

Item 10.

Minister's Consent Compulsory Acquisition - 542-544 George Street, Sydney

File No: X073030

Summary

The City owns 6 of the 7 buildings required for the development of the Town Hall Square project on the corners of George, Park and Pitt Streets. The remaining building not in the City's ownership is 542-544 George Street, Sydney, being Lot 13 in Deposited Plan 80276 (the Property). The Property is owned by Silvacorp Pty. Limited (the Owner) and leased by Foot Locker Australia, Inc (Foot Locker) and Woolworths Group Limited (Woolworths).

On 12 May 2025, the Council resolved to commence the compulsory acquisition process pursuant to the Land Acquisition (Just Terms Compensation) Act 1991 (NSW) (Just Terms Act).

On 19 May 2025 the City issued an "Opening Letter" inviting negotiations pursuant to the Just Terms Act to each interest-holder including the Owner, Foot Locker and Woolworths.

Since that date, the City has been undertaking a negotiation process with each interest-holder as required by section 10A of the Just Terms Act. As at the date of this Resolution, agreement has not yet been reached with any of the interest-holders.

Consequently, the City proposes to complete the compulsory acquisition of the Property pursuant to the Local Government Act 1993 (NSW) (LG Act) and in accordance with the provisions of the Just Terms Act, which will vest the freehold interest in the City, and extinguish the other interests existing at the date of acquisition.

Recommendation

It is resolved that:

(A) Council note that:

- (i) Council is the owner of 6 of the 7 buildings required for the development of Town Hall Square on the corners of George, Park and Pitt Streets;
- (ii) the remaining building to be acquired by Council is Lot 13 in Deposited Plan 80276 (Folio Identifier 13/80276), known as 542-544 George Street, Sydney (the Property);
- (iii) the delivery of Town Hall Square is proposed to be accelerated, such that works are to commence by 2028;

- (iv) on 12 May 2025, Council resolved to commence the process of compulsory acquisition of the Property for the reasons set out in the subject report; and
 - (v) the proposed acceleration also justifies completing the process of compulsory acquisition;
- (B) Council note that if agreement with the relevant interest-holders is unable to be reached prior to 19 November 2025, Council will progress the compulsory acquisition process with respect to the required interests in the Property for the purposes of the proposed Town Hall Square, in accordance with the Land Acquisition (Just Terms Compensation) Act 1991 NSW (Just Terms Act);
- (C) Council endorse:
- (i) seeking and obtaining Ministerial Consent to issue Proposed Acquisition Notices;
 - (ii) issuing the Proposed Acquisition Notices;
 - (iii) (if necessary) publishing an Acquisition Notice in the NSW Government Gazette; and
 - (iv) paying compensation to the affected interest-holders in accordance with the heads of compensation under the Just Terms Act;
- (D) authority be delegated to the Chief Executive Officer to negotiate, execute and administer documentation required to acquire the interests in the Property;
- (E) Council endorse the proposed resolution 'It is resolved to classify the proposed acquisition of 542-544 George Street, Sydney (being Folio Identifier 13/80276) as operational land in accordance with section 31 of the Local Government Act 1993 (NSW)', be publicly notified for a period of 28 days prior to or following the completion of the acquisition; and
- (F) Council note that a further report to inform the outcomes of public notification and recommendation on land classification, will follow any notification period.

Attachments

Attachment A. Commercial Matters (Confidential)

