



**WHANGANUI
DISTRICT COUNCIL**
Te Kaunihera a Rohe o Whanganui

Property Portfolio Investment Plan 2018 – 2028

He Mahere Whakangao Kōpaki Taonga



Property Portfolio Investment Plan 2018 – 28

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Executive Summary

The Property Portfolio Investment Plan has a point of difference to the way in which Whanganui District Council (Council) has managed its investment portfolio in the past.

This Plan demonstrates Council's investment approach for properties categorised as "investments" or properties considered "surplus to Council's requirements". The Plan will specifically exclude strategic direction for properties which fall outside of these two categories (e.g. municipal properties such as parks & reserves, libraries, community halls, Council administration buildings etc.).

It recognises the importance of investing for our local economy to generate optimal returns balanced with acceptable levels of risk and cultural sensitivity. We aim to have Whanganui acknowledged nationally as a progressive and vibrant city – to develop our existing investments, seek outside opportunities to diversify risk and increase our financial capacity so we continue to grow as a successful community.

In order to achieve this Council requires to be: -

- Cognisant;
- Proactive;
- Responsive;
- Consistent; and
- Culturally sensitive.



Introduction

Why we need a Plan

The purpose of this Plan is to outline a transparent and strategic process for the way in which we manage Council's property investment and divestment opportunities. It also provides a framework for managing property investment risk.

Currently there is no formal reference material available to assist Council and members of the community to understand the intricacies of investing or divesting tangible assets of Council.

Council has a responsibility to its community to manage its property investment portfolio in a prudent and professional manner. This Plan is to articulate to its audience: -

- The mechanisms in place to be able to divest in poor performing assets;
- An overarching strategy for reinvesting capital through portfolio diversification or allocated to retire debt;
- To clearly articulate the legislative requirements surrounding Endowment land and the powers that is vested in Council; through
- Open, transparent and consistent information.

Who it is prepared for

This plan is prepared for Elected Members, Council Officers, the community and other key stakeholders to:

1. Provide clarity on how the Property Group manage its investment portfolio; and
2. Outline the processes the Property Group must administer for property investment and divestment.

Scope of Plan

This Plan applies to the property investment portfolio that is managed by the Council's Property Group, specifically to investment properties and properties determined surplus to Council's requirements that are within the Harbour Endowment, City Endowment and Community and Operational (Freehold) portfolios.

It outlines the Property Group's process and delegated authority in the divestment of property and reinvestment of capital.

Definitions

Investment Properties means land or buildings (or both) held within Council's Property Group portfolio specifically identified as an Investment Property. Those properties identified as Investment Properties will have a primary focus on providing a financial market investment return and will be considered as long



term intergenerational assets that provide positive financial return to the ratepayer of Whanganui.

Mana Whenua Iwi refers to Whanganui District Council's two Mana Whenua iwi partners: Te Runanga O Tamaupoko Link and Te Runanga O Tupoho.

Taonga means all things that are considered to be treasures and of great value, and includes things that are intangible.

Property Portfolio

What the Property group currently manages

The following outlines the three portfolios Council's Property Group manages. It should be noted not all property within this portfolio are regarded as investments as some are used for operational purposes or are owned for strategic reasons (such as parks, reserves and Municipal buildings).

Harbour Endowment¹

In essence, the Council is the Trustee of the Harbour Endowment (a statutory trust) which Council must retain for the purpose the Endowment was vested. The Harbour Endowment's purpose is for the maintenance and development of the Harbour and associated river works. This means that all capital or divestment proceeds must remain with the Harbour Endowment portfolio which encompasses capital works for the Port or River development or to release property value, e.g. building demolition.

City Endowment

In essence, the Council is the Trustee of the City Endowment (a statutory trust) which Council must retain for the purpose the Endowment was vested. The City Endowment's purpose is described in the 1880 Crown Grant as being "in aid of municipal funds" and therefore the net income can be a 'dividend' to Council or be reinvested. All capital or divestment proceeds must remain within the City Endowment.

