

**ITEM 5. CITY-OWNED CRANE LANE – LAND TRANSFER AND SALE OF  
FLOOR SPACE TO LEND LEASE, CIRCULAR QUAY SITE**

**FILE NO: X000578**

**SUMMARY**

This reports seeks Council's endorsement to the transfer of 176.6m<sup>2</sup> of City-owned, operational land known as Crane Lane, also referred to as 178a George Street, and the sale of developable floor space attributed to this land to Lend Lease for inclusion within the proposed redevelopment of its site at 182 George Street and 33-35 Pitt Street, bound by Alfred, Pitt, Dalley and George Streets, Sydney and referred to as the APDG Block, shown on Attachment A.

Lend Lease Development Pty Ltd (Lend Lease) requested a planning proposal be prepared to amend the planning controls applying to land within the APDG block to facilitate a development proposal at 174-186 George Street and 33-35 Pitt Street, Sydney.

On 29 February 2016, Council approved:

- the draft Planning Proposal: APDG Site Block 4 for submission to the Minister for Planning with a request for a Gateway determination and subsequent public authority consultation and public exhibition;
- the amendment to Sydney Development Control Plan 2012 – APDG Site Block 4 for public authority consultation and public exhibition in parallel with the draft Planning Proposal and draft Planning Agreement, and in accordance with the Gateway determination; and
- authority being delegated to the Chief Executive Officer to prepare a draft voluntary Planning Agreement in accordance with the terms of the letter of offer and the requirements of the Environmental Planning and Assessment Act 1979, to be exhibited concurrently with the Planning Proposal and Development Control Plan amendment for the site.

The revised planning proposal will allow redevelopment of the land at 174-186 George Street and 33-35 Pitt Street, Sydney (the Site), for a new 248 metre premium grade commercial tower and a better located public plaza fronting George Street. Located in the heart of the financial district, close to the future light rail, it will support the New South Wales economy by providing capacity for employment growth and investment in Central Sydney.

To achieve the outcomes for development block 4, it is necessary to transfer Crane Lane and the 'Mirvac Triangle' as shown on Attachment A. These sites are integral to the development proposal by contributing to a more efficient tower building floor plate and a better configuration of public open space.

The Planning Proposal and voluntary Planning Agreement incorporates Crane Lane into the development site and intends to both generate developable floor space from the current City-owned laneway and dedicate back to Council a similar area of land as public road.

The draft voluntary Planning Agreement has offset the market value of Crane Lane against the 'at cost' value of constructing the 'Community Building' at the plaza level.

The development floor space value attributed to Crane Lane has been independently assessed at \$6M plus GST on the basis of its incremental contribution to the overall floor space area for the proposed development.

The draft voluntary Planning Agreement conditions the transfer of title for Crane Lane and offsets with costs in excess of the value of the floor space absorbed by Lend Lease. Conversely, if the 'at cost' value of constructing the 'Community Building' for the component at the plaza level is less than \$6M, then Lend Lease must pay the difference to the City.

A report on the outcomes of the recent public exhibition of the Planning Proposal, draft Development Control Plan and voluntary Planning Agreement for the Lend Lease development site will be considered concurrently.

## **RECOMMENDATION**

It is resolved that:

- (A) Council endorse the transfer of 176.6m<sup>2</sup> of City-owned, operational classified land being Lot 2 in Deposited Plan 880891, known as Crane Lane and referred to as 178a George Street, to Lend Lease;
- (B) Council endorse the sale of development floor space attributable to Crane Lane to Lend Lease at an agreed price of \$6M plus GST as supported by independent market valuation;
- (C) Council approve the subdivision of the Crane Lane land as may be required to facilitate the preceding resolutions; and
- (D) authority be delegated to the Chief Executive Officer to enter into all necessary documentation as may be required to facilitate:
  - (i) the transfer of 176.6m<sup>2</sup> of City-owned, operational classified land being Lot 2 in Deposited Plan 880891, known as Crane Lane and referred to as 178a George Street, to Lend Lease; and
  - (ii) the sale of development floor space attributable to Crane Lane to Lend Lease at an agreed price of \$6M plus GST.

