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**PLANNING AGREEMENT –
UPDATED LETTER OF OFFER**

Updated Public Benefit Offer in Connection with Lend Lease Development's Proposed Development at Circular Quay

1 Overview

This is a public benefit offer by Lend Lease (Circular Quay) Pty Ltd (**LL**) in connection with its proposal to redevelop land at the northern end of George Street at Circular Quay (**Proposed Development**). The Proposed Development will have street frontages at 174-176A to 182 George Street and 33-35 Pitt Street.

The key elements of the Proposed Development are:

- (a) a commercial office tower and low-scale buildings, all with activated fine grain retail frontages;
- (b) the significant improvement/remodelling of Jacksons on George;
- (c) a public plaza; and
- (d) an enhanced network of lanes within the Proposed Development site.

This offer is to enter into a Voluntary Planning Agreement (**VPA**) as agreed between the Council of the City of Sydney (**Council**) and LL.

The offer relates to amendments to the *Sydney Local Environmental Plan 2012* (**SLEP**) and the *Sydney Development Control Plan 2012* (**SDCP**) to allow, *inter alia*, the transfer of floor space and alternative building heights so as to facilitate the carrying out of the Proposed Development (**LEP Amendment**).

This offer summarises the extent of the public benefits to be provided by LL under the proposed VPA which are set out below.

2 Dedications and Public Works

2.1 George Street Public Plaza

LL will construct, finish, subdivide and dedicate to Council an area of land in stratum within the Proposed Development site suitable for use as a public plaza at no cost to Council. The stratum will be unlimited in height and include a stratum basement level below the plaza to be fitted out as a public cycle facility as referred to in paragraph 2.2 below. The land, at Council's discretion, will be classified by Council as operational land. The plaza land (stratum) will include constructed public access stairs on the northern edge to lane level and will be drained, paved and lit to Council's reasonable requirements with finishes equivalent to granite. LL will provide 3 phase power and water services to support creative activities in the plaza. The value of Crane Lane is not offset against delivering this component.

2.2 Public cycle facility

LL will construct, fit out, finish and dedicate to Council the stratum below the George Street Public Plaza as a public cycle facility with public amenities to Council's reasonable performance specifications to be agreed with Council at no cost to Council. The maximum area of the public cycle facility (including toilets) will be 677 sq m as measured from the City of Sydney's drawing entitled Indicative Layout; Bike Hub with 15m Retail Tenancies, dated July 8, 2014. The land, at Council's discretion, will be classified as operational land. The value of Crane Lane is not offset against delivering this component.

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The design and scope of works for the public cycle facility are to be agreed to Council's reasonable satisfaction and fully set out in a Performance Brief which will be referenced by, and attached to, the future Planning Agreement. The facility will include:

- provision for bicycles;
- a bicycle maintenance station;
- showers;
- toilet, towel station and airing cupboards;
- lockers;
- ironing station and hair dryer station; and
- way finding signage.

2.3 Lane Level Public Plaza(s)

LL will construct, finish, subdivide and dedicate to Council land outside and to the south of the Rugby Club for use as a public plaza at no cost to Council. The land (area in square metres to be agreed), at Council's discretion, will be classified as operational land.

The plaza(s) will be drained, paved and lit to the Council-required public domain standards and LL will provide 3 phase power and water services to support creative activities in the plaza. The value of Crane Lane is not offset against this component.

The above ground stratum will be unlimited in height and the below ground stratum will exclude a below grade basement area (depth to be determined with Council) which will be used by LL.

2.4 Community stratum (including multi-use edge 'Community Building')

LL will construct, finish, subdivide and dedicate to Council in stratum (the relevant Council stratum to be classified as operational land at Council's discretion) a high quality, double height plaza edge 'Community Building' including a ground, first floor and roof to the eastern edge of the George Street Public Plaza at no cost to Council. The building will include a minimum 5 metre high ground floor clearance to structure; a minimum 4 metre high first floor clearance to structure; and a minimum 3.5 metre clearance below plaza level.

