

## **Developing Tomorrow's Manukau - A Property Strategy For Manukau City Council (2003)**

**Minute Number: 436/03**

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That the document attached as Appendix "A" Developing Tomorrow's Manukau – A Property Strategy" as adopted by the Committee be adopted as a statement of the Council's overarching policies and strategies in relation to property



*Te Kaunihera o*  
**MANUKAU**  
*City Council*

# Developing Tomorrow's Manukau

A Property Strategy for Manukau City Council

12 March 2003

**A2**

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# **“DEVELOPING TOMORROW’S MANUKAU”**

## **A PROPERTY STRATEGY FOR MANUKAU CITY COUNCIL**

### **1.0 INTRODUCTION**

Manukau City is the third largest city in New Zealand, and forms a significant portion of the Auckland region. The local authorities that were combined in 1989 to form Manukau City all considered that property had a major role to play in achieving some of their strategic objectives, mostly relating to urban centres and to the provision of facilities, infrastructure, amenities and utilities. Arising from this belief, the Council has over time acquired a large portfolio of properties that were seen as crucial to the successful future development of the City. This policy has remained largely unchanged, and forms the philosophical basis of the Council's property strategy.

The role and purpose of the Property Strategy is:

- to articulate the guiding philosophy of Manukau City Council in considering decisions about the acquisition, management and disposal of property assets;
- to define the strategic policy framework within which specific property-related decisions are to be made;
- to identify the specific property-related objectives of the Council, as a basis for determining the need for and priority accorded to individual transactions;
- to define the management and decision-making framework governing specific property decisions; and
- to set out an ongoing plan of action for the efficient implementation of the strategy

The Council owns more than 1200 properties within its area. They include such diverse categories as parks, reserves, utilities, paper roads, heritage assets, libraries, halls, swimming pools, housing for the elderly, premises for community groups, town centre car parks and a small number of rental houses, amongst other types of property. There is no single comprehensive database of these property holdings, with various types of property recorded on different and independently functioning databases. Whilst there are various policies relating to the ownership of Council's properties, these policies are not always consistent and there is no clearly enunciated or coordinated policy structure for evaluating the continuing benefits of retaining ownership of its properties.

The underlying principles of Council's commitment to a comprehensive property strategy are:

- i. Recognition that the City is, for the most part, now a mature urban area, so that the strategies once employed to attract and facilitate growth may no longer be necessary or appropriate for these areas, and that new strategies are required to reflect this change whilst recognising that significant greenfields areas remain;
- ii. The need to prioritise expenditures and manage the Council's finances in the most efficient and effective manner possible, so as to maximise the funds available to meet the demands of its citizens and ratepayers for an ever-expanding suite of services;

- iii. The need to be aware of, and to manage, potential conflicts of interest arising from the Council having multiple roles; and
- iv. Council's statutory obligations including those imposed by the *Local Government Act 2002*.

The Property Strategy is intended to be reviewed regularly, so as to reflect the changing nature of specific policies and objectives. The Property Strategy, as amended from time to time and promulgated through the Annual Plan, represents Council's policy on significance of property assets as required by the *Local Government Act 2002*.

## **2.0 STRATEGIC POLICY FRAMEWORK**

### **2.1 General**

Manukau City Council is committed to a policy of facilitating the economic and social well-being of its citizens through active partnership with other public and private sector entities. In pursuit of that policy, the Council will:

- act as necessary to acquire, develop and / or facilitate the development by others of appropriately located property for social and community facilities within the relevant policies governing provision of such facilities;
- acquire and manage property for the provision of adequate and high-quality public open space to meet the environmental and recreational needs of its citizens;
- implement policies and actions to facilitate sustainable development within the City, including integration of transport and land use development;
- acquire property proactively as required to ensure that transport and other physical and social infrastructure is developed in step with the growth of the City;
- act as necessary and appropriate to ensure that adequate land is available to support economic growth within the city;
- act as necessary to ensure that properties of heritage value are protected and preserved;
- ensure affordable housing is available to the needy elderly of Manukau
- provide a safe and pleasant working environment for Council staff; and
- pursue a prudent policy of property ownership and management so as to minimise its costs and risks whilst generating low-risk investment wealth and income for the benefit of the current and future citizens of the City of Manukau.

The Council acknowledges and respects the obligations of the Crown in relation to the Treaty of Waitangi, and is committed to the application of the Treaty principles, where appropriate, in the implementation of this Property Strategy.

The Property Strategy also acknowledges and takes account of the principles of the *Local Government Act 2002*, particularly in relation to the requirements of that Act as to the necessary consultation and decision-making processes regarding the acquisition and sale of certain land and other strategic and significant assets.