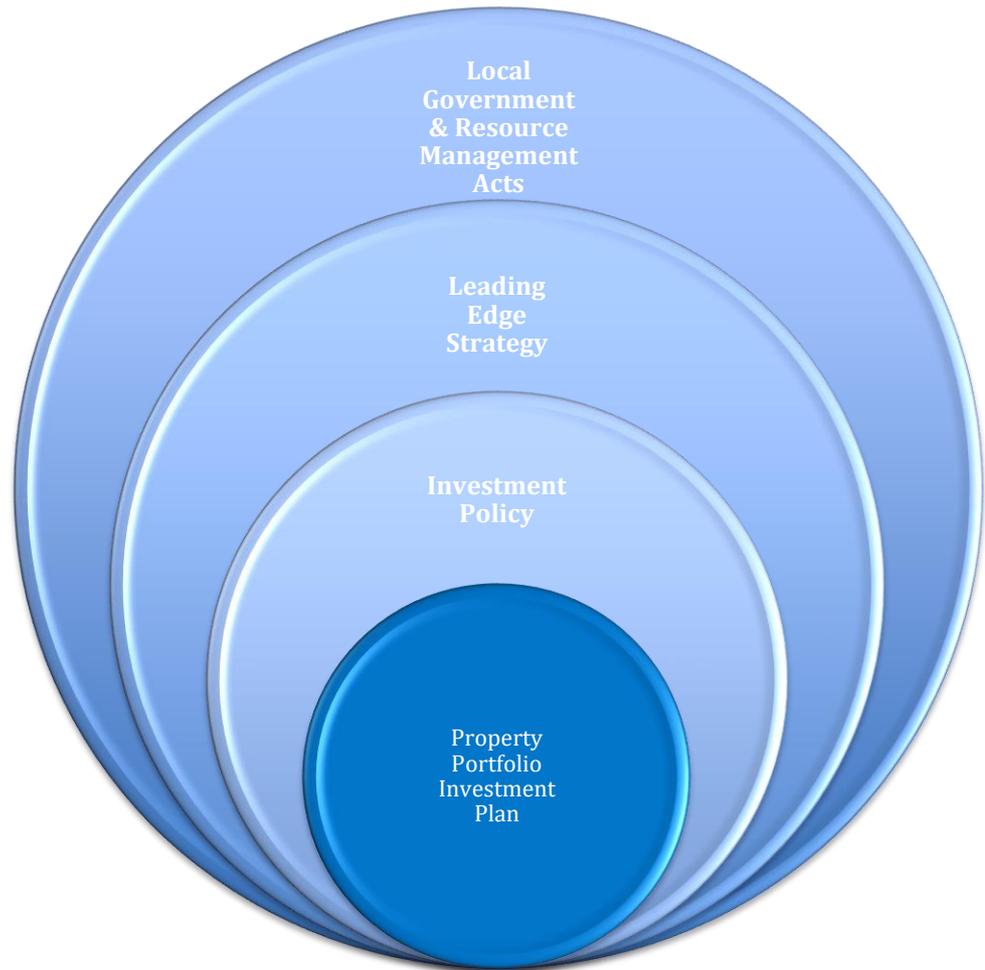
¹ (Applying to both Endowment portfolios): According to Sections 140 & 141 of the LGA, endowment property must be retained for the purpose for which the property was vested, however unless divestment is expressly prohibited by the vesting instrument, the proceeds of any divestment can be used for any purpose consistent with the purpose of the endowment, there being no express prohibition in the 1876 Act. The purpose of an Endowment can be changed by means of a special consultative process and an Act of Parliament.



Community and Operational (Freehold)

The Council has authority to manage Freehold investments “as it wishes” subject to Local Government Act legislation. In essence, this means that should Council wish to divest in Freehold land it may do so (unlike the Endowment portfolios which require an in-depth parliamentary process).

Planning context





Legislation

The primary purpose of legislation is to protect communities by providing a governing framework that ensures that a Council is conducting its business and services in an affordable and efficient way and that its decision-making is responsive and appropriate to the needs of its community. Councils' are bound by legislation within but not limited to the Local Government Act 2002 (LGA) and the Resource Management Act 1991 (RMA) with regards to property investment and divestment.

The LGA states that the purpose of local government is:

1. To enable democratic local decision-making and action by, and on behalf of, communities; and
2. To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

Significance and Engagement Policy

This policy outlines how Council will engage with the community based on the significance or importance of an issue, proposal, or matter. Investment and divestment decisions sought will be assessed against the criteria of this policy to determine the level of engagement required by Council.

Leading Edge Strategy

Council's strategic plan, "Whanganui: Leading Edge" sets the strategic framework through which we seek to shape our community and achieve defined outcomes. It forms the foundation for the Council's Long Term Plan and sets out the strategic objectives and actions which will occur during that planning period. The core principles of Council's strategic plan underpins Council's desire to shape a district that is seen as an enabler both within Whanganui and nationally.



Investment Policy

The Investment Policy is to outline approved policy and procedures in respect of all Council investments and applies to any investment made by Council with an expected commercial return. While an investment may have other strategic economic objectives that are being met, the distinction between it and other spending is that it will be expected to generate a future flow of funds at a market rate of return. Council holds a mix of investments which includes surplus cash and working capital funds, equity investments, property investments, forestry investment and loan advances.

Property Portfolio Investment Plan

Guided by the Investment Policy, the Property Portfolio Investment Plan provides a reference for Council, the community and other key stakeholders on the process in which Property Group administers its investment portfolio.

Note: there are a number of additional plans, strategies and policies that impact on, contribute to or complement this Property Portfolio Investment Plan.

Our Community

Each Council tailors its services and activities in response to the needs of its community. These needs are identified via a variety of community consultation processes and incorporated within Council's objectives, policies and future planning.

Business Community

From time to time Council is approached by parties who hold a perpetual leasehold interest on Council land, and for a variety of reasons the leaseholder would like to purchase Council's leasehold interest to create a freehold title.

