

Shoalhaven City Council Property Strategy

Assets & Works - Business & Property Section





This document has been written and prepared by Shoalhaven City Council's Property Unit.

VERSION CONTROL

This Strategy shall be reviewed every 3 years or earlier as required. Next review date : December 2020

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PREFACE

Shoalhaven City Council has a substantial property portfolio comprising community, operational, residential, industrial and commercial properties distributed throughout the Shoalhaven.

This document has been prepared to assist Council in the efficient and effective management of this property portfolio and to ensure current and future community and operational needs are met.

The property strategy as detailed herein is intended to provide a platform for service improvements by:

- Ensuring property is always treated as a strategic resource and valued asset
- Challenging the reasoning for continued ownership of non-performing (lazy) assets¹
- Ensuring property decisions are informed by sufficient data and analysis
- Providing clarity around property processes, procedures and responsibilities
- Providing tools and measures for the assessment of property performance
- Identifying the benefits that the property portfolio is expected to deliver to the community
- Establishing a process for reporting on Council's property portfolio performance to Council on an annual basis
- Establishing a framework for the future management of Council's property portfolio to increase financial returns to Council

Property forms an integral component of Council's service delivery capability. Council has a continuing commitment to progressive improvement of the integration of our planning, resourcing, delivery and reporting as we work together to meet the challenges and opportunities into the future. To maximise the efficiency and effectiveness of Council's services it is imperative that the property portfolio be structured to maximise operational effectiveness, efficiency, financial performance and community benefit.

Shoalhaven City Council also faces considerable long-term planning and service delivery challenges through a number of external factors, the majority of which are beyond the direct control of Council. These include, but are not limited to

- An aging population
- Increasing population growth
- Climate change

¹ A non-performing (lazy) asset is an asset that is underutilised or inappropriately located leading to ineffective and/or inefficient service delivery or does not add to community amenity and/or community collaboration.

- Impact of tourists
- Affordable housing

To cater for the growing needs of the community, Council must establish a clear vision and defined strategy for the proficient management of the existing portfolio in addition to the development or acquisition of new property assets.

This strategy will be revised and enhanced on a regular basis to ensure the property strategy remains commercially sound and responsive to changes in community and service delivery requirements.



INTRODUCTION

SHOALHAVEN CITY COUNCIL CONTEXT

Shoalhaven City Council is a major property owner on the South Coast of NSW. Council's property portfolio currently comprises more than 780 buildings (including those used for infrastructure purposes) and over 3,400 lots. Land holdings comprise freehold and leasehold interests together with vast areas of Crown Land that are under various tenure arrangements inclusive of Reserve Trust Management under Part 5 of the Crown Lands Management Act 2016 or Care, Control and Management (CCM) responsibility under Section 48 of the Local Government Act.

The majority of land owned or managed by Council is used for various civic, community and operational purposes including offices, libraries, parks, operational infrastructure (drainage, sewer and water services), road reserves, child care facilities, leisure centres, caravan parks, racing facilities, telecommunication and car parks, etc. A limited number are leased for commercial purposes providing an income stream to Council.

Given the scale of Council's property portfolio, buying, selling and managing property is an integral part of the functions of Council. Large allocations of money and resources are required to maintain, improve and develop the property portfolio to a standard that meets current and future community needs as well as legislative requirements. It is of primary importance then, that Council make commercial use of its property portfolio by ensuring assets are effective, efficient and economically viable². This is important because:

- Inappropriately designed/used property will lower the quality of services provided to the community
- Unsuitable or under-utilised buildings tie up capital resources and waste revenue which could be better employed for service delivery
- Consideration of long term asset needs will result in improved financial performance over time
- Well managed property will provide a higher return on investment and result in lower operational costs
- It recognises Council's responsibilities under relevant Legislation

Council's approach to property dealings should be strategic and commercial in nature and not be reactive to short-term demands. The key strategic elements are:

- Acquisitions – property has an essential link to current/future service delivery needs. Purchases should, where possible, be counter-cyclical to ensure competitive pricing. Sites which provide capacity for future uplift in value through rezoning or development consent should be based on strategic merit
- Evaluate alternatives, including non-ownership alternatives, for service delivery

² The community benefit v's the commercial return must be considered in the calculation of economic viability

needs to optimise the commercial return on the property portfolio

- Clear understanding and documentation of strategic commercial aims will ensure the efficient use of public money and assets
- Transparency and accountability – property transactions must be financially sound, based on thorough due diligence and compliant with legislative and governance requirements
- Future planning – anticipating medium and long-term service delivery needs will position Council to meet future community expectations
- Funding – property activities need to be sustainable. Tied up capital in non-performing (lazy) and surplus assets should be released for reinvestment in property aligned to future strategic needs (including appropriate land banking opportunities)

Shoalhaven City Council's ownership and management of property will inevitably result in competition with private land owners, investors and developers. It is therefore important that the set of principles which define Council's involvement in the property market be clearly understood to ensure that its regulatory and property ownership/management functions are clearly delineated.

More broadly, Councils have a duty to provide for the social, economic, environmental and cultural wellbeing of its community. This means, among other things, ensuring that property decisions are commercial and contribute to the betterment of the community. In some cases, the only way to achieve this is through strategic ownership and development of property assets.

Within this context, it is important that Council regularly reviews its approach to property management, the property base and its performance in the delivery of services. Paramount to this is a comprehensive, integrated and commercial approach to property planning, property acquisition, operational property management, and property disposals.

LEGISLATIVE AND POLICY FRAMEWORK

The framework governing the management of property at Shoalhaven City Council consists of:

- Acts of Parliament
- Regulations made under Acts of Parliament
- Policy Framework issued by Council

Council's property activities will be managed within the legislative parameters of (but not limited to):

- Local Government Act 1993
- Crown Lands Management Act 2016
- Biodiversity Conservation Act 2016
- Retail Leases Act 1994

- Residential Tenancies Act 2010
- Roads Act 1993
- Conveyancing Act 1919
- Real Property Act 1990
- Encroachment of Buildings Act 1922
- Environmental Planning and Assessment Act 1979
- Land Acquisition (Just Terms Compensation) Act 1991
- Disability Inclusion Act 2014
- Shoalhaven LEP 2014
- Shoalhaven LEP (Jerberra Estate) 2014

STRATEGY HIERACHY

Working within the Legislative framework, this Property Strategy will form part of Council's integrated approach to deliver the *Shoalhaven Community Strategic Plan 2016-2023, Delivery Program and Operational Plan (DPOP)*.