## **ATTACHMENTS**

**Attachment A:** Identification Plans

**Attachment B:** Voluntary Planning Agreement – APDG Site Block 4

**BACKGROUND**

1. In 2008, the City commissioned the NSW Government Architect's Office to prepare an urban design study for the APDG Block. The key purpose of the study was to ensure that Council has a consistent set of planning controls that promote high quality built form and urban design outcomes for both the public and private domain on this important street block. The City-commissioned economic analysis of the urban design study supported the contention that the then current planning controls resulted in an inadequate built form and public domain outcome.
2. The urban design study's preferred option identified three strategic groupings of sites within the APDG block and proposed controls to enable these sites to develop in a 'Development Block' pattern around a large central open publicly accessible square, connected and activated by a laneway network and three tall tower buildings. A key principle influencing the recommendation was that additional height controls (above the maximum height of 110 metres allowable under Sydney Local Environmental Plan 2005) would be offered as an incentive in exchange for significant and quantifiable public domain improvements.
3. The current alternative APDG controls allow additional height within three prescribed 'development blocks', but only if public benefits such as open space, laneways and through-site links are included as part of development.
4. In order to achieve the maximum height in one part of a development block, floor space from another part of a block would need to be transferred, thus freeing up that part of the block for the public domain.
5. Adopted by Council and the Central Sydney Planning Committee at meetings on 15 and 11 November 2010, respectively, a number of LEP and DCP amendments based on the recommendations of the urban design study came into effect on 29 April 2011. These alternative controls for the APDG Block are now reflected in cl. 6.25 of Sydney Local Environmental Plan (LEP) 2012 and sections 6.1.4 to 6.1.7 of Sydney Development Control Plan (DCP) 2012.
6. A key driver of the current development block controls in the Sydney LEP 2012 was the ownership pattern within the Alfred, Pitt, Dalley and George (APDG) Block. The existing development block pattern in Sydney LEP 2012 is shown in Attachment A.
7. Since 2009, the land ownership across the APDG Block has changed significantly, making it difficult to achieve the intended built form and public domain outcomes for 'development block 1' in the existing APDG controls, which require the consolidation of a number of sites with multiple land owners.
8. A factor in determining the three development blocks in the initial urban design study in 2009 was the ownership pattern within the APDG Block and the likelihood of development within this context. As a result, 'optional' sites are prescribed for development blocks, potentially changing the site area of a development block based on the individual land owner's willingness to participate.

**Lend Lease Land Ownership and 2015 Planning Proposal**

9. Although changes in land ownership act as a barrier to achieving the development outcomes envisaged by the 2009 study, they also provide an opportunity for a different pattern of redevelopment within the APDG block comprising sites under Lend Lease's control. Whereas St George had little interest in redevelopment, Lend Lease's landholdings in the APDG Block present a significant opportunity for the City to achieve the public benefits envisioned in the alternative controls.
10. The Lend Lease ownership provided another option for the distribution of built form and floor space within the APDG Block by way of an arrangement of sites forming a fourth 'alternative' development block consisting of the Lend Lease Circular Quay site, that is, 'development block 4'.
11. In response to a request from Lend Lease, the City initiated *Planning Proposal: APDG Site Block 4* to facilitate a development proposal at 182 George Street and 33-35 Pitt Street, Sydney. The Council on 29 June 2015, and the Central Sydney Planning Committee on 25 June 2015, approved the planning proposal for public exhibition and the Minister for Planning issued a Gateway approval on 18 August 2015. The approved planning proposal has not been exhibited
12. To achieve the intended outcomes for development block 4, it was also necessary to transfer two parcels of land under the Council's ownership or control to Lend Lease – Crane Lane and the 'Mirvac Triangle'. These sites are integral to the development proposal by contributing to a more efficient tower building floor plate and a better configuration of public open space. The Minister's delegate issued a Gateway determination for the Planning Proposal - APDG Site Block 4 on 18 August 2015. However, as Lend Lease subsequently initiated discussions with Council staff to amend the approved planning proposal, it was not exhibited.
13. In December 2015, Lend Lease submitted a revised planning justification report seeking amendments to Planning Proposal - APDG Site Block 4 to allow for changes to their development proposal. Updated studies to support the revised scheme, along with an updated public benefit offer were provided.
14. In February 2016, Council and the Central Sydney Planning Committee resolved to seek a Gateway determination from the Department of Planning and Environment to allow public exhibition of the revised Planning Proposal to amend Sydney LEP 2012 alongside a supporting site specific draft DCP. The Council also authorised that the Chief Executive Officer prepare a draft voluntary Planning Agreement based on the proponent's public benefit offer and that this be exhibited concurrently with the revised Planning Proposal and draft DCP.
15. A Gateway determination was issued in April 2016, allowing community and public authority consultation. The revised Planning Proposal, draft DCP and voluntary Planning Agreement were placed on public exhibition from 18 May to 15 June 2016.

