

APPENDIX 1

Report to Council Meeting

PLANNING PROPOSAL TO RECLASSIFY LAND FOR RELOCATION OF ADMINISTRATION SERVICES

EXECUTIVE SUMMARY

PURPOSE OF REPORT:

Council purchased the former "SUN" building at 828 Pacific Highway for the purposes of a new administration building. The acquisition gives Council a significant strategic landholding on the west side of Gordon with frontage to the Pacific Highway, McIntyre Street and Dumaresq Street. This precinct will be master planned to provide a civic hub for community facilities, open space and Council's civic and administrative functions.

The acquisition of 828 Pacific Highway was only made on the basis that it would be funded by the rationalisation of under-utilised Council assets. This principal was the basis of the Capital Expenditure Review prepared and submitted to the Division of Local Government in support of the acquisition.

BACKGROUND:

On 4 December 2012 Council settled on the purchase of 828 Pacific Highway after several years of negotiations. The acquisition was made by Council on the basis it would be fully funded from asset sales.

COMMENTS:

With the lead time of reclassification and/or rezoning as required, being in the order of 12-18 months, it is imperative that Council commences the statutory processes to enable disposal immediately.

RECOMMENDATION:

That Council prepares a Planning Proposal(s) to rezone and/or reclassify from community land to operational land and that a further report be brought back to Council following the reclassification process.

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PURPOSE OF REPORT

Council purchased the former "SUN" building at 828 Pacific Highway for the purposes of a new administration building. The acquisition gives Council a significant strategic landholding on the west side of Gordon with frontage to the Pacific Highway, McIntyre Street and Dumaresq Street. This precinct will be master planned to provide a civic hub for community facilities, open space and Council's civic and administrative functions.

The acquisition of 828 Pacific Highway was only made on the basis that it would be funded by the rationalisation of under-utilised Council assets. This principal was the basis of the Capital Expenditure Review prepared and submitted to the Division of Local Government in support of the acquisition.

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BACKGROUND

Council owned the freehold land at 828 Pacific Highway, Gordon. The land was however encumbered by a ground lease with an expiry date of 25 August 2090. Council sought to acquire the building and therefore extinguish the ground lease to regain freehold interest in the property.

On 4 December 2012, Council settled the purchase of 828 Pacific Highway after several years of negotiations. The acquisition was made by Council on the basis it would be fully funded from asset sales.

On 20 March 2012 Council resolved, in part:

That an open report be submitted to Council for the adoption of the following sites for the purpose of rezoning and reclassification (as appropriate) to Operational land status in a new Local Environmental Plan(s):

- 818 Pacific Highway, Gordon Being Lot 2 DP 786550
- 9 Dumaresq Street, Gordon Being Lot A DP 355615
- 15 Dumaresq Street, Gordon Being Lot C DP 3862839
- 17 Dumaresq Street, Gordon Being Lot D DP 386283
- 2 & 4 Moree Street, Gordon Being Lot 4 DP 3965 & Lot 5 DP 3965
- Culworth Avenue Car Park Being Lot 6 Sec 1 DP 3694, Lot 1 DP 119937, Lot 2 DP 932235, Lot 1 DP 359800, Lot 1 DP 169841, Lot 2 DP 119937 and Lot 3 DP 119937
- 2A Park Avenue, Gordon Being Lot 12 DP852087
- 4 Park Avenue, Gordon Being Lot 11 DP852087
- 9 Havilah Lane, Gordon Being Lot 21 DP713207
- 19 Hughes Place, Lindfield Being Lot 23 DP28233
- 62 Pacific Highway, Roseville Being Lot 2 DP202148
- 27 Garrick Road, St Ives Being Lot 43 DP30335
- 9 Eric Street, Wahroonga Being Lot 1 DP662194
- 56-58 Koola Avenue, East Killara Being Lot 3 DP588630
- 97 Babbage Road, Roseville Being Part Lot 47 DP13444
- 136A Morris Avenue/Junction Lane, Wahroonga Being Lot 3 DP547626 & Lot A DP410082
- Edith Street, Pymble (Between 74/76 Bannockburn Road) Being Closed Road

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- 57 Merrivale Road, Pymble Being Lot 2 DP252197
 - 6A Peace Avenue, Pymble Being Lot 2 DP202873
 - Kulgoa Road, Pymble (Adjoining No. 1) Being Lot 19 DP3666
 - 77A Bradfield Road, West Lindfield Being Lot 53 DP261073
 - 17 Marian Street Killara
- That a further report be brought back to Council detailing the potential future divestment of lands contained in this report with a further briefing to Councillors prior to consideration.

The full report to Council of 20 March 2012 is provided as Confidential Attachment 1 with the exception of the risk assessment matrix which is referred to later in this report.

COMMENTS

Note: Table 1 below covers all the sites adopted by Council at its meeting of 20 March 2012. Some sites are no longer available for consideration for reclassification and divestment to fund the 828 Pacific Highway Acquisition.

