



PROPERTY STRATEGY

The purpose of this document is to provide Willoughby City Council with a strategic approach to the development and management of its property portfolio.

Jan 2020

ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the traditional inhabitants of the land on which we stand, the Aboriginal People, their spirits and ancestors.

We acknowledge the vital contribution that indigenous people and cultures have made and still make to the nation that we share, Australia.

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1 EXECUTIVE SUMMARY



The purpose of this Property Strategy is to provide Willoughby City Council with a strategic approach to the development and management of our property assets into the future.

Our property portfolio consists of property that we acquire for environmental, social or financial reasons, as well as to support Council’s operations. Council owned land is classified as operational or community under legislation and each classification has specific requirements we must adhere to.

Each property plays an important part in meeting the needs of the community and providing financial sustainability for Council to provide its services.

Examples include a property that has:

- a community centre on it
- vacant land which allows us to conserve bushland
- retail or office spaces to rent out at commercial rates
- or property that allows us to operate and deliver services.

Property value, use and needs change over time. Continual review of our portfolio makes sure the property we have is fit for purpose, minimises our risk and maximises benefit.

Through reviewing data and understanding the needs of the community and Council, we can make a decision to either:

- hold and maintain property that is performing
- enhance properties to make the most of the site, the assets on the site or opportunities that present themselves
- acquire new property to assist in meeting needs
- divest property that is underperforming, is surplus to needs or we can use to leverage other strategic outcomes.

Our property portfolio is underpinned by three principles:

1. value for money
2. meeting current and future needs
3. being transparent and compliant.

We have developed clear strategic directions and strategies which align with our *Community Strategic Plan – Our Future Willoughby 2028* and metrics to assist us in measuring our performance.

There are four stages in managing our property portfolio (Figure 1).

Council’s property portfolio is a complex and significant asset that needs to be proactively planned and managed to deliver optimal benefits.

1 EXECUTIVE SUMMARY

Figure 1 – Stages of Governing Property Management

Stages of Governing Property Management



Figure 1 – Stages of Governing Property Management cont.

HOLD & MAINTAIN

Why do we hold and maintain property?

- Already meets the needs of the community and Council
- Utilisation meets targets or has potential to
- Financial return is acceptable
- Useful for the longer term strategy
- Future potential

How do we manage property?

- Use it for Council services
- We license or lease to others
- Ground lease
- Sell or lease stratum lot

How do we secure other property?

- License it
- Lease it
- Purchase
- Compulsorily acquire

DIVEST

Why do we dispose of property?

- No longer meets the needs of the community and Council
- Underperforming
- Other opportunities can better deliver the needs
- Reduce risk
- Higher return
- Consolidation opportunity
- Leverage another strategic purpose

Continual review against:

- Utilisation – potential for varying types of use, co-location opportunities
- Asset condition – potential for increased works, changes to service requirements / legislation
- Financial returns – potential for change of use or utilisation
- Changing needs identified through the Asset Management Plan, service reviews, satisfaction ratings
- Potential for refurbishment, dispose, acquire new location, change in classification
- Fit for purpose – potential for change due to legislative, licencing requirements, building code changes, asset condition, demand etc
- Changing planning instruments – potential for uplift, redevelopment
- Changing nearby development – potential for partnerships, acquisition, disposal

2 INTRODUCTION



Our property portfolio is essential as it allows Willoughby City Council to deliver services to the community.

It requires a proactive and transparent approach to ensure the best return for the public and to manage associated risks.

Our property portfolio

Property in the context of this Strategy is used to describe any kind of interest in land, which we either hold or have been granted. It includes all buildings or rooms within buildings, rights of way, leases, tenancies, licences, easements and ground leases on the land.

We purchase property for the following reasons:

1. **Environmental Protection** – Bushland, buffers, environmental conservation.
2. **Social needs** – Services, playgrounds, sporting facilities, libraries, community facilities, footpaths, cycleways, roads.
3. **Financial** – Commercial activities that return income such as retail, business tenancies, ground leases, residential.
4. **Governance and administration** – Council offices, depot and chambers.