## **2.2 City Development**

The Council is committed to containment of urban sprawl through a policy of urban intensification and nodal development, as laid out in the Regional Growth Strategy. Specific projects identified to implement this policy are:

- The development of the Flat Bush project including Flat Bush Town Centre to accommodate approximately 40,000 new residents within a catchment of 1700 hectares.
- Nodal intensification projects based on prioritised activities to facilitate more effective development at Manurewa, Manukau City Centre, Papatoetoe/Hunters Corner, Middlemore / Favona, Mangere Bridge, Mangere Town Centre, Pakuranga, Otara, Botany, Homai, Howick and Te Mahia. These priorities will be reviewed once the Regional Centres Strategy is completed, and a set of regional principles will be formulated to guide and manage centre development in a manner consistent with the region's growth objectives.

The Council will selectively acquire or retain sufficient interest in property to achieve its nodal development priorities, including property to support the development of the necessary service, social and community infrastructure. It will also continue to explore the creation of effective partnerships to achieve its nodal development objectives.

At the same time, the Council will undertake specialised studies in the coastal and rural settlements which may well result in the need for strategic purchases of land and/or provision of infrastructure.

The Council recognises the need for property acquisition processes and management structures that will allow rapid responses to specific opportunities in the property market.

## **2.3 Transportation**

### *2.3.1 Rapid Transit Network*

The Auckland Regional Passenger Transport Action Plan includes the following components applicable to the City of Manukau:

- Secure the southern and eastern rapid transit corridors including a connection to Manukau City Centre as a rapid transit facility;
- Secure the corridor and develop rapid transit facilities to connect Pakuranga Shopping Centre and Manukau City Centre to the southern and eastern rapid transit corridors;
- Investigate and finalise corridors to link Pakuranga, Botany Downs and Manukau City Centre; and

- Investigate connecting Auckland international Airport to the rapid transit network.

The Council can facilitate the implementation of this policy by acquiring the land necessary for these projects, together with other identified ancillary projects such as:

- Park & Ride and associated facilities at the redeveloped Manurewa Railway Station;
- A possible bus / rail interchange in Old Papatoetoe; and
- Effective transport links to the site of the proposed tertiary campus.

### *2.3.2 Road Network*

The Auckland Regional Land Transport Strategy reinforces the need for a more intensive urban form. Growth studies based on nodal intensification and the development of the East Tamaki / Flat Bush area has indicated that traffic will be significantly increased in the near future. This will put more pressure on existing intersections and arterial routes.

The Council has historically had a policy of facilitating development of the regional road network by acquiring land for the corridors well in advance of project initiation. Whilst this policy has served the City's interests well in the past, it is appropriate that the process be properly targeted to identified priorities.

### *2.3.3 Ferry Network*

The Councils of the region are in the process of improving all the ferry terminals around the harbour. In Manukau, a new ferry terminal is being developed at Half Moon Bay to cater for both passenger and vehicle / passenger ferries and provide a fully sheltered environment for all ferry passengers. Council is also investigating how the parking situation can be improved at Half Moon Bay.

With these improvements to the terminal, the possibility of new services to a broader range of destinations, and increased frequencies on existing services, will be explored.

## **2.4 Education**

The Council has identified education as a significant policy driver, with specific emphasis on:

- Development of a knowledge society strategy for Manukau;
- Attraction of a research-intensive tertiary education campus to Manukau;
- Upskilling and re-skilling of citizens for a developing knowledge society; and
- Increased recognition of the importance of early childhood education.

The projected doubling of the City's population will also create a demand for bigger, different and/or new schools. Whilst responsibility for acquisition and development of appropriate sites for schools rests with the Ministry of Education, Council will consider playing an appropriate role to meet these needs in part through joint facilities and other initiatives.

## 2.5 Economic Development

The Council is committed to supporting the Auckland Regional Economic Development Strategy (AREDS), including support through the property-related roles identified for local government in that Strategy.

These include:

- Improved transport infrastructure;
- Addressing problems implicit in the urbanisation of manufacturing areas;
- Developing a region-wide strategy for business land-use planning;
- Support for the establishment of job creation initiatives such as a small business incubator;
- Developing infrastructure to support growth plans e.g. convention centre; and
- Developing quality of life dimensions such as a vibrant music and performance scene, activities for young people, safe and enjoyable nightlife and outdoor activities.

This support includes facilitation of initiatives which are desirable or essential for the development of specific clusters, but which are outside the ability of the private sector to provide. Current initiatives include:

- facilitating the development of the Highbrook Business Park, New Zealand's first international scale business park, which will provide 110 hectares of commercial land, with 60 hectares of public open space and coastal amenity areas.
- the Gateway Heritage Area project that will provide an "umbrella" under which development, conservation and promotion can occur in the area extending from Mangere Bridge to Puhinui Reserve.
- initiatives to attract a research-intensive tertiary educational facility;
- the TelstraClear Pacific Events Centre project;
- The revitalisation of the Manukau City Centre;
- The Incubator Unit project – an enterprise centre of excellence providing a gateway for entrepreneurs in Manukau through technical and development assistance training and mentoring programmes; and
- The pursuit of economic development initiatives in the context of various nodal growth and town centre development projects.