The building will also provide internal access to the public cycle facility referred to in paragraph 2.2 above and include an internal glass passenger and cycle lift to provide access from George Street to the laneway and through to Pitt Street. The internal passenger lift may also serve as a means of public access between the George and Pitt Street (lane) levels.

Council and LL will continue to discuss, with a view to agreeing if possible, any restrictions on the use of the community stratum. However, this offer does not depend on any restrictions being in place and any such restrictions will be subject to Council's agreement.

Subject to further detailed design work to be agreed, around seventy percent of the below plaza level floor space below the edge building will remain with LL to be used for laneway tenancies. Around thirty percent of the below plaza level floor space (adjoining the northern stairs and located below the edge building) will be dedicated to Council to provide internal and external access to the public cycle facility and or deep soil planting depth.

2.5 Expanded laneway network

LL will construct, finish, subdivide and dedicate to Council land in stratum within the Proposed Development site for the purposes of public lanes at no cost to Council. The public lanes will be drained, paved, serviced and lit (and contain an accessible zone for infrastructure services as required) to the Council-required public domain standards. The

land, at Council's discretion, will be classified as operational land. The value of Crane Lane is not offset against delivering this component.

The above ground stratum will be unlimited in height and the below ground stratum will exclude a below grade basement area (depth to be determined with Council) which will be used by LL.

2.6 Commitments to Ecologically Sustainable Design

The commercial office development is being designed to exceed minimum requirements in terms of Ecologically Sustainable Design (ESD), and will achieve the following green building ratings:

- 5 star Green Star – As Built Office (v3) rating;
- a minimum 5 Star base building rating in operation under the NABERS Energy scheme; and
- a minimum 4 Star base building rating in operation under the NABERS Water Rating scheme.

In addition, the commercial office development will aspire towards a 6 star Green Star – Office (v3) rating.

Each component listed in sections 2.1 to 2.4 will be separately metered for both water and power to meet the City's ESD monitoring requirements.

3 Lease for Innovation Space

LL will lease to Council podium level office space for use as an "Innovation Space" (as referred to in Council's draft *Tech Startups Action Plan*) or as a space to promote business innovation and economic development, consistent with the City's Economic Development Strategy.

The lease will be for a term of either 20 or 99 years (to be determined by Council) and will be offered at a discount to market value in order to provide affordable rental space for technology entrepreneurs or otherwise promote business innovation and economic development, consistent with the City's Economic Development Strategy.

The Innovation Space will be located within the three lowest floors of the commercial office tower (or another mutually agreed location) and will have a Gross Floor Area (**GFA**) of around 3,900m² with a Net Lettable Area (**NLA**) of around 3,700m².

The Innovation Space will be provided as a 'Warm Shell' base building with costs borne by LL as follows:

- Grade A commercial office space in accordance with the Property Council of Australia's "A Guide to Office Building Quality 2012" (for new buildings) including:
 - a) Base building core amenities (fully fitted out toilets), core lift lobby, shared lifts and fire stairs - operational (1:8 sq m occupancy);
 - i. minimum clear internal ceiling height of 3.85 metres;
 - ii. 5 Star Green Star As Built Rating, NABERS 5 Star Energy Rating and 4 Star Water Rating; and
 - iii. Separate metering of power and water to enable Council's ESD monitoring program;
 - b) Tenancy area (1:8 sq m occupancy):
 - i. Ceiling;

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- ii. Carpet;
 - iii. Supply points for power, water, communications , data etc in common riser;
 - iv. Lighting, mechanical and life safety systems operational (based on open plan); and
 - v. Security - Proximity card (or similar) access system to shared lifts;
- c) In addition:
- i. Access to and from Underwood Street shared lobby;
 - ii. Access to shared office End of Trip facilities;
 - iii. Access to shared loading dock; and
 - iv. Shared common lobby directory signage.

