



14.3 **PROPERTY POLICY - COMMUNICATION AND ENGAGEMENT**

EXECUTIVE MEMBER: **CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND CORPORATE SERVICES**

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1. PURPOSE

- 1.1. To provide an update on the development of a new Property Policy
- 1.2. To seek endorsement of the proposed approach to communications and engagement for the development of a new Property Policy.
- 1.3. To seek approval to begin engagement with the community on key changes proposed to the management of the property portfolio as part of the development of a new Property Policy.

2. EXECUTIVE SUMMARY

- 2.1 Council has an extensive and varied property portfolio, consisting of Council owned land and Crown Land worth over \$2.1 billion that supports direct and in-direct service delivery.
- 2.2 Since Council's existing Leasing and Licencing Policy was adopted in 2009, significant changes have occurred in Port Phillip, including the impact of climate change, increasing population density, rates capping, legislative changes, Fisherman's Bend development and changing community needs and demographics.
- 2.3 Council priorities and objectives for the management of the property portfolio have also changed since 2009, reflecting changing community requirements, best practice, and the impacts of legislative change.
- 2.4 A significant proportion of Council's property portfolio is provided to not for profit community organisations and groups with fully or significantly discounted rent, which is foregone in return for the delivery of benefits by these groups to the community. In many cases Council also pays the building maintenance and other operating costs in addition to the lifecycle renewal costs.
- 2.5 Continuing the current property management practices with the associated cost to Council, with an aging portfolio of buildings, a significant outstanding maintenance liability, new accessibility compliance standards and the current rates capping environment, will likely result in unsustainable portfolio management practices and significant impacts to the next generation.
- 2.6 Council is developing a new Property Policy that responds to the changing needs of the community, plans for the future, and provides a transparent and consistent guide to ensure sustainable delivery of benefits and best value for the community.



- 2.7 The new Property Policy will provide a framework for decision making for the strategic management of the portfolio, for repurposing land and buildings, for land acquisitions and sales, and for leasing or licensing facilities to commercial operators and community based organisations.
- 2.8 To support the sustainable management of the property portfolio and the development of a new Property Policy, ten guiding principles have been developed.
- 2.9 A review of the current policies and property management practices has led to the identification of a number of key areas of change that would need to be considered in order to achieve Council's goal of sustainable management of the portfolio over the long term.
- 2.10 While some changes are straightforward, and are expected to have a minor impact on existing tenants, others may have a more significant impact on tenants.
- 2.11 A comprehensive approach is being undertaken for the development of a new Property Policy, including a two-stage community consultation approach. This is in recognition of the potential for any changes to the way Council manages the property portfolio to have significant impacts on both the benefits that Council generates from the portfolio on behalf of the community through service delivery and the distribution of the costs associated with the management of the portfolio over time between Council and tenants.
- 2.12 It is proposed that Council:
- Approve the guiding principles for the property policy
 - Endorse the approach to community and stakeholder engagement on proposed policy changes.
- 2.13 The adopted guiding principles will provide the foundation for proposed policy changes to be tested with the community.

3. RECOMMENDATION

That Council:

- 3.1 Approves the proposed property guiding principles for a new Property Policy.
- 3.2 Endorses the approach to community and stakeholder engagement on proposed policy changes.
- 3.3 Authorises Officers to begin engagement with the community on key proposed policy changes.



4. KEY POINTS/ISSUES

Council's Property Portfolio

- 4.1 Council has an extensive and varied property portfolio, consisting of Council owned land and Crown Land worth over \$2.1 billion. There are currently 161 leases and licences for 152 tenants across 254 buildings. Annual rental return is \$3.6 million and Council spends \$7.2 million annually on the maintenance and renewal of the building portfolio.
- 4.2 The portfolio directly supports delivery of many Council services, such as libraries, transport, waste collection and street and beach cleaning, maternal child health services, passive recreation opportunities and staff accommodation.
- 4.3 It also indirectly supports service delivery by generating income from commercial properties to fund service provision and subsidised accommodation for community groups to deliver services aligned with Council priorities. This includes the funding of child care centres, neighbourhood houses, sports clubs, dog club, arts, community gardens such as Vegout, the Ecocentre, Linden Gallery and Gasworks Arts.