In accordance with the AREDS strategy proposal, Council will undertake a comprehensive survey/review of current business land ownership and use, and development of projected requirements for the future.

## **2.6 Public Open Space**

Manukau City Council has adopted a standard of 4 hectares of public open space (POS) per 1000 population (not including esplanade reserves and scenic reserves, POS administered by the ARC and other open spaces, such as schools). Although the City has a reasonable average level of public open space per head of population, the average in some older urban areas is less than optimum.

Public open space will become increasingly important as undeveloped areas within the urban boundary are developed and population density intensifies. The proposed District Plan recognises this with a new requirement for neighbourhood reserves, with an area of at least 2000 square metres, within 500 metres of residential sections in new subdivisions.

The Council has adopted a land acquisition strategy for POS, including criteria for POS acquisitions administered by the Reserves Contribution Team. All POS acquisitions go through this team as a filter prior to reporting to Strategic Management Committee. The POS land acquisition strategy, approved by Council in 1994, is currently being reviewed, together with the preparation of new criteria for the acceptance of POS reserves from private subdivisions. This is identified as Goal 12 in Council's Parks Strategy (2002).

The majority of acquisitions for POS are funded by the use of reserve contributions, which by law may only be used for the acquisition or development of POS. Future land acquisitions for POS will be guided by the goals identified in Council's Parks Strategy (2002), which provides direction for the acquisition and development of Council's premier parks, neighbourhood parks, sporting and community facilities and coastal and riparian access.

## **2.7 Housing for the Elderly**

The Council is committed to ensuring that affordable housing is available to its most needy elderly citizens. The Council currently owns, maintains and manages over 500 Housing for the Elderly units, which vary in age and style. In the future, the Council will also pursue opportunities to increase the quality, choice and efficiency of housing options for the elderly through alternative approaches such as partnerships with Housing New Zealand Corporation, community organisations and the private sector. Existing tenancies will not be negatively affected by any future changes in the way this service is delivered.

## **2.8 Heritage**

The Council owns a significant amount of Manukau's heritage property that may have been lost if not held in public ownership. Some other heritage assets remain in private ownership and are protected through the District Plan and/or under the Historic Places Act 1993. Council will actively pursue all available mechanisms for protection of heritage properties and structures, including placing heritage orders on property, protection through the general provisions of the District Plan and protection of archaeological sites under the Historic Places Act 1993. Council will also employ the District Plan where appropriate for the retention and acquisition of land to protect wahi tapu.

## 2.9 Social and Community Infrastructure

The Council owns properties for social and community purposes that are used to deliver community services to the value of some \$40 million per annum. These include swimming pools, recreation centres, libraries, community houses, etc. Whilst the successful delivery of these services does not always require Council ownership of the assets, the Council recognises that there are some aspects of service delivery for which only a public body such as the Council is able or willing to provide the necessary infrastructure.

The Community Development Framework that was released in 2000 identified a shift in Council's primary role in community development activities away from direct provision of services to a focus on helping communities and groups to manage themselves. Specifically, the Framework identified a need to:

- identify and pursue activities not readily addressed by other organisations, and withdraw from those in which it does not provide best value for money;
- shift the emphasis of Council involvement to "prevention rather than cure";
- strengthen mechanisms for high quality local decision-making, such as greater devolution of decision-making and resourcing of community organisations to run selected facilities and programmes;
- refocus Council's role as that of an "enabler" rather than a provider; and
- explore creative ways of funding new initiatives.

Among the mechanisms for provision of Council support is the provision of community facilities located on Council land, with ownership of all such facilities reverting to Council on expiry of the lease. In 2001 Council adopted the Community Facilities Partnership Scheme as its policy framework for the planning and development of Council-owned community facilities through partnership with community groups and organisations. The Scheme is funded from cash-in-lieu levies and stipulates that:

- funding may only be used for the purchase and/or development of facilities on Council reserve land;
- facilities developed under the Scheme are to be owned by Council as Community Facilities and leased to community groups under non-exclusive occupancy agreements; and
- emphasis is to be placed on maximising the use of facilities.

Council policy is currently that residential properties on reserves are to be put to community purposes as and when they become vacant.

A number of sector-specific Strategies have been adopted by the Council (e.g. Libraries, Swimming Pools) that also govern implementation of policy in those defined sectors.

### **3.0 SPECIFIC PROPERTY OBJECTIVES**

#### **3.1 General**

The Council recognises the need to identify and implement such measures as may be necessary to establish a clearly understood framework within which all decisions about the acquisition and management of property can be made.