**The Revised Planning Proposal – Key Benefits**

16. The revised Planning Proposal and revised draft DCP will facilitate a broad range of public benefits from promoting economic growth to public domain improvements that will enhance people's day-to-day enjoyment of Central Sydney.

17. In summary, the key benefits are:
- (a) a realistic and achievable opportunity to unlock the floor space potential of the site and meet demand for high-end global office space in central Sydney within a commercial tower building;
  - (b) significant revitalisation of the block bounded by Alfred, Pitt, Dalley and George Streets;
  - (c) design excellence embedded in the Site;
  - (d) remodelling of the Jacksons on George building;
  - (e) a large public square on George Street, with excellent solar access during the lunch time peak in mid-winter;
  - (f) a public square on Rugby Place;
  - (g) creation of a fine-grain network of lanes and a through-site link that will improve pedestrian connections between Circular Quay and the commercial core and between George and Pitt Streets;
  - (h) a new retail destination with maximised active frontages;
  - (i) a new late-night trading precinct which will enhance the city's night-time economy;
  - (j) reduced vehicular movements within the block and rationalisation of loading dock and vehicular access points;
  - (k) the delivery of community facilities, including a public cycle facility; and
  - (l) the delivery of a commercial space for business innovation, as proposed in the City's Tech Startups Action Plan, including a cash contribution to fitout.

### **Community Building**

18. A high quality 'Community Building' will include, at minimum, a ground, first floor and roof terrace located to the eastern edge of the George Street Public Plaza with an accessible roof area and an option of a third floor within the overall height approved for this building. The building will include a minimum 4.5 metre clear height below the ceiling finishes and services infrastructure to the ground floor; a minimum 3.5 metre clear height below the ceiling finishes and services infrastructure to the first floor.
19. The building will also provide internal access to the Public Cycle Facility and public amenities and will include an internal glass passenger / cycle-size 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.
20. The uses of the Community Stratum will include, but not be limited to, small temporary exhibitions, performances and installations, visitors information centre, temporary pop up events, presentations and functions, media launches, a café and/or small bar, public gathering space, community workshop space and/or specialist retail.

**Land Transfers**

21. To achieve the outcomes for development block 4, it is necessary to transfer two City-owned properties to Lend Lease – Crane Lane and the ‘Mirvac Triangle’. These sites are integral to the development proposal by contributing to a more efficient tower building floor plate and a better configuration of public open space.
22. This Planning Proposal will allow redevelopment of the land at 174-186 George Street and 33-35 Pitt Street, Sydney (the Site), for a new 248 metre premium grade commercial tower and a better located public plaza fronting George Street. Located in the heart of the financial district, close to the future light rail, it will support the New South Wales economy by providing capacity for employment growth and investment in Central Sydney.