Māori Council has a statutory responsibility to engage with Māori and to recognise the Treaty of Waitangi (Local Government Act 2002 Section 4 and Parts 2 and 6). Council must incorporate Mana whenua Iwi and other Iwi's perspective within policies and processes and be inclusive with decision-making.



Whanganui District Council (Elected Members)

The role of Elected Members within this Plan is to receive and endorse the Property Group's recommendation for setting up the most appropriate method of diversifying the investment portfolio as well as considering any proposed divestment of property. Elected Members require to ensure that key stakeholder engagement has been initiated where appropriate before any recommendation is endorsed.

Council's Property Group

The role of the Property Group is to manage the day-to-day activity management and transaction of Council's property investments. Property Group also advise Council on investment concepts, practices and technical analysis to support the development and implementation of Council's investment objectives and strategic direction.

Background and issues

This Plan has a point of difference to the way in which Property Group has managed its investment properties and properties determined surplus to requirements than it has in the past. The Property Group have completed extensive background work to better understand our property portfolio and our relationships with key stakeholders.

2015 Review

In 2015, the Property Group undertook a desktop review of the Harbour Endowment, City Endowment, and Community and Operational (Freehold) portfolios to consider how Council can optimise the performance of its investment assets.

The purpose of the review was to enable the Property Group to actively manage and report on "investment properties" and properties determined "surplus to requirements".

The outputs of the review summarised property types by Ownership and into the following criteria:

1. Investment Property (expectation of a return on investments)
 - i. Strategic review of poor performing investments
 - ii. Neutral investments that may be considered for divestment at a future time
 - iii. Strategic divestment for re-investment
 - iv. Healthy investments for growth and retention



and

2. Community Property (no expectation of a return on investments)
 - i. Community assets such as Pensioner Housing, Parks and Reserves etc.
 - ii. Non-investment properties considered surplus to requirements

A summary of the financial performance of the “investment properties” can be found in **Appendix A**. A summary of the “properties considered surplus to requirements” can be found in **Appendix B**. As the purpose and potential “investment profile” of a given parcel of land may change over time, Appendix B will remain a living document.

Property Group’s investment portfolio challenges

Council has the in-house expertise to actively manage the investment properties in terms of market presence, acquisition, disposal, diversification etc. However there are many factors and stakeholder engagement considerations that the Property Group must legislatively apply to all its dealings with regards to its investment and divestment management. Because of the extensive legislative and engagement process that the Property Group are required to follow, this can create delays with decision-making and put opportunities at risk.

Vision

Vision statement

To sustain an investment portfolio that delivers optimal returns for the benefit of the Whanganui community and future generations.

Principles

Investment Principles

This Plan is guided by the following principles: -

- Investing in multiple investment opportunities will strengthen the capability of the Property Investment portfolio.
- Establishing clear internal controls provides clarity on our processes for the community and other key stakeholders.
- Incorporating the decision-making principles – Environment, Employment, Economic and Education – will ensure investment decisions are future-proofed for the next generation.
- Building on existing investments will resolve, innovate and respond to community needs.
- Being transparent with key stakeholders establishes relationships that are built on trust and openness.
- Boosting Whanganui’s economic profile nationally strengthens our competitive advantage and investor reputation.

Relationship Principles

- Ko te ture wairua kei runga, ko te ture tangata kei raro
Recognition of 'spiritual' values as a key cultural component in the care and protection of 'taonga' (the health & well-being of land)
- He kokonga whare, ka taea te kite, he kokonga ngakau, e kore e taea
Accountability to working collectively in a transparent way
- Ma whero, ma pango, ma ma, ka oti ai te mahi
Kotahitanga, (unity) invoking a proactive synergy between distinct parties to achieve a common outcome to enhance the community
- He manu ano te manu kai miro, he manu ano te manu kai poroporo
Hearing and listening to the contributions of each group
- He tao, he taiaha ka taea te karo, he kupu, he korero, e kore e taea
Respectfulness in communication
- Tou piki amokura nou, toku piki amokura noku
Respect for each other's worldview
- Kia kotahi te hoe, ka whakaekengia te moana pukepuke
Working in unison to overcoming the adversities and challenges faced by our community
- Ko tou kupu, ko tou mana
Honesty and trust
- Toitu te ahika o matua iwi
Acknowledging the unique status (mana whenua) of the indigenous tribes within the Whanganui District Council rohe as the resident tangata whenua for the last 1850 years

Goals

1. Align the Property Group's investment portfolio with Council's strategic objectives and community expectations.
2. Maintain a balance between innovation and stability.
3. Minimise investment risk through thorough due diligence.
4. Position the portfolio so the long-term annual return for the community is optimised.
5. Build upon business and stakeholder relationships that support the Council's commitment to working towards a successful and profitable community.
6. Proactively engage and partner with Iwi on matters of significance.