Essential elements of this process will include:

- i. Compilation of a comprehensive and accurate inventory of the Council's property;
- ii. Categorisation of the Council's property inventory according to the underlying purpose of ownership, and adoption of a clearly defined set of protocols governing the ownership of each category of property in the inventory;
- iii. Ensuring that efficient management structures and delegations of authority are put in place to streamline property acquisition, management and disposal, maximise efficiency and minimise multiple sources of authority;
- iv. Adoption of a clearly defined set of protocols covering:
  - prioritisation of expenditure on property acquisitions;
  - analysis of non-ownership strategies as an alternative to acquisition;
  - consideration of opportunities to achieve multiple objectives on a single property;
  - periodic re-evaluation of the need for or desirability of retaining a property in ownership; and
  - processes to be followed for disposal of property assets.

The Council has initiated a review of its processes for evaluation, approval and implementation of property decisions, including decisions associated with acquisition, management and disposal of property assets. This review will also examine the structure of relevant committees at both a Council and administrative level, together with the level of delegations under which committees and staff operate in property matters.

#### **3.2 City Development**

##### *3.2.1 Flat Bush Town Centre*

The Council owns the majority of the land upon which the proposed Flat Bush Town Centre is to be sited. A policy framework will be adopted that identifies clearly the outcomes to be sought from this strategic role, and strategies for giving effect to those outcomes.

Objectives will be defined in terms of:

- i. the ability to control the pace, scale and style of development in the Town Centre;

- ii. economic, social and environmental benefits to the City and its ratepayers that might be obtained through a medium-term strategy of holding property in the Town Centre as an appreciating investment; and
- iii. exploitation of the Council's land ownership to encourage appropriate private sector investment in the Town Centre.

Formulation of these objectives will have regard to the need to manage potential conflicts of interest arising from the multiple planning, regulatory and ownership roles of the Council, and the need for equity and transparency in all matters involving Council acting in direct competition with private sector ratepayers or agreeing to provide individual developers with free or subsidised infrastructure.

### *3.2.2 Nodal Intensification*

The Council will selectively acquire or retain such interest in property as may be necessary to achieve its nodal development priorities, including property to support the development of the necessary service, social and community infrastructure. Where practicable, in order to achieve its nodal development objectives the Council will also identify and develop effective partnerships with other stakeholders including

- Affected communities including business communities;
- Private sector developers;
- Existing and potential providers of service, social and community infrastructure;
- Existing landowners, whose properties can contribute to required outcomes;
- Transport operators.

A strategy specific to each future nodal development project will be developed prior to the commitment of significant resources, so as to identify the scope and priority to be afforded to expenditure on property, alternatives to ownership in pursuing strategic goals, and potential opportunities to capture rising values from an investment perspective. In the case of projects already under way, such project strategies will be developed as a matter of priority.

### *3.2.3 Manukau City Centre*

The Council will continue its existing program of fostering initiatives for the revitalisation of Manukau City Centre, based on a clearly articulated statement of its specific goals and objectives. It will review the current contractual arrangements regarding its various property assets and obligations within the City Centre, and develop strategies for achieving its objectives on an incremental basis through negotiations with lessees and building owners in any instance where the Council is legitimately able to exercise leverage or obtain negotiated tradeoffs.

### *3.2.4 Rural and Coastal Development*

As and when necessary, and following the adoption of policies and strategies for development in rural and coastal areas, the Council will acquire or retain such interest in property as may be necessary to achieve its strategic objectives, including property to support the development of the necessary service, social and community infrastructure. Where practicable, it will identify and develop effective partnerships with other stakeholders to achieve these objectives.

## **3.3 Transportation**

The Council will continue to acquire sufficient interest in land to facilitate its desired outcomes on identified projects, including:

- The corridor linking the southern to eastern corridors, via Manukau City Centre, Botany Town Centre and Pakuranga Town Centre, related rapid transit facilities and a possible link to Auckland International Airport;
- Park & Ride and associated facilities at Manurewa Railway Station;
- A possible bus / rail interchange in Old Papatoetoe;
- Effective transport links to the site of proposed tertiary campus;
- The proposed Eastern Corridor;
- The Waiouru Peninsula to State Highway One connection;
- The Liverpool to Nesdale Connection;
- The SH20 to SH1 link;
- The Ormiston Road project;
- Ferry facilities at Half Moon Bay.

Wherever practicable, forthcoming projects will be identified on a rolling ten-year basis through the Annual Plan process, and affected properties identified, as a basis for determining the level of priority to be afforded to specific acquisitions as and when opportunities or need arise.

An efficient and effective coordination process will be established between the Council's property staff and transport/roading planners, so that planning for transportation initiatives takes account of the need for sufficient time for site selection and property negotiations and acquisitions.

The Council will also explore the potential for options such as ground leases and the sale of air rights as a means of furthering desirable development and/or investment objectives where this does not compromise transportation objectives.