We hold a large property portfolio including community land valued at \$267 million, operational land valued at \$465 million and buildings valued at \$335 million. This requires a strategic focus to minimise risk and maximise benefit.

Some land is vacant and some has natural assets on it. The majority of land has a physical asset on it, which can include:

- Roads
- Car parks
- Affordable housing units
- Office space
- Retail spaces
- Residential homes
- Council offices
- Council depots
- Playgrounds
- Sporting fields
- Recreation centres
- Bike and foot paths
- BMX track
- Pool
- Community centres
- Libraries
- Child care
- Cultural centres

Benefits of holding property

A considered approach to managing our property portfolio can have many benefits, including:

- Providing venues for delivering services to the community.
- Maintaining assets proactively so they stay suitable for use.
- Complying with the laws, regulations and policy.
- Delivering more cost-effective asset provision and service delivery through economies of scale.
- Minimising risks.
- Reducing increasing costs to our ratepayers and having positive returns to offset costs since property is the only source of revenue not constrained by the State government.

Risks of holding property

The scale of investment in the property portfolio exposes us to a range of risks, including:

- Property value fluctuations.
- Interest rate fluctuations.
- Legal risks arising from contractual arrangements or liability if the land or building results in injury or death to tenants, patrons or other visitors.
- Financial risks and obligations which increase as the building ages.
- Commercial exposure to a competitive market (spaces may be vacant for some time).
- High value assets in small holdings (limits diversification).

This Strategy will help us manage the risks and get better value for money in the delivery of services to the community.

3 ALIGNMENT WITH OTHER PLANS



Integrated Planning and Reporting Framework

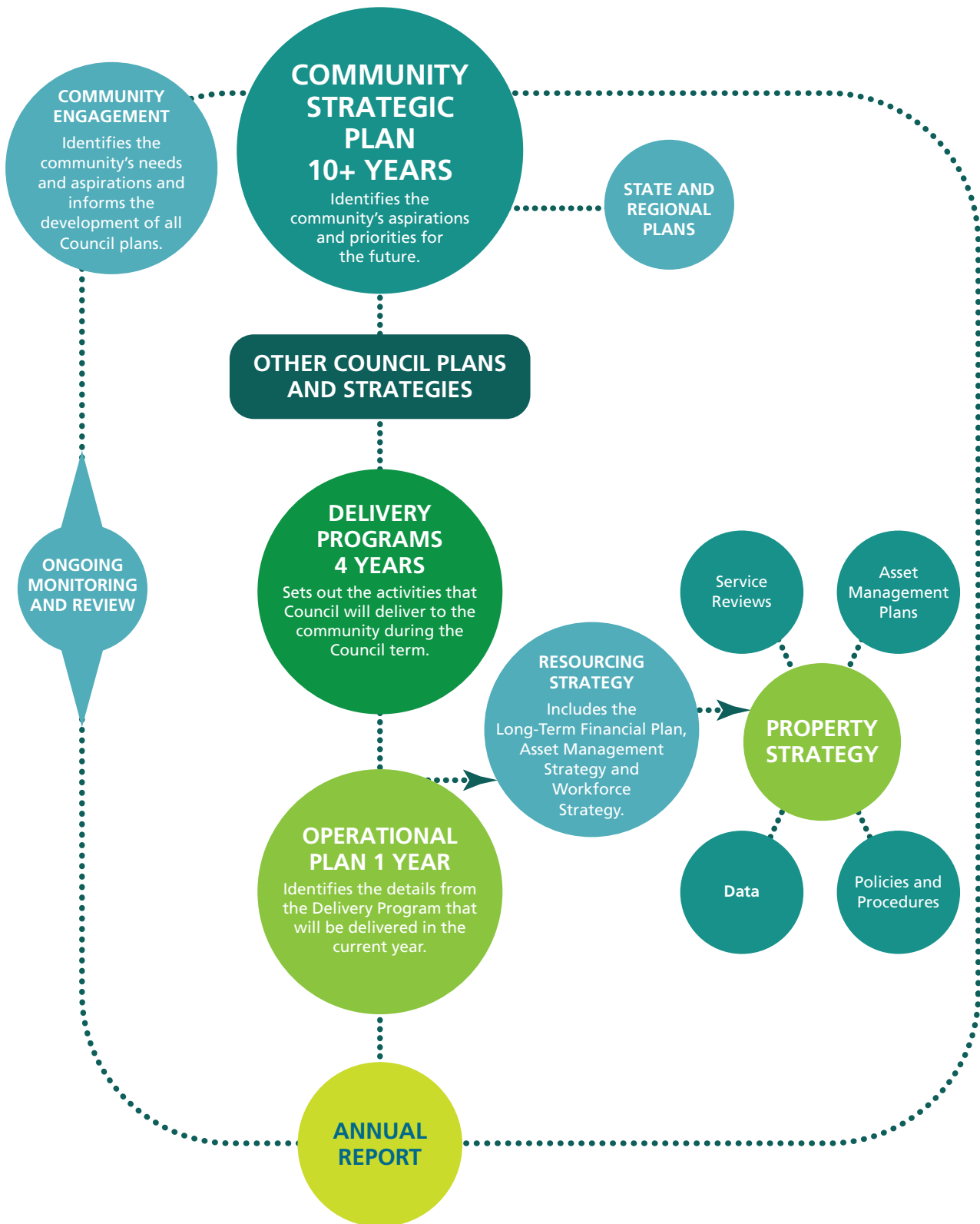
This Property Strategy is one part of our approach to managing our property portfolio. It sits within a framework of policies and planning as required by the State Government (Figure 2).

