects and the overall implications of a project on the City's risk profile.

### **4 Delivery Models**

In determining acquisition or divestment of property for commercial purposes, the City's land holdings will be identified, prioritised and categorised in the asset register and reviewed annually. Upon a review an amended priority list will be presented to Council, via the governance framework, for agreed action. This will further result in due diligence being undertaken for each property and presented to the Executive Management Team and Council for direction.

Determination of service and infrastructure commercialisation will be through the creation of new business opportunities coupled with an improvement in the existing service provision, and better utilisation of revenue generating assets.

#### **4.1 Land Transactions**

(a) Property Acquisitions and Divestments

- i. Property Investment decisions will consider:
  1. Strategic acquisitions (future planning);
  2. Options for land holdings (hold/develop/divest);
  3. Returns (profits) on funds employed;
  4. Risk associated with the proposal;
  5. Locality of the development/investment;
  6. Current market trends and conditions based on analysis and environmental scans;
  7. Market demand for, and supply of, the property in question;
  8. On-going costs relating to the provisions of building maintenance/refurbishment;
  9. Community objectives expected; and

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10. Appropriateness of the property and its use as an asset owned by a public authority.
    - ii. Property Divestment decisions will consider whether:
      1. The property is being used for the purposes intended at the time of the acquisition;
      2. The property is serving an operational or community need;
      3. The property is facilitating service delivery objectives;
      4. The property may suit an alternative use;
      5. Property disposal would deliver better outcomes for the local community; and
      6. The property provides the expected return and represents an unacceptable risk to the City.
- (b) Property Development
- i. Property Development/investment Opportunities will consider:
    1. The potential to provide greater return than is presently being obtained by the invested funds (POL-C-018 – Investment of Surplus Funds);
    2. Provisions of market supply and demand, realistic development potential, capital growth, secured income and the potential for increase in resale value;
    3. Residential, industrial, commercial or community facilities (i.e. retirement village); and
    4. Scope for increasing the return on property assets if certain alterations, renovations and/or change of land use are made.
- (c) Service & Infrastructure Commercialisation
1. Property management;
  2. Service review for City of Swan services;
  3. Creation of new business opportunities, such as illuminated signage, fees and charges for public events, sponsorships, internal rent reviews;
  4. Recording of leasing opportunities, vacant office and retail space;
  5. Marketing of vacant property;
  6. Efficient and innovative use of existing infrastructure.

## **4.2 Review**

All commercial holdings to be reviewed annually by determination of the associated risk, in accordance with the Decision Making Matrix (clause 4.5).

## **4.3 Funding**

Council established the Strategic Development: Land Acquisition (SDLA) reserve for the purpose of funding property investments. Any income received from the sale of strategic land holdings will be directed to the SDLA reserve.

The balance of the SDLA reserve will be invested in property development projects and/or property investment purchases that will generate either viable short-term cash flows or long-term capital gains, or both.

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Funding sources will come from one or more of the following, depending upon the feasibility outcome of each:

1. loans;
2. the SDLA; or
3. municipal funds or other reserves, where appropriate.

All commercial acquisition taken up via loan strategy will be repaid from the proceeds of the asset that generates the revenue.

#### **4.4 Diversification**

The SDLA reserve will allow the City the capacity to diversify activities to spread the risk from real property to investment shares. This could take the form of investment shares backed by the asset reserves held in the SDLA reserve.

#### **4.5 Decision Making Matrix**

The method to be used when dealing with land acquisitions will be dependent upon the type and the purpose of the land holdings. This may include resumption of land, negotiations, joint ventures, influencing private developments to achieve the highest and best use, and call options.

In the consideration of City land holdings, the options to be considered are:

1. Sell by public/private treaty;
2. Auction;
3. Expression of Interest or Tender.

Strategic land divestments should consider the ability to influence, negotiate and/or swap City land holdings.

The decision making matrix below provides a guide to be referred to when considering options for acquisition, development or divestment. This has been aligned to the City's Risk Management Framework by identifying the levels of risk associated with the types of transactions.

## **5 Reporting**

To manage the progress of commercialisation activities, reporting will be undertaken through the corporate systems on a quarterly basis, and the Executive Management Team and Steering committee on a monthly/bi-monthly basis.

The Steering committee will receive reporting on a monthly basis, regarding the progress of projects under its control.

Reporting to Council as required.

## 6 Risk Management

Through a diversified portfolio, the City will leverage its risk. This will be achieved through various opportunities including:

- Property ventures
- Business ventures
- Financial instruments
- Other opportunities as they arise

The risk associated with the portfolio will be managed through Commercial strategies in accordance with the corporate risk complexity, audit and other relevant committee requirements, or as market conditions dictate.

Options	Level of Risk	Monetary Benefit	Advantages - construction	Disadvantages - Construction	Environmental	Regulatory Authorities	Community	Disadvantages
Sale of City owned land	Low	Medium to High	N/A	N/A	Low to Medium	Medium	Medium to High	Low to Medium
Sale of Sub Division Land	Medium	High	N/A	N/A	Low to Medium	Medium to High	Medium to High	Low to Medium
Construction Development to be Held by the City	Medium to High	High to Very High	Medium to High	Medium to High	Medium	Medium to High	Medium to High	Medium
Construction Development to partially hold and sell	Medium to High	High to Very High	Medium to High	Medium	Medium	Medium to High	Medium to High	Medium
Construction Development to Build and sell by the City	High	High to Very High	Medium to High	Medium to High	Medium	Medium to High	Medium to High	Medium
Joint Ventures with Various Parties	Medium To High	High to Very High	Medium to High	Medium	Medium	Medium to High	Medium to High	Medium
Syndications with various Groups	Medium to High	High to Very High	Medium to High	Medium	Medium	Medium to High	Medium to High	Medium

*NB: not all commercial development options may be considered in each instance - it is dependent upon the size and type of development*

## Governance References

<b>Statutory Compliance</b>	Local Government Act 1995 Planning and Development Act 2005 Trustees Amendment Act (1997)
<b>Industry Compliance</b>	Nil.
<b>Organisational Compliance</b>	Pol-C-018 Investment of Surplus Funds Strategic Community Plan 2012-2022 KRA: Governance Outcome: G2 Optimise use of City resources Objective: G2.1 Improve capability and capacity Strategic Financial Plan Workforce Plan Asset Management Plan Corporate Business Plan Annual Budget
<b>Decision Maker</b>	Council
<b>Process Links</b>	Developed

## Policy Administration

Business Unit Name	Officer Title	Contact:
Commercial & Economic Development	Manager, Commercial & Economic Development	9267 9267
<b>Risk Complexity Classification</b>	5	<b>Review Frequency</b> Annual <b>Next Due</b> 2017

Version	Decision Reference	Synopsis
1.	Executive 27/9/12 GOV 13/11/12 OCM 12/12/12	Endorsed draft policy Approval of amendments Adopted policy
2.	Executive 28/11/13 Governance 25/2/14 OCM 26/3/14	Endorsed proposed amendments to policy. Endorsed proposed amendments to policy. Adopted reviewed policy.
3.	Executive - 31/07/2014 Governance - 26/08/2014 OCM - 10/09/2014	Endorsed renewal of policy for 2 years. Endorsed renewal of policy for 2 years. Adopted policy for 2 years.
4.	Executive - 28/07/2016 Governance - 30/08/2016 OCM - 07/09/2016	Endorsed revised policy. Endorsed revised policy. Adopted policy.
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6.		