Whanganui District Council's Property Portfolio

1.0 Investment Management

- 1.1 Council has broad authority that allows it to invest and to borrow for:
 - purposes relevant to the performance of any of its functions; or
 - for the prudent management of its financial affairs.
- 1.2 To maximise the performance of Council's investment properties, the Property Group must manage the portfolio from a commercial



perspective whilst maintaining the economic and/or social value the investments add to Whanganui.

- 1.3 Diversification is critical to reducing risk within any property portfolio. Although it does not guarantee against poor financial performance, it reduces the impact/risk for how a portfolio would react in an event, such as in distressed market conditions. This includes acquiring property (by agreement via Council resolution) outside of the Whanganui district for the benefit, improvement or development of our community, to spread our risk and, in turn, attract outside investors to Whanganui by putting us on the 'investment map'.
- 1.4 Acquisition proposals must have the potential to enhance income and protect capital.
- 1.5 When a potential commercial investment opportunity comes to the market, decision-making requires thorough due diligence. This will necessitate the delegation of some powers in order to make decisions within a commercial timeframe. The Property Group will seek the approval of Council for any required powers as and when required.
- 1.6 As a general note, Council officers are required to adhere to the Investment Management Guidelines (Appendix C) with regards to the performance of investment practices.

2.0 Divestment Management

- 2.1 Previous Long Term Plans considered and adopted by Council have listed properties to be divested which have been deemed surplus to operational requirements. However experience gained during the consultative process has led to extensive work being undertaken on stakeholder engagement, with specific reference to Iwi's connection to land.
- 2.2 Council and Iwi have spent considerable time working collaboratively on property divestment and the intricacies of ensuring that decision-making protects Whanganui's identity, culture and heritage for future generations. A Decision Tree Matrix (**Appendix D**) has been developed in conjunction with Iwi to articulate the Council's property divestment process.
- 2.3 There are connections in Whanganui's history that require further understanding and research so Council is in a clear position to ensure decisions made protect Whanganui's identity, culture and heritage for future generations. Council and Iwi have concluded that in order to progress property divestment opportunities first we require to understand the history attached to all Council-owned land so we can readily identify sites of significance. A historian will be engaged to undertake this historical research.
- 2.4 At an early stage of any given divestment decision-making process, Council will give consideration to the values and principles referred to within this Plan.
- 2.5 Council must ask itself "what value would a sale add to Whanganui?" – this question is especially critical for any property that may have cultural significance which requires consultation with Iwi.

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- 2.6 Divestment of property would trigger the Decision-tree Matrix process and Council's Significance and Engagement Policy.
- 2.7 Dependent on where a decision to divest property under this Plan sits on the engagement spectrum of Council's Significance and Engagement Policy, Council will tailor consultation methods appropriately including the need to publicly consult.

2.8 Divestment conditions

- 2.8.1 Many of Council's perpetual leases represent good long-term investments and for this reason Council has refrained from selling our freehold interest.
- 2.8.2 Economic development is however an important aspect of growth for Whanganui and Council may, through this Plan, consider the sale of a good long-term investment (leasehold interest or otherwise) if there are substantial benefits to the community that would result in such a sale.
- 2.8.3 Council will not consider a sale of a good long-term investment if there is no proven benefit to the community. Inquiries to purchase Council property may be received from a third party investor or from the owner of an existing perpetual leasehold interest.
- 2.8.4 Council may consider the sale of a good investment based on the following criteria:
- a. The prospective purchaser provides a business case which outlines their development proposal and demonstrates benefit to the community. The business case would need to clearly show an increase in employment opportunities in Whanganui and not adversely impact on the environment, along with timelines for delivery, the business case must satisfactorily answering the following Four E's - Environment, Employment, Economic, Education
 - i Is the purchase Environmentally responsible?
 - ii Does it provide Employment opportunities?
 - iii Does it provide Economic opportunities?
 - iv Does it provide Educational opportunities?
 - b. The prospective purchaser acknowledges that a premium will be paid to Council over and above the Council's market value. The premium applicable will be between 0.5%-1.0% below the Council's current market yield and is required due to the opportunity cost of subsequent reinvestment of the sale proceeds.

For example:

Ground Rent	Market Yield	Market Value	Sales Yield	Sales Value	Premium
\$10,000	6.5%	\$153,846	5.5%	\$181,818	\$27,972
\$50,000	6.5%	\$769,230	5.75%	\$869,565	\$100,335
\$100,000	6.5%	\$1,538,461	6.0%	\$1,666,666	\$128,205

The above figures are purely an example. Each transaction will be negotiated between the parties with the acknowledgement that the maximum premium will be 1% below the Councils current market yield.

2.8.5 It is acknowledged that at times not all four E's under criterion "a" will be achievable and that both Council and Iwi may apply different weighting to each of the four principles during their consideration.

2.8.6 A reversionary freehold interest would rest with Council should the purchaser not meet the approved business case criteria (i.e. Council would have the option to purchase back the property should the purchaser fail to deliver the business case outcomes within an agreed timeframe).