Supporting documents

There are many other Council strategies and plans that will also help guide property decisions, including:

- *Our Green City Plan 2028 – Sustainability Action Plan for Willoughby City Council*
- *Northern Sydney Regional Organisation of Councils (NSROC) – Regional Sportsground Strategy Review, December 2017*
- *Urban Bushland Plan of Management 2014-2019*
- *Reserve Action Plans*
- *Bike Plan 2012 and update 2017*
- *Draft Affordable Housing Strategy (in development)*
- *Long Term Financial Plan 2019-2029*
- *Planning controls*
- *Asset Management Strategy 2019-2029 and Asset Management Plans*
- *Draft Planning Agreements Policy / Local Infrastructure Contributions Policy and Willoughby Local Infrastructure Contributions Plan 2019*
- *Draft Integrated Transport Strategy*
- *Service Reviews*

Figure 2 – How the Property Strategy aligns with other plans.



4 CHALLENGES AND OPPORTUNITIES



Planning and managing our property portfolio is complex. Many challenges need to be navigated and opportunities grasped. It's reliant on understanding needs, having accurate data and knowledge and working across the organisation and with others to deliver the best outcome.

Opportunities

Having a more focused approach to our property portfolio will create far-reaching opportunities as well as financial and service gains that benefit the community.

Increased outcomes and benefits for the community

A key reason we own many property assets is to enhance or create improved outcomes and advantages for the community. We can achieve this by having a longer-term, less reactive approach to managing our property, including:

- offering different types of facilities
- enhancing existing facilities
- considering the locations of our property
- increasing the level of use and service offerings
- through the income generated.

Increase financial returns

Based on benchmarking, there is opportunity to increase returns from our property holdings while maintaining community opportunities.

Access to information

We are currently upgrading our corporate system to a single integrated solution. This will allow linkages between property and financial data and produce reports leading to more informed decisions.

With access to more information and a documented system, we can have a more co-ordinated approach to property.

Partnerships

The cost of property and property development is significant and, in most cases, we can't do it alone. Working in partnership with Government, other organisations, not-for-profits, or developers, is a key opportunity that we can, and need, to take advantage of to:

- source funding
- build new and improved facilities that are more fit for purpose and up-to-date
- construct new and improved facilities in more appropriate locations to create vibrancy or improve access
- create or enhance services into communities
- swaps, disposal or creation of stratum lots
- share risk.

