



Whangarei District Council Policy

Property Policy

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1 Purpose

The role and purpose of the Property Policy is to:

- articulate the guiding philosophy of Council in considering decisions about the acquisition, management and disposal of property assets and any associated risks
- define the policy framework within which specific property related decisions are to be made
- identify the specific property related objectives of Council, as a basis for determining the need for and priority accorded to individual transactions; and
- define the management and decision making framework governing specific property decisions.

2 Property Objectives and Issues

A key objective is to provide Council with an opportunity to be involved in future development that contributes to the sustainable development of the District. This may include the acquisition and retention of a range of properties that may provide a long-term source of income for Council. Fundamental to this approach is that Council seeks to achieve a range of objectives in a way that is commercially robust, while accepting that this might compromise financial returns.

This Property Policy sits alongside other organisational strategies in establishing a consistent approach to property management, based on a clear understanding of the requirements of Council and the services it delivers. Those strategies and documents set out the framework for managing assets and spaces. For instance, the *Reserves Strategy* is a framework setting out the principles and objectives for supplying and managing the District's reserve network. Additionally, Council's *Asset Management Plans* (AMP's) direct Council's stewardship role for physical assets.

Council seeks to achieve a range of outcomes and gives consideration to the following:

- Income stream
- Council's asset base
- Positive Economic Growth
- Key development objectives
- Public access to recreational amenities
- Community objectives
- Ecosystems
- Cultural heritage
- Development of property amenities/destinations

The relative weighting placed on these outcomes will vary by property type as included in Appendix 1. Councils overall role and the specific objectives of the Property Policy may conflict on occasions. Issues of this type should be presented to Council who will recommend an appropriate course of action.

3 Property Management Principles

The management of Council's property portfolios shall be guided by the following principles:

- Whangarei District Council should only retain ownership and control over those properties that:
 - Are necessary for the efficient and effective performance of its functions
 - Council is otherwise legally required to control
 - Fit defined strategic and/or investment criteria

Where properties do not meet these criteria consideration should be given to their disposal

- All properties must be managed and maintained to deliver acceptable and affordable levels of service in line with the outcomes defined for their classification
- Asset management decisions should be integrated with strategic planning to form part of the overall framework of decision-making for Council.

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- This framework will assist in identifying opportunities to improve asset performance, to alter the mix of assets used, and/or to explore non-asset solutions.

4 Council's Property Portfolios

Council owns a diverse range of properties in freehold and perpetual leasehold tenure Properties may be identified as strategic or non-strategic or future purpose. In general terms "future purpose" land is identified in documents (such as 20/20: Living the Vision, Sustainable Futures 30/50) while "strategic assets" are adopted by Council that meets the legal definition defined within s5 of the Local Government Act.

A broad classification of Council properties is:

4.1 Commercial Property Portfolio

This includes all Council owned properties held as investments and able to provide a commercial return to Council, and includes a mix of, non-strategic and future purpose sites.

Strategic investment portfolio properties will generally not be sold. Future purpose and non-strategic properties may be sold, provided due process is followed.

- *Ground Lease Portfolio* – mainly properties inherited from the Northland Harbour Board after Local Government amalgamation in 1989.
- *Commercial Freehold Property* – various commercial / light industrial sites in the CBD environs.
- *Town Basin* – a boutique shopping and casual dining precinct developed by Council with recreational amenity value.
- *Central City Carpark* – a multi-level parking building in the CBD.
- *Parihaka Transmission Mast* – the dominant transmission facility in the District.
- *Future Use* – sites acquired for future development or to aid future urban development or infrastructure needs.

4.2 Council Services Portfolio

These are the properties used by Council for the business of Council and provision of services to its stakeholders, both now and in the future. This includes property held for:

- *Civic purposes* – for administration and delivery of Council services, including libraries
- *Community purposes* – for halls, community centres
- *Whangarei District Airport* – a joint venture with the Ministry of Transport
- *Residential property* – pensioner housing, residential housing
- *Special purposes* – Bus Terminal, quarries, marinas
- *Future use* – land banking
- *Other property* - This includes various landholdings accumulated over the years that are no longer used to provide Council services, and are generally non-strategic in nature.

4.3 Council Infrastructure Portfolio

These are properties that are held and managed by the WDC Infrastructure & Services Group. While the Property Department may be asked to assist with acquisition, development or disposal of these sites, it does not play an active role in their management.