Changing context

- 4.4 As a dynamic asset that delivers services to the community, Council property must be managed in way that responds to the changing needs of Port Phillip, while also providing consistency and certainty in service delivery.
- 4.5 Since Council's existing property policy was adopted in 2009, significant changes have occurred in Port Phillip, including the impact of climate change, increasing population density, rates capping, legislative changes, Fisherman's Bend development and changing community needs and demographics.
- 4.6 Council priorities and objectives for the management of the property portfolio have also changed since 2009, reflecting changing community requirements, best practice, and the impacts of legislative change.

The Case for Change

- 4.7 A significant proportion of Council's property portfolio is provided to not for profit community organisations and groups with fully or significantly discounted rent, which is foregone in return for the delivery of benefits by these groups to the community. In many cases Council also pays the building maintenance and other operating costs in addition to the lifecycle renewal costs.
- 4.8 Continuing the current property management practices with the associated cost to Council, with an aging portfolio of buildings, a significant outstanding maintenance liability, new accessibility compliance standards and the current rates capping environment, will likely result in unsustainable portfolio management practices and significant impacts to the next generation.



- 4.9 Council's goal is to sustainably manage, improve and grow its land and building assets in a condition that satisfies the community, in a way that minimises risk and impact on the environment, and that demonstrates best value.
- 4.10 In order to achieve this goal, a change to the way that Council manages the property portfolio is required that responds to the changing context and addresses the legacy challenges of the portfolio.

New Property Policy

- 4.11 Council is developing a new Property Policy that responds to the changing needs of the community, plans for the future, and provides a transparent and consistent guide to ensure sustainable delivery of benefits and best value for the community. This policy will replace the existing Property Policy October 2009.
- 4.12 The new Property Policy will provide a framework for decision making for the strategic management of the portfolio, for repurposing land and buildings, for land acquisitions and sales, and for leasing or licensing facilities to commercial operators and community based organisations.
- 4.13 The policy will also assist with ensuring that Council complies with appropriate legislative requirements and responsible management of properties to minimise risk to Council.

Guiding Principles

- 4.14 To support the sustainable management of the property portfolio and the development of a new Property Policy, ten guiding principles have been developed.
- 4.15 Policy guiding principles are high level statements that provide key policy directions. These guiding principles will underpin the new Property Policy and are aligned with the Council Plan to support delivery of Council priorities and services into the future.
- 4.16 The proposed guiding principles are:

- 1. Strategic alignment:** Ensuring the use, acquisition, disposal and redevelopment of Council property is strategically aligned with Council's Annual Plan, Long Term Plan and policy objectives.
- 2. Equity:** Ensuring equitable distribution of Council's contribution within sectors through consideration of allocation between users.
- 3. Fit for purpose:** Building assets will deliver agreed levels of service to the organisation and the community, relative to the benefits received in terms of function (including safety and accessibility), condition and capacity.



- 4. Community benefit:** Use of Council assets and leverage of Council facilities maximise defined community benefits where possible, with any discounted rent and other financial or in-kind support to be clearly linked to the delivered community benefits and alignment with the Council plan.
- 5. Financial Sustainability:** Decisions and practices ensure that Council has the funds to care for, improve and grow its building assets, combined with a market driven and equitable approach to financial sustainability, to allow for continued service delivery for current and future generations.
- 6. Innovation:** Seeking opportunities to increase service delivery through innovative and cost-effective ways that achieve multiple benefits by encouraging future proofing and adaptability for service delivery and built form in response to external pressures.
- 7. Transparency:** Ensuring a transparent, equitable, consultative and consistent process for granting new leases or licences and setting lease and licence terms and conditions, as well as for any acquisitions or sales of land.
- 8. Environmental Sustainability:** Identifying opportunities to build resilience to climate change for Council buildings and embed best practice sustainability principles into all leases and licences.
- 9. Balanced Portfolio:** A City of Port Phillip Property Portfolio will balance community, commercial and Council demands with financial imperatives and the need to deliver service to the community.
- 10. Commercial Management:** Where Council manages properties for the purpose of returning a commercial profit to support service delivery across the portfolio, Council will act as a commercial agent, and will ensure the operation and enforcement of the agreement on commercial terms.

Key Areas for Change

- 4.26 A review of the current policies and property management practices has led to the identification of a number of key areas of change that would need to be considered in order to achieve Council's goal of sustainable management of the portfolio over the long term.
- 4.27 While some changes are straightforward, and are expected to have a minor impact on existing tenants, others may have a more significant impact on tenants.
- 4.28 Straightforward changes being contemplated include:



- The strategic direction of property management – i.e. need for a strategic property plan reviewed annually.
- The process and principles governing acquisitions and disposals of Council land – i.e. due diligence standards for acquisitions and disposals; and considerations for level of council contribution to joint acquisitions.
- Commercial lease management – i.e. specific guidance for the management of commercial tenancies.
- Benefits definition and tenant reporting – i.e. guidance on the approach for applying benefits assessment criteria and method for monitoring and reporting on delivery of benefits.