### **3.4 Education**

The Council will:

- Facilitate the provision of land for an optimally located research-oriented tertiary education campus in Manukau; and
- Monitor the need to support the Ministry of Education through joint facilities and land for school expansion, particularly in nodal intensification areas.

### **3.5 Economic Development**

The Council will identify the necessary and appropriate steps it can take to achieve the objectives of the Auckland Regional Economic Development Strategy (AREDS), and in particular the development of a business land strategy. As a starting point, this will include a comprehensive review of both current and projected business land ownership and requirements, and specific strategies that may be required to supplement the stock of land available in particular sectors or localities, possibly including the use of Council-owned land for these purposes.

The Highbrook Business Park, Incubator Unit project and TelstraClear Pacific Multi-purpose Events Centre projects will continue to be supported by appropriate assistance with planning and infrastructure.

### **3.6 Public Open Space**

The Council has adopted a Parks Strategy in October 2002 that includes a broad range of actions for the management, development and acquisition of public open space (parks and reserves). These include:

- Ensure all premier parks have reserve management plans, development plans and long-term funding strategies in place;
- Identify opportunities for Council to acquire more land of premier park status, including the purchase of additional land adjoining existing premier parks;
- Complete a combined reserve management plan for all neighbourhood parks and sports parks in the City to provide a set of consistent policies to guide management and development;
- Prepare criteria and guidelines to ensure that neighbourhood parks proposed on subdivision are an integral part of subdivision design;
- Identify opportunities for Council to acquire or achieve access to more beaches;
- Develop an updated Public Open Space Land Acquisition Programme and review the use of the CLRF (Cash-in-lieu-of-Reserves Fund);
- Explore opportunities for 'land access' agreements as alternatives to land purchase.

Other objectives not specifically identified in the Parks Strategy that will be pursued include steps to provide for adequate amounts of public open space in industrial areas that may be redeveloped for residential or mixed use activities in future, or to provide amenity buffers between higher density residential and commercial / industrial activities, and a review of the practice of accepting money in lieu of land for public open space in such areas.

### **3.7 Housing for the Elderly**

In order to provide better choice, quality and effectiveness in delivering on its policy of ensuring affordable housing is available to the needy elderly of the City, the Council will:

- Compare the current and future housing needs of elderly people with the service provided through Council-owned housing
- Explore other service-delivery options, including establishing appropriate partnerships with Housing New Zealand Corporation, community groups and the private sector.

Existing tenancies will not be negatively affected by this work.

### **3.8 Heritage**

Action will be taken periodically to analyse the portfolio of Council-owned heritage properties to identify whether ongoing ownership is the best or only means of protecting these properties. In selective cases properties may be sold with adequate safeguards (e.g. covenants) in place, thereby freeing up funds for the purchase of other heritage properties under threat.

A similar process in the form of a “threat analysis” will be conducted when resources permit for heritage properties not presently owned by the Council, so as to determine whether there is a case for intervention.

### **3.9 Social and Community Infrastructure**

Within the general philosophy of the Community Development Framework, the Council will take steps to evaluate the most cost-effective means of providing support to local groups and organisations in providing community development programmes. It will remain a core objective of the Council to ensure the provision of adequate and appropriate facilities for the delivery of an optimum level and range of social and community services for the needs of the City and its citizens both in the present and for the future. However, the Council recognises the need for greater creativity and flexibility to identify the most appropriate and cost-effective means of achieving this goal.

This evaluation will cover issues such as:

- the need to acquire property in strategic locations or areas of strong projected growth;
- the relative merits of ownership versus leasing of buildings that house such facilities;
- ensuring wherever practicable that community facilities are available to multiple users;
- the role of the Council as a catalyst for private investment in ancillary facilities; and

- protocols for cost-recovery through shared facilities with private enterprise, leasing out when not in use, etc.

A review will be undertaken of restrictions on the uses to which funds from cash-in-lieu contributions can be put, with particular emphasis on the possibility of directing some of these funds to non-ownership models of providing community facilities.

The Council will also take a lead role in identifying opportunities to achieve cost savings by co-locating its social and community service delivery functions with those of other Government and non-Government agencies such as Inland Revenue, Work and Income, non-Government community welfare groups, etc

## **4.0 MANAGING COUNCIL'S PROPERTY PORTFOLIO**

### **4.1 Local Government Act 2002**

The management of Council's property assets will be implemented in accordance with the requirements of the *Local Government Act 2002*. In particular, the Council will have regard to the need to identify those property assets that are considered "strategic" within the meaning of s.5 of the Act, *being "an asset...that the [Council] needs to retain if the [Council] is to maintain [its] capacity to achieve or promote any outcome that [it] determines to be important to the current or future wellbeing of the community"*.