- *Services and utilities* – for water, storm water or waste water facilities
- *Roads and transport* – Roads, car parks (other than John St and Town Basin), bus shelters
- *Forestry Assets* – a portfolio of small pine forests, many of which are planted on drinking water catchment areas
- *Future use* – land banking, future infrastructure or recreation development e.g. roads, sports fields

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- *Parks and Reserves* – public open space which may or may not be classified as reserve (Reserves Act 1977) including sports fields, cemeteries, civic spaces, public gardens, walkways, access ways, esplanade reserves, native forest, conservation and catchment areas, land acquired for green belts, etc.

Most of these are strategic properties (as identified in the LTP), which will not be sold. However in some cases the status will change to non-strategic (for instance, where infrastructure needs change) and may be considered for disposal.

5 Key Legislation

Council must have regard for the specific provisions of various pieces of legislation in managing its property portfolio. As well as the general legislation covering all property issues in the private sector, there are additional issues to consider, including:

5.1 Local Government Act 2002

Council's powers, functions and obligations are governed by the Local Government Act 2002 (the LGA). The LGA both enables and requires local government to approach property in an organised and strategically consistent manner. The power of general competence given to local government under the LGA makes it possible for Council to act as would any other person or organisation in pursuit of its objectives. However, this expansion of capability comes with a series of obligations to:

- explore options and alternatives
- provide responsible stewardship
- conduct business in an efficient and prudent manner
- have regard for the delivery of agreed community outcomes.

Council is required to manage its property assets that meet the requirements of the LGA. In particular, Council is obliged to have regard to the need to identify those property assets that are considered "strategic" within the meaning of s.5 of the Act, being

"an asset...that Council needs to retain if Council is to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future wellbeing of the community".

Where an asset is deemed to be of significance under this provision, it may only be disposed of after a special consultative procedure, which may include consultation under the annual review of the LTP.

Other parts of the LGA that have particular relevance to the way Council addresses property matters are:

- Part 6 – Planning, decision-making and accountability
 - s 76 – 81 Decision making
 - s 82 – 90 Consultation
- Part 7 – Specific obligations and restrictions
 - s 137: Partnerships and joint ventures
 - s 138: Restrictions on disposals of parks
 - s 140: Restrictions on disposal of endowment property
 - s 141: Conditions applying to sale or exchange of endowment property
- Part 8 – Regulatory, enforcement and coercive powers
 - s 189: Power to acquire land
- s 190: Compensation payable by local authority for land taken or injuriously affected

5.2 Public Bodies Leases Act 1969

The Public Bodies Leases Act 1969 (PBLA) sets out the powers and mechanisms for Council to undertake leases on land.

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5.3 Public Works Act 1981

The Public Works Act 1981 (PWA) contains provisions enabling Council to acquire land for defined purposes. Additionally, the PWA enables government infrastructure entities (such as NZTA) to acquire land from Council and others, for example for road widening purposes.

The PWA is directive in setting out the methodologies for consultation and acquisition.

5.4 Reserves Act 1977

The Reserves Act 1977 applies to all public land that has been vested or gazetted under the Act. This Act does not apply to all parks land in Whangarei however where the Act does apply, the process of land disposal, including consultation and decision making, is directed by that Act.

5.5 Resource Management Act 1991

Whangarei District Council is required by the Resource Management Act 1991 (RMA) to prepare and amend the District Plan, enabling community involvement and seeking “to promote the sustainable management of natural and physical resources” within the district. In particular, provision is made within the District Plan for the provision by the development community of land (and associated assets) for infrastructural purposes including roads, water services, parks (including esplanade reserves), stormwater ponds, etc. that may be vested in Council.

6 General Policy Considerations

Council is required to make strategic and policy decisions that impact the management of the property portfolio, and this policy must therefore be considered within the broader context. While these documents will vary from time to time, current items include:

6.1 Council’s Long Term Plan (LTP)

The LTP is a requirement of the LGA that sets out a ten year plan for how Council will deliver its services to help achieve agreed community outcomes. As well as providing a basis for financial planning and an accountability framework to the community, it sets out levels of service for key areas of activity, including Property. The property portfolios must be managed to meet these levels of services, and this policy helps to ensure that.

6.2 Growth Strategy – Sustainable Futures 30/50

Whangarei District experienced significant growth over the period 2001 to 2008. Although growth has slowed in line with global and national trends, future growth for the district is projected to continue and in some parts of the district, particularly in the Marsden Point/Ruakaka area has the potential to be substantial. To manage the projected growth sustainably, Whangarei District Council has formulated the long term Sub-regional Growth Strategy entitled “*Sustainable Futures 30/50*”, that identifies economic drivers of development, assesses future growth potential, determines existing and potential land use patterns, and assesses and plans for infrastructural requirements for the district over a 30-50 year time frame. The implementation plan for this strategy was adopted in April 2013.

It has particular relevance to property matters in terms of urban development and the acquisition, development and management of strategic and other properties.