4.29 The more significant changes include consideration of:

- The amount that tenants contribute to outgoings – i.e. What are the circumstances where Council should contribute to or completely cover the cost of outgoings for tenants?
- The amount that tenants contribute to maintenance costs – i.e. What proportion of the cost of maintaining a building should be paid by the tenant (user) versus the broader community?
- The length of leases and licences – i.e. When should Council award a longer versus shorter lease or licence term?
- The multi-use of Council property – i.e. When is exclusive use of a facility required or justified versus a shared use arrangement?
- The process at lease renegotiation – i.e. When should Council undertake a competitive process for awarding a lease or licence versus direct negotiation with an existing tenant.
- The amount of rent paid by tenants – i.e. What are the criteria for Council determining the appropriate level of contribution through applying a discount to the market rental value?
- The method of Council support – i.e. What is the best method for Council to provide support to community organisations (grants process, other).

The Policy Development Approach

4.30 A comprehensive approach is being undertaken for the development of a new Property Policy, including a two-stage community consultation approach. This is in recognition of the potential for any changes to the way Council manages the property portfolio to have significant impacts on both the benefits that Council generates from the portfolio on behalf of the community through service delivery and the distribution of the costs associated with the management of the portfolio over time between Council and tenants.

4.31 \$100k was approved in the budget for 2018/19 to deliver the Property Policy.



- 4.32 Consultation will be carried out throughout 2019, and will involve both broad and targeted community engagement. The results of the consultation will shape the new Property Policy, due for adoption in the second half of 2019.

Consultation Approach

- 4.33 Consultation with key stakeholders and the community will focus on receiving input and feedback on these proposed changes.
- 4.34 Two phases of community and stakeholder engagement are proposed:
- 4.34.1 engagement on proposed policy changes
 - 4.34.2 engagement on draft Property Policy.
- 4.35 It is proposed that engagement be undertaken with the broad community, as well as with targeted key stakeholders.

Engagement Objectives

- 4.36 The overarching objectives of community and stakeholder engagement in developing the Property Policy are:
- Establish ongoing dialogue with our community and Councillors to ensure they are aware, informed and engaged at key points of the policy development process.
 - Educate the community on the challenges facing the City and the impact on Council's property portfolio, and the choices that need to be made now to ensure a sustainable approach to managing property for the future.
 - Develop an understanding of the different needs and sentiment toward property use and maintenance in each of our neighbourhoods and for different users.
 - Engage with a statistically relevant and representative sample of our City's population.
 - Engage more deeply with our community on aspects of the policy that are more complex and not easily resolved.

Communications and Engagement Framework

- 4.37 Underpinning this engagement approach is the new organisational Communications and Engagement Framework (the Framework).
- 4.38 The Framework will transform our communication and engagement approach to inspire the community about the future, bring them on the journey through times of change, and ensure they understand the challenges that arise during periods of transformation and what they can do to contribute to, and play their part in, designing solutions for the future.



- 4.39 The Framework will:
- provide an organisation-wide approach to developing communication and engagement strategies
 - define our brand
 - prioritise when and how we engage and communicate
 - establish a foundation for evaluating and innovating engagement delivery
 - guide the governance required to deliver against the Framework.
- 4.40 The engagement approach proposes meaningful and where relevant, targeted engagement with community and stakeholders on aspects of the policy that are negotiable and relevant.

Tiers of engagement

- 4.41 There are three tiers to the proposed engagement approach:
- Neighbourhood
 - Ward
 - Deep dive
- 4.42 The following provides an overview of the proposed engagement approach, supported by a communications campaign.

Communications campaign

- 4.43 The communications campaign will build the community's awareness and educate them about the need for property policy, the complexities of property policy and the opportunities to be involved in exploring solutions.
- 4.44 A narrative for the property policy will be developed as part of the broader story of our Council Plan.
- 4.45 Key messages include:
- Our community and Council understand that we need to work together to develop a property policy that is equitable and sustainable into the future.
 - The decisions we make now have implications for the future.
- 4.46 The communications campaign will commence in March, subject to Council endorsement of Guiding Principles, and continue throughout the life of the policy development.