Without limiting the generality of its commitment to the principles of the Act, the Council will examine closely the cost of ongoing property acquisition, the opportunity cost represented by large property holdings and the potential for services to be financed in part by selective disposal of assets that are not deemed essential to the delivery of the Council's core services and programmes. It will also actively pursue non-ownership modes of service delivery wherever appropriate, and adopt a flexible management culture which accepts that buying property may not always be the best way of achieving a required strategic outcome;

### **4.2 Identification and Classification of Property Assets**

#### *4.2.1 Property Database*

Council's property assets are currently recorded on multiple databases that are not linked, so that there is no single comprehensive database of Council-owned or Council-controlled property. This is an obstacle to efficient management and asset utilisation that will be overcome as quickly as practicable by the installation of appropriate software and upgrading of data.

#### *4.2.2 Asset Classification*

Council's property assets are currently classified in asset management classes based upon classification criteria used nationally for Asset Management Plan purposes. It is proposed that these classifications be further grouped according to the primary strategic purpose for which the property was acquired or is held, as follows:

- Social and community purposes;

- Commercial and investment purposes;
- Future development purposes;
- Social housing;
- Public open space including civic areas;
- Roads and services.

It is envisaged that properties will move between classifications over time as their status changes. However, in order to impose greater discipline on the management and use of Council property, provisions will be adopted by Council to provide that:

- the classification of each property is formally confirmed;
- any variation to the classification requires a resolution of Council; and
- properties may only be used in accordance with their current classification, unless a secondary or ancillary use that does not adversely affect the dominant use is noted and approved by Council.

In only a small number of cases, properties will have multiple purposes, and these will be explicitly recognised in the formal adoption of the classification system.

### **4.3 Coordination and Prioritisation of Property Decisions**

Although the Corporate Business Committee is responsible for determining most issues relevant to the sale and acquisition of real property and monitoring the management of Council's property operations, decisions regarding the sale, acquisition and development of property are often made by different Committees, with no single body ensuring the implementation of a coordinated approach.

A review has been initiated of the Council's processes for evaluation, approval and implementation of property decisions, including decisions associated with acquisition, management and disposal of property assets. The review is also to examine the structure of relevant committees and the level of delegations under which committees and staff operate in property matters.

### **4.4 Property Management**

The management of the Council's property portfolio will be guided by the following principles:

- i. Property assets should only be held to support programme delivery or to achieve strategic objectives (including investment strategy). The only properties that the Council should retain (non-regulatory) control over are those that are necessary for the efficient and effective performance of its functions, those that the Council is otherwise legally required to control, and those that fit defined strategic or investment criteria.
- ii. All properties should be managed and maintained so as to deliver acceptable and affordable levels of service.

- iii. Asset management decisions should be integrated with strategic planning and form part of the overall framework of decision-making for the Council. This framework should provide opportunities to identify methods of improving asset performance, to alter the mix of assets used and to explore non-asset solutions.

Within these principles, a detailed property management framework will be developed for each category of property held by the Council, covering the following issues:

#### Property Held for Social and Community Purposes

- Each property should be carefully evaluated to ensure that it satisfies the criteria for inclusion in this category;
- Alternatives to Council ownership should be considered where this is practicable without compromising ongoing function or amenity;
- The siting of facilities should have primary regard to the preferred location on functional grounds, rather than to assume that Council-owned property represents the best choice of location;
- Opportunities should be sought to generate ancillary commercial activities where possible to help defray the cost of facilities;
- Where appropriate, transfer to other suitable entities should be considered;
- Wherever possible, the use of facilities should be maximised through multiple user agreements;
- Ongoing asset management plans should be prepared for each property.

#### Property Held for Commercial and Investment Purposes

- The economic and financial benefit of continued ownership should be assessed for each property on an ongoing basis;
- The acquisition or ongoing ownership of investment properties should be assessed on the basis of portfolio management principles, including asset diversification (to spread risk) and the ability to generate financial returns (from holding income and capital gains) superior to that obtainable from other investments. Any decision to hold property assets for investment purposes must address the potential for conflict of interest between Council's different roles, and the total economic cost of ownership (including any future need for development finance).
- Analysis of the cost of ownership should be undertaken for each investment property, including maintenance costs (based on lifecycle costings) and holding costs;
- Condition assessments and asset management plans should be prepared for each property.
- Where economic benefit is seen to accrue to specific third parties as a consequence of Council ownership, options for "value capture" from this benefit should be explored;

- Exit strategies in the short, medium and long term should be developed so as to provide a clear framework for evaluating the benefits of ownership;

#### Property Held for Future Development Purposes

- Only those properties for which the intended purpose is likely to be realised within a defined period (stated at the time the property is acquired, and reviewed periodically) should be retained in ownership;
- Where particular properties fail this test, consideration should be given to selling them with buy-back covenants in place;
- Opportunities for short-term income (e.g. leases) should be actively pursued;
- Ongoing management plans should be prepared for each property.