This Property Strategy is supported by the following resources:

- Key Strategic Planning Documents (including but not limited to)
 - Nowra Bomaderry Structure Plan
 - Shoalhaven Growth Management Strategy
 - Shoalhaven Affordable Housing Strategy
 - Jervis Bay Settlement Strategy
 - Sussex Inlet Settlement Strategy
 - Milton Ulladulla Structure Plan 1996
- Master Plans
 - Shoalhaven Community and Recreational Precinct
 - Bomaderry Nowra Regional Sporting & Community Hub Master Plan
- Community & Other Plans
 - Community Infrastructure Strategic Plan
 - Community Infrastructure Strategic Plan 2016-2036
 - Berry Community Strategic Plan 2016
 - Shoalhaven Heads Community Strategic Plan 2013

- Draft Conjola District Strategic Action Plan 2014
- Draft Sussex Inlet Action Plan
- Plans of Management
- Heritage Conservation Management Plans

- Resourcing Strategies
 - Investment Policy
 - Property Investment Policy – yet to be adopted
 - Council’s Asset Management Strategy

- Council Property Policies
 - Due Diligence for Land Transactions
 - Acquisition of Land by Shoalhaven City Council
 - Development and or Disposal of Council Lands
 - Occupation of Council Owned or Managed Land
 - Dealing with requests for the Closure, Sale or transfer of Council and Crown Roads

COUNCIL'S ROLE

Council is the tier of government closest to the community and plays a key role in people's everyday lives. It provides services and infrastructure to allow residents and businesses to prosper and is responsible for making and enforcing local laws and collecting revenue to fund service delivery activities. It is responsible for planning and delivering a wide range of services affecting residents, businesses, neighbourhoods and the local community.

This strategy fulfils elements of the "Guiding Principles for Councils" under Section 8A (1) of the Local Government Act 1993 including, but not limited to:

- ***Councils should carry out functions in a way that provides the best possible value for residents and ratepayers***
- ***Councils should manage lands and other assets so that current and future local community needs can be met in an affordable way***

COUNCIL'S MISSION

"To enhance Shoalhaven's strong communities, natural, rural and built environments and appropriate economic activities through strategic leadership, good management, community engagement and innovative use of resources".

The "Property Strategy" will be used as an enabler to support Council's "Mission" by undertaking a commercial approach to the management of its property assets, which will maximise the value of community facilities, deliver development and employment opportunities for residents, drive economic growth for the region whilst promoting and protecting its iconic and natural attributes.

COUNCIL'S VISION

"We will work together in the Shoalhaven to foster a safe and attractive community for people to live, work, stay and play; where sustainable growth, development and environmental protection are managed to provide a unique and relaxed lifestyle."

The Shoalhaven will be a location in which the needs of residents, businesses and visitors are met through responsible planning and innovative development, whilst being responsive to the key challenges and opportunities beyond Council control. Through the commercial management of Council's property assets we can assist in providing equity, accessibility and community participation throughout the Shoalhaven.

We will strive to build a sustainable property portfolio which meets the diverse needs of the community and with the capacity to generate an on-going revenue stream for Council. Council can achieve this by being a leader in its field, particularly in the areas of community consultation and communication, strategic planning and asset management.

COUNCIL'S CORE PRINCIPLES

This Property Strategy is structured and designed to achieve Council's "Core Principles":

- Financial Sustainability – identifying and developing a sustainable and commercial income stream to strengthen Council's economic base
- Ecologically Sustainable Development Principles – protecting, conserving and maintaining natural ecosystems while ensuring property development is sustainable
- Social Justice Principles – Ensuring adequate and well maintained property infrastructure is available for core Council services
- Effective Governance – Provide leadership and commercial management of our property in a transparent manner
- Customer Service Excellence – Communicate effectively the strategies and actions to improve the property portfolio that underpin Council's service offerings

THE PURPOSE OF THIS PROPERTY STRATEGY

This Property Strategy provides a 'whole-of-Council' framework for the commercial management of property assets and sets out guiding principles to ensure the property portfolio supports Council's service delivery objective³ as defined in Council's Community Strategic Plan "Shoalhaven (CSP) 2023, Delivery Program and Operational Plan (DPOP) and the Community Infrastructure Strategic Plan 2016-2036.

The Property Strategy:

- Sets a forward looking strategic agenda
- Develops a coordinated commercial response to the use of Council owned and controlled property
- Helps in the assessment of how being commercial in our property dealings can meet the existing and emerging community needs and its contribution to Council's quadruple bottom line⁴.

The purpose of this Property Strategy is to establish a commercial approach to property based on a clear understanding of the requirements of Council and the services it delivers combined with best value in property management and development. This holistic approach to property management and development supports the commercial delivery of best value services and the well-being of residents of and visitors to the Shoalhaven.

The Property Strategy provides an integrated commercial framework for all elements of property ownership:

³ Refer to page 24 for specific detail of the CSP Objectives supported by this strategy

⁴ The Office of Local Government defines the quadruple bottom line as addressing: Social, Environmental, Economic and Civic Leadership

- Identifying non-ownership alternatives to property solutions (e.g. leases, community partnerships etc.)
- Owning property –for staff to understand what property is owned and why it is owned
- Managing property – ensuring comprehensive data on all property assets (e.g. zoning, classification, masterplan, development controls, easements, vegetation management plans, acquisition/use history, lifecycle costs, commercial potential etc.) is readily available to inform decisions
- Investing in property – ensuring the necessary financial resources are available to secure new assets and that commercial returns are market based, competitive and sustainable
- Releasing property – making commercial decisions about when and why to dispose of property that has no further purpose in Council ownership (surplus and non-performing assets)

The magnitude of property investment exposes Council to a range of risks⁵. The approach set out in the Property Strategy will enable Council to manage these risks, and obtain better value for money in the delivery of services to the community. The benefits of this strategic approach are:

PORTFOLIO APPROPRIATENESS

- Align assets with services and community expectations
- Promote economic development objectives
- Effectively allocate resources thereby maximising outcomes and minimising duplication

PORTFOLIO EFFECTIVENESS

- Minimise the demand for new assets
- Eliminate assets which are inappropriately designed or not fit for purpose in terms of efficient service delivery
- All property costs are considered and optimised over the life cycle of assets
- Existing assets are maintained and used more effectively (e.g. programmed maintenance is cheaper than responsive repairs or new asset acquisitions)⁶
- Realise commercial opportunities to use partner agencies and private sector assets

⁵ Different risks may include: Market Risk, Liquidity Risk, Legislative Risk

⁶ Subject to the availability of funds

OPERATIONAL EFFICIENCY

- Demonstrate to the community that services are being delivered efficiently
- Achieve improved commercial returns for use of resources through published performance measures
- Provide a basis for Council to evaluate and balance the trade-off between service, price and quality
- Provide benchmarks which can be used to evaluate outcomes and plan future investments

The Property Strategy is intended to inform elected members and officers of Council, as well as external parties with whom Council may work in respect of the commercial use of its assets in facilitating the delivery of its service objectives.