3.0 Risk Management

3.1 Investment in and active management of the investment portfolio represents a risk for Council. The Property Group manage this risk through strategic management of the portfolio – balancing investment opportunities with investment risk. One way to do this is through investment diversification (i.e. not all 'eggs in the same basket').

3.2 All investment risks are minimised through thorough practice of due diligence.

3.3 All significant purchases or sale of property are required to have Council consideration and endorsement. The report submitted by the Property Group must outline any associated risks and mitigation strategies.

4.0 Respecting the rights and interests of Iwi²

4.1 Council and Iwi have a desire to build a partnership based on trust and respect. Initiating early and meaningful engagement assists in a greater understanding of one another's expectations and perspective as well as enabling Council to make well-informed decisions and deliver on outcomes.

4.2 Council acknowledges that Iwi must prioritise the protection of their culture and traditions with their ancestral lands, water, sites and other

² Iwi Property Divestment Representatives are representatives who have been mandated by Iwi within the Whanganui District Council region e.g. Nga Rauru, Whanganui, Nga Wairiki/Ngati Apa.



taonga. This is especially pertinent for decisions involving divestment of land.

- 4.3 Iwi acknowledge that Council has an obligation to manage the property portfolio in a manner that is in the best interest of the community, and at times this will involve the investment and divestment of property.

5.0 Reporting

- 5.1 From time to time the Property Group will report directly to Council when specific investment or divestment opportunities arise. An example of a 'specific' opportunity is if Council was approached by a leaseholder to purchase the land they reside on.
- 5.2 Reporting of significant purchases or sale of property to Council will outline any associated risks and mitigation strategies.
- 5.3 The financial performance of the investment portfolio will be measured and reported on an annual basis to Council. Appendix B- *Properties considered surplus* will also be formally reviewed and reported through to Council as part of its Long Term Plan review process.
- 5.4 General Council reporting practices are expected to be followed and in conjunction with Property Divestments – Decision Tree Matrix (Appendix D).

Monitoring and evaluation

As aforementioned, the financial performance of the investment portfolio will be measured and reported on an annual basis to Council. Performance measurements will be based on how the portfolio is performing in comparison to current market conditions.

Action Plan

Council will actively pursue investment opportunities in accordance with this Plan. Key actions to be undertaken to ensure this plan's success are noted below.

- Council and Iwi have concluded that in order to progress property divestment opportunities first we require to understand the history attached to all Council-owned land so we can readily identify sites of significance. In order to achieve this, a scoping exercise will be undertaken with Council to support Iwi by contributing towards the costs of the resource and offer the use of its own resources by agreement.
- Upon completion of the scoping exercise the Decision Tree Matrix process will be amended to incorporate what will be known about our heritage and connection to property.
- Iwi will engage a suitably qualified historian to undertake the detailed task of capturing Whanganui's history and identifying sites of both historical and cultural significance within the Council property portfolio.

- Work with Whanganui & Partners to position the district as the destination of choice among quality companies and investors.



Appendices

Appendix A: Property types by Ownership

Appendix B: Properties considered surplus

Appendix C: Investment Management Guidelines

Appendix D: Property Divestments – Decision Tree Matrix

Appendix A: Property types by Ownership

PORTFOLIO RETURNS - Investment Properties

(does not include any non investment endowment properties)

For Year ended 30 June 2017

Note: Net Returns exclude Council Overheads and Salaries

Net return greater than 6.5%

Net return 5% to 6.5%

Net return less than 5%



Property Type	Asset Val -Cap	Income	Expenditure	Net Profit	AV Net Return %	2017
Commercial Buildings	\$ 147,691.00	\$ 35,339.00	\$ 13,636.00	21,703.00	14.7%	
Commercial Land	\$ 1,609,729.00	\$ 102,338.00	\$ -	102,338.00	6.4%	
Industrial Buildings	\$ 2,963,000.00	\$ 272,539.00	\$ 61,250.00	211,289.00	7.1%	
Industrial Land	\$ 1,007,904.00	\$ 14,732.00	\$ 7,988.00	6,744.00	0.7%	
Retail Land	\$ 144,633.00	\$ 10,125.00	\$ -	10,125.00	7.0%	
City Endowment Investment Total	\$ 5,872,957.00	\$ 435,073.00	\$ 82,874.00	352,199.00	6.0%	

Property Type	Asset Val -Cap	Income	Expenditure	Net Profit	AV Net Return %	2017
Commercial Buildings	\$ 485,192.00	\$ 48,456.00	\$ 15,448.00	33,008.00	6.8%	
City Freehold Investment Total	\$ 485,192.00	\$ 48,456.00	\$ 15,448.00	33,008.00	6.8%	