#### Social Housing

- Condition assessments and asset management plans should be prepared for each property;
- Analysis of the cost of ownership should be undertaken for each investment property, including maintenance costs (based on lifecycle costings) and holding costs;
- Where replacement of a property is under review, alternatives to Council ownership such as partnerships with other public and private sector providers should be considered.

#### Public Open Space

- Asset management plans should be prepared for each property;
- All proposals for acquisition of land for public open space should have regard to alternative choices for resource allocation within the Council's Parks Strategy and be prioritised accordingly;
- A combined reserve management plan for all neighbourhood parks and sports parks in the City should be prepared to provide a set of consistent policies to guide funding, management and development;

#### Roads and Services

- Acquisition of land for new roads and services should be conducted strictly in accordance with a rolling programme of prioritised infrastructure projects and only where there is a realistic short- to medium-term prospect of the works proceeding;
- Without affecting the generality of this policy, marginal strips of land required for designated road widenings etc will be acquired as and when suitable opportunities arise.

- Where a property is larger than is required for the roads or services for which it was acquired, opportunities should be sought to obtain a financial return from the balance, either through disposal or other means (e.g. leasing or development) where this does not compromise the purpose for which the property was acquired.

#### 4.5 *Asset Management Planning*

The City has adopted management plans that meet minimum legislative and organisational requirements for financial planning and reporting. Future plans will incorporate the asset management strategies applicable to each class of assets.

The ownership of all property must be cost-effective to achieve the Council's strategic goals in the long term. Asset management plans should provide information that will assist with operational, maintenance, renewal, development, retention and disposal decisions.

Life cycle cost estimations (consisting of capital and recurrent costs) will provide a basis for monitoring and controlling long term holding costs for all property assets. When evaluating non-asset solutions and alternative acquisition strategies, the finance cost including the opportunity cost must be recognised. Accounting for the true cost of deferred maintenance should also form part of the asset management strategy. Condition assessments should be prepared as a basis for this analysis.

The use of proper asset management software to record relevant data on all Council property assets is an essential component of this approach.

#### 4.6 **Disposal of Assets**

The Council will release funds from its property assets on a planned basis from time to time to finance other initiatives. The disposal of property assets will arise in a number of ways, including:

- disposal of land held for future development purposes once the project for which it was acquired is ready to proceed;
- disposal of property found to be no longer required for the purpose for which it was acquired;
- disposal of property held for social or economic purposes where non-ownership solutions have been found to offer superior outcomes; and
- trading or tactical disposal of investment assets.

Wherever practicable, property disposal will be timed to take maximum advantage of market conditions, and the financial return optimised, subject to relevant legal requirements.

In the case of minor or hard to sell properties, the cost of disposal relative to the ongoing cost of ownership will be a factor in deciding whether disposal is warranted.

## **4.7 Property Development**

The Council has traditionally provided infrastructure and influenced the form and timing of physical development of areas of the City through the subdivision and sale of land and construction of public facilities. The Council will again consider this option to achieve the outcomes required to satisfy the Auckland Regional Growth Strategy 2050, Auckland Regional Land Transport Strategy 1999 and to facilitate other City and Council strategic objectives, including nodal intensification projects.

The Council will actively consider becoming involved in property development where appropriate or necessary to:

- act as a catalyst for private sector development and investment, where it is thought that the level of perceived risk would deter private sector developers;
- control the form, scale and timing of development; or
- capitalise on increasing land prices and thus deliver a return to the ratepayers of the City.

The Council will not normally compete with private developers in areas where successful development outcomes can be achieved through alternative strategies. However, Council will actively monitor and implement opportunities to capture value from the development of its land, including:

- development joint ventures;
- selective withholding of land from sale to capitalise on rising prices;
- ground leases, with the rent tied to unimproved capital value; and
- deferred payment schemes on land sold for strategic development, where the final purchase price is structured so as to capture some of the development “profit”.

## **4.8 Exploring Alternatives to Property Ownership**

Every proposal to acquire property for any functional purpose will be assessed against alternative approaches not involving property ownership, including:

- contracting the service to a provider that supplies the assets;
- redesigning the service to reduce the use of assets;
- reducing demand for the service;
- increasing the utilisation of existing assets;
- leasing the land or securing the required outcome via easements etc.

Without affecting the generality of this policy, Council may from time to time adopt generic policies covering particular categories of properties for which ownership will be a preferred outcome.

The benefits and risks of ongoing ownership of existing Council-owned properties will be progressively assessed on similar principles over time, together with the cost and benefits of delivering services from building assets other than those owned by Council.

Every decision to hold a property in Council ownership or control will be re-appraised at regular intervals appropriate to specific categories of property. A business plan will be prepared for every property asset held for commercial or investment purposes, and in the event that the property fails to meet the basic criteria of the business plan at the time of review, it will be marked for disposal.