Air space

The air space above land belongs to the owner of the land. As the owner, we can use or sell the air space in accordance with the relevant planning instruments.

This provides opportunities to protect or use the land for one purpose and sell the air space above it for another purpose. With any urban environment, this is becoming increasingly important given the density, limited land space and in preparation for innovations such as drone deliveries.

Challenges

We are aware of the following challenges and have established processes and systems to limit the negative impact on the property portfolio.

Cost

The Willoughby Local Government Area (LGA) is an urban area with no greenfield sites and the cost of land is expensive.

The costs associated with new builds or refurbishments in Sydney are also substantial and take time, which reduces time for income generation.

4 CHALLENGES AND OPPORTUNITIES

Increased demands on services

Our increasing and changing population requires changes to the services offered from our properties. Key challenges include:

- Sporting fields are currently at maximum capacity.
- Affordable housing is in low supply.
- An ageing population.
- Competing demands for fixed and limited space.

Aging assets

Many of the buildings on our land are more than 40-years-old and often not compliant with the current building codes or contemporary practices.

Council is revising its asset management plans for various properties. Once completed, we can create a more detailed plan to proactively improve our assets to meet current standards and enable the delivery of current service provision.

User expectations

User expectations and desires may be at odds with Council's and need to maximise benefits and value.

Community / operational land

Land owned by any council is classified as operational or community under the NSW Local Government Act 1993. Community classified land has more limitations around utilising the land for specific purposes. The process of reclassifying land, and the length of time and process it takes for reclassification, is complex. Examples include expectations such as:

- Once a group has access to a space or a building they may view their tenure as indefinite and for their sole use.
- Rental / hire costs may be minimal for the user but sub-optimal for Council.
- Council being expected to meet all, or most, service and maintenance costs for the user.
- Refurbishments / works will be undertaken if requested without full understanding of fit for purpose, return on investment, asset management or financial capacity considerations.

Compliance

There are many legal or regulatory processes associated with property acquisition, disposal and changing of classification. This requires time and a thorough process to ensure transparency and the best management of assets.

Opportunity cost

There are opportunity costs associated with more community-based use, which Council must balance with maintenance and operating costs and 'lost' financial income and its impact on rates.

The introduction of an integrated asset management system, as part of our corporate systems upgrade, will provide a central database of all our property holdings, and will enable up to date information and reporting. The timeframe for this is 2-3 years.

Asset condition

The condition of assets on the land varies. This requires an up-to-date asset condition assessment to improve financial modelling and sustain the maintenance and renewal requirements.

Asset backlog

Such a large asset portfolio requires significant resources to maintain the land or building and to satisfy the asset replacement ratio. A focussed approach to the property portfolio and the introduction of the Infrastructure Levy is reducing the maintenance backlog. The challenge is to maintain this approach once the Levy is removed.

Market conditions

Changes in market conditions have a direct impact on revenue, including:

- interest rates
- lease fees we pay or receive
- development opportunities
- increase in supply of offerings and competition for financial returns.



5 KEY ELEMENTS OF STRATEGY

A person wearing a black t-shirt, shorts, and a helmet is riding a mountain bike over a large dirt jump. The jump is a large, rounded mound of light brown soil. The background is a dense forest of green trees. The person is captured mid-air, with the bike tilted slightly forward. The overall scene is outdoors and appears to be a recreational area.

This Property Strategy also sets out a framework to enable us to support and align service delivery objectives.

The community's vision for the Willoughby local area, as identified in the Community Strategic Plan (CSP) is:

‘Willoughby’s diversity underpins our liveable and prosperous City.’

Considering this vision and the priorities identified by the community, this Strategy aligns with the CSP and identifies specific directions, strategies and metrics that will focus on creating a property portfolio that optimises the social, environmental and financial return to the community.

Funding

The property portfolio is an important element of our financial sustainability, but we recognise that work is required to provide more precise modelling.

Updating Asset Management Plans, conducting Service Reviews and assessing the potential for each of our properties will move us closer to more accurate and detailed data.