6.3 WDC 20/20: Living the Vision

Council’s *20/20: Living the Vision* and *20/20: Plus* set out the conceptual framework for urban development, with revitalisation of the CBD as the primary objective. It proposes various ‘precincts’ where development of similar types could occur, such as a cultural precinct around Forum North and a ‘visitor destination’ in the Town Basin Precinct.

It has been developed as an information memorandum to invite prospective developers to engage with Council over the long-term development of the CBD.

6.4 ‘Sense of Place’

In 2011 it was the preparation of the Growth Strategy “*Sustainable Futures 30/50*” that highlighted the importance that Sense of Place (SoP) would have in respect of creating a sustainable District. It was highlighted that the District will compete both nationally and internationally for skilled people who will meet

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the needs of current and future generations and make our community sustainable. If Whangarei District is to be successful, it needs to also focus on ensuring a commitment to developing a resilient SoP to attract and return people.

7 Property Governance

To enable property decisions to be dealt with in a commercial and prompt manner, all property acquisition and disposal shall be considered by the Mayor and Chair of the Finance Committee in the first instance, and then by full Council. (unless as described below).

Council may engage external advisers with relevant skills and experience as required.

Council will normally meet monthly to discuss property matters, with urgent meetings convened as requested. Council will discuss and make recommendations re the selling or buying of non-strategic properties within the Commercial Property Portfolio, so better rental yields or more desirable ownership options can be achieved, provided the overall gross value of the investment portfolio is maintained. (It is accepted that cyclical property valuation changes will occur.)

All Future Purpose properties will be identified including acquisition and disposal decisions affecting those properties.

Council will also consider the acquisition or disposal of Council Services Properties and Infrastructure Properties that have been properly identified and approved through an Annual Plan or LTP process, with the exception of minor Road and Parks legislation.

In the event land is vested to Council through subdivision or other legislative means (e.g. Esplanade Reserves), the acquisition and/or disposal shall be reported to Council upon completion of legal processes.

In the event that Council land is proposed to be disposed of through the Public Works Act (i.e. taken by Government), all such proposals shall be considered by Council.

Council shall ensure that the pool for Commercial Portfolio investment shall increase over time.

8 Business Plan for Commercial Property

Council will have a Business Plan for Commercial Property, which sets out how Council's property business will be managed. As this will contain commercially sensitive property strategies, it will be presented to Council as a confidential document. The plan will be reviewed annually.

9 Property Funding

Council can consider borrowing against the total value of the investment property portfolio for the purpose of further developing the portfolio. All proposals must be aligned to the Business Plan for Commercial Property and not be speculative. Any proposal would be pending a resolution of Council.

Advice from suitably qualified external advisers with relevant skills and experience must be sought.

Servicing any borrowings of this type shall be a first charge against commercial rental incomes.

10 Property Disposal

Council may release funds from its property assets on a planned basis from time to time to finance other initiatives. The disposal of property assets will arise in a number of ways, including:

- disposal of land held for future development purposes once the project for which it was acquired is ready to proceed
- disposal of property found to be no longer required for the purpose for which it was acquired
- disposal of property held for community purposes where non-ownership solutions have been found to offer superior outcomes
- disposal of property to private ownership where Council are satisfied that wider objectives are met e.g. land held for future urban development
- trading or tactical disposal of investment assets.

Wherever practicable, property disposal will be timed to take maximum advantage of market conditions, and the financial return optimised, subject to relevant legal requirements.

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In the case of minor or hard to sell properties, the cost of disposal relative to the ongoing cost of ownership will be a factor in deciding whether disposal is warranted.

10.1 Disposal process

As a public entity, it is preferable for any property disposal to be conducted in a way that is visible and open to all parties to participate in. However, this can compromise the outcomes sought in managing property assets in the most effective way.

Unless there are compelling reasons otherwise, property disposals will usually be conducted via an open tender or auction process. However, where the majority of Councillors determine that a disposal should be managed another way they can do so, provided the disposal furthers previously agreed objectives.

While sale on the open market offers the benefit of being a completely open and transparent process that helps to set the 'true market value' at a particular point in time, it focuses the transaction on financial issues, whereas there may be other interests or perspectives that Council needs to consider in terms of its overall role in protecting and enhancing the ratepayers' interests. These could include:

- the overall package of benefits offered by the transaction in relation to Council's objectives and current policies
- redevelopment of the property in a manner that provides benefits to the District which are not expected to be provided if a contestable process is adopted
- the timing of a sale by private treaty could allow an opportunity to be captured which sale by a contestable process would not
- at times it will be important to see immediate development of a site, rather than speculation or land banking
- redevelopment of the property by a known entity could lead to a treatment that is consistent with Council's overall development plans for the District.

