

Sale of Heritage Floor Space - City Owned Property

File No: X026460.023

Summary

This report seeks Council approval of the sale of 1,241.25 square metres of Heritage Floor Space awarded to the City of Sydney in its capacity as a landowner for the Corporation Building, 181-187 Hay Street, Haymarket.

The City of Sydney's Heritage Floor Space scheme provides incentive for conservation and ongoing maintenance of heritage items in central Sydney by allowing owners of heritage buildings to be awarded unused development potential from their site, known as Heritage Floor Space.

As an owner, the City is eligible to make an application for awards of Heritage Floor Space which, if approved, is then sold into the market.

The City of Sydney is the owner of some of the most iconic and substantial heritage listed properties, managing and preserving these assets in accordance with the obligations of the conservation management plans with significant annual funding commitments.

The City in its capacity as owner has been awarded and sold 33,253.43 square metres of heritage floor space relating to the Capitol Theatre, Queen Victoria Building and 744-744B George Street.

The Corporation Building at 187 Hay Street, Haymarket is one of the City's historic landmark buildings, contributing to the City's streetscapes and showcasing the architectural history of Sydney.

The City's award of heritage floor space was finalised following the refurbishment of the building which included new roof using the original timber structure and restoring the building's exterior to its original appearance.

The City has appointed an experienced transaction team to manage the sale of the Heritage Floor Space awarded to the City in its capacity as owner.

Recommendation

It is resolved that:

- (A) Council endorse the sale of approximately 1,241.25 square metres of Heritage Floor Space awarded to the City in its capacity as a landowner of the heritage listed Corporation Building;
- (B) authority be delegated to the Chief Executive Officer to manage the sale of Heritage Floor Space for the Corporation Building, including supporting valuations, negotiations and executing all documentation to effect and complete the sale; and
- (C) Council note that it will be updated on the progress of the sale of Heritage Floor Space for the Corporation Building through CEO Updates as and when the sale of the Heritage Floor Space is completed.

Attachments

Attachment A. Photos

Background

1. The City of Sydney's Heritage Floor Space Scheme provides incentive for conservation and ongoing maintenance of heritage items in central Sydney by allowing owners of heritage buildings to sell unused development potential from their site, known as Heritage Floor Space.
2. The Heritage Floor Space Scheme applies only in central Sydney. A heritage item owner may apply to be awarded Heritage Floor Space when seeking approval for conservation works, or as part of a development that includes the land occupied by the heritage item. The granting of such an award creates Heritage Floor Space supply.
3. Demand for heritage floor space arises because of provisions of the Sydney Local Environmental Plan 2012 (LEP 2012) which require development consents for certain developments to include a condition requiring the allocation of Heritage Floor Space.
4. Selling or transferring Heritage Floor Space is a private commercial transaction between the owner and the prospective buyer – the City in its capacity as a regulatory authority acts as the scheme administrator. The cost of legal agreements, transactions and other documentation associated with the award and allocation, or change of Heritage Floor Space ownership, is met by the owner and prospective buyer.
5. When a heritage item owner completes conservation works, they may be awarded Heritage Floor Space by the City of Sydney. The awarded Heritage Floor Space can then be sold to a site that requires an allocation of Heritage Floor Space as a condition of an approved development application. The money raised offsets the cost of conserving the heritage item. The value of heritage floor space arises as a result of the demand from developers who require it to comply with the conditions of their development consent.
6. The City of Sydney is the owner of some of the most iconic and substantial heritage listed properties, managing and preserving these assets in accordance with the obligations of the conservation management plans with significant annual funding commitments.
7. The City in its capacity as owner has been awarded and sold 33,253.43 square metres of Heritage Floor Space relating to the Capitol Theatre, Queen Victoria Building and 744-744B George Street.
8. For the balance of its heritage listed Central Business District properties, including Custom House, 343 George Street, Sydney Town Hall, and the recently listed Town Hall House, the City is managing a programme of works in accordance with the conservation management plans to support future applications.

Corporation Building, 187 Hay Street Haymarket

9. The ornate Corporation Building was designed in 1892 by city architect George McRae for Sydney Municipal Council as a supplementary service building to the new Belmore Markets. At the time of its completion in 1894, it was among the most important and highly decorated municipal buildings in Sydney.
10. The City commenced planning the scheduled refurbishment of the Corporation Building in early 2018, aligned to the conservation work required in accordance with the approved Conservation Plan.

11. On 26 October 2020, the Council approved a staged award of a total of 1,241.25 square metres of heritage floor space.
12. On 26 May 2021, the Stage 1 award of 744.75 square metres (60 per cent of the total award) was entered into the City of Sydney Heritage Floor Space Register in favour of the City as owner.
13. The City completed the refurbishment works on 1 July 2022 at a total project cost of \$4.45 million and is maintaining the building in accordance with the adopted conservation management plan.
14. The works undertaken included:
 - (a) restoring the building's exterior to its original appearance;
 - (b) adding a new roof using the original timber structure;
 - (c) cleaning and repairing the building's façade;
 - (d) repairing and re-roofing the awning; and
 - (e) replacing the corner shop entry to match the original design.
15. On 15 February 2023, the Stage 2 award of 496.5 square metres (the balance of total award of 1,241.25 square metres of Heritage Floor Space) was entered into the City of Sydney Heritage Floor Space Register in favour of the City as owner.
16. Attachment A provides photos of the building.
17. The City publishes a quarterly Heritage Floor Space Update, available on the City's website, that reports on recent awards, transfers and allocations of Heritage Floor Space.
18. The average sale price of Heritage Floor Space was \$2,032.22 per square metre in the 12 months to 30 June 2023.

Financial Implications

19. Revenue from the sale of potential Heritage Floor Space awards is included in the Long-Term Financial Plan.

Relevant Legislation

20. 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.
21. Section 55(3)(d) of the Act provides that Council does not have to invite tenders before selling land or interests in land.
22. The contract documentation will be prepared in accordance with the Conveyancing Act 1919.

Critical Dates / Time Frames

23. The Heritage Floor Space award for the Corporation Building will be available to the market upon Council adopting the recommendations.

Options

24. There are no alternate commercial options to manage an award of Heritage Floor Space. There is no value in retaining the Heritage Floor Space.

Public Consultation

25. There is no public consultation for this transaction.

KIM WOODBURY

Chief Operating Officer

Nicholas Male-Perkins, Commercial Manager