Background

1. In 1982, Council supported the proposal of former Lord Mayor Doug Sutherland to acquire properties on George and Park Streets to deliver an eastern extension of Sydney Square opposite Sydney Town Hall. In 1989, that plan evolved under Lord Mayor Jeremy Bingham by extending the acquisition area to deliver a Town Hall Square. The first property, 532-540 George Street, was acquired in 1985 and Council has continued to purchase more buildings as opportunities have arisen.
2. In 2007, Gehl Architects conducted a Public Space and Life Study of central Sydney. This study looked quantitatively and qualitatively at public spaces in the heart of our city. The study recommended creating three city squares connected by a revitalised George Street. In 2008 Sustainable Sydney 2030 clearly articulated a vision for 'Three Linked City Squares', based on the recommendations of the study.
3. In 2012, Council endorsed the Sydney Local Environmental Plan which defined the area for the future Town Hall Square project.
4. In 2020 The Public Space Public Life Study 2020 by Gehl Architects reaffirmed the need for the Three Squares following the completion of the light rail, the ongoing pedestrianisation of George Street and post Covid-19, to encourage the community back to the city centre.
5. In 2021, Council adopted the Town Hall Precinct Public Domain Plan. The plan provides a coordinated response for improvements for streets and public spaces in the precinct including Town Hall Square and is based on the informing principles and directions set out in Sustainable Sydney 2030 and Public Space Public Life 2007 and 2020.
6. In 2022, Sustainable Sydney 2030-2050: Continuing the Vision expanded on the Three Linked City Squares concept and included the Town Hall Square project as one of the 10 project ideas.
7. The City has been progressively implementing the transformation of Central Sydney in a staged manner, including: the installation of Light Rail along George Street with the pedestrianisation of George Street from Central to Circular Quay (City contribution to these totals \$300 million); the redevelopment of Circular Quay (in planning) and the creation of a new public square adjacent to Central Station (in planning).
8. In the Town Hall precinct, the City has undertaken major upgrades to Town Hall (internal and external building works totalling \$72 million) and the pedestrianisation of George Street has provided new space for people in front of the Town Hall. In 2023 the City committed \$35 million towards the staged upgrade of the public space at Sydney Square, between St Andrews Cathedral and Town Hall. The next phase in the transformation of Central Sydney is the delivery of Town Hall Square.
9. Between 1985 to 2019, the City acquired 6 of the 7 buildings required for the development of Town Hall Square. During this time these buildings have been an important source of revenue and in May 2023, Council unanimously resolved to extend the commercial leases and allocate the rental revenue to help cover the costs of creating the Future Town Hall Square. Council also noted that the delivery of Town Hall Square was to be commenced no earlier than 2035.

10. The buildings are now all over 50 years old and the cost to maintain them is increasing. With higher vacancy rates in older office and retail buildings and changes in legislation increasing compliance standards, the cost to maintain and upgrade these buildings is likely to exceed the income the buildings generate. It is now considered uneconomical to hold these buildings for a further 10 years.
11. The Town Hall precinct has undergone significant change with public and private investment driving growth including the 2019 light rail stop at Town Hall and 2024 Gadigal Metro station which has intensified the interchange role of streets and brings additional people to the precinct daily.
12. To adapt to these changing circumstances and to maximise the benefits for the City and its community, in February 2025 Council requested the Chief Executive Officer to investigate financially responsible options to accelerate the delivery of the 'Town Hall Square' project for consideration as part of the 2025/26 budget including project scope and costings, such that demolition works commence by 2028.
13. On 12 May 2025 Council endorsed:
 - (a) commencing the compulsory acquisition process with respect to the required interests in 542-544 George Street, Sydney for the purposes of the proposed Town Hall Square in accordance with the Land Acquisition (Just Terms Compensation) Act 1991 (NSW) (Just Terms Act) by issuing opening letters and seeking to negotiate with the relevant interest holders;
 - (b) the development of a concept design for Town Hall Square as described in the subject report for the purposes of engaging design consultants, noting a concept plan will be submitted to Council for concept design approval once developed; and
 - (c) delegating authority to the Chief Executive Officer to negotiate, execute and administer variations and surrender of leases, licences or other agreements and related documents as may be required to support alignment of the accelerated delivery of Town Hall Square.