In developing the Strategy, existing governance arrangements including the legislative framework governing the use and management of property have been considered, reviewed and, where appropriate, streamlined to clarify and strengthen existing arrangements.

OUR PROPERTY AIM

The aim for Council's property over the next 10 years is to establish a responsibly managed portfolio which:

- Meets current and future community needs that facilitates the effective and efficient delivery of services
- Is maintained in satisfactory condition and fit for purpose
- Is commercially sustainable
- Has its commercial performance regularly reviewed using agreed criteria
- Facilitates economic and physical regeneration but without capital unnecessarily being tied up in assets which are being held without a firm future purpose
- Maximises the commercial potential for Council to influence the economic and cultural outlook for the Shoalhaven either through strategic purchasing, development and/or other land use decisions
- Capitalises on co-location opportunities with the private sector and exploits the synergies of partnerships, especially where this promotes operational efficiency or improved service delivery
- Provides best value for money and minimises costs
- Is rationalised where appropriate, releasing capital which will be reinvested through the Strategic Property Account
- Enables Council to invest in renewable energy opportunities where appropriate
- Allocates investment in future property according to a robust commercial framework.

WHY IS COUNCIL IN THE BUSINESS OF PROPERTY?

WHAT IS PROPERTY?

This Strategy deals with property assets that are physical (tangible) in nature.

Property is a type of asset which has value both in an accounting sense and in how it contributes to and underpins service delivery. The value of a property asset to Shoalhaven City Council cannot, therefore, always be measured purely in monetary terms.

In the public sector it is important to appreciate the non-monetary aspects of a property's value. A large number of Council's property assets have service potential. The term "service potential" is used to describe the utility of a property asset in meeting service delivery objectives and is a useful concept to employ where a property asset does not generate income. It is also referred to as the expected "future benefit" to be derived.

Property in the context of this Strategy is used to describe any kind of interest in land, which Council either holds or has been granted. It includes all buildings or rooms within buildings, rights of way, leases, tenancies, licences, easements, rent charges and ground rents.

WHY DOES COUNCIL HOLD AND MANAGE PROPERTY?

Council holds property to support the efficient and effective delivery of the broad range of services it provides for the people who live, work in and visit the Shoalhaven Region. Other property, primarily vacant land, is also held for future strategic needs.

Council also owns or manages significant lands which are held primarily for the purpose of preserving the natural or heritage environment. These properties are not intended to attract intensive use and may be constrained limiting development.

PROPERTY CLASSIFICATION

Under Part 2, Division 1 of the Local Government (LG) Act all public land must be classified as either "Community" or "Operational".

Community land is further categorised as one or more of the following:

- a natural area
- a sportsground
- a park
- an area of cultural significance
- general community use

Land that is categorised as a Natural Area is to be further categorised as one or more of the following:

- bushland

- wetland
- escarpment
- watercourse
- foreshore

For best management of Council's property portfolio, Council is progressing all its land holdings through an assessment that will consider the accuracy of individual property classification and categorisation. Through this review process anomalies in Classification and Categorisation will be identified and may result in a House Keeping Planning Proposal to correct such anomalies.

The LG Act imposes restrictions on the use, management, reclassification and disposal of Community land. The mere classification of an asset as Community does not, however, indicate the strategic value of the property in terms of service delivery or community use. The classification or reclassification of public land may be made by a Local Environmental Plan or by resolution of Council.

Through the process of reviewing the property portfolio, properties are assessed to determine if they continue to meet the objectives of their identified use and their level of utilisation. Properties which fail to meet their intended use, cannot be repurposed or embellished to meet Community expectations may be regarded as a 'lazy' asset or found to be underutilised (ineffective and inefficient).

It is important to note that any proposed reclassification of 'community' land into 'operational' will not impact on the utility of public recreational and open space areas. Council currently owns a significant number of 'operational' lots which are used extensively for public recreation purposes. Similarly, there are numerous lots classified as 'community' which provide only limited public use. The identification of current and future recreational, community and open space areas should be based on optimum planning outcomes for key sites and an assessment of asset utilisation, demographics, cost and appropriateness rather than by the historic classification.

Accordingly, community needs for recreational, open space and community assets is more effectively determined through adopted strategies, in particular Council's *Community Strategic Plan Shoalhaven (CSP) 2023, Delivery Plan and Operational Plan (DPOP)* and *Community Infrastructure Strategic Plan 2016-2036*. This approach will empower Council to effectively respond to changing community needs and population growth and ensure the correct mix of community assets is preserved.

PROPERTY ZONING

Land Use and development within the Shoalhaven is determined by the zoning and planning controls set out in the Shoalhaven Local Environmental Plan (SLEP) 2014.

Zones determine:

- the objectives for development, and

- development that may be carried out without development consent, and
- development that may be carried out only with development consent, and
- development that is prohibited

The particular aims of the SLEP are to:

- encourage the proper management, development and conservation of natural and man-made resources
- facilitate the social and economic wellbeing of the community
- ensure that suitable land for beneficial and appropriate uses is made available as required
- manage appropriate and essential public services, infrastructure and amenities for the Shoalhaven
- minimise the risk of harm to the community through the appropriate management of development and land use

Council can prepare a Planning Proposal to amend the *Shoalhaven LEP 2014*. Council may propose to rezone Council owned or managed land where the existing zoning is no longer suitable. Instances where a rezoning application may be desired include:

- Where there is strong strategic planning merit to rezone a site
- Where a rezoning proposal is supported by an adopted Council policy, structure plan or strategy
- Prioritising optimum planning outcome for key sites
- Ensuring that desired future use is compatible with existing zoning
- To appropriately reflect existing and surrounding land uses
- To improve the development potential of operational land prior to disposal
- 'Back zoning' land to protect its high conservation value or for other strategic purposes

PROPERTY TYPES

Shoalhaven City Council provides an extensive and diverse array of services including sewer and water, roads, footpaths and drainage, maintenance of public recreation areas (parks, sporting fields, beaches), garbage collection, libraries and art spaces, entertainment centres and theatres, Civic Centres, aquatic centres, child care centres, community halls, street furniture and waterways management etc. Council also utilises property assets for administrative functions and for the generation of revenue.

Accordingly, property assets are used and deployed in many different ways in order that Council can provide effective and efficient local government services. At the most

fundamental level, and for the purpose of defining policy, property assets may be held for Government (i.e. essential for service delivery) and Business (not required for service delivery) use.

