



Retention, Acquisition, Improvement and Disposal of Land Policy

Status	Council
Responsible Division	Corporate & Strategy
Objective	In line with the City's strategic vision, the objectives of this policy are; • to provide a framework in which the City can consider best and highest use of its asset portfolio, whether it be through 'financial value', 'social value', or 'environmental value', using a methodical and informed approach; • to ensure the City makes sound, open and accountable decisions in relation to its land and facility holdings; and • to maximise revenue for current and potential land and facility holdings to increase alternate revenue streams and decrease the pressure on rate revenue.

Context

Under this policy land is defined as all land and facility assets owned or controlled by the City of Nedlands.

The process for the disposal of land assets is set out in the *Local Government Act 1995*, the *Land Administration Act 1997*, and *Local Government (Functions and General) Regulations 1996* to ensure fairness and transparency to achieve the best outcome and price.

Statement

Like most Local Government resources, land and property assets are in high demand and the community expect the provision of high-quality products and services to be delivered from these resources. At the same time these land and property assets also make up a significant portion of the City's wealth and it is incumbent on the City to maximise the financial benefit derived from its wealth, given the limited range of options available to local governments under the Local Government Act 1995

Land and facility holdings form an essential part in facilitating the 'financial value', 'social value' and 'environmental value' objectives above.



In order to decrease pressure on rate revenue as a primary source of income for the provision of its services each year, through open and accountable decision making, the City aims to provide a framework which will assist in delivering the highest and best use from its asset portfolio while also maximising revenue.

Types of Land and Property

Local Government land and property can be considered as belonging to one of the two following categories:

Freehold – defines a property title by which the City owns the land for perpetuity (*“free from hold”*). Freehold property ownership is only limited by the prevailing zoning provided by the applicable planning scheme. Freehold land has greater potential to provide financial return.

Vested – defines a property which is owned by the State Government (Crown Land) that has been provided to the City for its due care, control, and management. Generally, the property is subject to use for a specific purpose (i.e. Recreation) as outlined in the Management Order. Vested land is more likely to provide social or environmental return, rather than a financial return.

Property Use Types

To identify when there may be a requirement to assess a land or property asset for highest and best use, the following classifications will act as a guideline. Any property not providing a service or generating revenue should be rationalised as any lost opportunity, or cost of retention, places pressure on rates revenue,

- **Public purposes** – a property from which the City of Nedlands provides infrastructure or facilities such as a road, toilets, parking or drainage.
- **Civic** – a property from which a City of Nedlands administrative service is provided.
- **Community** – a property from which a community activity or service is provided on **behalf** of the City of Nedlands, or for the benefit of the community.
- **Public Open Space** – a property held for the purpose of providing the community with **recreational** space, passive nature space or playgrounds.
- **Commercial/Investment** – a property from which commercial activities are or can be conducted, generating income through rental revenue. The property may have the **capacity** to support a desired planning outcome or be earmarked as a future redevelopment opportunity.
- **Residential/Investment** – a property which provides residential accommodation, **generating** income through rental revenue. The property may have the capacity to support a desired planning outcome or be earmarked as a future redevelopment opportunity.
- **Surplus** – a property from which no community or civic services are provided and a property which no rental revenue is being generated.



- **Utilities** – a property used for the provision of essential infrastructure such as telecommunications. The property may generate rental revenue, depending on its particular use.

Options for Highest and Best Use.

When considering highest and best use and ‘financial value’, ‘social value’ or ‘environmental value’, the following options are available to local governments:

1. Property Retention
2. Property Acquisition
3. Property Improvement (including Joint Venture and Ground Leasing options)
4. Property Disposal

Property Retention

Manage or maintain the property under the status quo, without changes.

Property Acquisition

Acquire property for investment or public purposes.

- a) Investment – the City may acquire property which has the capacity to support a desired planning outcome or be earmarked as a future redevelopment opportunity. This property may be rented out in the short to medium term to generate revenue. The property also may be sold or developed when market conditions are suitable.
- b) Public purpose – the City may acquire land either in freehold or vesting of Crown Land for a public purpose.

Property Improvement

Improve the property use type and or improve the financial return from the property. Several methodologies may be considered to improve property or financial return. Each method presents different opportunities and challenges, and dependant on the classification of the asset, will require a different approach.

- a) Ground Lease – predominately used for property with very high yield opportunities where there is a much higher than usual interest in property acquisition. When considering a ground lease option, the City does not have to expose itself to high levels of risk associated with the development, can retain ownership of the landholding, can control the built form that will remain on the property and can potentially generate significant revenue.



- b) Joint Venture – predominantly used for extremely large landholdings, a joint venture partner may be used to develop a property where the City uses its landholding as equity in the project. When considering a joint venture option, the City does not have to expose itself to high levels of risk associated with the development and the developer does not have to carry the costs of purchasing the land. Both parties would share in the profits
- c) Redevelopment – used to describe instances where an improvement to the land is made by the City. This may include the complete rebuild of a facility to improve its ability to either generate revenue or provide a service to the community (or both).

Property Disposal

A property from which no public, civic, utility, community or public open space services are provided and a property which no rental revenue is being generated is effectively a property which costs the City and increases pressure on rates revenue and impacts the City's ability to provide a high-quality product or service.

Property Reserve

Whilst the disposition of a property may realise a generation of funds in the short term, how the funds are used by the local government is equally important.

When generating any funds associated with the disposal of property, the funds will be put into a 'Property Reserve'.

Reserves are funds retained to help meet future needs and mitigate financial pressures during challenging economic times, as well as facilitate planning for major works in the future. In this case the reserves will be used to improve other properties which suit a strategic objective for the City or that generate other forms of revenue (i.e. rental revenue). The purpose of this Property Reserve will be to fund capital projects or improvements and should not be used on operational costs.

Reserves are an important funding strategy to help balance the current needs with the future needs of the community. Reserves are typically created as long-term savings plans for future major expenditure which cannot be managed in a single budgetary year. The use of reserves is restricted by the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996, and each reserve is required to be established with a clearly defined purpose.

The Reserve will be managed as follows:

1. Interest earned on deposits in reserves will be aggregated into the specific Reserve, to maximise the growth in the balance.



2. When the purpose for a specific reserve is complete, any residual funds will be considered to be applied towards another purpose in the Annual Budget or in accordance with the requirements of Section 6.11(2) of the Local Government Act 1995.
3. All transfers to and from reserves shall be reflected in the Annual Budget and Long-Term Financial

Process and Compliance

Any acquisition or disposition undertaken by a local government must be compliant with the processes as described in the *Local Government Act 1995*.

The City of Nedlands endorses that community consultation is a pivotal part of that compliance and supports open and accountable decision making. Community consultation ensures that all decisions made with respect to acquisition and disposition of land and property assets are made to provide the best long-term outcome for the community.

When applying this policy to all acquisition and disposition projects that the City chooses to undertake, a detailed operational procedure will be used by Administration and will be outlined in the City of Nedlands Land Investment Strategy.

Related Documentation

City of Nedlands Land Investment Strategy

Related Local Law / Legislation

Local Government Act 1995

Local Government (Functions and General) Regulations 1996

Land Administration Act 1997

Transfer of Land Act 1893

Strata Titles Act 1985

Related Delegation

Nil

Review History

27 October 2020 (Report CPS26.20)

10 December 2013 (Report CPS40.13)

27 July 2010 (Report CM15.10)