Compulsory Acquisition - Legislative procedures

14. Council is empowered to compulsorily acquire interests in land by section 186(1) of the Local Government Act (LG Act), which states that "A council may acquire land (including an interest in land) for the purpose of exercising any of its functions."
15. Council's exercise of this power must be in accordance with the Just Terms Act, which provides the regulatory framework for all compulsory acquisitions. As part of this process, Council is required to complete the following steps:
 - (i) issue an 'Opening Letter' to the Owner (and any other affected interest-holders), notifying the Owner (and other affected interest-holders) of the City's intent to compulsorily acquire the Property;
 - (ii) negotiate the purchase of the Property, in good faith, for at least 6 months;

- (iii) if those negotiations are unsuccessful, issue a 'Proposed Acquisition Notice' (PAN) to the Owner (and any other affected interest-holders, including the mortgagee of the freehold interest, Commonwealth Bank of Australia);
 - (iv) publish an Acquisition Notice in the NSW Government Gazette between 90 and 120 days after the PAN has been issued, thereby compulsorily acquiring the Property and extinguishing the relevant interests; and
 - (v) pay compensation to the Owner (and any other affected interest-holders) in accordance with the heads of compensation under the Just Terms Act.
16. Step (i) was completed on 19 May 2025. Step (ii) is ongoing, with the minimum negotiation period set to expire on 19 November 2025. This resolution is sought in order to authorise the carrying out of Steps (iii)-(v), noting that if agreement is able to be reached with all three interest-holders prior to the publication of an acquisition notice (i.e., Step (iv)), Steps (iii)-(v) will not be required.
17. The documents relevant to Steps (iii)-(v) are the Proposed Acquisition Notice and the Acquisition Notice to be gazetted, should agreement with one or more of the interests not be negotiated, documented and executed under Section 30 of the Just Terms Act.
18. It should be noted that each of these draft documents has been prepared on the basis that agreement is not reached and finalised with any of the interest-holders prior to 19 November 2025. If agreement is reached, these documents will be amended accordingly.

Status of Negotiations

19. This is a summary of negotiations only, and a more detailed record of negotiations is to be annexed to the Ministerial Briefing Note accompanying the request for Minister's consent to issue the Proposed Acquisition Notice.

Ministerial Consent

20. Section 187(2) of the Local Government Act requires Council to obtain the consent of the Minister for Local Government prior to issuing the Proposed Acquisition Notice.
21. The draft Ministerial Briefing Note prepared for this purpose will include:
- (a) the initial Resolution of Council dated 12 May 2025;
 - (b) this Council Resolution, if endorsed;
 - (c) the title search for the Property;
 - (d) the Deposited Plan for the Property;
 - (e) the draft Proposed Acquisition Notice; and
 - (f) a record of the negotiations to date.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

22. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. 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 3 - Public places for all - The future Town Hall Square addresses a shortfall of public gathering places at the heart of our city.
 - (b) Direction 4 - Design excellence and sustainable development - refurbishment of the square will lift its design quality to match that of George Street, Sydney Town Hall and St Andrew's Cathedral.
 - (c) Direction 5 - A city for walking, cycling and public transport - The future Town Hall Square will provide access to Town Hall Station, Gadigal Metro Station and the light rail. Improving legibility and access will benefit both the square and the stations.
 - (d) Direction 8 - A thriving cultural life - Town Hall Square has the potential to host events, markets and other cultural activities in a busy city environment. An adaptable square design will create opportunities for increased usage, in particular activation of its edges.

Organisational Impact

23. Upon acquisition of the freehold and leasehold interests at 542-544 George Street, the building and tenancies will be managed by Property Services until demolition.
24. Delivering Town Hall Square will require considerable staff and financial resources to be committed over a 5-to-6-year period. Resources will need to be diverted from other previously planned projects and/or additional staff resources engaged for the purpose of delivery of this project. That reallocation has commenced with the preparation of the draft 2025/26 budget.

Risks

25. The City's project and design safety risk assessments will be continuously reviewed and updated through the life of the project in consideration of the principles in the City's risk appetite, which states that:
- (a) We are open to taking risks that align with our strategic objectives and are within our capacity to manage effectively.
 - (b) We encourage a culture of responsible risk taking to support innovation, excellence and continuous improvement.
 - (c) We identify and evaluate emerging risks to ensure timely and appropriate responses.
26. The City's risk tolerance in the compulsory acquisition of the freehold and leasehold interests is guided by our compliance with the legal and regulatory requirements of a compulsory acquisition process under the Just Terms Act.