These matters should be considered in relation to each disposal, with the best course of action determined for that particular transaction.

11 Property Reinvestment Reserve

A Property Reinvestment Reserve (PRR) has been created to fund the ongoing growth and development of the Commercial Property Portfolio.

The net proceeds of the disposal of any property in the Commercial Property Portfolio are to be invested in the PRR.

Any sale of Council Services Property or Council Infrastructure Property may also have a portion transferred to the PRR. Council may nominate the portion to be applied at the time of disposal (recommended to be in the range of 20% of the net realisation).

Funds from the PRR can be advanced to Whangarei District Council as Council debt (i.e. internal lending), either for specific projects or to temporarily offset bank debt. When advanced to Council an interest return of not less than Council cost of funds shall be paid and applied as Council general revenue. Where funds are borrowed from the PRR, they are to be repaid within a seven year period from drawdown. When repaid, provided the funds are not required for property purposes they may be re-advanced to Council as internal lending. At the end of each financial year a dividend shall be transferred to the PRR. The dividend amount will be calculated as a return on the PRR balance and in general should be no less than 2% of the gross PRR balance. The dividend is to ensure the balance of the PRR is inflation protected and maintains buying power for future property investment

12 Property Management

Council's Property Department shall be resourced to provide:

- property services to Council in accordance with property management best practice
- operational property management (where Council is landlord)
- property investment (maximising commercial rents, undertaking capital works, tenants' landlord, buying and selling properties)

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- reporting to Council all exceptions to best practice, significant refurbishment requirements and risk matters
- feasibility studies as required Council and to engage consultants as required to ensure a full complement of property skills are available to Council
- community housing (housing and support as landlord to tenants)
- management and property consultancy to other Council departments.

13 Property Development

Council may consider the subdivision and sale of land to achieve the outcomes required to satisfy its population, economic, infrastructure, reserve and transport network objectives.

Council may actively consider becoming involved in property development where appropriate or necessary to:

- act as a catalyst for private sector development and investment, where it is thought that the level of perceived risk would deter private sector developers in rural towns
- control the form, scale and timing of development
- capitalise on increasing land prices and thus deliver a return to the ratepayers of the District.

Council will not normally compete with private developers in areas where successful development outcomes can be achieved through alternative strategies. However, Council should actively monitor and implement opportunities to capture value from the development of its land, including:

- development joint ventures
- selective withholding of land from sale to capitalise on rising prices
- ground leases, with the rent tied to unimproved capital value
- deferred payment schemes on land sold for future development, where the final purchase price is structured so as to capture some of the development "profit".

14 Urban Development

Council may from time to time selectively acquire or retain such interests in property as may be required to achieve its urban development priorities. This will include property to support the development of the necessary service, social and community infrastructure and property seen as vital to achievement of urban consolidation, good urban design (including reserve networks) and/or integration of transport infrastructure and land use. Council will also continue to explore the creation of effective partnerships to achieve these objectives.

Council will undertake specialised studies in the rural areas, which may result in the need for strategic purchases of land and/or provision of infrastructure to provide for future needs in terms of increasing growth and urbanisation.

In order to facilitate such land purchases in an environment of rapidly changing prices, Council recognises the need for property acquisition processes and management structures that will allow rapid responses to specific opportunities in the property market and/or the ability to take specific initiatives ahead of likely developer interest.

Objectives underpinning such acquisitions will be defined in each case in terms of:

- i the ability to control the pace, scale and style of development in the town or rural centre
- ii economic, social and environmental benefits to the District and its ratepayers that might be obtained through a medium-term strategy of holding property as an appreciating investment; and
- iii exploitation of Council's land ownership to encourage appropriate private sector investment or development.

Formulation of these objectives will have regard to the need to manage potential conflicts of interest arising from the multiple planning, regulatory and ownership roles of Council, and the need for equity and transparency in all matters involving Council either acting in direct competition with private sector ratepayers or taking other initiatives that might directly or indirectly advantage particular parties.

Council will also identify and develop effective relationships with other stakeholders including:

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- affected communities including business communities
- private sector developers
- existing and potential providers of service, social and community infrastructure
- existing landowners, whose properties can contribute to required outcomes
- transport operators and infrastructure providers.

15 Risk Issues

As a local authority Council has a relatively low appetite for risk, and property issues should accordingly be managed on a conservative basis. Any decisions and actions should have regard for various categories of risk:

- Financial** Shortfalls in budgeted revenue due to unpaid rents/leases, vacancies, uninsured damage, losses on development projects, loss on disposal etc.
- Reputational** Service failures, negative media coverage in relation to sale/purchase decisions, evictions, recovery of outstanding rents etc.
- Legal** Terms and conditions of leases/agreements, legislative requirements around disposals, including consultation requirements, operating within delegated authority etc.
- Loss or Damage** Fire, flooding, earthquake, vandalism etc.