GOVERNMENT PROPERTY

The operational reasons for holding property are varied and often multi-faceted. Government Property has a direct nexus to Council's service delivery, either by direct means (use and occupation by Council) or through co-operation/partnership with community groups, businesses or private sector organisations. Government Property falls under one of the following four categories:

1. Direct Services Property
2. In-direct Services Property
3. Administration Property
4. Infrastructure Assets

1. DIRECT SERVICES PROPERTY

Council uses and occupies property in order to provide direct services to the community, such as libraries, parks and open spaces, sport, equestrian facilities and leisure/aquatic facilities, etc. Property assets held primarily for the provision of Council services to the community are referred to as Direct Services Property.

2. IN-DIRECT SERVICES PROPERTY

Council also makes properties available, sometimes on preferential lease terms, to outside organisations so that they can provide services which supplement or enhance Council's service delivery. These include organisations such as charities, volunteer support groups, community organisations and registered social organisations/clubs. Examples of Indirect Community Service Properties include child-care centres, community halls, youth centres, 'men's sheds' and Senior Citizens halls, etc. Working with external organisations to address some community service needs provides a cost-benefit to Council by reducing resource allocation. By making properties available to others on preferential terms Council can often generate or leverage funding from external sources.

The value of the concessions given to community service providers are accurately determined and reported to give a true indication of the cost-benefit of making the property assets available on non-commercial terms⁷. Factors to be considered in assessing *In-direct Services Property* include:

- The nature, need and effectiveness of the services provided (e.g. counselling,

⁷ Refer to Council POL15/47 – "Occupation of Council Owned or Managed Land" and the use of the "Rental Assessment Framework" (RAF) used in the determination of rents payable by Community Groups

career guidance and youth services in high unemployment areas)

- The suitability of the asset for income-generating commercial uses (does the design, age, location or size of the asset restrict commercial uses)
- The capacity to co-locate some commercial activities in the same building without impacting on service delivery
- The impact on Council resources if the asset was not available for community service providers (e.g. increased anti-social behaviour, increased resource burden needed to fill service gap, etc.)
- The use, development, acquisition and disposal of Direct and In-direct Services Property will in future be managed in accordance with Council's Community Strategic Plan "Shoalhaven (CSP) 2023, DPOP and Community Infrastructure Strategic Plan 2016-2036 and this Property Strategy.

Regular review of all *Direct and In-direct Services Property* will be undertaken. However, it is deemed essential to record what the nominal commercial return is for all *Direct and In-direct Services Property* to understand the economic loss and ensure transparency in Council's decision making.

3. ADMINISTRATION PROPERTY

Council occupies property in order to house office and administrative functions which support direct service provision. This includes support service staff within operational business streams. Examples of Administrative Property include Civic Centres and Tourist Information Centres (Shoalhaven Entertainment Centre and Ulladulla Civic Centre), depots (Bomaderry, Woollamia and Ulladulla), administration buildings (Nowra and Ulladulla) and on occasions externally leased commercial space used by Council staff.

The *Administrative Property* needs of the Council will vary over time due to fluctuations in the operation of Council-owned businesses (e.g. Shoalwater), overall staffing levels and the funding of various services. The variable nature of administrative requirements means that Council-owned office space must be efficiently used and flexible.

4. INFRASTRUCTURE ASSETS

Council uses and occupies property to accommodate infrastructure assets used to deliver services to the community. A wide range of infrastructure types are located on Council property and may include assets both above and below ground. Above ground improvements include sewer and water pump stations, sewer and water treatment plants, reservoirs, waste management facilities (both current and former), Council depot and administration facilities. Below ground assets are generally not visually discernible however, ownership of the land is held to protect and facilitate ongoing maintenance of the assets e.g. drainage, water and sewer. Property may also be held immediately adjacent to infrastructure assets to act as a buffer between neighbouring land uses e.g. a sewage treatment plant or to make provision for future expansion of the assets e.g. road widening (in rural settings this type of land can provide agistment opportunities such as Wondalga Farm).

Council must take a strategic and commercial view when making decisions in relation to capital expenditure on infrastructure assets located on Council's landholdings. Opportunities may arise to relocate infrastructure to other sites thereby making a property holding surplus or otherwise 'engineer' solutions which can facilitate future development or sale of the site e.g. piping an overland flow path or rerouting assets and making adequate easement provision.

Management of Infrastructure assets shall be undertaken in accordance with Council's *Asset Management Strategy*, relevant *Asset Management Plan* and this *Property Strategy*.

BUSINESS PROPERTY

Council holds land for certain business purposes, primarily for income generation or preservation of natural or heritage assets. Business Property does not have a direct nexus to core service delivery but does play an important functional role in terms of generating financial return.

Business Property is divided into three (3) sub-categories, for the purposes of defining policies. These three sub-categories are:

1. Commercial Property
2. Development Sites
3. Legacy Land

An outline of what sort of properties fall into each of these categories, is set out below.

1. COMMERCIAL PROPERTY

Population growth is expected to place considerable pressure on Council's balance sheet over the coming years as Council works to renew existing aged assets and develop infrastructure and community assets for urban release areas. Whilst there are mechanisms for Council to collect private sector contributions for new infrastructure (such as s94 Contributions) significant service delivery funding challenges will arise if rates collection is to remain the primary source of revenue generation.

Council's property portfolio has the potential to generate a commercial return. Through the creation of a Commercial Property portfolio, based on the proposed "Property Investment Policy" Council will be able to diversify its revenue base and generate a sustainable income stream to assist in future service delivery. Commercial Property assets are not linked to service delivery and can be sold, purchased or leased without impacting on the delivery of Council services. Examples of Commercial Property include office space (not occupied by Council), residential dwellings, Kinghorne Street shops, the Huskisson and Sussex Inlet Cinemas and Cafés (Beach Hut at Mollymook and Hyper Hyper in Moss Street, Nowra).

Council's Commercial Property assets are managed by Council's Property Unit. External property managers may be engaged in certain circumstances where a particular expertise is required or there is a cost-benefit to Council in accessing these skills.

Performance of the Commercial Property portfolio will be measured and tracked to give

transparent reporting on matters such as property valuation, income, vacancies, outgoing expenditure/recovery, and return on investment (yield and internal rates of return). The objective of Council is to accumulate Commercial Property assets which are institutional grade investments with sound tenant covenants, five (5) year maximum lease terms, strong rent review mechanisms and capital appreciation⁸.

Through ownership of Commercial Property assets, Council can influence the commercial vitality and viability of the Shoalhaven as it grows and develops. Apart from revenue generating benefits Commercial Property assets also have the capacity to aid employment generation and attract new investment and business to the Shoalhaven. Assets in the Commercial Property portfolio will be created through property development activities or the acquisition of institutional-grade investment properties.