## **5.0 SPECIFIC RECOMMENDED ACTIONS**

### **5.1 Property Management**

#### *5.1.1 Property Inventory*

- (i) Combine existing multiple databases into a single comprehensive database of Council-owned property as proposed at Section 4.2.1 and classify each property in the inventory as proposed at Section 4.2.2.
- (ii) Formalise the classification of each property through a Council resolution.

#### *5.1.2 Review of Property Functions*

- (i) Finalise the review of the Council's processes for evaluation, approval and implementation of property decisions.

#### *5.1.3 Asset Management*

- (i) Develop a detailed property management framework for each category of property held by the Council, as outlined in Section 4.4.
- (ii) If necessary, upgrade asset management software and ensure that a comprehensive database of all property details is established and maintained.
- (iii) Implement a process of aligning property ownership and management decisions with other policy structures, e.g. the Policy Manual, decisions in the Annual Plan.

### **5.2 Property Investment and Development**

- (i) Prepare guidelines for the holding of property for investment purposes, including an exploration of the benefits of placing the Council's investment properties, including those proposed for future development purposes, in a separate structure at arm's length from the Council..
- (ii) Prepare an evaluation of specific objectives and options for management and governance of the Council's participation in the development of Flat Bush Town Centre, including commercial strategies for maximising the returns to ratepayers from council involvement.

- (iii) Prepare an evaluation of options for the Council to use its property role as a catalyst for stimulating investment in each specific nodal intensification project, identify the scope and priority to be afforded to expenditure on property, alternatives to ownership in pursuing strategic goals, and potential opportunities to capture rising values from an investment perspective.
- (iv) Review the current arrangements regarding Council's various property assets and obligations within Manukau City Centre, and develop negotiating positions to achieve more flexible outcomes through any future negotiations with lessees and building owners.
- (v) Prepare an evaluation of specific locations and roles in which the Council might use its property role to stimulate or control development in rural and coastal areas.
- (vi) Consider the adoption of an investment strategy to encompass guidelines for managing investment properties within a broader investment portfolio approach

### **5.3 Transportation**

- (i) Identify forthcoming projects on a rolling ten-year basis through the Annual Plan process, together with a schedule of affected properties, as a basis for determining the level of priority to be afforded to specific acquisitions as and when opportunities or need arise.
- (ii) Prepare guidelines for the prioritisation and allocation of expenditure across the profile of scheduled projects according to proximity of anticipated commencement.

### **5.4 Education**

- (i) Prepare an evaluation of specific property-oriented support required for the proposed tertiary campus.

### **5.5 Economic Development**

- (i) Identify the necessary and appropriate steps required to achieve the objectives of the Auckland Regional Economic Development Strategy (AREDS), and in particular initiate a comprehensive survey/review of both current and projected business land ownership and requirements within the City boundaries.
- (ii) Ensure that economic development objectives are properly integrated with all current and proposed nodal intensification projects

### **5.6 Public Open Space**

- (i) Establish a prioritised programme for implementation of the actions identified as "priority projects" in the Parks Strategy 2002.
- (ii) Complete the development of a revised Public Open Space Land Acquisition Programme and review the use of the Cash-in-lieu-of Reserves Fund.

## **5.7 Housing for the Elderly**

- (i) Undertake an analysis of demand and alternative strategies for housing for the elderly as outlined in Section 3.7.
- (ii) Explore opportunities for partnerships with Housing New Zealand Corporation, community groups and private sector providers.

## **5.8 Heritage**

- (i) Undertake an analysis of heritage properties as outlined in Section 3.8.
- (ii) Develop protocols for determining when intervention through purchase of threatened heritage properties might be justified.
- (iii) Consider the benefits of establishing a Heritage Trust (possibly on a broader scale than the City) to hold and manage heritage properties.

## **5.9 Social and Community Infrastructure**

- (i) Assess the community facilities market, including identifying the size, characteristics and geographical boundaries of the market, the demand for facilities, the supply of facilities (by the Council and others), comparison of existing demand and usage, options for community facilities and making decisions about community facilities based on the market, cost, best means of provision, financial basis of supply and best means of tenancy management.
- (ii) Review the restrictions placed on the uses to which funds from cash-in-lieu contributions can be put, with a view to the possibility of directing some of these funds to non-ownership models of providing community facilities.
- (iii) Identify opportunities to achieve cost savings by co-locating social and community service delivery functions with those of other Government and non-Government agencies.

## **5.10 Services Infrastructure and Utilities**

- (i) Develop an over-arching, co-ordinating corporate plan to determine the organisational priorities and timing for major projects and initiatives, agreeing levels of service, timing of renewals, development of new projects and growth-related expenditure (e.g. nodal development).
- (ii) Identify specific projects for detailed review including those affected by the Commercial Strategy Review

## **5.11 Strategy Review**

- (i) Review this Strategy at least annually, and in the short term more frequently as key decisions are made and implemented.