- 4.47 Communications will be delivered in clear, easy to understand language, through various communication channels and formats, including visual formats.
- 4.48 Engagement activities will also be promoted through the communications campaign.

Broad engagement (neighbourhoods)

- 4.49 We will engage with our community on key elements of the property policy in their neighbourhoods considering where they live, work and play.
- 4.50 We will have the opportunity to understand community sentiment at a broad level, but also to identify shifts in sentiment at a neighbourhood level.
- 4.51 This proactive approach to engaging with our community in all nine neighbourhoods will increase participation rates. It will also allow us to gather an insight into the community's understanding, wants and needs for elements of the property policy.
- 4.52 A target sample size for this engagement is 1.5 per cent of our population (approximately 1,630 people) is considered to be statistically relevant. This sample size has been determined to provide a 95% confidence rate, with a confidence interval of 4, to ensure that the data and insights drawn from the engagement are representative of the residential population.

Test and trial (wards)

- 4.53 We will have deeper conversations with multiple stakeholders to clarify and validate what we heard through neighbourhood engagement.
- 4.54 This provides opportunity to test trends in sentiment, better understand the scale of any emerging issues, test community response to the draft policy and deliver innovative activities that allow our community to trial policy in action.
- 4.55 There is also opportunity to test ideas and directions with the community, and start a conversation about possible solutions.

Direct and deep

- 4.56 A more direct and deep engagement approach to complex issues allows the community and Council to work through these issues, possible trade-offs and co-design proposed solutions together.
- 4.57 Officers will design a tailored collaborative engagement approach to work with key stakeholders on proposed policy changes that will directly impact them.

Review and reporting

- 4.58 Metrics and additional key performance indicators will be applied to the communication strategy and each tier of engagement.
- 4.59 Each tier of engagement will be further assessed to understand opportunities for learning and improvement in design and approach.



- 4.60 Councillors will be provided regular updates on the outcomes of each stage of the communication and engagement approach.

5. LEGAL AND RISK IMPLICATIONS

- 5.1 Some of the proposed changes for the new property policy may not be widely supported by existing tenants and the Port Phillip community. Ensuring a comprehensive communications and engagement plan that clearly and consistently communicates the need for this policy, as well as which elements are within the scope of the engagement, will assist in managing expectations around the extent of their influence on policy development.
- 5.2 A new property policy will contribute to the management of risk associated with management of Council's property portfolio into the future.

6. FINANCIAL IMPACT

- 6.1 There will be financial implications associated with some of the proposed policy options.

7. COMMUNITY IMPACT

- 7.1 Community members will be able to provide input into various elements of policy development, and participate in broad and targeted consultation activities.
- 7.2 Some of the proposed policy changes are expected to have significant impact on tenants and the community. Clear communications about what the policy will deliver, and a robust and meaningful engagement program that considers the views of all members of our community will promote a greater understanding and acceptance of outcomes.

8. ENVIRONMENTAL IMPACT

- 8.1 Review of the property policy will include reviewing the impacts of climate change on the management of the property portfolio.

9. SOCIAL IMPACT

- 9.1 Review of the property policy will include reference to Council's community infrastructure planning process.

10. ECONOMIC IMPACT

- 10.1 Decisions and understanding of Council's intent and priorities regarding the management of its property portfolio will have an impact on economic and financial considerations of Council and wider community.

11. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 11.1 The proposal aligns to Strategic Direction 6 – Our Commitment to You in the Council Plan 2017 – 2027 through supporting;



11.1.1 Transparent Governance and an actively engaged community.

11.1.2 A financially sustainable, high performing, well-governed organisation that puts the community first.

12. IMPLEMENTATION STRATEGY

12.1 TIMELINE

12.1.1 Late March to the end of April - community consultation on key policy changes.

12.1.2 June - council report to release the draft property policy for feedback.

12.1.3 July – community consultation on the draft Property Policy.

12.1.4 September – council report seeking adoption of the draft Property Policy.

12.2 COMMUNICATION

12.2.1 Community members will be able to provide input into various elements of policy development, and participate in broad and targeted consultation activities.

12.2.2 Some of the proposed policy changes are expected to have significant impact on tenants and the community. Clear communications about what the policy will deliver, and a robust and meaningful engagement program that considers the views of all members of our community will promote a greater understanding and acceptance of outcomes.

13. OFFICER DIRECT OR INDIRECT INTEREST

13.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

TRIM FILE NO: 20/13/24

ATTACHMENTS Nil