Our Long Term Financial Plan (LTFP) outlines our funding principles for financial management and projects our financial commitments for the next ten years. It enables us to identify and analyse significant trends and provide for sound financial planning and decision-making.

Income from property, particularly commercial properties, is essential to offset the costs of other Council services and facilities, to reduce the impact upon rate payers.

Funding for specific property projects will need to go through Council's normal budgetary process if it is not already identified in the LTFP.

Review

We will review this Strategy in 2025.

Understanding the Strategy

The structure of the Strategy is as follows:

The **Purpose** of the property portfolio is clearly defined.

The **CSP Outcomes** support the community's overall vision for the Willoughby local area.

Property Principles have been identified to use as a foundation for progressing the portfolio. They align with Council's three principles of Sustainability, Social Equity and Ethical Government that underpin our decision-making processes.

Property Directions have been formed in direct response to the priorities within the CSP that relate to property.

Property Strategies will focus our attention on achievable objectives. They respond to what the key issues are for our property portfolio.

Property Metrics will help us track our progress to achieve the strategies. They have been identified based on what data is available. Particular projects may have specific measures.

Consideration of a business case for each property will be undertaken in accordance with the direction and strategies identified in this document. Each business case will be presented to Council for approval.

The implementation will be determined by the business outcomes and the financial ability and priorities of Council.

5 KEY ELEMENTS OF STRATEGY

Figure 3 – Property Strategic Framework

Our property portfolio is created to optimise the social, environmental or financial return to the community.			
CSP OUTCOMES	PROPERTY STRATEGIC DIRECTIONS	PROPERTY STRATEGY	PROPERTY METRICS
A City that is Green	Property will be proactively managed to improve environmental outcomes	Create assets and public spaces which encourage sustainable behaviour Buildings are constructed and operate at an appropriate green rating	Positive trend in Green Star, or similar sustainability rating across the portfolio
A City that is Connected and Inclusive	Property is provided to deliver community benefit	Optimise properties to be fit for purpose through utilisation, co-location, operational hours and innovation	75% utilisation across the portfolio (excluding land held for environmental purposes)
A City that is Liveable	Property will meet current and future needs and support the creation of place	Maintain assets in accordance with Asset Management Plans Create built form to establish desirable places to support healthy lifestyles.	Asset renewal ratio >1 Improve perception survey rating of property related issues
A City that is Prosperous and Vibrant	Property will contribute to our economic growth	Work with partners to deliver improved property assets and value for money Leverage the property portfolio to activate places, support businesses and the economy	Improve the financial return of the property portfolio
A City that is Effective and Accountable	Property will be managed in a transparent and consistent way and through better practice property management	Property data maintained and informs decision making Balance asset and service objectives to deliver a financially sustainable property portfolio	Property register up-to-date Financial return in line with the Long Term Financial Plan
Underpinned by Principles:	Value for money (Sustainability) Meet current and future needs (Social Justice) Transparent and compliant (Ethical Government)		



6 PROPERTY MANAGEMENT



How we manage our properties is just as important as how we plan and develop our portfolio. Without a focus on this, we will not achieve the overall benefits envisioned.

There are three types of property that we oversee day-to-day, including:

1. Council owned property that we manage.
2. Crown owned property that we manage on their behalf.
3. Privately owned property that we use.

Council owned property that we manage

The *NSW Local Government Act 1993* classifies council owned land in two ways, operational and community.

Community land

Community land reflects the importance of the land to the community because of its use or special features.

Generally, it's land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 7.11 of the *Environmental Planning and Assessment Act 1979*).

The following restrictions apply to community land unless granted Minister's consent:

- Cannot be sold without a significant process.
- Cannot be leased, licenced or any other estate granted over the land for more than 30 years.
- Must have a plan of management.

Figure 4 – Overview of the number of parcels, area and value of Council's property portfolio

Types of property	Number	Area (m2)	Value
Community Land	565	2,719,060	\$197m
Operational Land	278	198,430	\$465m
Crown land	87	1,016,780	\$70m

Operational land

Operational land has no special restrictions other than those that may apply to any piece of land.