**Crane Lane (178A George Street)**

23. Council's land register shows that Crane Lane (Lot 2 DP 880891) is classified as operational land. Certificate of Title Folio Identifier 2/880891 describes the land in Lot 2 DP880891, being a stratum lot containing the land known as Crane Lane, with an area of 167.2m<sup>2</sup>.
24. Lot 1 DP 880891 comprises a walkway (footbridge) over Crane Lane. It is a stratum lot which sits within and is surrounded by Lot 2 DP880891 (ie, Lot 2 extends above and below Lot 1). Presently, the footbridge is subject to a lease to St George Bank Limited (a division of WBC).
25. The Planning Proposal and Voluntary Planning Agreement incorporate Crane Lane into the development site and intends to both generate developable floor space from the current City-owned laneway and dedicate back to Council a similar area of land suitable as part of the proposed laneway network within the development.

**Market Value - Crane Lane Floor Space**

26. The City engaged valuers, Preston Rowe Patterson, to prepare advice on the value of the Crane Lane floor space.
27. In 2009, Preston Rowe Patterson were engaged by the City's Planning Unit to prepare the Economic analysis – Floor Space Transfer Recommended in the Alfred, Pitt, Daley and George Streets Site (APDG Site) Urban Design Study supporting the subsequent amendments to the City's planning controls.
28. The City's land value is influenced by a number of factors including:
  - (a) the permitted floor space ratio and the useable floor space; and
  - (b) the value per square metre of useable floor space.
29. The value of the Crane Lane land has been assessed using the Before and After method of assessment where values are derived for the site without the inclusion of the Crane Lane land and then with the inclusion of the Crane Lane land to determine the value uplift resulting.

30. The Before and After Analysis has concluded a value of \$6M plus GST for the Crane Lane land on the basis that only the uplift in developable floor space is considered. The value on this basis reflects \$2,413 per square metre of maximum developable floor space, which is broadly in line with development site sales evidence analysed.
31. As a secondary valuation approach, Preston Rowe Patteron assessed the value of Crane Lane on a direct comparison approach on a rate per m<sup>2</sup> of Gross Floor Area using comparable transactions. Traditionally, over the last 10 years, the rate per m<sup>2</sup> of GFA for commercial sites within the Sydney CBD has been between \$2,000 and \$3,000 per m<sup>2</sup>, which would result in a value of between approximately \$5M and \$7.5M. However, there has been a very limited number of commercial development site sales in recent times to accurately assess the FSR of Crane Lane under this approach.
32. The most recent commercial transactions within the immediate vicinity reflect prices of \$3,218 per m<sup>2</sup> of GFA and \$2,996 per m<sup>2</sup> of GFA. However, these properties were income-producing at the time of sale and continue to this day. It is therefore difficult to compare to the FSR attributed to Crane Lane which is currently non-incoming producing and, for this reason, lesser regard has been had to these transactions.
33. Preston Rowe Patterson conclude that the floor space of Crane Lane is in the range of \$5M to \$6.5M, which reflects between \$2,001 and \$2,601 per m<sup>2</sup> of GFA. The most realistic buyer of the floor space attributed to Crane Lane is Lend Lease Development.
34. The City has concluded the initial negotiations with Lend Lease to establish a price for the sale of floor space supported by market values prepared by both parties.
35. The City has finalised its negotiations with Lend Lease at \$6M plus GST.
36. 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.

### **BUDGET IMPLICATIONS**

37. The Council-approved Planning Proposal offset the market value of Crane Lane 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 Lend Lease at lane level retail or any other area below the plaza).
38. The building is to be constructed with agreed fit out, subdivided and dedicated in stratum by Lend Lease to Council. 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, Lend Lease 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 Lend Lease.
39. The Local Government Act 1993 has no specific restrictions on the reinvestment of the proceeds of any sale for operational land.

**RELEVANT LEGISLATION**

**Land Classification**

40. Crane Lane is classified as operational under the Local Government Act 1993 and, as such, there is no legislative impediment to the sale, lease or use.

**Council Function**

41. Section 377 of the Local Government Act 1993 requires Council to endorse the disposal including transfer of any property.

**PUBLIC CONSULTATION**

42. Public consultation is not required in the sale of the floor space nor transfer of the land parcels.

**AMIT CHANAN**

Director City Projects and Property

Nicholas Male-Perkins, Development Manager