

**ITEM 6. PROPERTY DISPOSAL OF SURPLUS OPERATIONAL LAND –
FORMER DEPOT AT FIG AND WATTLE STREETS**

FILE NO: S111009

SUMMARY

This report seeks Council's endorsement to divest a disused operational property at 14-26 Wattle Street, Pyrmont, to meet the City's long-term financial sustainability and deliver an additional childcare facility and two multi-use indoor recreational courts on the site.

The 2007 City Depot Strategy focused on outcomes to deliver efficiencies in service delivery through consolidation, renewal and upgrades and was updated in 2014. The City's three main southern depots (Epsom Road Depot – Zetland, Gerard Street Depot – Alexandria and Marian Street Depot – Redfern) are being consolidated and relocated to a single southern depot currently under construction along the Alexandra Canal. In the north, the strategy proposes short and medium-term renewal projects for the existing Bay Street Depot. The strategy noted there was no further requirement for the 14-26 Wattle Street site (Fig and Wattle Depot).

The Integrated Planning and Reporting Framework includes a number of strategic planning and resourcing documents, underpinned by a resourcing strategy, including a long-term financial plan and an asset management plan. These plans aim to achieve a funding model that provides assets aligned with the City's long-term plans and community needs.

The Long Term Financial Plan includes a provision for the disposal of City-owned properties that are not being fully utilised in the achievement of service outcomes. Such divestments are important as the City is spending \$1.7 billion on capital infrastructure over the next 10 years. Funding of this large capital program relies on sales of surplus assets.

The site has been underutilised and inert for over 20 years. The sale of the site provides an opportunity to reinvigorate the site and bringing activation to both the site and its surrounding neighbourhood. The Site has a B4 – Mixed Use zoning under the Sydney Local Environment Plan 2012, which allows residential and commercial uses.

The sale of 14-26 Wattle Street provides an opportunity to provide a childcare centre and a multi-use indoor recreational centre on the site. On 14 November 2016, Council adopted the Open Space, Sport and Recreation Needs Study 2016. The study recommends additional provision of indoor multi-purpose courts to be located in the Pyrmont, Green Square, Surry Hills/ Darlinghurst, Newtown and the Urban Renewal Areas (Bays Precinct, Central to Eveleigh). A two court multi-purpose court facility would meet the future needs of the local community, while not having the negative parking and traffic impacts that a larger regional facility would generate.

The City undertook a comprehensive Child Care Needs Analysis Study in 2013. More than 3,200 early childhood education and care (ECEC) places have been approved across the city since the study was published, of which more than 2,600 are now operational (as at June 2017). However, there remains an estimated gap of some 400 places in the Harris Street Village Group, which encompasses Ultimo/Pymont. The City had proposed an 80-place childcare facility be delivered on the site as part of the unsuccessful negotiations with the Department of Education and Communities in 2014. With the high traffic volumes in Wattle Street and the steep grades in Fig Street, Jones Street provides the only practical drop off and pick up access point for a childcare facility. It is considered that any facility greater than 80 places would not be appropriate due to the additional drop off and pick up demand.

It is therefore proposed to proceed with the divestment of 14-26 Wattle Street, with the proceeds from divestments to be allocated to the funding of the City's 10 year capital works program. The sale will require the purchaser to build an 80-place childcare centre and a multi-use two-court indoor recreational centre on the site and transfer stratum ownership of these facilities back to the City.

RECOMMENDATION

It is resolved that:

- (A) in respect of the former Fig and Wattle Street Depot located at 14-26 Wattle Street, Council:
 - (i) note the Wattle Street Depot became surplus when operations at this depot were decommissioned in 1990 and consolidated to the City's Bay Street complex;
 - (ii) note the efforts made by the City to finalise negotiations with the Department of Education and Communities to acquire the Wattle Street Depot and their decision to redevelop the site of the current school; and
 - (iii) endorse the disposal of the surplus property at 14-26 Wattle Street (former Fig and Wattle Depot site), with a requirement that the purchaser build an 80-place childcare centre and a multi-use two-court indoor recreational centre on the site and transfer stratum ownership of these facilities back to the City;
- (B) Council endorse the proceeds from the sale being allocated to the funding of the City's 10 year capital works program; and
- (C) authority be delegated to the Chief Executive Officer to develop due diligence material for the sale, including, but not limited to, a disposal plan, including implementing opportunities to leverage value, determining the optimum method of sale, negotiating with interested parties as required, and entering into all necessary documentation to effect the sale and further stratum transfer back to the City at a price to be supported by an independent valuation.