Mitigants for these risks will be established for every category of property, with operating procedures established as required. Examples include:

- use of standard legal documents for all leases
- comprehensive insurance cover for all assets
- outsourcing of high-risk activities to third parties to reduce reputational risk
- monitoring of rent arrears, with early intervention.

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Appendix 1- Property Management Objectives by Portfolio

The objectives for each property portfolio are:

1 Commercial Property Portfolio

Council's overall Commercial property investment strategy objectives include:

- investing in property that has a clear economic benefit to Council by meeting the minimum forecast average annual return on capital invested in accordance with Council investment guidelines. Specific targets will be set for each property class within the portfolio
- investing in property that provides cash returns
- investing in property that has specific policy objectives, including urban regeneration, social or community benefit to Council (this will need to be defined but may include the acquisition of suitable properties where there is an urban design or aesthetic quality that provides a demonstrable benefit to a community).

Commercial Property Acquisition

Council will undertake a programme of selectively acquiring property with the specific purpose of utilising its growth in value to finance the increased demands generated by the management of growth. Where possible, such acquisitions should also serve a future purpose in terms of urban design or economic development considerations. Council will also seek to increase, over time, its portfolio of income-producing properties to supplement its income from rating: Considerations in this regard include:

- the acquisition and ongoing ownership of investment properties will be assessed on the basis of portfolio management principles, including asset diversification (to spread risk) and the ability to generate financial returns (from holding income and capital gains) superior to that obtainable from other investments.
- any decision to hold property assets for investment purposes must address the potential for conflict of interest between Council's different roles, and the total economic cost of ownership (including any future need for development finance).
- analysis of the total cost of ownership should be undertaken for each investment property, including maintenance costs (based on lifecycle costings) and holding costs.
- condition assessments and asset management plans should be prepared for properties.
- exit strategies in the short, medium and long term should be developed so as to provide a clear framework for evaluating the benefits of ownership.

Objectives by Classification

1.1 Ground Lease Portfolio

This category is primarily composed of land vested to Council from the Northland Harbour Board after local government amalgamation in 1989. The bulk of this land is 'endowment land' which is subject to specific provisions under the LGA. The sites are held under perpetual ground lease, with rent review periods ranging from 5 to 21 years.

Council owns the freehold title to these sites, but lessees have perpetual ground leases that are renewable at their discretion. They also own all improvements on the sites e.g. the buildings and any additional site-works.

In general terms, the blocks that mainly comprise waterfront sites in the inner Whangarei Harbour above the harbour crossing from Pohe island, (Lower Dent St, Herekino St, Upper Port Road) are viewed as future purpose sites, while those in other areas (e.g. Lower Port Rd, Fraser St, Hewlett St, Kioreroa Rd) are seen as non-strategic. The objectives are:

- maximise cash returns
- reduce rent review periods from 21 years to 5 or 7 years by negotiation
- dispose of non-strategic sites for reinvestment in other commercial properties
- encourage development of sites by lessee to stimulate economic growth

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- manage groups of properties as one unit where appropriate e.g. block of adjacent sites.

1.2 Commercial Freehold Property

This category includes sites where Council owns both the land and buildings. These sites have been acquired over time for a variety of reasons, including new roading developments or future urban development. While the initial purchase may be made for a future purpose, this can change over time and should be reviewed regularly.

While held within the portfolio, every effort should be made to keep the property tenanted and achieve a market rental. It may be appropriate to make alterations for a new tenant in some instances, and this may be considered if the costs can be recovered in a reasonable timeframe. The objectives are:

- maximise cash returns.
- dispose of non-strategic sites over time, unless providing exceptional returns.
- maintain asset to optimise returns over long term.
- consider capitalising improvements into lease to increase returns and/or encourage effective use.

1.3 Town Basin

The Town Basin properties were developed in the mid-1990s, and while established as commercial tenancies, the overall precinct is managed as a public amenity. Property interests need to be balanced against its importance as a visitor destination (for both local residents and tourists), an entertainment area (cafes, restaurants, playground and park), and the setting for the Town Basin marina. While the property tenancies should be managed on a commercial basis, it may be necessary to slightly compromise overall financial returns in order to retain the best mix of tenants.

