

Item 12

Exemption from Tender - Planning Agreement – 130 Joynton Avenue, Zetland

File No: VPA/2023/4

Summary

In 2015, the City prepared Public Domain Concept and Civil Design plans to guide the development of new public infrastructure in the Epsom Park Precinct, part of the Green Square urban renewal area, as it transforms from an industrial and commercial area into a new residential and mixed-use locality.

The City's plans identify a significant network of public streets, through site links and open spaces to revitalise the Precinct and provide connectivity to surrounding areas for pedestrians and cyclists. The plans include Gunyama Park Aquatic and Recreation Centre, Mulgu Park, Zetland Avenue and George Julius Avenue, both part of the 'Eastern Transit Corridor', a significant future mass transit corridor through the Precinct, connecting to the Green Square town centre to the west and Rosebery to the south.

The City is responsible for infrastructure delivery in the urban renewal area and has the option to undertake the work itself, such as was done with the Gunyama Park Aquatic and Recreation Centre, or to engage developers to undertake the work on their land as their sites redevelop, such as Wulaba Park (Meriton).

On 25 June 2024, the developer of 130 Joynton Avenue, Zetland, Deicorp Projects (Joynton Ave) Pty Ltd, submitted a Development Application for excavation, remediation and construction of a mixed-use development comprising nine new buildings and two levels of basement car parking. Five of the buildings will have ground floor commercial / retail uses (D/2024/514). The Development Application is currently scheduled to be presented to the Central Sydney Planning Committee at its meeting on 12 December 2024.

In relation to the Development Application, the developer has made a public benefit offer to dedicate land and undertake works to deliver the new infrastructure outlined in the City's Public Domain Concept and Civil Design plans. This includes completion of Zetland Avenue, extensions of Grandstand Avenue, Victoria Park Parade, George Julius Avenue, Ascot Avenue, Defries Avenue, Woolwash Park, Biyanbing Green and Zetland Avenue Open Space. The substantial land dedication and public infrastructure delivery is proposed to be secured in a Planning Agreement.

Under the Development Application, the contributions for this development will be \$17,126,955, comprising community infrastructure under clause 6.14 of the Sydney Local Environment Plan 2012 (SLEP) and Section 7.11 contributions.

The total value of the complete land dedication and public infrastructure works detailed above is \$19,506,694.

In addition, the developer will be required to pay affordable housing contributions in accordance with the SLEP.

The City has an opportunity to accept an offer from Deicorp Projects (Joynton Ave) Pty Ltd to complete all the works as part of the Planning Agreement. This will ensure the new infrastructure is delivered earlier and at less cost as part of the new development, rather than if the City is to construct it after the land has been remediated and dedicated at the end of the development. To do so, the City would transfer \$2,379,739 to cover the additional works.

The City has funding allocated for the Epsom Park Precinct New Open Space and Traffic Signals projects contained in the capital works budget and Long Term Financial Plan. A payment of \$2,379,739 will be eligible for contribution funding recoupment by other developers in the area.

The procurement of a contractor to deliver the works would usually attract a public tender under section 55 of the Local Government Act 1993 (the Act) as the estimated contract amount is in excess of \$250,000. The decision not to tender due to extenuating circumstance must be made by resolution of Council.

This report recommends that Council approve the engagement of Deicorp Projects (Joynton Ave) Pty Ltd to undertake the works without inviting tenders as it will provide an advantageous financial outcome when compared to the works if they were to be undertaken by the City in the future, and facilitate the early completion in line with the completion of the adjacent buildings.

The prospect of this approach was noted in a report to Council in May 2024, where Council approved a similar exemption from tender to engage Meriton to deliver Mulgu Park, the adjoining pedestrian areas and two pocket parks, as part of its development at 118-130 Epsom Road, Zetland. The City's contribution payment through that Planning Agreement was \$7.16 million.

In July 2016, Council also approved a similar exemption from tender to engage Mirvac to deliver new roads as part of its development at 13-21 Lachlan Street, Waterloo. The City's contribution payment through that Planning Agreement was \$1.37 million and ensured the coordinated delivery of the works adjacent to Dyuralya Square at the least cost to the City.

Recommendation

It is resolved that:

- (A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 to contribute \$2,379,739 to the Planning Agreement for 130 Joynton Avenue, Zetland;
- (B) Council note that a satisfactory result would not be achieved by inviting tenders for this work because:
 - (i) the developer will be delivering community infrastructure in the form of new public roads and parks as works-in-kind required by Clause 6.14 of Sydney Local Environmental Plan 2012;
 - (ii) the infrastructure works will be coordinated and delivered as one project in a timely manner as part of the re-development of the entire site at 130 Joynton Avenue, Zetland;
 - (iii) delivery as part of the Planning Agreement will facilitate completion of public infrastructure approximately 4 years earlier, which will reduce disruption to the local community as works could not otherwise commence until the developer's works were completed and land dedicated to the City;
 - (iv) physical constraints prevent the separate delivery of works by the City in a cost-efficient manner, due to substantial level changes necessitating temporary and redundant works such as retaining walls;
 - (v) delivering the works separately would restrict the pedestrian and vehicle access to the new development, necessitating a lengthy and expensive construction methodology by the City; and
 - (vi) the engagement of the developer to do the works provides value for money to the City as the offer by Deicorp Projects (Joynton Ave) Pty Ltd has been peer reviewed by the City's quantity surveyor and provides financial savings when compared to the works being undertaken separately by the City in the future, including through elimination of temporary works, whole-of-site access for excavation, bulk earthworks, etc and given the developer's existing knowledge, resources and experience associated with the project site; and
- (C) Council endorse the City's payment of \$2,379,739 from the Epsom Park Precinct New Open Space project and Traffic Signals project contained in the capital works budget and Long Term Financial Plan as a partial payment of the cost of the developer's works as part of the Planning Agreement for 130 Joynton Avenue, Zetland.

Attachments

Attachment A. Epsom Park Precinct Concept Plan

Attachment B. Public Benefit Offer from Deicorp Projects (Joynton Ave) Pty Ltd for 130 Joynton Avenue, Zetland

Attachment C. Site Plan – Works Associated with Development

Attachment D. Cost Estimate (Confidential)

Background

1. In May 2012, Council adopted the Sydney Development Control Plan 2012 (DCP). It includes Epsom Park Precinct as a Specific Area under section 5.
2. The DCP states that Epsom Park is to be a new neighbourhood with a strong sense of place and public life, where residents enjoy proximity to the City, easy access to the Green Square Town Centre, good transport links, open parklands and recreational opportunities, and specialty retail activities. It is to have a strong urban character and identity built on the quality of the streets, architecture, good public transport, facilities and services.
3. The precinct has experienced significant transformation in the last 8 years, with new residential developments, new streets and Gunyama Park Aquatic and Recreation Centre.
4. The Epsom Park Precinct is bounded by Joynton Avenue, Epsom Road, South Dowling Street and Zetland Avenue, Zetland.
5. The DCP identifies a network of streets, through site links and open spaces to revitalise the Precinct and provide connectivity to surrounding areas for pedestrians and cyclists. It includes Zetland Avenue and George Julius Avenue, both part of the 'Eastern Transit Corridor', a significant future mass transit corridor through the Precinct connecting to the Green Square town centre to the west and Rosebery to the south.
6. In 2015, the City prepared detailed Public Domain and Civil Design Concept plans to guide the delivery of new infrastructure in the Epsom Park Precinct. The general arrangement drawing at Attachment A.
7. The City is responsible for infrastructure delivery in the urban renewal area and has the option to undertake the work itself, or to engage developers to undertake the work on their land as their sites re-develop.
8. On 25 June 2024, the developer of 130 Joynton Avenue, Zetland, Deicorp Projects (Joynton Ave) Pty Ltd, submitted a Development Application for excavation, remediation and construction of a mixed-use development comprising nine new buildings and two levels of basement car parking. Five of the buildings will have ground floor commercial / retail uses (D/2024/514). The Development Application is currently scheduled to be presented to the Central Sydney Planning Committee at its meeting on 12 December 2024.
9. On 19 July 2024, Deicorp Projects (Joynton Ave) Pty Ltd also submitted a Development Application for public domain works associated with the new mixed-use development including bulk excavation, remediation, civil infrastructure, new and connecting roads, pedestrian and bicycle paths, public open space, lighting and landscaping works (D/2024/601). That Development Application is currently under assessment.
10. The proposed development seeks to utilise additional floor space available under Clause 6.14 of the SLEP when providing community infrastructure. An additional 14,243.5m² floor space, generates a community infrastructure contribution of \$6,765,662. Additionally, the development generates \$10,361,293 in section 7.11 contributions (as at October 2024).

