

**ITEM 4. COMPULSORY ACQUISITION OF CITY'S FREEHOLD INTEREST IN
MARTIN PLACE SHOPPING CIRCLE BY TRANSPORT FOR NSW
(METRO)**

FILE NO: X003497

SUMMARY

The City has a vision for Martin Place adopted within the City North Public Domain Plan (Martin Place Master Plan), which includes an urban design study for Martin Place by Gehl Architects. The Master Plan identifies improvement opportunities, addresses outdoor dining, considers improved activation of the space and allows the City to provide detailed and timely responses to major public and private projects within the area by providing a coordinated public domain direction.

The most significant public project impacting Martin Place is the Sydney Metro City and Southwest line, a new 30 kilometre line extending from Chatswood under Sydney Harbour through new CBD stations and south west to Bankstown and due to open in 2024.

On 19 January 2016, Transport for NSW issued a notice to acquire Lot 1 in Deposited Plan 260232 being the City-owned freehold stratum between Castlereagh and Elizabeth Streets (within which the Martin Place Shopping Circle is built) subject to the requirements of the Land Acquisition (Just Terms Compensation) Act 1991.

Transport for NSW has indicated a preference to negotiate compensation. An offer of compensation was made on 12 May 2016. This report details the value of compensation for the City's interest, the Just Terms Compensation principles applying to the City's interest and the contractual terms to be finalised.

Transport for NSW have similarly issued notices to the City's Lessee to acquire the Martin Place Shopping Circle in addition to the sub-lessee interests.

RECOMMENDATION

It is resolved that Council:

- (A) endorse the compulsory acquisition by Transport for NSW of the City's freehold stratum containing the Martin Place Shopping Circle;
- (B) endorse the negotiated compensation amount and the commercial terms detailed within confidential Attachment B to the subject report and delegate authority to the Chief Executive Officer to finalise these terms, including amendments and additions as suitable to protecting the City's interests;
- (C) note that, in the event that a negotiated outcome cannot be reached to the satisfaction of the City or within the timeframes required by the Metro project, then Transport for NSW will acquire the City's interest by way of a compulsory process; and
- (D) endorse that proceeds from this sale are to be restricted to the Commercial Properties Reserve for future reinvestment.

ATTACHMENTS

Attachment A: Identification Plan

Attachment B: Assessment of Compensation (Confidential)

(As Attachment B is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. In July 2015, the NSW Government announced the Sydney Metro project, with a new station planned for Martin Place to interchange with the existing heavy rail station. An upgrade to the existing heavy rail station is also anticipated in parallel with these works.
2. The City recognised that these projects present future opportunities to achieve significant improvements to Martin Place and adopted the City North Public Domain Plan to provide a strong basis for the City to provide input to the development of these projects over time.
3. On 20 June, 2016 the City issued a response to the publicly exhibited Environmental Impact Statement for the Sydney Metro - Chatswood to Sydenham highlighting real opportunities for better public domain, transport integration and social outcomes at a number of the stations including Martin Place.

City North Public Domain Plan

4. In June 2014, the City Design team commenced work on the draft City North Public Domain Plan (the Plan). The study area for the Plan is generally bound by George, Alfred, Macquarie and King Streets. This study includes detailed analysis and feasibility to recommend the scope, location and extent of public domain improvements over the short, medium and long term.
5. Martin Place is nominated as a special precinct within those guidelines. Gehl Architects were engaged to develop priority projects to inform the draft Plan. These include Martin Place Urban Design Study, which is consistent with the recommendations of the draft Plan.
6. On 14 December 2015, Council endorsed the City North Public Domain Plan as a guiding document to inform capital works planning, planning proposals, development applications and Voluntary Planning Agreement negotiations.
7. Council also endorsed the Preliminary Implementation Plan to inform scope and implementation of current and future Voluntary Planning Agreements, future capital works by the City, and project co-ordination with Transport for NSW and other State Agencies.
8. The adopted Plan has five guiding directions to reinforce Martin Place as the city's premier civic and public space.
9. The Plan proposes two types of projects to improve the City North public domain: place-specific upgrade projects and precinct-wide 'overlay' projects that aim to improve specific aspects of the public domain experience throughout the study area.
10. Long term project ideas are identified for future study, but not developed in detail as part of the Plan and may rely on coordination with long term infrastructure projects (eg. Sydney Metro). Long term projects have been preliminarily identified as Martin Place long term upgrade works, including relocation of station and underground retail entries.

Martin Place Historical Background

11. In 1909, the Royal Commission into improving Sydney recommended the eastern extension of Martin Place from Castlereagh Street to Macquarie Street. The impetus was the rapidly evolving transport system in the CBD with completion of the first stage of the underground railway in 1926 (also recommended in the Royal Commission in 1909) and the soon to be started Harbour Bridge project.
12. By 1923, the Council, with a Civic Reform majority, determined the Martin Place extension should proceed. Objections from significant property owners delayed these land acquisitions. Council successfully secured the necessary legislative powers and completed the resumptions in January 1926.
13. The opening of the Harbour Bridge renewed the Council's interest in extending Martin Place, but not as a place for traffic; rather as a new desirable address for office buildings.
14. The residual land left over from the forming of the street was auctioned over 1935 and again in September 1936. Two buildings were subsequently erected over 1936/37 addressing each other across Martin Place between Phillip and Elizabeth Streets: the Australian Provincial Assurance Association (53 Martin Place, David W. King, architect) and the demolished Rural Bank of New South Wales Ltd. (52 Martin Place).
15. In 1935, extensions to Martin Place were completed all the way to Macquarie Street. As a result, the street became a connection between George Street (the high street) and Macquarie Street (the ceremonial and governmental axis). The street's importance as the civic heart of Sydney grew and, during the 1970s, the street was pedestrianised. Once the pedestrianised process was completed, Martin Place Railway Station opened in 1979.