A portion of the revenue received should also be re-invested in the overall precinct to ensure visual and amenity standards are met, to encourage as many visitors as possible. Regard should be had for linkages with related activity e.g. cultural, art and heritage attractions and events. The objectives are:

- manage as overall precinct, ensuring public amenity values are considered
- tenants to be primarily a mix of high quality/boutique retail, café / restaurant
- portion of revenues to be reinvested to maintain/enhance amenity value
- wherever possible integrate commercial aspects with other interest e.g. passive recreation, art and cultural attractions, water-based activity
- where appropriate accept a slightly lower rate of return, given need to ensure public amenity values etc

1.4 Central City Carpark

This parking building is the only significant parking building available to the general public. It is not considered to be a strategic asset, as the service could be provided by the private sector. However, given limitations on parking revenue in the local market, it is prudent to retain this asset until market conditions produce a higher return on capital, at which point it could be sold.

In the meantime, returns can be maximised by leasing some spaces for dedicated use e.g. for staff parking, while retaining the balance for casual use. The objectives are:

- maximise cash returns
- integrate operations with wider WDC parking strategy
- manage security issues to minimise public concerns
- consider disposal to private operator.

1.5 Parihaka Transmission Mast

Council owns the prime transmission facility for the District. It provides an excellent rate of return, and has importance in ensuring the full range of digital and wireless services is available to residents of the District.

It is important that there is regular investment in the facility to ensure it adapts to technological advances in a timely manner. Over time, this should allow a rationalisation of the masts to a single structure.

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It should be noted that the Parihaka site is of significance to local hapū and iwi, and the asset management plan must take this into account.

- maximise cash returns
- ongoing development in line with technology advances e.g. wireless
- rationalise masts over time, with aim of one mast covering all needs
- manage site in conjunction with Parks Department
- consider iwi issues, especially minimising impact on overall site and location.

1.6 Future Purpose – Property Held for Future Development Purposes

This category includes land acquired and held for the purposes of securing future urban development objectives such as town centre projects, aggregation of strategic parcels for the purpose of controlling or influencing development of the surrounding property, and property held with the intention of initiating development projects in pursuit of Council's urban planning. The objectives are:

- the purpose for which each property is held shall be noted in the property database
- each property shall be regularly reviewed to ascertain that it remains consistent with its proposed future use
- pending utilisation, opportunities to obtain rental income should be explored
- where practicable, opportunities should be sought to combine future development and investment objectives in relation to such properties
- while efforts should be made to produce returns that at least meet their holding costs, it is recognised that these properties will not realise significant financial returns until they are converted to their intended use.

2 Council Services Portfolio

One of Council's core objectives is to ensure the provision of adequate and appropriate facilities for the delivery of a range of social and community services for the needs of the District and its residents both now and in the future. However, Council recognises the need to identify the most appropriate and cost-effective means of achieving these goals given resource constraints and competing priorities. Considerations in this regard include:

- the need to acquire property in locations or areas of strong projected growth
- the relative merits of ownership versus leasing of buildings that house such facilities
- ensuring wherever practicable that community facilities are available to multiple users
- assisting service providers in their formative stages, with a view to longer term self-sufficiency
- understanding the roles of central government agencies in providing services at a local level
- the role of Council as a catalyst for private investment in ancillary facilities; and
- protocols for cost-recovery through shared facilities with private enterprise, leasing out when not in use, complementary commercial activity etc.

Objectives by Classification

2.1 Civic Purposes

This category includes all property which has as its dominant purpose the administration and delivery of Council services, including libraries. Acquisition or disposal of such properties will be determined solely on the basis of suitability for its functional purpose.

Council owns and rents buildings to enable it to provide services to ratepayers. They will be managed on a cost effective basis to meet the needs of ratepayers, visitors and staff. A 'civic presence' will be maintained at Forum North, while opportunities to bring staff together under one roof are explored.

Satellite offices will be housed in locations where there is sufficient resident population and service demand to justify the capital and staffing costs.

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2.2 Community Purposes

This category includes local halls and community centres, recreation facilities (where located on freehold land), properties leased to community groups (e.g. the Old Library) and any other property for which the dominant purpose is of a like nature. Whilst the successful delivery of these services does not always require Council ownership of the assets, Council recognises that there are some aspects of service delivery for which only a public body such as Council is able or willing to provide the necessary infrastructure. The objectives are:

- the purpose for which each property is held shall be noted in the property database
- each property shall be regularly reviewed to ascertain that its dominant use remains as noted
- alternatives to Council ownership will be considered where this is practicable without compromising ongoing function or amenity
- opportunities will be sought where practicable to generate ancillary commercial activities to help defray the cost of facilities
- wherever possible, the use of facilities will be maximised through multiple user arrangements.

Where a Council-owned building is leased by a community group consideration will be given to reducing the rent payable while agreed services are provided to an acceptable standard. In these instances a 'rent grant' will be paid from the Community Funding budget to the Property department to offset any subsidies received.

