

# Land and Property Retention, Disposal and Acquisition

**Policy Type: Council Policy**

**Policy Owner: Manager Strategic Urban Planning**

**Policy No. CP-005**

**Last Review Date: 21 March 2017**

## Policy Objectives

1. To provide a policy framework through which the City can consider its freehold and vested reserve land and property assets and make decisions, using a systematic informed approach, with respect to the retention, disposal or acquisition of such assets or a combination thereof.
2. To ensure that decisions made in relation to the use of City of Melville land and property assets ensure maximum return to the City by either realising a commercial level of financial return or by fulfilling a community benefit aligned to the visions of the City of Melville
3. To create greater revenue from current and potential land, property and facility holdings to reduce the necessity of future rate increases.

## Policy Scope

All land and property assets owned or controlled by the City of Melville.

## Policy Statement

This policy acknowledges that land and property assets form an integral part in facilitating the attainment of the City's visions and objectives.

Local Governments, like all spheres of government, have finite resources at their disposal. Such resources are often in high demand and the community has a high expectation for both the type and quality of services that it expects to be delivered by its local government.

In order to be less dependent upon general rates as the primary funding source for the provision of services each year, the City aims to diversify its income opportunities by raising revenues from additional sources.

Recent changes to legislation have limited the range of investments and therefore returns local government can achieve from its cash holdings resulting in a need to replace the forgone investment income opportunities from alternative sources.

This policy aims to provide a strategic position with respect to the management of the City's land and property assets and to:

- develop a vision for the use of these assets providing the desired level of service to the community;
- ensure that such services are provided from the most appropriate locations; and
- where appropriate, aid in the development of a land bank of property assets that will return an appropriate rate of return on investment.

### Property Classifications

<b>Classification</b>	<b>Description</b>
Surplus	<ul style="list-style-type: none"> <li>• No City of Melville or community services are provided from the property.</li> <li>• The property is not let to a third party for a beneficial purpose.</li> <li>• The property has no capacity to influence or support any other desired planning outcome or redevelopment project.</li> </ul>
Investment	<ul style="list-style-type: none"> <li>• No City of Melville or community services are provided from the property.</li> <li>• The property may be let to a third party through a lease arrangement based upon market valuation as determined by an independent valuer.</li> <li>• The property is considered to have the capacity to influence or support other desired planning outcomes or redevelopment projects.</li> </ul>
Civic	<ul style="list-style-type: none"> <li>• Properties from which non infrastructure related City of Melville services are provided.</li> <li>• Portions of the property may be let to a third party.</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• Properties from which independent commercial activities are or can be conducted.</li> <li>• The property may be let to a third party.</li> </ul>
Residential	<ul style="list-style-type: none"> <li>• Properties which are primarily used to provide residential accommodation.</li> <li>• The property may be let to a third party.</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Properties from which community support activities or services are provided on behalf of the City or for the broader benefit of the community.</li> <li>• The property may include both freehold and Crown Land vested in the City.</li> <li>• Portions of the property may be let to a third party.</li> </ul>
Utilities	<ul style="list-style-type: none"> <li>• Properties used by the City for the provision of essential infrastructure, e.g. water management, road reserves, parking, telecommunications, public access, etc.</li> <li>• The property may be Crown Land vested in the City.</li> <li>• Portions of the property may be let or sold to a third party.</li> </ul>
Public Spaces and Other Reserves	<ul style="list-style-type: none"> <li>• Property held by the City for the purpose of providing parks and nature reserves or some other community purpose.</li> <li>• The property may be Crown Land vested in the City.</li> <li>• Portions of the property may be let or sold to a third party.</li> </ul>



These categories will be considered to assess each property owned or controlled by the City. In retaining, disposing or acquiring land and property assets, the City will consider the purposes for this action which can be related to any of the following to provide:

- a service;
- a strategic purpose; and
- a commercial return on investment

Any property that is not providing a level of return, or not providing either services or other functions, should be rationalised as the lost opportunity places an additional burden on rates and other income sources.

In addition, properties of Local Government can be considered as belonging to one of the following two categories:

**Reserves** – properties owned by the State Government that have been provided to the City for its care, control and management, generally required to be used for specific purposes outlined in the Vesting Order providing little or no financial asset value to the City.

**Freehold Land** – same form of ownership as that applying to individual residential properties and only limited by the prevailing zoning for the property provided by the applicable Planning Scheme.

There are number of options that will be considered with regards to ensuring the best financial, community or social interests of the City and the community. These include:

1. Altering the Tenure of the Property Held (or owned) by the City
2. Purchase of Property for Public Spaces
3. Property Acquisition
4. Property Disposal

#### **1. Altering the Tenure of Property Held (or owned) by the City**

A number of methodologies may be considered to alter tenure and can include (but may not be limited to) any of the following:

- a) **Transfer or Exchange of Freehold Title** - enables the City to realise the value of freehold property assets that would otherwise be lost as result of the use of the land for service delivery.

In order to realise the value of a freehold asset without affecting the delivery of services provided from the relevant property, local governments can consider the transfer of such freehold titles to vacant crown land parcels.

- This process involves the transfer of the freehold title to a crown land parcel (identified as being required by the local government).
- Such transfers are undertaken on a dollar for dollar basis, with values of the two properties determined at highest and best use by the Valuer General's Office.