2. DEVELOPMENT SITES

Council must make adequate provision for future infrastructure and service delivery needs taking into consideration significant population growth over the next decade. For this reason it is prudent for Council to hold or acquire land for future regeneration. Many of the areas of land that fall into this category have not yet been identified with any particular development or regeneration scheme or project, but are strategically placed. It is reasonable to expect sites in the Cambewarra, Meroo Meadow, Mundamia, North Nowra and Bomaderry areas to be the priority for the acquisition or development of lands due to the undeveloped nature of major blocks of land.

Development Property is land that is expected to be improved through development (by Council or others) at some point in the future. By planning to secure a strategic Land Bank, which provides for future service delivery needs and revenue generation, Council will be able to acquire sites at a competitive price with significant potential for uplift in value (through rezoning and capital appreciation).

Examples of Development Property include Iconic Sites, sites held in urban release areas, The Gateway Park, Nowra, former Ulladulla STP in Camden Street Ulladulla, Flinders and the Technology Park Industrial Estates, land identified for the proposed Motor Sports Complex, Yerriyong and the car park lands on the corner of Owen and Sydney Streets, Huskisson.

Council should pursue development opportunities in renewable energy including but not limited to solar, wind and hydro systems. Viable sites to be investigated may include Wondalga Farm.

3. LEGACY LANDS

Council owns or manages significant lands which have a history for why Council owns it. Legacy Lands are not intended to attract intensive use and may be constrained limiting development.

Examples of Legacy Lands include paper estates, registered heritage sites, other land vested in or devolved to Council.

⁸ Refer to Council's draft "Property Investment Policy"

The maintenance of Council's Legacy Lands portfolio consumes significant financial resources on a recurring basis. Council should explore opportunities to reduce the maintenance costs through measures such as partnerships with the private sector and community groups (for example Landcare, Park and Bush care groups).

CROWN LAND

7% of the Shoalhaven Local Government Area (or 33,000ha) is Crown Land. Council, as Reserve Trust Manager, is responsible for 456 parcels of Crown Land and a further 137 parcels of Crown Land with Care, Control and Manage responsibility throughout the Shoalhaven. These properties include:

- 2 Coastal Harbours
- 12 Crown Holiday Parks
- 1 State Park (Jervis Bay State Park)
- 2 Crown Lighthouses
- 2 Crown Breakwaters
- 111 Crown Reserves under the trust management of Council
- 59 Crown reserves under Council's care, control and management
- 631 Crown land tenures
- 11 Crown cemeteries, and
- Approximately 800kms of Crown roads

The management of Council managed Crown Land is determined under *POL 16/150 Occupation of Council Owned or Managed Land*. These properties fall within one of five categories:

1. Management of Crown lands – showgrounds, land under trust
2. Management of Crown lands used by Council for operational purposes – pipeline easements, caravan park operations and cemeteries
3. Lands that form part of the natural environment and should substantially remain as such – natural corridors, riparian reserves and some waterfronts
4. The adjoining lands to communities/towns and villages that act as a buffer and land bank for those communities – future expansion for housing, infrastructure and employment lands
5. Lands that can be developed for the economic or social betterment of the local area/region

Under the provisions of the Crown Lands Management Act 2016 any commercial return as a result of management of Trust property can only be expended on that Reserve Trust property and must be accounted for in Council's Crown Reserves Account.

KEY OUTCOMES

Council aims to achieve the following outcomes through the Property Strategy:

1. BALANCING COMMERCIAL AND COMMUNITY BENEFITS

- Services and assets that are self-funding or revenue raising while still meeting current and future community needs
- Innovative ways of providing services and sharpening the commercial focus on property as a means of getting services to users as opposed to ownership being an end in itself
- Modernisation of service delivery to reduce costs
- A network of popular and flexible community centres that generate revenue for Council
- A sustainable built environment that accommodates a growing population whilst recognising conservation values
- Sound strategic planning and community outcomes on strategic sites
- Places and spaces and support for the wellbeing of the community while being fit for purpose.

Properties that do not meet community, strategic or commercial expectations will be considered for disposal to allow reinvestment into properties which do meet these criteria.

Funds generated from divestments will be disbursed for community infrastructure and property acquisition / development purposes. This disbursement is fully described in the (draft) Property Investment Policy.

2. MAXIMISING THE VALUE OF PROPERTY RESOURCES

- Raise the profile of property management and introduce commercial property thinking into all resource decisions at all levels of Council
- Effective stewardship of Council's property assets so they are given a commercial value
- Best value in property management
- Review holdings and challenge the need to retain property
- Financial strength and asset growth

3. DELIVERY OF OBJECTIVES IDENTIFIED IN THE COMMUNITY STRATEGIC PLAN 2023 (CSP)

Through the Community Engagement Strategy (2009-2010), Council invited the community's input in the development of the Community Strategic Plan 2023. This Property Strategy supports Councils' integrated approach in responding to the community's priorities and expectations for the future.

The following table (Table 1) demonstrates specific actions and outcomes of the Property Strategy as they relate to the Community Strategic Plan 2023.

TABLE 1 – PROPERT STRATEGY & IMPLEMENTATION OF THE CSP

CSP KEY RESULT AREA	CSP OBJECTIVES		PROPERTY STRATEGY	PROPERTY UNIT ACTION	PROPERTY UNIT KPIs
PEOPLE	1.3	Healthy and active communities that feel safe	<ul style="list-style-type: none"> • Providing the Services Required by Residents • Optimising the Service Potential of Assets • Continue to resource and improve the efficient accessibility and sustainability of all Council properties • Explore innovative ways of providing services incorporating both property as well as non-property based solutions 	<ul style="list-style-type: none"> ▪ Ensure properties and facilities are maximised in their use ▪ Apply best value property management principles ▪ Focus on commercial outputs and outcomes 	✓ Maintain no less than 95% occupancy rate across all tenancies

CSP KEY RESULT AREA	CSP OBJECTIVES		PROPERTY STRATEGY	PROPERTY UNIT ACTION	PROPERTY UNIT KPIs
PLACE	2.4	Community infrastructure that is environmentally responsible and ecologically sustainable	<ul style="list-style-type: none"> • Provide infrastructure and Assets required by Residents • Use Council property to influence and promote sustainability and energy efficiency 	<ul style="list-style-type: none"> ▪ Conduct land acquisitions to meet future Council and Community requirements ▪ Develop and acquire new infrastructure and assets to meet the needs of the City's growing population and economy while maintaining current asset service levels ▪ Develop the City's major town centres of Nowra, Berry, Sussex Inlet, Ulladulla and Vincentia to include attractive public spaces, retail shopping, entertainment and recreation options for the community ▪ Facilitate sound Planning outcomes on strategic sites 	
	2.5	Major town centres that are attractive, vibrant and popular destinations	<ul style="list-style-type: none"> • Use Council Property to Influence and Promote Development 		