4a Moree Street, acquired by Council shortly before it considered the report of 20 March 2012 has been added to the table insofar as there will be some residual land available for disposal with 2-4 Moree Street after provision is made for a through block link between Moree Street and St Johns Avenue.

The sites that are proposed for reclassification and or rezoning and disposal are listed in Table 1 below:

Table 1

Property Address	Relevant Plan	Zoning	Conditions/ Constrains	Notes	Recommendation
818 Pacific Highway, Gordon	KLEP (Local Centres) 2012	B2 Local Centre		For master planning	Reclassify for operational purposes only upon the building being vacated by Council. Not disposal.
9,15 and 17 Dumaresq Street, Gordon	KLEP (Local Centres) 2012	B2 Local Centre		For master planning only	No change
2-4 Moree Street, Gordon	KLEP (Local centres) 2012	B2 Local Centre	Location of road link through to St Johns Ave needs to be determined, designed and secured prior to disposal of balance.		Reclassify for disposal

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Property Address	Relevant Plan	Zoning	Conditions/ Constrains	Notes	Recommendation
4a Moree Street, Gordon	KLEP (Local Centres) 2012	B2 Local Centre	Location of road link through to St Johns Ave needs to be determined, designed and secured prior to disposal of balance.		Currently Operational. No change required.
Culworth Avenue Car Park, Killara	KPSO, currently part of Draft KLEP 2013	Residential 2(d3)/R4* (4 storeys)	Up to 100 underground spaces to be provided depending on feasibility and demand.	Excluding 17 Marian Street, which is listed separately.	Initiate Planning Proposal to reclassify. At the time of finalisation of draft PLEP consider removing 4 storey height restriction.
2A Park Avenue, Gordon	KLEP (Local Centres) 2012	R4 High Density Residential	Alternate location for Preschool or preschool to be retained on site in heritage building to be retained in any redevelopment of the site. Subject to negotiation		Reclassify for disposal with 4 Park Avenue, Gordon.
4 Park Avenue, Gordon	KLEP (Local Centres) 2012	R4 High Density Residential	Alternate accommodation for Lifeline		Reclassify for disposal with 2 Park Avenue, Gordon.
9 Havilah Lane, Lindfield	KLEP (Local Centres) 2012	B2 Local Centre	Nil	Not available to fund 828 Pacific Highway Purchase	Subject to a separate reclassification process considered by Council 9 April 2013, min. 86.
19 Hughes Place, East Lindfield	KPSO, currently part of Draft KLEP 2013	Business B1 Neighbourhood Centre	Nil		Reclassify for disposal.
62 Pacific Highway, Roseville	KLEP (Local Centres) 2012	B2 Local Centre	Rear handle only.	Only one potential buyer.	Reclassify for subdivision and disposal of rear handle only. Roseville Memorial Park to be classified back to Community at completion of subdivision.

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Property Address	Relevant Plan	Zoning	Conditions/ Constrains	Notes	Recommendation
27 Garrick Road, St Ives	KPSO, currently part of Draft KLEP 2013	RE1 Public Recreation	Nil		Rezone R2 Low Density Residential and reclassify for disposal.
9 Eric Street, Wahroonga	KPSO, currently part of Draft KLEP 2013	R2 Low Density Residential	Lot 1 DP662194	Road Closure possibly required.	Reclassify if required and subdivide for sale as two lots
56-58 Koola Avenue, East Killara	KPSO, currently part of Draft KLEP 2013	Business B1 Neighbourhood Centre	1,568 m ² fronting Koola Ave only. Retention of part of the site for inclusion in a "community village green" to be investigated.		Initiate Planning Proposal for reclassification and rezoning to R2 Low Density Residential.
97 Babbage Road, Roseville	KPSO, currently part of Draft KLEP 2013	RE1 Public Recreation	Nil		Initiate Planning Proposal for reclassification and rezoning to R2 Low Density Residential.
136A Morris Avenue/Junction Lane, Wahroonga	KPSO, currently part of Draft KLEP 2013	RE1 Public Recreation	Being Lot 3 DP547626 & Lot A DP410082 Lot encumbered with ROW. Sale to adjoining owners only.	Road Closure possibly required.	Rezone R2 Low Density Residential and reclassify for disposal.
Edith Street, Pymble [Between 74/76 Bannockburn Road]	KPSO, currently part of Draft KLEP 2013	RE1 Public Recreation	Dedicated road but records indicate it is closed. Two properties have access across land. Past actions of Council to be investigated.		Retain as R2 Low Density Residential post exhibition for disposal. May require reclassification.
57 Merrivale Road, Pymble	KPSO, currently part of Draft KLEP 2013	R2 Low Density Residential	Pymble Playgroup	For disposal as a going concern.	Initiate Planning Proposal for reclassification.
6A Peace Avenue, Pymble	KPSO, currently part of Draft KLEP 2013	R2 Low Density Residential	Lot 2 DP202873 Access lane potential to sell to adjoining owners only.		Initiate Planning Proposal for reclassification if required.