- If transferred, the new property is provided to the local government as unencumbered freehold title but, in most cases, will require rezoning following acquisition to achieve highest and best value.
  - The original freehold property on which the service is provided then becomes a crown land parcel which is returned to the local government as a reserve vested in the local government.
- b) **Profit Sharing** - subject to State Government Cabinet approval, State Government owned land deemed to be surplus to requirements (this may include land vested in the local government or Unallocated Crown Land) may be sold with the profit from the sale proceeds being shared between the City and State Government and generally required to be spent on significant community benefit projects.
- c) **Outright Purchase of Property** – under the Crown Reserve Rationalisation Scheme, Transfer or Exchange of Freehold Title or Profit Sharing model cannot be used to acquire property controlled by the State Government; the City may make application to acquire the property from the State Government at an agreed value.

## 2. Purchase of Property for Public Spaces

The City is committed to significantly improving public spaces to create a more liveable city.

In accordance with the City's CP-103 - Improving Public Spaces Policy, it will prioritise improvements to the quality, useability, amenity, comfort, sustainability, variety, safety and accessibility of public spaces over the purchase of expensive freehold land for additional parklands. Policy CP-103 will inform any consideration of the potential to purchase additional land for public spaces.

## 3. Property Acquisition

In considering the acquisition of property each type or class of property will have differing attributes and challenges and will require different approaches in respect to the period of ownership, the returns likely to be made and the inherent risks associated with owning that type of asset.

The following is a guideline with respect to property types:

### Residential

- **Zoning Changes** - the City may purchase residential property in suburbs where transformation or improvements to development quality are required. Such property may be rented out in the medium term and the property sold or developed when suitable prevailing market conditions exist.



- **Joint Venture** - a joint venture partner may be used to develop property where the City uses its land holding as equity in the project. This may be considered mutually beneficial by both parties as the City does not have to expose itself to the all the risks associated with the development and the developer does not have to carry the costs associated with purchasing the land. However, both parties share in the profits from the development outcome.

The option of returning profits directly from the sale of the development outcome or converting its equity in the development to a proportional share of the final product will be considered.

- **Regeneration** - these projects are often used in areas where the quality of the built form has deteriorated and investment is required to enable the broader suburb to be remarketed.

**Non Residential** - a similar analysis for non residential properties can also be used, however non residential acquisitions are considered to be more complex.

The City may consider such acquisitions and rezoning where involvement in the delivery of such an outcome will act as a catalyst for the regeneration or improvement of a larger area.

In making such acquisitions, the City will consider a passive role through the acquisition and land banking of assets in an area likely to be the subject of regeneration, returning higher than average capital appreciation, or to take a more active role, leading to the development of the site either through a joint venture type arrangement or with the City being the developer.

**Ground Lease** - used predominantly on properties that have a very high exposure to passing traffic or are located in an area where there is a much higher than usual interest in strategic property acquisition.

In establishing a ground lease, the City will also consider the built form that will remain on the property at the expiration of the lease.

#### 4. **Property Disposal**

A property that provides neither a service to the community, an appropriate financial return or any other function to the local government is in effect a property that is costing the City and the community funds to be retained.

The retention of a large number of properties that do not provide either strong capital growth or are current income stream from a third party as part of commercial (or quasi commercial) lease agreements, will impact upon the City's ability to deliver services unless the costs associated with retention of these properties is obtained through general rates.

Whilst the disposal of property may realise the value of the asset to the local government, how the funds are intended to be used by the local government following disposal is as important as the decision taken to the dispose of the property.

The City will consider two options with respect to the funds arising from the disposal of any property:

1. Use of the funds to acquire other property(s), providing either more strategic property holding/s (often used in regeneration areas or areas in which the local government wishes to catalyse development activity) or to acquire properties that will provide a recurrent income stream to the local government at a rate of return higher than that able to be returned from the original property, or
2. Use of the funds to deliver other facilities, services or fund operational activities.

The Local Government Act 1995 provides the basis by which community consultation will occur with respect to the acquisition and disposal of land and property.

This need to properly consult the community, with respect to matters affecting property, is a key foundation of the Local Government Act 1995 and one that the City of Melville endorses, as consultation helps ensure that decisions are made that provide for the best long term outcomes for its community.

Whilst the Local Government Act 1995 (and applicable Local Government Regulations) provides the statutory framework by which such consultation must occur, the City of Melville may also be required to apply any Consultation Policy of the State of Government in matters relating to State Government owned land.

In applying this policy and making conclusions with respect to the various property types for retention, disposal or acquisition, detailed selection criteria outlined in the operational procedure will be applied.

#### References that may be applicable to this Policy

Legislative Requirements:	Local Government Act 1995
Procedures, Process Maps, Work Instructions:	Land and Property Retention, Disposal and Acquisition Procedure
Other Plans, Frameworks, Documents Applicable to Policy:	Corporate Business Plan Local Planning Strategy Public Spaces Strategy Improving Public Spaces Policy CP-103
Delegated Authority No:	N/A

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#### ORIGIN/AUTHORITY

Ordinary Meeting of Council

19 June 2012

#### Item No.

P12/3315

#### Reviews

Ordinary Meeting of Council

21 March 2017

P17/3745