LL will work with City to facilitate lift access to enable visitors to attend programmed functions/events within the Innovation Space outside regular building operating hours. Any additional scope beyond Warm Shell will be a fitout cost.

The design and scope of works for the Innovation Space are to be agreed to Council's reasonable satisfaction and fully set out in a Performance Brief for base building works which will be referenced by, and attached to, the future Planning Agreement.

The City will be responsible for all costs to sub lease, operate and manage the Innovation Space.

In addition, the City will be responsible for all reasonable **Outgoings**, for example:

- i. All rates, taxes, assessments, charges, duties and fees imposed by any Relevant Authority (except GST) upon the land or for any service connected to the premises, including any Car Parking Levy (if applicable); and
- ii. All levies, contributions and other payments imposed by the bodies having responsibility for building management;

including and together with any interest, fines and penalties incurred as a result of any delay in payment of any outgoings by the Lessee.

Key terms (Option 1: Lease term of 99 years):

- **Developer/Lessor:** Lend Lease Development P/L (**or eventual building owner(s)**)
- Lessee: City of Sydney
- Total Lease Term 99 years to be structured as an initial lease term with a series of options.
- Commencement Net Face Rent of \$200/sq m NLA with annual increases of 4% with a ratcheted market rent review every 10 years.
- Monetary contribution currently estimated at \$8,140,000 (but to be calculated based on a rate of \$2,200 per square metre x NLA of space provided) for fitout to be spent as City directs.
- Lease will include demolition clause(s) exercisable at any time after the first 25 years of the term.
- City pays 100% of relevant outgoings (indicative estimate \$200/ sq m NLA).
- The City will be required to "make good" the premises, including the removal of fitout once vacated.

Key terms (Option 2: Lease term of 20 years):

- **Developer/Lessor:** Lend Lease Development P/L (**or eventual building owner(s)**)
- Lessee: City of Sydney.
- Lease Term 20 years.
- Monetary contribution currently estimated at \$8,140,000 (but to be calculated based on a rate of \$2,200 per square metre x NLA of space provided) for fitout to be spent as City directs.

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- City pays 100% of relevant outgoings (indicative estimate \$200/ sq m NLA).
- The City will be required to “make good” the premises, including the removal of fit out once vacated.
- Nil **rent** is required under the 20 year option.

Goods and Service Tax (GST):

- The amounts shown in this proposal are exclusive of GST. The City must pay an additional amount for GST. GST is currently levied at 10%.

Legal Costs:

- LL will pay their own and Council’s reasonable legal costs associated with the preparation, and negotiation of these Commercial Lease Terms and Conditions and all Agreement Lease documentation.

4 Land transfers to facilitate the realisation of public benefits

4.1 Mirvac Triangle

In exchange for Council transferring to LL the ‘Mircvac Triangle’,ⁱ LL will transfer to Council an equivalent area of land in stratum, within the Proposed Development site suitable for use as a public plaza, to be classified at Council’s discretion as operational land.

The land will be developed to a high quality specification to be agreed with Council.

This ‘land swap’ forms a key step in enabling LL to maximise the material public benefits associated with the public plazas discussed in paragraphs 2.1 and 2.3 above.

4.2 178A George Street (Crane Lane)

The Proposed Development contemplates incorporating 178A George Street (Crane Lane) into the development site. The market value of Crane Lane may be offset against the ‘at cost’ value of constructing the ‘Community Building’ for the component at the plaza level and above (excludes any offset against the construction of area to be retained by LL at lane level retail or any other area below the plaza). The building (excluding the Café) is to be constructed with agreed fit out, subdivided and dedicated in stratum by LL to Council. The Café warm shell, with base building provisions to the City’s reasonable specification is to be constructed, subdivided and dedicated in stratum by LL to Council. The Café warm shell will be at no cost to Council and will include façade (but will exclude floor, internal wall and ceiling finishes).