Ownership

16. The City is the freehold owner of stratum land below the surface level of Martin Place, having an area of approximately 1,167m² and bound by Castlereagh Street to the west, Elizabeth Street to the east and the former Prudential Building (39 Martin Place) to the south.
17. The land is limited in height by an inclined plan (shown on the Identification Plan - Attachment A) and limited in depth to RL 13.8, except in the portion affected by the easement for Railway Transit where the lot is limited in depth to RL 16.1.
18. Stratum lot 1 of deposited plan 260232 was resumed and vested in Council in fee simple by Government Gazette 26D on 6 February 1981, Fols 735/6.
19. The balance of the land, including airspace above the City's stratum is Crown and forms part of Crown Reserve 88056.

Leasehold Interest and Use

20. In 1939, Prudential Assurance Company Limited, the owner of 37-51 Martin Place, was granted a 60 year license to construct and maintain a structure for storage of records beneath the Martin Lane roadway.

21. Constructed within the stratum is a single level pedestrian walkway plus a retail shopping arcade (sub terrain), completed in 1981. The retail arcade comprises a number of small tenancies / lock-up shops, with a lettable area of approximately 805m² – ie, about 20 separate tenancies.
22. In 1981, the City entered into a new lease with Prudential Assurance which expires on 6 February 2041 (24 years and 8 months).
23. On 19 December 1994, the assets of Prudential Assurance, which included the leasehold interest of Prudential Assurance (in the Lease), were transferred to Prudential Corporation.
24. In August 1998, the property at 39 Martin Place was acquired by Colonial with its takeover of Prudential Corporation Australia and transferred to the Direct Investment Fund Australia Limited.
25. In February 2013, DEXUS Property Group and DEXUS Wholesale Property Fund acquired the property and the substratum lease was assigned to them.

Acquisition Process

26. The acquisition process for major infrastructure projects involves a number of stages and steps, and is subject to the requirements of the *Land Acquisition (Just Terms Compensation) Act 1991* (Just Terms Act).
27. On 19 January 2016, Transport for NSW issued formal notification to commence the acquisition process to ensure the land is secured within the project's timeframes.
28. Transport for NSW is in negotiations with the City's lessee as to the compensation for the lessee's interest and the sub lessee's interest.
29. On 12 May 2016, Transport for NSW issued a formal offer to the City to acquire the City's freehold stratum interest, the details of which are included within confidential Attachment B.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030 Vision

30. *Sustainable Sydney 2030* is a vision for the sustainable development of the city to 2030 and beyond. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. The draft Plan is aligned with the following strategic directions and objectives:
 - (a) Direction 3 - Integrated Transport for a Connected City – this project delivers on Action 3.3.2: Increasing the amount of street space dedicated to sustainable transport modes and urban space; Action 3.2.2: Improve the integration of cross-regional public transport services, including light rail and metro rail, and the quality of transport hubs; and Project Idea 3: Protecting the City Centre.
 - (b) Direction 4 - A City for Walking and Cycling – this project delivers on Action 4.2.1: Manage the road space to encourage walking, cycling and the use of public transport.

- (c) Direction 5 - A Lively and Engaging City Centre – this project delivers on Project Idea: Three Linked Squares; Action 5.1.1: Plan for a north-south central spine in the City Centre connecting three new squares; Action 5.1.2: Develop a public space improvement strategy to enhance street and squares in the City Centre.
- (d) The City of Sydney 2013-2016 Corporate Plan identifies the City Centre Public Space Improvement Program as a major project, including the development of concept designs and briefs for City Centre public spaces (City Centre Public Domain Plans), to be carried out by the Chief Operations Office between 2011 and 2017.

BUDGET IMPLICATIONS

- 31. The specific divestment detailed herein is budgeted in the City's long term financial plan.

RELEVANT LEGISLATION

- 32. Transport for NSW has powers to acquire land by compulsory process under the Transport Administration Act 1988.
- 33. Compensation for the acquisition of the Property will be determined in accordance with the *Land Acquisition (Just Terms Compensation) Act 1991* (Just Terms Act).
- 34. Attachment B contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom City's is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
- 35. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise City's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

CRITICAL DATES / TIME FRAMES

- 36. The offer of compensation by Transport for NSW is made subject to settlement of the property on or before 12 August 2016.

OPTIONS

- 37. In the event that Council does not resolve to accept the negotiated compensation amount, Transport for NSW will commence to acquire the property through a compulsory process.

PUBLIC CONSULTATION

- 38. There is no public consultation required for the acquisition by either party.

AMIT CHANAN

Director City Projects and Property

Nicholas Male-Perkins, Development Manager