Property Type	Asset Val -Cap	Income	Expenditure	Net Profit	AV Net Return %	2017
Hospitality and Recreation	\$ 207,000.00	\$ 13,250.00	\$ 50.00	13,200.00	6.4%	
Commercial Buildings	\$ 3,078,461.00	\$ 366,303.50	\$ 104,433.00	261,870.50	8.5%	
Farmed Properties	\$ 718,000.00	\$ 32,706.00	\$ 7,102.00	25,604.00	3.6%	
Commercial Land	\$ 981,000.00	\$ 67,253.50	\$ 650.00	66,603.50	6.8%	
Industrial Buildings	\$ 1,902,627.00	\$ 192,954.00	\$ 71,542.00	121,412.00	6.4%	
Industrial Land	\$ 3,686,000.00	\$ 204,828.00	\$ 12,886.00	191,942.00	5.2%	
Port Development	\$ 4,177,000.00	\$ 271,055.00	\$ 46,329.00	224,726.00	5.4%	
Retail Land	\$ 2,935,000.00	\$ 182,390.00	\$ 3,210.00	179,180.00	6.1%	
Residential Land	\$ 37,000.00	\$ 2,665.00	\$ 747.00	1,918.00	5.2%	
Open Spaces	\$ 187,000.00	\$ 15,000.00	\$ -	15,000.00	8.0%	
Harbour Endowment Investment Total	\$ 17,909,088.00	\$ 1,348,405.00	\$ 246,949.00	1,101,456.00	6.2%	

Appendix B: Properties considered surplus

	Address/Description	Portfolio	Land area	Use of Sale proceeds
A - Priority Sales				
1	57 Heads Road 8 Gilmour Street 8 Gilmour Street (City entrance: Cobham Bridge)	City Freehold City Freehold City Endowment	1211m ² 987m ² <u>496m²</u> 2694m ²	City Freehold portion – debt retirement City Endowment portion – Investment purposes
2	101A Manuka Street Greenbelt between Westbourne and Castlecliff	City Endowment	18.5738Ha	Investment purposes
3	Heads/Rogers (Balgownie dump)	City Endowment	Lot 2 approx. 2.33Ha Lot 3 approx. <u>7.46Ha</u> Total approx. 9.79Ha	Investment purposes
B - Surplus and consider divestment				
4	69 Bamber Street Greenbelt between Westbourne and Castlecliff	City Endowment	6.8887Ha	Investment purposes
5	52 Carlton Avenue (Part Only) Handley Street Reserve	City Endowment	4048m ²	Investment purposes
6	152 Somme Parade Corner of Somme Parade and Kaikokopu Rd	City Freehold	1161m ²	Debt retirement
7	Part 24 Cross Street & 12A Polson Street Part of the land purchased for Castlecliff Community Charitable Trust as Tirohanga Park	City Freehold	approx. 1.7Ha approx.. 1000m2 Total approx. 1.8Ha	Debt retirement
8	88 Duncan Street Ex Wanganui East Scouts – now Koha Shed	City Freehold	1308m ²	Debt retirement
9	35 Fox Road Ex Scout Hall – now Brethren School	City Freehold	528m ² <u>295m²</u> 823m ²	Debt retirement

10	134A Great North Road (Part Only) Part Otamatea Reserve (area of old school buildings only)	City Freehold	approx. 800m ²	Debt retirement
11	7 Kauangaroa Road, Fordell Ex Fordell Scout Hall	City Freehold	1821m ²	Debt retirement
12	3 Kotuku Street Underused neighbourhood reserve	City Freehold	1123m ²	Debt retirement
13	78, 78A, 86 Mosston & 64 Rogers Street Castlecliff end of Mosston Road. – part will be required for storm water purposes as if connects Mill Rd, Titoki wetlands and Rogers Street	City Freehold	26.2079Ha	Debt retirement
14	19 Norfolk Drive (Part Only) Surplus land on connection between Otamatea Reserve and Virginia Lake	City Freehold	approx. 1123m ²	Debt retirement
15	Oakland Avenue Tree'd Reserve areas that have no public use	City Freehold	1123m ²	Debt retirement
16	180A Paterson Street Hillside land adjacent to Hylton Park	City Freehold	17.3023Ha	Debt retirement
17	Rangitatau East Road Ex Kai Iwi Hall site before it was relocated beside the school	City Freehold	2175m ²	Debt retirement
18	275 Tokomaru East Road Thomas Waight Reserve (Forestry Reserve)	City Freehold	17.2750Ha	Debt retirement
19	10 Windsor Terrace Strip adjacent to Durie Hill playground	City Freehold	1430m ²	Debt retirement



20	39 Somme Parade (Part only) Part Cornmarket Reserve	City Freehold	approx. 1600m ²	Debt retirement
21	53 & 55 Ingestre Street Wharanui and Regent carparks	City Freehold	1430m ²	Debt retirement
22	8 Bryce Street Castlecliff Hall Site	Harbour Endowment	1376m ²	Investment purposes
23	426 Heads Road ex Department of Conservation Lease	Harbour Endowment	1000m ²	Investment purposes



Appendix C: Investment Management Guidelines

Council's investment management approach should: -

Seek to maximise rental returns by adopting industry best practice investment and management principles

Property Management

Property management will seek to maximise net income and capital growth through:

- Strategic 'added value' refurbishments of properties
- Judicious maintenance of properties
- Renegotiation of leases
- Rent reviews
- Cost efficiencies

This will involve:

- Working with existing and prospective tenants to create solutions that benefit both parties
- Negotiating and managing lease and rent reviews
- Monitoring compliance with all lease obligations
- Managing capital expenditure requirements for upgrades or refurbishments and maximising the returns on capital expenditure
- Minimising vacant space and effective marketing
- Maintaining properties in proper tenantable condition

Investments and Divestments

Investment proposals must have the potential to enhance income and protect capital.