CSP KEY RESULT AREA	CSP OBJECTIVES		PROPERTY STRATEGY	PROPERTY UNIT ACTION	PROPERTY UNIT KPIs
PROSPERITY	3.2	An economy that supports and is supported by growing, diverse and changing communities	<ul style="list-style-type: none"> • Contributing to Economic Growth • Invest in property that captures the benefits of growth for the community • Council's property portfolio is utilised in a fashion which maximises economic benefit to the community • Balance commercial outcomes against energy efficiency 	<ul style="list-style-type: none"> ▪ Identify and help progress key major developments that align with and support the CSP Vision and Objectives ▪ Meet service delivery demands by providing the right assets in the right location in the right amounts ▪ Establish criteria for all asset improvements to ensure efficient service delivery to the residents of the Shoalhaven ▪ Through commercial partnerships with the private sector/partner agencies ▪ Investigate options for sites suitable for renewable energy 	
	3.3	Effective promotion of Shoalhaven's investment, business, tourism and job opportunities, lifestyle attractions and vision			

CSP KEY RESULT AREA	CSP OBJECTIVES		PROPERTY STRATEGY	PROPERTY UNIT ACTION	PROPERTY UNIT KPIs
LEADERSHIP	4.4	A Council that is accountable, ecologically and financially sustainable	<ul style="list-style-type: none"> • Promoting Financial Sustainability • Assigning Responsibility and Accountability • A robust and transparent system of data capture, commercial performance measurement and reporting is adopted • Promoting balance between Development and Sustainability 	<ul style="list-style-type: none"> ▪ Measure the commercial performance and utilisation of all property to identify non-performing assets and to inform and ensure objective decision making ▪ Ensure that properties held in Council's ownership are financially viable, suitable and necessary to meet community needs ▪ Clearly defining Council's ownership and control of assets ▪ Determining and communicating accountability and commercial responsibilities throughout each step of the integrated approach to asset management 	

CSP KEY RESULT AREA	CSP OBJECTIVES		PROPERTY STRATEGY	PROPERTY UNIT ACTION	PROPERTY UNIT KPIS
SUSTAINABLE SERVICES AND PROGRAMS	5.1	Financially sustainable and customer responsive on-going service delivery and asset maintenance and renewal programs	<ul style="list-style-type: none"> • Maximising Value for Money • Capital tied-up in surplus and non-performing (lazy) assets is minimised • Investment in property delivers the maximum commercial return on investment to Council • Collectively and corporately maintain adequate property data to enable efficient commercial asset management and planning • The property portfolio is structured in a manner which maximises flexibility and reduces unnecessary administrative burdens • Property decisions are well informed commercially and based on clear business objectives 	<ul style="list-style-type: none"> ▪ Develop and implement disposal program ▪ Identify and progress development opportunities ▪ Monitor cost of maintenance & management of commercial & residential properties ▪ Monitor debtors position across all revenue streams 	<ul style="list-style-type: none"> ✓ Realise proceeds from sale/development of surplus land in the amount of \$200k pa ✓ 91+ day debtors is maintained at no more than \$15K
5.2	Operational cost savings				

IMPLEMENTATION FRAMEWORK

Council has developed supporting guidance material to ensure that each part of the Property Strategy is properly implemented to achieve the objectives articulated. Further, a number of initiatives have been identified for implementation to ensure the strategic aims and outcomes are delivered.

The implementation components of this strategy include:

ADOPTION OF THE PROPERTY STRATEGY

This Property Strategy has been circulated amongst all Council Directorates for comment and feedback prior to presentation to Councillors in a series of briefings for input, comment and feedback. Once agreed it will be placed on public exhibition to facilitate community consultation and the provision of feedback.

Key steps in this process:

1. Development of Communication Plan
2. Identify key community and internal stakeholders
3. Implement Communication Plan
 - a. Engage with stakeholders for input and feedback on Draft Property Strategy
 - b. Public Exhibition
4. Community comment received, amendments to Property Strategy if/as required
5. Property Strategy submitted to Council for adoption.

PROPERTY INVESTMENT POLICY

POL15/51 is Council's primary "Investment Policy" which aims to provide a framework for the investment of Council funds (surplus monies), at the most favourable rate of interest available to maximise returns, whilst having due consideration of risk, liquidity and security for its investments. The Property Investment Policy compliments and reflects the standards established in POL 15/51- Investment Policy.

Purpose of Property Investment Policy

The purpose of the Property Investment Policy is three-fold; it determine how funds from property disposals are disbursed, establishes a framework for the future acquisition and management of Commercial Property and an opportunity to diversify Council's revenue streams.

Disbursement of Funds from Property Disposals

Working within the relevant legislation, the type of land and the manner in which Council acquired the property informs Council how funds from a property disposal may be dealt with. The Property Investment Policy clarifies Council's disbursement of funds generated as a result of property disposals, in accordance with the following legislation and controls;

- Local Government Act 1993
- Environmental Planning and Assessment Act 1979
- Roads Act 1993
- Shoalhaven Contributions Plan

a) Funds Distribution

- 100% net proceeds from the sale of closed roads are preserved for expenditure on roads
- 100% net proceeds from the sale of land transferred to Council under a developer dedication post-1974 (known as a Section 94 Contribution⁹) to be preserved for expenditure on community infrastructure
- 100% net proceeds from Commercial property disposals directed back into Strategic Property Account
- All other property: net proceeds to be distributed between community infrastructure and the Strategic Property Account.

Framework for Investment into Commercial Property

The second key objective of the Property Investment Policy focuses on the parameters for investing in Commercial property as an option to supplement and diversify Council's income sources. The policy establishes investment criteria, safeguards and benchmarks to ensure sound and informed investment.

Alternate Recurring Income Stream

The net rental income from acquired Commercial properties will be directed to Council's General Fund as a recurring income stream.

The investment into Commercial property affords Council the opportunity to create an alternate revenue stream, to supplement and diversify the investment of Council monies, especially in low interest rate return environments.

EXISTING TRANSACTIONAL PROPERTY POLICIES & PROCEDURES

These policies have been developed to provide guidance and transparency around property transactions. Both the *PRD16/284 - Due Diligence for Land Transactions* and *POL 16/113 - Acquisition of Land by Shoalhaven City Council* outline the procedural requirements for the sale of Council-owned land and acquisition of new Real property assets. These policies set important parameters on matters such as the appointment of agents and methods of sale, establishes clear and transparent procedures to ensure Council maximises the revenue from

⁹ Section 32(5) of the Local Government Act 1993, "the net proceeds of sale by a council of any land dedicated in accordance with a condition imposed under section 94 of the Environmental Planning and Assessment Act 1979 must be dealt with under that section as if those net proceeds were a monetary contribution paid instead of the dedication";

property transactions and restricts practices which reduce competition and may result in unfavourable outcomes for Council.