2.3 Whangarei District Airport

Whangarei District Airport (Airport), situated at Onerahi in Whangarei, is operated under a joint venture partnership agreement between Council and the Crown, represented by the Ministry of Transport (MoT). The day-to-day operational activities of the Airport are managed under the aegis of Council by way of a management contract with a contractor (currently Northland Aviation Limited). The Airport acts as a gateway to the Whangarei District and Northland, and this aspect remains a focus of Council in providing an airport service of high quality and efficiency.

As a Council Controlled Organisation, the Airport has a Statement of Intent, which sets out the following objectives that:

- the Airport is operated as a fully serviceable District Airport for the use of visitors, residents and ratepayers of the Whangarei District
- the short and long term objectives of the Airport operation meet the needs of scheduled and non-scheduled aviation operators and their customers
- standards of safety are promoted and maintained, recognising New Zealand Civil Aviation Authority (CAA) and other safety and health requirements
- the Airport is operated with regard to appropriate environmental practices, legislation, and in recognition of the designation requirements in the District Plan.

Given the limited scale of operations and its role as a 'gateway' to the district, it is accepted that it will produce modest financial returns. There are restrictions on non-aviation activity, which were established as part of the operative District Plan. This also limits the Airport's ability to generate additional revenue.

The overall operation produces a small operating surplus, which is transferred to reserves to fund ongoing infrastructure development and maintenance. The nature and scope of activities undertaken broadly cover:

- operating the Airport in a cost effective and efficient manner to meet the objectives set out above, and in accordance with the terms of the Aerodrome Operating Certificate issued by the Civil Aviation Authority;
- meeting the Civil Aviation Authority certification requirements;
- continuing to seek opportunities to widen the revenue base in areas consistent with Airport operation. Such activities include leasing land within the Airport precinct for aviation related activities and reviewing both existing charges and exploring other options.

Plans, including future proofing and the potential for development to meet the needs of the district will be determined in a separate document in consultation with the Ministry of Transport.

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2.4 Residential property

Council owns 165 Pensioner Housing units, located in 16 sites across the District. They are identified as Strategic Assets in terms of Council's Policy on Significance.

Day to day management (tenancy issues, vacancy management etc), is outsourced under contract to the Masonic Trust. Maintenance of the grounds is similarly outsourced to Crewcut. Council staff manages all building maintenance (both internal and external).

The overall portfolio is managed on a break-even basis, with the weekly rent set as a percentage of National Superannuation. This level is reviewed regularly to ensure there is adequate income for effective long term asset management.

Council's policy is to maintain pensioner housing facilities at their current levels of service. However, should opportunities to source external funding arise (e.g. through Housing NZ) consideration will be given to making capital improvements that could reduce ongoing operational expenses for building maintenance.

Tenancies are restricted to those:

- ages 65 years and over
- in receipt of NZ superannuation
- cash assets of no more than \$17,500 (single), \$20,500 (couple)
- consideration of those nearing 65yrs and in receipt of an invalids benefit.

Council also owns a small portfolio of residential flats and houses, many of which were acquired as part of plans for future development e.g. expansion of Kensington Park. Where these properties can be used for residential purposes they are added to this portfolio, for which day to day management is provided under contract by First National Real Estate. Council gives regard to:

- the purpose for which each property is held shall be noted in the property database
- each property shall be regularly reviewed to ascertain that it remains consistent with its proposed future use
- opportunities to obtain rental income at market rates should be explored
- if a property is no longer required for its original use, opportunities for disposal or development of the site should be explored.

2.5 Future purpose

This category includes land and buildings acquired and held for the purposes of developing community or infrastructure (as opposed to commercial) assets in the future e.g. sports parks, community libraries, civic buildings, future transport routes etc. Where residential houses are acquired during such a process, it is added to the Residential Housing portfolio outlined above, as it is more efficient to manage these properties as a group.

The timeframe for further development and the extent of future site-works will dictate how the property is managed, and it is important that its long term use is not compromised e.g. by entering into leases that limit future access.

- the purpose for which each property is held shall be noted in the property database
- each property shall be regularly reviewed to ascertain that it remains consistent with its proposed future use
- pending utilisation, opportunities to obtain rental income should be explored
- where practicable, opportunities should be sought to combine future development and investment objectives in relation to such properties
- while efforts should be made to produce returns that at least meet their holding costs, it is recognised that these properties will not realise significant financial returns.

2.6 Special Purposes

This category includes any land holdings owned by Council not held under any other category and for which special factors dictate how the land may be used. It includes the Rose St Bus Terminal, productive rural land, quarries, forests, closed landfills, and riparian margins e.g. in the Hikurangi Swamp.