11. This development site includes extensions of Zetland Avenue, Grandstand Avenue, Victoria Park Parade, George Julius Avenue, Ascot Avenue, Defries Avenue, Woolwash Park, Biyanbing Park and Zetland Avenue Open Space as identified in the Sydney Development Control Plan 2012.
12. To accommodate flood management strategies, the new infrastructure is required to be constructed above existing ground levels. These level changes will require strategic coordination of works within the site to ensure impacts external to the site and downstream are minimised.
13. Deicorp Projects (Joynton Ave) Pty Ltd has made a public benefit offer to enter into a Planning Agreement in relation to the development applications. The public benefit offer is at Attachment B.
14. In summary, the total public benefit offer of \$19,481,034 consists of dedication of 13,955sqm of land for new roads and parks (\$2,799,040) and embellishment works for the construction of new roads and parks on the land (\$16,707,654).
15. The scope of works is in accordance with the City's Public Domain and Civil Design Concept Plans for the Epsom Park Precinct. A site plan showing the extent of the works is at Attachment C.
16. The City engaged an independent Quantity Surveyor to confirm the offer as a reasonable cost estimate of works. The cost estimate is included at confidential Attachment D.
17. The total contributions generated by the development for community infrastructure (\$6,765,652) and section 7.11 (\$10,361,293) will be \$17,126,955.
18. The total value of public benefits if delivered in full, exceeds the development contributions required under the SLEP by \$2,379,739.
19. The City has an opportunity through the proposed Planning Agreement to pay \$2,379,739 towards the construction of the new roads and parks by the landowner to facilitate the delivery of all the community infrastructure in conjunction with, and as an integral part of, the development.
20. Payment of this amount would be required on a milestone basis and completion of the works to the City's satisfaction.
21. Having regard to the nature of the development, the necessary infrastructure works to service the development and the cost estimate of the works, it is recommended that Council approve this payment.
22. If approved by Council, acceptance of the public benefit offer and approval to exhibit the draft Planning Agreement will be sought from the Chief Executive Officer in accordance with the delegations.
23. The draft Planning Agreement will be exhibited for 28 days.
24. Council approved similar exemptions from tender in May 2024 for Meriton to deliver Mulgu Park, the adjoining pedestrian areas and two pocket parks as part of its development at 118-130 Epsom Road, Zetland (\$7.16 million) and in July 2016 for Mirvac to deliver new roads as part of its development at 13-21 Lachlan Street, Waterloo (\$1.37 million).

Key Implications

Risks

25. Areas of the site have been formerly used for industrial purposes and may include some contamination, which will be remediated by the developer in accordance with the development consent, at no cost to the City. A Site Audit Statement will confirm that the works and land are fit for purpose in accordance with the EPA Guidelines.
26. The Planning Agreement will require the developer's works to be secured by a guarantee to mitigate the City's financial risk.
27. Following completion of the works, the City will hold a guarantee for 10 per cent of the work's value for a 12-month defects liability period under the Planning Agreement.
28. The Planning Agreement will define the City's contribution as a fixed sum paid in instalments linked to milestones including completion to the City's satisfaction.
29. The Planning Agreement will include acquisition clauses should the developer fail to dedicate the land in accordance with the Agreement.
30. The Planning Agreement will include rights and remedies for the City to complete the work should the developer fail in its undertakings.

Financial Implications

31. There are sufficient funds allocated for the payment of \$2,379,739 within the Epsom Park Precinct New Open Space project and Traffic Signals project and Traffic Signals projects contained in the capital works budget and Long Term Financial Plan.
32. It is anticipated that works would be undertaken no earlier than 2027, so the payment is required at the earliest in the 2026/27 financial year.
33. The delivery of the infrastructure works will have minimal impact on the organisation, as the project is proposed to be delivered by the developer of 130 Joynton Avenue, Zetland.
34. City officers who oversee the implementation of the Planning Agreement will ensure the works are delivered to a high standard.

Relevant Legislation

35. An exemption from tender is sought in accordance with section 55(3)(i) of the Local Government Act 1993 (the Act).
36. The exemption from tender process has been conducted in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2021.
37. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

38. Attachment D contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
39. 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.
40. Environmental Planning and Assessment Act 1979.
41. Environmental Planning and Assessment Regulations 2021.

Critical Dates / Time Frames

42. The Development Application for 130 Joynton Avenue, Zetland is currently scheduled to be presented to the Central Sydney Planning Committee at its meeting on 12 December 2024.
43. If the opportunity for the developer to construct all of the new roads and parks in association with their building works is not taken, access to the land for the City to undertake the work will not be available until the building works are completed and the land dedicated.

Options

44. If the developer were to construct only part of the infrastructure up to the value of the contributions, this would result in:
 - (a) ground floor levels and entry ways of the adjoining buildings being above ground level;
 - (b) substantial works-in-kind being redundant, including temporary retaining walls, batters and interim landscaping;
 - (c) the completed development having restricted access to significant new public open space;
 - (d) the timeframe to deliver all the required new infrastructure being extended as the location of the new roads and parks are too constrained for the City to undertake the works concurrently with the development; and
 - (e) restriction of the pedestrian and vehicle access to the new development when delivering the remaining elements, necessitating a lengthy and expensive construction methodology by the City.

45. The City could complete missing the new roads and parks after the land has been remediated and dedicated and the development completed. This would result in:
- (a) a significant delay in the roads and parks being completed;
 - (b) the City being subject to increased construction costs;
 - (c) the City incurring the additional costs of a separate contractor engagement;
 - (d) the reworking of some temporary and interim works undertaken by the developer; and
 - (e) the City contributing the cost of the temporary, interim and redundant work.
46. Delivery by the City in the future is not recommended due to the impractical and costly outcomes of delivering the community infrastructure in a piecemeal manner after the development is completed.

Public Consultation

47. A draft Planning Agreement will be exhibited for 28 days in accordance with Environmental Planning and Assessment Act and Regulations 2021.

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Chief Operating Officer

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