ATTACHMENTS

Attachment A: Identification Plan and Land Title Plan

BACKGROUND

Integrated Planning and Reporting Framework

1. In October 2009, the NSW Government enacted the *Local Government (Planning and Reporting) Amendment Act 2009*, which set a new framework to integrate the various statutory planning and reporting processes as required by the *Local Government Act 1993* and the *Environmental Planning and Assessment Act 1979*.
2. In 2015, the full suite of Integrated Planning and Reporting documents were reviewed to reflect current progress on major strategies and projects, clarifying outcomes and objectives in line with recent strategies adopted by Council and consideration of the most recent NSW Government plans and strategies. Council endorsed the update in June 2016.
3. Objectives of the Long Term Financial Plan and Asset Management Policy 2016 that are of particular relevance to this report include:
 - (a) implementing a life-cycle approach to the management of assets where asset planning decisions are based on an evaluation of alternatives that consider the “whole of life” of an asset through acquisition, operation, maintenance, renewal and disposal. The asset management cycle considers the current and future environmental, economic, cultural and social outcomes; and
 - (b) providing a sustainable funding model that provides assets aligned with the City’s long-term plans and community needs with a funded model for all asset related services extending at least 10 years into the future that addresses the need for funds, considers renewal peaks and troughs and identifies how the funds will be sourced.

Asset Planning – Identification of surplus assets

4. The City identifies surplus assets when one or more of the following occurs:
 - (a) the asset is not required for the delivery of services, either currently or in the long-term;
 - (b) the asset has become uneconomical to maintain and/or operate; and/or
 - (c) the asset is no longer suitable for ongoing core service delivery needs.
5. The property disposal plan has identified City-owned properties that are not fully utilised in the achievement of service outcomes and/or are not achieving a suitable rate of return.

Surplus Operational Property at 14-26 Wattle Street

6. The Fig and Wattle site in Pymont became surplus in 1990 when the former depot operations were consolidated to the Bay Street complex.
7. The last major work at the depot was alterations to the concrete mixing plant in relation to the Glebe Island Arterial Route work in 1988. That year Sydney City Council was split and South Sydney City Council was formed within the southern boundaries of the City.

8. South Sydney City Council became responsible for all road construction, reconstruction, maintenance, and other engineering services including parks and open spaces within the City of Sydney. As part of this task, South Sydney City Council operated from a number of depot sites owned by the City of Sydney. This included the Wattle Street Depot and the Ultimo Depot, which was part of the Bay Street complex. This arrangement terminated in 1993 when control of the Wattle Street Depot reverted to the City of Sydney.
9. Between 1993 and 2015, the Fig and Wattle site was principally used for storage of sandstone and smart poles. The balance of land not used by the City was licenced to third parties for storage. The income generated offset the holding costs, including maintaining the site. The site is not currently in use and requires remediation.
10. Over the years, several resolutions of Council endorsed the sale of the Fig and Wattle site.
11. The 2007 Depot Strategy undertaken by Gale Planning Pty Ltd supported consolidating depot operations. In the north, the 2007 study noted there was no further requirement for the Fig and Wattle Depot site (Fig and Wattle Depot).
12. The Depot Strategy was updated in 2014 and addresses the relocation of selected operations and seeks to establish short and medium-term action plans to improve the existing Bay Street Depot. The 2014 update noted the continued use of the Fig and Wattle Depot for sandstone storage and its relocation to more suitable premises.
13. In late 2012, at the direction of the Minister for Education, the Hon. Adrian Piccoli MP, the Department of Education and Communities (Department) was charged to establish a Working Party to investigate the short and longer-term options for meeting projected demand for primary school places in Ultimo Pyrmont as the first priority.
14. On 12 June 2013, the Working Party nominated their preferences for potential new school sites in Ultimo Pyrmont. A number of sites had previously been tabled by a community representative on the working party and included a privately owned site in Harris Street, and the City owned surplus site at 14-26 Wattle Street.
15. On 14 November, the Department confirmed the City's site at 14-26 Wattle Street as the preferred option to acquire and develop a new facility.
16. On 14 September 2015, Council resolved to note that:
 - (a) on 8 December 2014, Council resolved to sell the former Fig and Wattle Street Depot site to the NSW Department of Education and Communities, subject to the construction of a public primary school and an 80-place child care facility on the site;
 - (b) on 15 December 2014, the NSW Department of Education and Communities issued a press release stating that "agreement has been reached for a new public school serving the inner city to be built on a site to be purchased from the City of Sydney on the corner of Wattle, Jones and Fig Streets, Ultimo"; and
 - (c) the NSW Department of Education advised the City on 16 June 2015 that they were not proceeding with the agreement made three months before the 2015 NSW State Election in December 2014 to purchase the City's site.