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- the purpose for which each property is held shall be noted in the property database
- where possible, the property should be managed to produce an ongoing revenue stream while held in ownership
- each property shall be regularly reviewed to ascertain that it remains consistent with its proposed future use
- opportunities to house organisations providing social or community services should be regularly explored
- if it is determined that the land is no longer required, it should be disposed of
- consideration will be given to offering the property to adjacent and/or previous owners where that is a sensible outcome, provided market value is obtained.

2.7 Other property

This category includes various landholdings accumulated over the years that are no longer used to provide Council services e.g. Whangarei Railway Station, abandoned quarries. It should be managed on the same basis as Special Purposes properties as noted above, with particular regard for the orderly disposal of these properties.

Further Considerations – Heritage Buildings

The Old Library, The Old Municipal Building and the Railway Station are heritage buildings presently owned by Council.

A system of “threat analysis” will be conducted for identified heritage properties not presently owned by Council. Where it is determined that there is a sufficiently urgent case for intervention, having regard to the financial consequences for Council, acquisition or other measures may be instigated.

Action will be taken periodically to analyse the status of any Council-owned heritage properties to identify whether ongoing ownership is the best or only means of protecting these properties. Where practicable, properties will be sold with adequate safeguards (e.g. covenants) in place, thereby freeing up funds for the purchase of other heritage properties under threat.

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3 Council Infrastructure Portfolio

These are properties that are held and managed by Council's infrastructure & Services group. While the Property Department may be asked to assist with acquisition, development or disposal of these sites, it does not play an active role in their management.

Services and Utilities

This category includes freehold land held for water and wastewater facilities and for facilitating the installation of utilities. Council gives regard to:

- the purpose for which each property is held shall be noted in the property database
- each property shall be regularly reviewed to ascertain that it remains consistent with its proposed future use
- where a property is larger than is required for its intended purpose, the balance should be evaluated with a view to maximising its investment value.

Roads and transport

This category includes all property which is being held for roading purposes (including future roading works and unformed roads, but not closed roads), car parks and current or future public transport facilities.

Although major roading, including land acquisition, associated with the State Highway network is the responsibility of NZ Transport Agency, Council may selectively acquire sufficient interest in land to facilitate its desired outcomes on key roading projects. Council gives regard to:

- The purpose for which each property is held shall be noted in the property database
- Each property shall be regularly reviewed to ascertain that it remains consistent with its proposed future use
- Pending utilisation, opportunities to obtain rental income should be explored
- Where a property is larger than is required for its intended purpose, the balance should be evaluated with a view to maximising its investment value.

Forestry Assets

Ten small pine forests are managed, most of which are planted on catchment areas critical to the District's drinking water supply. While efforts are made to secure a commercial return from these sites, this is difficult given the small total area (173 ha) and their fragmentation. Council has also made a decision that Parihaka, the largest site at 57 ha, is not to be re-planted as it is harvested, with the site reverting to native bush as it regenerates.

The portfolio is nearing the point where it is no longer viable to operate as an income producing asset, as the harvesting costs will start to exceed the revenue available. This is further complicated by liabilities arising from Emissions Trading Scheme.

A separate Forestry strategy will be prepared that examines potential options for this portfolio to:

- maximise net returns, accepting limitations of small and fragmented sites.
- ensure needs of other stakeholders are met e.g. water catchment.
- dispose of non-strategic sites, or convert to best use where possible.
- ensure carbon taxes are minimised.
- determine long-term strategy for this portfolio.

Parks and Reserves

Land for public open space is acquired using Development Contributions, reserve contributions from developers, through bequests or from other dedicated funding sources. Once acquired, the land may be given formal reserve status under the Reserves Act. However, in order to allow future urban design flexibility, through such elements as water-edge developments, hotels and cafes in parks, etc. Council may determine not to give land formal reserve status.

Whether or not land held as reserve is given formal reserve status, Council will:

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- give priority to acquisition and disposals as identified in the Reserves Strategy
- where a property is larger than is required for its intended purpose, the balance should be evaluated with a view to maximising its investment value
- assist as required with the purchase of conservation areas in the vicinity of the main urban centres, although this will remain the primary responsibility of the Department of Conservation and the Northland Regional Council
- identify those areas where future flexibility of use might be appropriate, and ensure that the funding of such acquisitions is arranged so as to allow for such flexibility.

Properties that are used for recreational purposes e.g. sports fields are managed by the Parks Department and operational management are not covered by this policy. However, there are occasions where the Property Department provide services to Parks, particularly in relation to managing leases of these properties or parts thereof.