

**ITEM 6. SALE OF 1-5 FLINDERS STREET SURRY HILLS**

**FILE NO: X009950**

**SUMMARY**

On 29 February 2016, Council endorsed in principle the disposal of 1-5 Flinders Street, Surry Hills (the Property) and the conduct of an Expression of Interest (EOI) process to identify suitable proponents to acquire, refurbish and use the Property consistent with the City's objectives of urban renewal.

The Property is regarded as a landmark building within the locality and enjoys prominent exposure to Taylor Square. It is worth noting that it is affected by the NSW Government lock out laws which came into effect on 24 February 2014.

In disposing of this surplus asset, the City aims to seek the best financial return, while maximising opportunities to deliver on the desired outcomes of the Taylor Square South urban study and activation of the public domain.

The City engaged leading real estate firm CBRE through a competitive process to develop, lead and manage the EOI process. The Property was marketed from 25 September 2017 to 26 October 2017, yielding 230 enquiries and 42 separate inspections.

Eight proponents have participated in two rounds of further submissions and bidding. The third and final round of competitive submissions will include access to information enabling the proponents to undertake due diligence, unconditional acceptance of the contract for the sale and purchase of the Property and supplementary information around qualitative criteria.

This report details the outcomes of this EOI process and recommends that on the strength of the response to the EOI that the Council endorse the sale of the Property and delegate authority to the Chief Executive Officer to finalise negotiations and conclude the sale.

**RECOMMENDATION**

It is resolved that:

- (A) Council note that the Expression of Interest process for the sale of the property located at 1-5 Flinders Street, Surry Hills, being Lot 1 Deposited Plan 725585 is in its final stages, with eight respondents to the Expression of Interest process currently undertaking due diligence activities;
- (B) Council endorse the sale of the property referred to in clause (A) at a price supported by an independent valuation; and
- (C) authority be delegated to the Chief Executive Officer to:
  - (i) finalise negotiations with one or more of the respondents to the Expression of Interest process for the sale of the property referred to in clause (A); and
  - (ii) execute and administer all required legal documentation relating to the sale of the property referred to in clause (A); and

- (D) proceeds from the sale of the property referred to in clause (A) be appropriated to the Commercial Properties Reserve for future reinvestment.

**ATTACHMENTS**

**Attachment A:** Resolution of Council of 29 February 2016

**Attachment B:** Expression of Interest – Process, Outcomes and Recommendations  
(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 2008, the City commissioned Jahn Associates Architects (JAA 2008) to design principles and a conceptual strategy to improve Taylor Square South. This Report (Stage 1) examined the various physical and social 'contexts' that would inform such a strategy.
2. Taylor Square is an historic and ingrained orientation and waypoint along Oxford Street, with very high visibility and a landmark scale. This paints the public image of the area and reflects the wellbeing of the lower Oxford Street economy.
3. The most powerful underlying issues for Taylor Square are primarily social with a balance between attracting locals and visitors of different age groups and actions to address the history of antisocial and violent activity.
4. The JAA 2008 study recognised that options would need to balance short and long term aspirations of the community and Council, and current patterns of use, with the need to drive a future realisation that can improve its urban role over time.
5. The former T2 nightclub at 1-5 Flinders Street was a major contributor to anti-social behaviour and featured prominently in the list of the State's most violent premises with numerous assaults, drug charges, instances of anti-social behaviour and was forced to close in late 2009 after fire safety regulation breaches.
6. Responding to calls by nearby businesses and local residents to end the notorious record of noise, crime and violence, on 7 December 2009 Council resolved to purchase 1-5 Flinders Street for the purpose of creating a bicycle hub with ancillary uses integrating with Taylor Square South and Bourke Street cycleway.
7. At the time of its acquisition of 1-5 Flinders Street, the City did not anticipate the extent of growth of a cycling culture over the next six years, or the participation of other parties in providing cycling support on a commercial basis and related educational activities that the City considered would need its direct involvement
8. On 29 February 2016, Council endorsed in principle the disposal of 1-5 Flinders Street, Surry Hills (the Property) and the conduct of an Expression of Interest (EOI) process to identify suitable proponents to acquire, refurbish and use the Property consistent with the City's objectives of urban renewal.
9. The 2016 Council resolution noted that through the City's advocacy, programs, initiatives and collaboration across all sectors, it had helped cultivate a multi-faceted cycling culture that continues to grow and evolve and that the City no longer needed to be a direct facilitator.
10. In disposing of this surplus asset, Council aims to seek best financial return while maximising opportunities to deliver on the desired outcomes of the Taylor Square South urban study and activation of the public domain.
11. Since its purchase in 2009, the NSW Government lock out laws were introduced and came into effect on 24 February 2014. These laws have impacted the market value as evidenced through the feedback from the Expression of Interest process to date and the City's appointed valuers, Landmark White.