17. On 14 September 2015, Council resolved that the City remained willing to complete the sale of the former depot site at Fig and Wattle Street, Ultimo to the NSW Department of Education and Communities.
18. On 23 August 2016, the General Purpose Standing Committee No. 3 announced the terms of reference to inquire into and report on inner city public primary school enrolment capacity and the redevelopment of Ultimo Public School. The final report was released in February 2017.
19. At the inquiry the NSW Department of Education and Communities confirmed that it is proceeding with the redevelopment of the existing Ultimo Primary School site to increase its capacity. A temporary school on Wentworth Park is currently being built to enable the redevelopment. The temporary school is due to open in early 2018 and the permanent redeveloped school in the existing site is targeted to open in 2020 with 800 places.

Community Facility Needs

20. On 14 November 2016, Council adopted the Open Space, Sport and Recreation Needs Study 2016. The study includes a comprehensive assessment of indoor court provision and makes recommendations to meet future demand and needs within the City's local government area as well as at a District level.
21. There are currently 21 full-size indoor courts in the local government area. Five of these courts are managed by the City of Sydney. These courts cater for basketball, netball, volleyball and other sports such as futsal. Some of the courts however are constrained in available use hours or limited in programming opportunities due to single court formats.
22. The nearest available courts to the site are Peter Forsyth Auditorium in Glebe (one court), Ultimo Community Centre (rooftop court) and Glebe Leichhardt PCYC (one court). Most existing courts in the local area are reported to be at capacity particularly at the peak demand times of lunchtime, late afternoon, and evening.
23. The study expects that by 2031 there will be demand for an additional 11 indoor multi-purpose courts and recommends this additional provision to be located in the Pyrmont, Green Square, Surry Hills/ Darlinghurst, Newtown and the Urban Renewal Areas (Bays Precinct, Central to Eveleigh).
24. This demand is driven by the importance of indoor facilities to support intensive multi-purpose recreation use, ability to operate at a longer span of hours into late evening, all weather use, and minimal neighbouring impact issues experienced by outdoor formats such as noise and outdoor lights.
25. There are also strong indications that demand for indoor court space will increase over time due to the younger age profile in the City, demand for lunchtime sport opportunities from workers and growth in popularity of more modified small team rules and social competitions. Indoor court spaces are also popular with people with mobility impairments in being able to cater for a wide variety of wheelchair sports.
26. The Fig and Wattle Street site is well placed to cater for indoor recreation demand generated by the strong employment base in Ultimo/Pyrmont, surrounding high density residential and the expanding Ultimo Public School.

27. Being co-located adjacent to the Wentworth Park sports fields provides programming opportunities with complementary sport and fitness activities as well as sport options during wet weather. The proposal will also address the current limited provision of multi-court facilities which offers a wider scope of recreation opportunities, as well as being a more sustainable commercial model. A two court multi-purpose court facility would meet the future needs of the local community, while not having the negative parking and traffic impacts that a larger regional facility would generate.
28. It is recommended the courts be a multipurpose format to offer a range of recreation opportunities rather than focused on any particular sport. It is also recommended that the entrance courts be located on Wattle Street frontage for ease of access and connection to Wentworth Park, as well as to ensure definition as a public facility.
29. The City undertook a comprehensive Child Care Needs Analysis Study in 2013. This involved demographic analysis, forecasting of supply and assessed demand from the number of residents and workers, to ascertain the supply gap across all City Villages. The study was published by the City and has informed the City's direct investment in new child care centres, as well as its encouragement of developers to deliver new centres through their new building developments.
30. More than 3,200 early childhood education and care (ECEC) places have been approved across the City since the study was published, of which more than 2,600 are now operational (as at June 2017). However, there remains an estimated gap of some 400 places in the Harris Street Village Group, which encompasses Ultimo/Pymont.
31. The City had negotiated for an 80-place childcare facility to be delivered on the site as part of the negotiations with the Department of Education and Communities in 2014.
32. The site is highly accessible within the neighbourhoods of Ultimo/Pymont and would meet demand from local residents and workers. With the high traffic volumes in Wattle Street and the steep grades in Fig Street, Jones Street provides the only practical drop off and pick up access for a childcare facility. It is considered that any facility greater than 80 places would not be appropriate due to the additional drop off and pick up demand.