The major considerations will be:

- The rate of return and long-term capital protection
- A low to medium risk profile (quality, location, size, flexibility of use, security)
- Added value opportunities
- The effect on the portfolio size and diversification profile
- Stability of the particular tenant profile
- The contribution of the investment as an economic stimulus for the local economy.

Seek to take advantage of opportunities to relinquish non-performing properties

The Property Group will consistently review its portfolio to ascertain if properties are providing good value, not only in terms of financial performance and highest and best use, but also in terms of value to the community.



Community worth is difficult to measure but possible decision-making criteria will include:

- Preserving Whanganui’s identity, culture and heritage
- Community participation (how utilised is the asset)
- Community Health and Well-being (does it benefit the community)
- Opportunity Cost (could a sale be used to retire debt)
- Maintenance and Council resources employed (what is the cost to the ratepayer to maintain the property)

As part of transparency Council will, as a priority, involve and consult with our community in the decision-making process as to whether a property is non-performing.

Seek re-investment opportunities inside or outside Whanganui

Council will look to acquire property for the benefit, improvement or development of our community, both inside or outside of Whanganui. Whilst Council will prioritise local investment opportunities, Council has endorsed the Property Group to investigate investment opportunities outside of Whanganui for a number of reasons:

- The Council is a substantial land owner within Whanganui so this would spread the Council’s investment risk profile.
- The potential other markets offer in terms of return on investment and capital growth.

Potential Markets

- Whanganui
 - Will always remain a priority investment market and source of opportunity
- Kapiti Coast
 - Potential for future growth as Wellington expands
- New Plymouth/Taranaki
 - Strong economic climate through agriculture, port operation and petro-chemical industries
- Hamilton
 - Proximity to Auckland
- South Auckland and airport precincts
 - Buoyant markets

Recommended investment criteria

It is recognised that market conditions are continually changing and that the “recommended investment criteria” is indicative only. The investment criteria will remain subject to change and will be reviewed annually (approximately two months after year end) by the Property Group.



All proposed investment opportunities will be presented to Council on a case by case basis. The Council item will summarise the opportunity against the criteria referred to below, the community benefit (Four E's) and be supported by a Property Group recommendation.

Investment Criteria:

Portfolio Profile

- Low level of management
- Bulk retail or industrial
- Single or multi-tenanted

Risk Profile

- Low to medium risk (currently this would have returns sit within the region of 6.5-8.5%)

Lease Profile

- Weighted Average Lease Term (WALT) – minimum of 5 years from acquisition
- Strong tenant covenant

Gearing

- No more than 40% debt to portfolio asset value
- Investment Cap

No more than 33% of the Asset Value of each portfolio is to be invested outside of Whanganui. This is to acknowledge that Whanganui remains the key area for property investment for Council.

Appendix D: Property Divestments – Decision Tree Matrix

Whanganui District Council (Council) recognises that early and meaningful engagement with Iwi will assist in a greater understanding of one another's expectations and perspective as well as enabling Council to make well-informed decisions and deliver on outcomes. Both Council and Iwi have a desire to build a partnership based on trust, respect and an appreciation of each other's world view.

This Matrix was been developed to articulate the Council's process with regards to Property Divestment as well as acknowledging that Council has a statutory responsibility to engage with Local Iwi and to recognise the Treaty of Waitangi.

REPRESENTATION

For the purposes of the property divestment discussions the delegated authority to represent all local Iwi within the Whanganui District Council region are known as the Iwi Property Divestment Representatives (Iwi). Iwi have identified the Whanganui Land Settlement Negotiation Trust as the communication hub for the mandated Iwi representatives.

MANA WHENUA

HISTORICAL SCOPING EXERCISE

There are connections in Whanganui's history that require further understanding and research so we are in a clear position to ensure our decisions protect our identity, culture and heritage for future generations. Council and Iwi have concluded that in order to progress property divestment opportunities first we require to understand the history attached to all Council-owned land so we can readily identify sites of significance.

In parallel to engaging the Decision Tree Matrix, Iwi will engage a suitably qualified historian to undertake the detailed task of capturing Whanganui's history and identifying sites of both historical and cultural significance within the Property Group's property portfolio. Council will support Iwi with this scoping exercise by contributing towards the cost of the resource and offer the use of its own resources by agreement.