**Expression of Interest**

12. The City engaged leading real estate firm CBRE through a competitive process to develop, lead and manage the Expression of Interest. The property was marketed from 25 September to 26 October 2017, yielding 230 enquiries and 42 separate inspections.
13. Eight proponents have participated in two rounds of further submissions and bidding. The third and final round of competitive submissions will include access to information to enable them to undertake due diligence. A schedule of the offers, terms and proposed future uses, including assessment of current market value, is contained with Confidential Attachment B.
14. The intended uses are predominantly commercial office at first floor and a food and beverage offering at ground which are highly supported uses in the Conservation Management Plan.
15. It is also noted the property appeals primarily to owner occupiers, if offered to the market, who would most likely upgrade the building, subject to planning approval, to provide modern semi retail, showroom or creative style commercial accommodation.

**Development Consent**

16. On 23 February 2015, development consent (D2014/660) was granted for the adaptive re-use of the property for a bike hub including a café, retailing, repair workshop and commercial office space with a new rooftop area, including interventions that would integrate future building uses with the public domain and address the social imbalances.
17. A subsequent S96 modification (D2014/660B) was granted on 28 September 2015.
18. Condition 26 (e) General Heritage: Paint Removal requires the removal of the paint from the external walls to be carried out in accordance with Section 9 of the Conservation Management Plan prepared by Rappoport Pty Ltd and dated February 2013.

**Temporary Artwork**

19. In August 2012, the City granted consent to commission a temporary painted artwork on this building, Always was, always will be by Reko Rennie supported by Cracknell & Lonnergan Architects, as part of the City's Streetware Program.
20. The artwork was initially intended to last six months, however, the bright vibrant paintwork and strong message resonated with the community and it was decided to retain the artwork for an extended period.
21. The City consulted the artist and architects on the proposed property sale and both supported the removal of the artwork through re-painting prior to the sale of the building.
22. Planning consent has been obtained to repaint the façade, in heritage-approved colours, with the condition that no later than two years from the date of the consent the façade will be brought back to its original face brick appearance in accordance with the Conservation Management Plan and original Council Order.

23. Façade repainting works are expected to commence on 20 November 2017, at which time banners and signage will be installed detailing the purpose of the works. The repainting of the facade is expected to be completed by the end of the year. In accordance with the artist's wishes, the sale of the building will not be settled until the artwork is removed.

### **KEY IMPLICATIONS**

#### **Organisational Impact**

24. The sale of this property will not have an adverse impact on the City's organisational resources.

### **BUDGET IMPLICATIONS**

25. The disposal of this property sale is included within the City's Long Term Financial Plan.
26. Subject to finalisation of the EOI process, and Council delegating authority to the Chief Executive Officer to enter into and accept any proposal arising from the process, the proceeds from sale will be restricted within the Commercial Properties Reserve for reinvestment to enhance the City's property investment portfolio.

### **RELEVANT LEGISLATION**

27. *Local Government Act 1993.*
28. Confidential Attachment B to this report contains commercial information of a confidential nature that would, if disclosed:
- (a) confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business; and
  - (b) prejudice the commercial position of the person who supplied it.
29. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

### **CRITICAL DATES / TIME FRAMES**

30. Council's adoption of the recommendations within this report will enable contracts to be exchanged prior to Christmas.

### **OPTIONS**

31. Council could decide to defer a resolution to endorse the sale of this property until the final stage of the EOI. This is not recommended, as this action creates uncertainty for a purchaser who will seek out other suitable opportunities with motivated vendors.

**PUBLIC CONSULTATION**

32. There is no requirement to include a process of public consultation as part of an Expression of Interest process.

**AMIT CHANAN**

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