These policies have allowed Council staff to pursue acquisitions and prepare properties for sale in a transparent and efficient manner.

INFORMATION MANAGEMENT AND REPORTING

A commercial Property Management System (PMS) to replace the aged and restrictive Tenancy Register (access data base) is to be implemented to ensure accurate and timely information is available to inform property decisions. The PMS will allow the creation of a consolidated property database enabling detailed analysis and reporting of leased and/or licenced property utilisation, revenue and cost. The PMS is a critical tool in delivering best practise service delivery by the Property Unit.

PERFORMANCE MEASURES

The Property Unit will undertake a review of all performance assessment tools and criteria to standardise reporting and analysis. This review will:

- Ensure proper benchmarks are established to measure the commercial performance of all asset classes
- Set appropriate review dates to determine if the asset meets service delivery expectations
- Establish investment milestones and hurdle rates for commercial investments under the Property Investment Policy
- Standardise reporting to Council to ensure consistency and transparency.

LAND REVIEW

Incorporating an assessment of sound strategic planning merit, Council's property portfolio is to be comprehensively reviewed to identify the following:

- Surplus or vacant properties which no longer have a nexus to current or future service delivery programs
- Property assets which are underutilised or lazy which could be embellished or recycled for an alternate use
- Property assets which are not fit for purpose due to their condition (having regard to the cost of capital upgrade), design, size or, location
- Vacant infrastructure sites which could be divested and/or potentially rezoned for development without impacting on service delivery
- Sites which have current or future development potential (for operational or non-operational uses)
- Opportunities for commercial activities which align with the existing use of sites (for example kiosks to provide improved facilities in public recreation areas)
- Sites with high ecological value which may provide opportunities for bio diversity

offsets

- Land which is suitable for rezoning to provide an uplift in value or development potential
- Land which is suitable for “back zoning” to protect its high conservation value
- Non-operational sites which are suitable for sale to allow reinvestment of funds into new property assets
- Suitable sites for the provision of future community buildings
- Potential to co-locate future community facilities with other Council owned developments, as part of the flagged master planning for the Shoalhaven Regional Sports Complex at Bomaderry and Bay & Basin Leisure Centre at Vincentia

Locality Grouping- Land Review Staging Plan

With over 2,700 Business and Government properties to be systematically reviewed, a staged assessment of properties is to be adopted. Properties have been grouped geographically with property needs to be considered both in the context of their locality and their contribution to Council as a whole. (See Map 1) The Land Review will further clarify the volume, type, need and use of properties in each local area. This staged assessment of properties will allow for due diligence processes including community consultation. Table 2 identifies the locality groups used to determine Stages of the review.

PILOT PROJECT

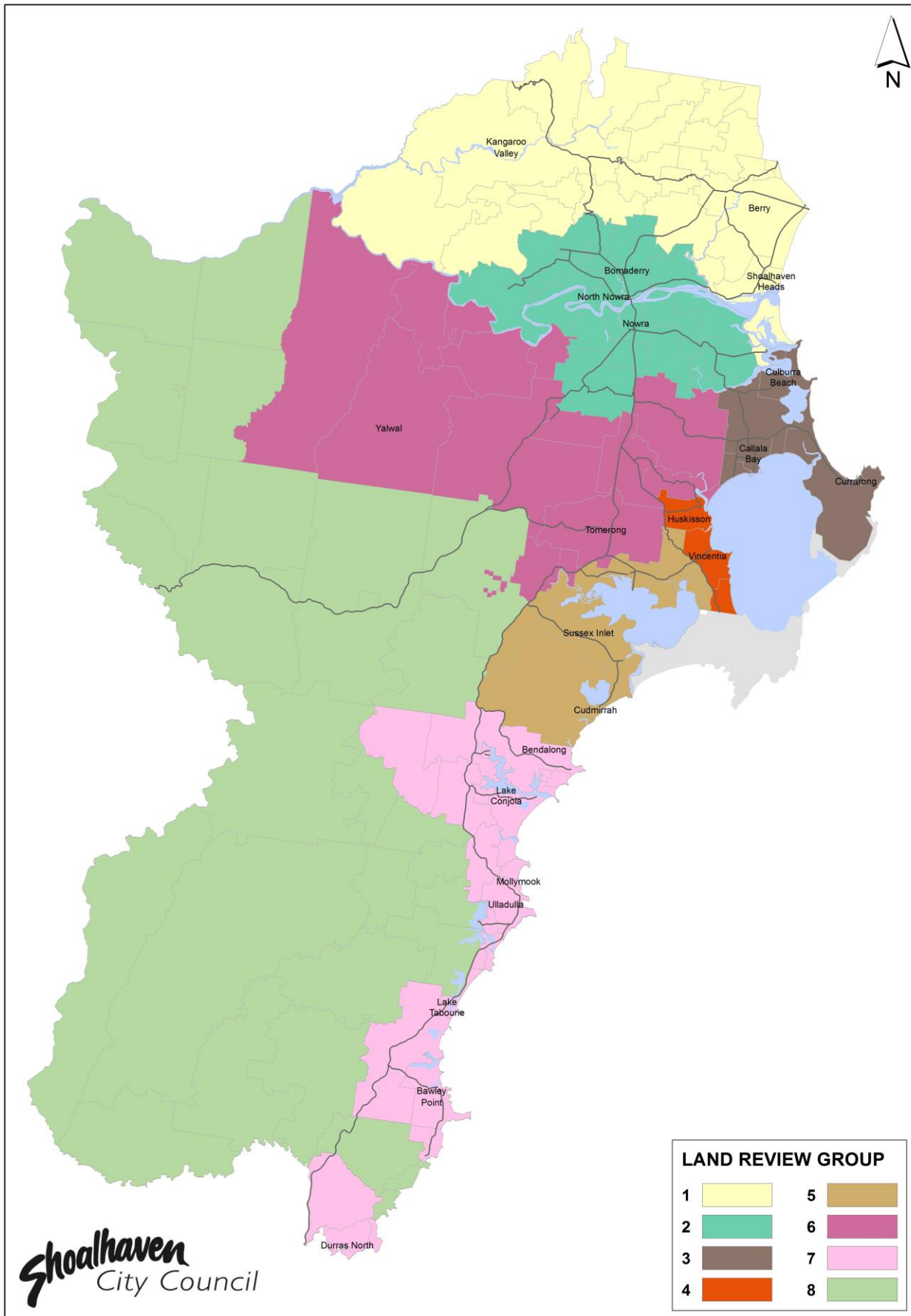
Once the initial Land Review is complete, one locality will be used as a Pilot Project to:

- test the findings of the Land Review and implementation of this Strategy and
- test the recommendations from Council’s other Plans including the “Community Infrastructure Strategic Plan 2016-2036”,
- gather feedback on the Community’s priorities
- identify the availability and suitability of Council owned land parcels in the suburb and
- gauge community support for funding quality improvements in their suburb, by selling some or part of the Council owned land that is not meeting the Community’s current needs

The location of the Pilot Project will be subject to future report and recommendation to Council.