27. Key risks requiring action which have been identified in the initial review of the project scope, delivery timeframes and financial implications to bring forward the delivery of the project include:
 - (a) Management of Properties - Significant time and resources are required to undertake negotiations associated with the remaining property acquisition and management of existing leases. Delays in finalising these activities have potential to impact overall project program and result in escalation in construction costs and additional costs to maintain existing buildings. To mitigate this risk early review is being undertaken and negotiations are planned to commence on Council approval of this report.

Social / Cultural / Community

28. The delivery of Future Town Hall Square creates increased opportunities for community enjoyment and enables public gatherings and cultural experiences in a city where public space is in great demand.
29. High quality public domain including pedestrian links and recreational spaces has a positive effect on the health of workers and residents.

Environmental

30. The development of the precinct is aligned with the City's leadership in environmental sustainability and climate action through maximising tree canopy and greening linkage improvements between city, parklands, and harbour.

Economic

31. Delivery of the Town Hall Square project is identified in the Sydney LEP 2012 and City Plan 2036 as a key public space.
32. The existing retail and office space that will be lost as a result of this project are considered in the Sydney LEP 2012 and City Plan 2036. The delivery of a high-quality public space and amenity at the heart of the City will be key contributors to the competitiveness of the City to do business and attract investment.

Financial Implications

33. The adopted FY26 budget includes allowance for the acquisition of the freehold and leasehold interests at 542-546 George Street, Sydney.
34. The adopted FY26 Long Term Financial Plan includes an allocation of \$150 million for the construction of Town Hall Square.
35. The draft 10-year Long Term Financial Plan also reflects:
 - (a) Reduction in revenue generated from the current portfolio of properties within the future Town Hall Square and the associated operational costs including maintenance.
 - (b) Reduction in annual building asset renewal costs for the current portfolio of properties within the future Town Hall Square.

- (c) Future asset renewal and maintenance costs for the planned Town Hall Square.

Relevant Legislation

36. Under Section 377 of the Local Government Act 1993 (which contains the general power of a Council to delegate), a council may, by resolution, delegate certain functions, but not the function to sell or acquire land or other property.
37. Section 186(1) of the Local Government Act 1993 empowers councils to compulsory acquire interests in land for the purpose of exercising any of its functions and the exercise of this power is subject to the Land Acquisition (Just Terms Compensation) Act 1991 (NSW).
38. Section 25 of the Local Government Act 1993 requires all public land to be classified as either community or operational land.
39. Section 31 of the Local Government Act 1993 requires Council to classify newly acquired land as operational or community land before the date of acquisition of the land or within three months from the date of acquisition of the land.
40. It is recommended that the Property is classified as operational land to enable the City to appropriately manage the asset throughout the City's planning, design, consultation, development, commissioning and warranty periods. This report seeks Council's endorsement to notify a proposed resolution to classify the property as operational land which will enable the City to effectively manage this asset. In the long term, following the completion and opening of the square, the classification will be reviewed.
41. Section 34 of the Local Government Act 1993 requires the proposed resolution to classify be publicly notified and made available for inspection by the public for a period of 28 days. A further report, to inform the outcomes of public notification and for Council to resolve to endorse the classification, will follow the notification period.

Critical Dates / Time Frames

42. Subject to adoption of the proposed resolutions the City will issue a request on or around 19 November 2025 to the Minister for Local Government to issue a Proposed Acquisition Notice (PAN).

Options

43. The City has commenced a legislative process to acquire the freehold and leasehold interests at 542-544 George Street Sydney either by agreement or compulsory process.
44. There are no alternative pathways available to meet the City's objectives.

Public Consultation

45. No public consultation is required for the acquisition of the freehold and leasehold interests at 542-544 Georghe Street, Sydney.
46. For Town Hall Square, extensive community consultation and engagement was undertaken as part of Sustainable Sydney 2030 and Sustainable Sydney 2030-2050: Continuing the Vision.
47. Public consultation will be undertaken when a concept design for the square is developed and during the planning approval process for the project.

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