It's generally described as land that serves a commercial or operational purpose (e.g. offices, works depots, car parks and investments).

Operational land classification provides more flexibility and does not constrain the land. This does not prevent any use typically associated with community land.

As can be seen from **Figure 4**, the majority of our property is classified as community land.



6 PROPERTY MANAGEMENT

Crown owned property that we manage on their behalf

Crown land is State owned land, held on behalf of the Crown. We administer a number of Crown land reserves for the State Government.

We do not receive capital or maintenance funding for these Crown lands and the Crown reserves the right to request a percentage of income, if it so desires.

We have 90 Crown reserves in place, including developed parks such as Gore Hill Park, Willoughby Park and Beauchamp Park, and bushland reserves such as Explosives Reserve.

The *Crown Land Management Act 2016* (CLM) was enacted on 1 July 2018. Council is the reserve manager for the Crown reserves in the Willoughby area. We are required to develop new Plans of Management for the Crown reserves and to seek Native Title advice for any leases/licences and future developments. Upon approval of the Plans of management by the Minister responsible for the CLM, Council will be able to manage the Reserves as if they were classified as community land.

Privately owned property that we use

At times we do not have suitable property available in our portfolio and are required to hire, license or lease space from a private provider.

Other Considerations

Aboriginal land claims

Willoughby also has Aboriginal Land Claims under the *NSW Aboriginal Land Rights Act 1983* over Crown land within the local area.

Significant Bushland

Willoughby has significant areas of bushland, these areas are managed in accordance with Council's Urban Bushland Plan of Management 2014-2019.

Decision Making

Key to our review is that all alternatives are explored prior to purchasing new property, including:

- Changing service operations.
- Optimising the use of an existing facility.
- Enhancing an existing facility.
- Uplifting or adding onto an existing facility.
- Leasing a non Council owned property.
- Partnering with someone else to build a new / addition to a facility.
- Building a new facility / Council purchase.

Purchase is the last preference in most cases.

Any proposal for the purchase or divestment of any land must be presented for Council's consideration and endorsement, in accordance with Section 377 of the *Local Government Act 1993*.

A business case will be developed for each property when significant changes are required. Business cases will consider a range of elements, including:

- outcomes and benefits
- asset condition
- strategic alignment
- risks
- financial assessment
- stakeholders / partners
- market analysis.

The business case will be undertaken in stages with the following approval processes.

Progress reports will be provided through Council reports and Councillor briefings.

Figure 3 – Property Strategic Framework

	STEPS	PROCESS	APPROVAL
ALL PROJECTS	STEP 1	Feasibility Investigation	Strategic Property Project Control Group
	STEP 2	Initial review	Director approves to proceed to Step 3.
	STEP 3	Detailed review	CEO approves to proceed to step 4
	STEP 4	Council report	Council approves to proceed with the project or to Step 5 (or not)
	COMMENCE PROJECT		
MAJOR PROJECTS	STEP 5	Feasibility Study	CEO approves to proceed to STEP 5
	STEP 6	Council report	Council approves to proceed with the project
	COMMENCE PROJECT		

Engagement

We will engage with the community on property matters in accordance with:

- our Community Engagement Policy
- our Community Participation Plan
- relevant Acts and guidelines applicable to the various types of property.

Most reports to Council are public. In some cases, due to commercial in confidence information, information will be presented to Council in a confidential report or attachment.

It will be important to inform and consult with our existing users about any future impact on their current property use.

Any consultation results will be provided in Council reports.

Stages of Governing Property Management

There are four key stages to how we manage our property portfolio (see Figure 1):

1. Acquire the right properties to add value and benefit.
2. Enhance properties through redevelopment, refurbishment or uplift.
3. Hold and maintain those properties which are delivering the highest and best use.
4. Divest properties which no longer provide the benefit required and which it provides the opportunity to acquire properties to meet an identified shortfall.

We must be agile enough to address changing needs and asset conditions and respond to opportunities as they arise. Part of this flexibility is reliant on our continual review process of each property to ensure it is delivering what is needed.

This process will help to develop a pipeline of property projects.

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