LL agrees to carry out the ‘Community Building’ works component on behalf of the City, to the City’s reasonable specification including fit out) at cost (including reasonable sub-contractor margin, reasonable design fees and reasonable contingency allowance), without benefiting or charging for project management, development overhead or profit margin. If the reasonable and documented cost of construction and fit out of the ‘Community Building’ at the edge of the plaza for the component from plaza level and above is less than the agreed market value of Crane Lane, LL will pay to Council a monetary contribution equal to the balance. If the cost of construction and fitout of the ‘Community Building’ exceeds the market value of Crane Lane, then the additional cost will be met by LL.

This forms a key step in enabling LL to maximise the material public benefits associated with the Proposed Development.

5 Easements and covenants

5.1 Commercial Tower

An instrument (covenant) in favour of and acceptable to Council will be registered on the land upon which the commercial tower is located preventing it from being used for residential, serviced apartments or hotel uses. The covenant would not apply to any other land including the land upon which Jacksons on George or the Rugby Club (if involved) are located.

5.2 Laneways

The public lanes (which are likely to function as shared ways) will be subject to easements (existing and new) conferring vehicular access to Jacksons on George, the Rugby Club and Gold Fields House and any approved encroachments.

In the event that cl 6.8 of the SLEP is amended with the effect that the Proposed Development is eligible for 'Lanes development floor space' then an instrument (covenant) in favour of and acceptable to Council would be registered on the laneway land to preserve a maximum 100m² Gross Floor Area laneway premises strata lot (to preserve small business opportunities).

6 Other contributions appropriate under a VPA

6.1 Public art

LL will contribute an amount equivalent to no less than 1% of the Capital Investment Value of the Proposed Development towards the installation of a publicly owned artwork at an agreed location on the land comprising the new George Street Public Plaza. This in addition to any other development contribution that may be imposed (currently s61 under the City of Sydney Act).

7 Other matters

7.1 Reasons for VPA

LL acknowledges that the LEP Amendment provides an opportunity to transfer floor space and building height within the Proposed Development site once the LEP Amendment is made.

7.2 Timing and structure of VPA

LL proposes to enter into a VPA prior to the LEP Amendment being made. The VPA will not take effect until such time as the LEP Amendment is made and until consent for the development is granted. However, LL acknowledges that Council is entitled to register the VPA on the title of the relevant lots prior to the LEP Amendment being made. It is intended that a final and binding offer to enter into the VPA will be made once a formal VPA document has been prepared. This final and binding offer will be made prior to the exhibition of the VPA.

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7.3 Utilisation of the LEP amendment

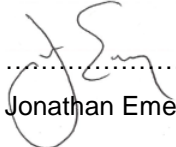

LL agrees that its obligations to deliver the public benefits that are contemplated under the terms of the proposed VPA will take effect prior to the issue of any construction certificate for a development that utilises the provisions of the LEP Amendment to transfer floor space within the Proposed Development.

7.4 Security

LL will provide security (either a guarantee or performance bond) in a form acceptable to Council to the value of the works in kind carried out as part of LL's public benefits offer.

7.5 Section 61 development contribution

This public benefit offer does not exclude the operation of the provisions of Section 61 of the *City of Sydney Act 1988*. For the avoidance of doubt, LL acknowledges that any contributions payable under Section 61 of that Act will be paid without any offset to any contributions payable under the VPA.

Name of Landowner	Lend Lease (Circular Quay) Pty Ltd
Signature of Director	 Jonathan Emery, Director  George Spiropoulos, Director
Date	12 February 2016

ⁱ The 'Mirvac Triangle' is comprised of the land identified as 'Public Plaza' and 'Land for Roads' in the VPA executed by Council and Mirvac Projects Pty Ltd, Mirvac George Street Pty Ltd and Mirvac Projects George Street Pty Ltd on 13 February 2013.