Proposal

33. Given the above, it is proposed to sell the 12,000 m² site for redevelopment, with a requirement that the purchaser build an 80-place childcare centre and a multi-use two-court indoor recreational centre on the site and transfer stratum ownership of these facilities back to the City.
34. This will achieve the following benefits:
 - (a) the net proceeds from the sale will be allocated to funding the City's \$1.7 billion 10 year capital works program;
 - (b) it will provide much-needed additional childcare places in Pymont, which is currently identified as having a shortage of supply; and

- (c) it will provide in-demand multi-use indoor recreational facilities, which will address the current limited provision of multi-court (two or more courts) facilities.
35. The site has been assessed as being able to accommodate these facilities while not substantially impacting on redevelopment options for the site.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

36. *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. This report is aligned with the following strategic directions and objectives:
- (a) Direction 6 - Vibrant Local Communities and Economies – The need for additional childcare and indoor courts have been identified in City’s studies. Provision of these facilities will add to the vibrancy, health and wellbeing of the local area.
 - (b) Direction 10 - Implementation through Effective Governance and Partnerships, including:
 - (i) Objective 10.1 Organisational Planning Organisational capability, planning and service delivery enables the delivery of *Sustainable Sydney 2030* priorities.

Integrated Planning and Reporting 10.1.1: Continue to deliver and enhance the IP&R framework to improve integrated long-term planning and sustainability.
 - (ii) Objective 10.3.1 The City of Sydney is financially sustainable over the long-term.

Financial Planning 10.3.1: Continue to undertake business case analysis to model the overall financial implications of new major projects, programs and initiatives to ensure long-term financial sustainability.

Social / Cultural / Community

37. Additional childcare and local indoor sports facilities have been identified as priorities for this area. Adopting the recommendation will provide much needed additional childcare places in the Harris Street Village and will address the current limited provision of multi-court (two or more courts) facilities.

BUDGET IMPLICATIONS

38. Allowance for the sale of this property has been made in the City’s Long Term Financial Plan (subject to resolution of Council supporting the sale).
39. It is proposed that the proceeds from the sale be allocated to the funding of the City’s \$1.7 billion 10 year capital works program.

RELEVANT LEGISLATION

40. All the properties subject of this report are classified 'operational' under the *Local Government Act 1993* (the Act) and, as such, there is no legislative impediment to Council endorsing the sale.
41. Under section 377 of the Act (which contains the general power of a council to delegate), a council may, by resolution, delegate certain functions, but not the function to sell land or other property. Section 377 of the Act has no specific restrictions on the reinvestment of proceeds from the sale.
42. Section 55(3)(d) of the *Local Government Act* provides that Council does not have to invite tenders before selling land. Council can choose not to sell by tender or auction.
43. The contract documentation will be prepared in accordance with the *Conveyancing Act 1919*.

CRITICAL DATES / TIME FRAMES

44. If endorsed, the property transaction will be progressed in early 2018.
45. Updates on method of sale, commencing and finalising marketing period, and critical dates around the marketing period including the auction, expression of interest or tender open and closing date, will be communicated to Councillors through a CEO update.

PUBLIC CONSULTATION

46. The City has undertaken public consultation as part of the development of the Open Space, Sport and Recreation Needs Study (2016) and Child Care Needs Analysis Study (2013).
47. Council's endorsement to dispose of these properties does not require public consultation or public notification.

KIM WOODBURY

Chief Operating Officer

Nicholas Male-Perkins, Commercial Manager - Development and Strategy