Upon the completion of the scoping exercise the Decision Tree Matrix process will be amended to incorporate what will be known about our heritage and connection to property.

DECISION-MAKING PRINCIPLES – the four E's

When property is being considered for sale, Council must ask itself "what value would this sale add to Whanganui?" This is particularly relevant with third party approaches to purchase Council-owned land.

Council will incorporate the following four decision-making principles: -

- Is it Environmentally responsible?
- Does it provide Employment opportunities?
- Does it provide Economic opportunities?
- Does it provide Educational opportunities?

It is acknowledged that at times not all four E's will be achievable and that both parties may apply different weighting to each of the four principles during their consideration.

TRANSPARENCY

Property Group present to Council proposed property(ies) to be considered for divestment. Unless required for commercially sensitive reasons, the property(ies) will be disclosed within a meeting open to the public.

Council consider and endorse the intent to divest and engage this Matrix.

WORKING COLLABORATIVELY

Property Group engages with Iwi to determine Iwi connection with proposed divestment properties. Properties to be prioritised into a preferred divestment order by Property Group.

Property Group to provide Iwi with the following details: -

- Address of Property
- Council Portfolio Ownership
- Aerial photograph
- Property details (physical & financial)
- Copy of Certificate of Title
- Ownership history (Council's perspective)
- Purpose of sale (**incorporate the four E's**)
- Purpose of sale funds (**incorporate the four E's**)

And any other relevant information requested by Iwi in order for them to achieve an informed outcome.

Note: This engagement process for divestment of property does not include the sale of small parts or minor parcels of land, easements, encroachments, licences etc.

RESPECTING IWI RIGHTS & ASPIRATIONS

Iwi to identify an appropriately qualified historian resource to determine Iwi's connection to the divestment properties. Council to then engage that resource based on Iwi's recommendation. Iwi will keep Property Group updated on progress and will make requests for further information as needed.

Iwi agree to provide formal response to Property Group:

- **Endowment Property** within **60 working days**
- **WDC Freehold** within **30 working days**
- **Or** as previously agreed to prior to any research commencing.

If Iwi are unable to achieve the timeframe they will advise the Property Group so that Council and Iwi may collectively agree on the next steps.

Upon receipt of the historian's report, Iwi will advise the Property Group of: -

- Their view on the findings and how it will impact on the proposed divestment.
- Any mitigation strategies that could support a sale (**incorporate the four E's**) subject to criteria that provide surety that Iwi's interest, future aspirations and/or environmental concerns are addressed and protected.
- **Its recommendation.**

ENVIRONMENT EMPLOYMENT ECONOMIC EDUCATION

Iwi advises its support (which may include mitigation strategies to address environmental and other concerns)

Engagement and consultation processes are key mechanisms to encourage collaboration between Council and Iwi to achieve mutually agreed outcomes. They are equal champions for their community and have a strong desire to grow Whanganui into a prosperous and leading edge city.

With this outcome, the Property Group will: -

- Ensure it has a robust understanding of Iwi's position.
- Determine its own position with regards to property divestment and consider any mitigation strategies advised by Iwi. Ensure appropriate community consultation is initiated where required.
- In conjunction with Iwi, incorporate mitigation strategies (if any) into the sale documentation to protect the rights and interests of Local Iwi.
- Proceed with recommending a sale; report to include comprehensive detail on Iwi's position for recording purposes. Property Group respects Iwi's right to address Council directly and an invitation to attend will be extended.
- Council to endorse the sale inclusive of mitigation strategies (if any).
- Recording of this process and decision-making to be thoroughly outlined and retained in Council's filing system for future reference.

ACKNOWLEDGEMENT OF EACH OTHER'S WORLD VIEW

Iwi advise it does not support property divestment

Council recognises that Iwi must prioritise the protection of Local Iwi and their culture and traditions with their ancestral lands, water, sites and other taonga. Iwi in turn recognises that Council is legislatively required to operate in a way that is in the best interests of the entire community.

With this outcome, the Property Group will: -

- Ensure it has a robust understanding of Iwi's position.
 - Determine its own position with regards to property divestment and Iwi's decision. Ensure appropriate community consultation is initiated where required.
 - Disclose to Iwi its recommendation to Council which may include:
 - Removing the property from the divestment list, recording its comprehensive support of Iwi's position to ensure the property is not included for future divestment.
- OR
- Proceeding with a recommendation to sell; report to include comprehensive detail on Iwi's position offset by Property Group's strategic view as to why a sale should be pursued.

Property Group respects Iwi's right to be inclusive in matters of cultural significance and will, at this point, either initiate a joint workshop between Council and Iwi or the formation of a working group to discuss points of difference.

Should these discussions not achieve a mutually agreed outcome, Council and Iwi will collectively decide on the next steps which may include the engagement of an agreed mediator.



References

Local Government Act 2002

Resource Management Act 1991

Leading Edge Strategy

Investment Policy