TABLE 2 – LAND REVIEW GROUPS BY LOCALITY

Group	Subgroup	Towns And Villages	# of Properties
1	A	Kangaroo Valley and Surrounds	50
	B	Berry and Surrounds	89
	C	Shoalhaven Heads, Greenwell Point and Coolangatta	62
2	A	Nowra, South Nowra and Worrigea	440
	B	Bomaderry, North Nowra	229
	C	Nowra Rural suburbs	129
3	A	Callala Bay, Callala Beach and Myola	352
	B	Culburra, Currarong and Orient Point	178
4	A	Vincentia, Huskisson and Hyams Beach	134
5	A	Sussex Inlet, Berrara, Cudmirrah	62
	B	St Georges Basin, Erowal Bay and Sanctuary Point	508
6	A	Woollamia, Wandandian, Tomerong, Falls Creek, Yerriyong and Yalwal	84
7	A	Manyana, Conjola, Lake Conjola, Bendalong	64
	B	Milton, Narrawallee, Mollymook	135
	C	Ulladulla, Burrill Lake, Lake Tabourie	223
8		National Park & Crown Land areas. No Council owned properties in this area	nil



SURPLUS AND NON-PERFORMING (LAZY) ASSETS

It is imperative that Council maximise the return on capital that is invested into property assets. As part of the Land Review and from time to time, Council will identify land or property assets as being surplus to requirements. Operational properties may be considered surplus to service delivery requirements where they no longer meet the objectives of the Community Strategic Plan “Shoalhaven (CSP) 2023, Delivery Plan and Operational Plan (DPOP) and/or minimum performance criteria set out in Community Infrastructure Strategic Plan 2016-2036, or they may be underutilised or inappropriately located leading to inefficient service delivery.

Non-operational property assets are surplus if they are not aligned to the long-term strategic needs of Council or where they provide limited opportunity for development or commercial return. At the same time, land or buildings may be vacant and sit idle with limited potential for current or future community use or income generation.

Properties identified as surplus shall be referred for internal comment within various sections of Council such as Environment Services, Social and Infrastructure Planning and Strategic Planning to ensure a comprehensive assessment for each parcel.

Properties agreed as surplus should be divested to allow sales proceeds to be reinvested in line with the Property Investment Policy. This reinvestment of funds from non-performing and surplus assets will provide the opportunity to develop new community facilities or create revenue generating developments for future income.

RECLASSIFICATION OF COUNCIL LANDS

The review of the portfolio would identify and group property assets that could be requested to be reclassified from ‘community’ to ‘operational’ for disposal where there is no impact on service delivery or opportunities for consolidation have been identified through other robust (with community input) studies such as the “Bay & Basin Community Hub Master Plan”, Bomaderry Nowra Regional Sporting & Community Hub Master Plan” and “Berry Community Facilities Consultation- Workshop Outcomes Report” and funds could be reinvested in future community buildings.

Any application to reclassify Council land shall adhere to regulations prescribed under the Local Government Act and in accordance with the Department of Planning and Environment’s guidelines.

REZONING OF COUNCIL LANDS

As noted above, a step in the process of the portfolio review is determining if a property or group of properties require rezoning. Any rezoning is to follow Council’s “*Planning Proposal (Rezoning) Guidelines*” document revised and adopted by Council 18th January 2016.

In this regard, any application to rezone land shall adhere to regulations prescribed under the Environment Planning and Assessment Act 1979.

LAND BANKING FOR FUTURE SERVICE DELIVERY NEEDS

With significant population growth and green-field land releases planned for the Shoalhaven it is important that Council understands commercially and articulates the property assets needed for future service delivery. A significant proportion of community facilities in future land release areas including parks and recreational areas and roads and drainage reserves, will be funded by developers or through s94 Contributions Plans however, this only provides a partial solution to meet community needs. Council will need to find suitable sites for the creation of future facilities and therefore appropriate land banking opportunities should be pursued to position Council to provide these services in the most cost effective manner.

ACQUISITION OF STRATEGICALLY IMPORTANT LAND ASSETS

Council should pursue key catalyst developments sites which will provide regional economic stimulus and employment generation opportunities such as the land for the Motor Sports Complex at Yerriyong and the Technology Industrial Estate adjoining HMAS Albatross. Additionally, Council also owns a number of iconic sites, including the land adjacent to Council's Nowra Administration building (Civic Centre Site) and former Visitor Information Centre site in Pleasant Way, Nowra, which provide strategic development opportunities throughout the Shoalhaven.

Land acquisition opportunities which are aligned to deliver catalyst projects or provide new opportunities for strategic development will arise from time to time and will be taken up by Council staff. These opportunities may include sites adjacent to existing development sites, lots which may improve serviceability or access of future development parcels or sites with high commercial value which can be used to trigger development on strategic parcels.

Strategic acquisition opportunities will be recommended to Council as they arise with funding to be provided by the Council's *Strategic Property Account* or the 4 Year Delivery Plan funding strategy.

STRATEGIC PROPERTY ACCOUNT

Council has established the Strategic Property Account which will be the primary vehicle for the reinvestment of proceeds from property asset sales. Funds from the Strategic Property Account shall be used for site acquisitions and/or development of Council owned projects. Funds in the account are for capital expenditure and are not to be used to fund service delivery.

Where capital reserves are insufficient to fund acquisitions or development then alternate funding models, including joint ventures or Public Private Partnerships may be considered. The evaluation of alternative funding models will be done on a project-by-project basis.

The objective of the Strategic Property Account is to provide a sustainable funding vehicle for all future Council-owned property activities. To ensure sufficient funding is available it is critical that capital currently tied up in non-performing or surplus assets is released for strategic reinvestment.

STRATEGIC SITES

Council owns a number of strategic sites that provide opportunities to deliver good planning and community outcomes. This can be achieved by influencing the built environment,

promoting revenue generation and encouraging employment growth and economic stimulus. The sites include the major commercial centres of Nowra, such as Egan’s Lane, former Visitor Information Centre, Pleasant Way and the Civic Centre Site; Ulladulla, such as the former Ulladulla Sewer Treatment Plant; Culburra, such as North Crescent road closure to deliver a seven Lot residential subdivision and Mundamia Urban Release Area. The Property Unit will work with other sections of Council to secure the best outcomes for the community in regards to these sites.