Property Address	Relevant Plan	Zoning	Conditions/ Constrains	Notes	Recommendation
Kulgoa Road, Pymble (Adjoining No. 1)	KPSO, currently part of Draft KLEP 2013	E2 Environmental Conservation	Small 310m ² lot adjoining 1 Kulgoa Road and encroaches into the road reserve.		No further consideration.
77A Bradfield Road, West Lindfield	KPSO, currently part of Draft KLEP 2013	R2 Low Density Residential	Lot 53 DP261073 275m ² of vacant land between 2 residential properties. Potential to on sell to adjoining owners only. Currently provides access into LCNP.	Road Closure possibly required. Sale to adjoining owners only.	Initiate Planning Proposal for reclassification if required.
17 Marian Street, Killara	KPSO, currently part of Draft KLEP 2013	Business B1 Neighbourhood Centre	Nil		Initiate Planning Proposal for reclassification.
1186 Pacific Highway, Pymble	KLEP (Local Centres) 2012	R4 High Density Residential	Pymble Town – front portion		Initiate Planning Proposal for reclassification.
1186 Pacific Highway, Pymble	KLEP (Local Centres) 2012	R4 High Density Residential	Pymble Town – front rear		Initiate Planning Proposal for reclassification.

Throughout the process of preparing this report a number of other sites have been identified for investigation. A further report will be forthcoming in relation to these sites:

Table 2

Property Type	Address
Education - Childcare	261 Mona Vale Road, St Ives
Reserve - Drainage	drainage reserve at rear of 5 Crescent Close Warrawee
Reserve - Drainage	drainage reserve at rear of property, linked with 4-5 Crescent Close Warrawee
Lane - Public	portion of formed road reserve [pathway] adjoining residential premises – part of Monteith Lane
Lane - Public	portion of formed road reserve [pathway] adjoining residential premises – known as Brisbane Walk
Lane - Public	portion of formed road reserve [pathway] adjoining residential premises – part of Roland lane
Reserve - Drainage	A drainage easement that runs between Griffith Avenue and Calga Street, Roseville Chase, between 23 and 25 Griffith and 30 and 32 Calga. Lot 99 DP15524 know as 30A Calga Street
Public Pathway	Lot 5 DP512700 – rear of 28A Duff Street Turramurra

Property Type	Address
Public Pathway	Lot 3 DP505818 – rear portion of private property currently encroaching on Council land without permission - Linked with Cornwall Avenue
Reserve - Drainage	Lot 1 DP 1002698 - Drainage reserve between 32-34 Eastern Arterial Road Killara
Public Reserve	9 Dobell Place St Ives
Reserve - Drainage	Land between 96-100 Stanhope Road Killara

GOVERNANCE MATTERS

Council's charter under the *Local Government Act 1993* is fairly broad. A number of elements of the charter which could be taken as applying to the management and divestment of land are highlighted below:

8 The council's charter

(1) A council has the following charter:

- *to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively*
- *to exercise community leadership*
- *to exercise its functions in a manner that is consistent with and actively promotes the principles of multiculturalism*
- *to promote and to provide and plan for the needs of children*
- *to properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development*
- *to have regard to the long term and cumulative effects of its decisions*
- *to bear in mind that it is the custodian and trustee of public assets and to effectively plan for, account for and manage the assets for which it is responsible*
- *to engage in long-term strategic planning on behalf of the local community*
- *to exercise its functions in a manner that is consistent with and promotes social justice principles of equity, access, participation and rights*
- *to facilitate the involvement of councillors, members of the public, users of facilities and services and council staff in the development, improvement and co-ordination of local government*
- *to raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investments and, when appropriate, by borrowings and grants*
- *to keep the local community and the State government (and through it, the wider community) informed about its activities*
- *to ensure that, in the exercise of its regulatory functions, it acts consistently and without bias, particularly where an activity of the council is affected*
- *to be a responsible employer.*

(2) A council, in the exercise of its functions, must pursue its charter but nothing in the charter or this section gives rise to, or can be taken into account in, any civil cause of action.

A review of under-utilised assets, and the sale of some assets to fund the acquisition of other assets which are more relevant to the changing requirements of the community, is entirely consistent with Council's charter.

Council's adopted *Acquisition and Divestment of Land Policy, 2009* will guide the ultimate disposal of any assets which Council ultimately decides to divest. In relation to sites which require reclassification and/or rezoning prior to divestment, there are a number of "hold points" which require specific Council consideration to allow the statutory plan making process to continue, prior Council specifically resolving to divest the asset. This decision in particular cannot be delegated.

In January 2010, the Division of Local Government, Department of Premier and Cabinet released its final review report on the *Promoting Better Practice Program* in relation to Council. The report addresses a number of issues of Council's services, structure and facilities, and made the following observations about accommodation issues:

The quality of the working environment in the Ku-ring-gai Council Chambers and Customer Service Centre needs to be considered by the Council in its strategic planning. Some work areas appeared to be very crowded and staff amenities we observed were old and not of the standard one might expect to see in a modern office environment. The relocation of the Operations staff following completion of the depot in November 2009 may allow Council the opportunity to address this.

Further, in relation to reclassification and asset rationalisation, the DLG made the following observations:

Public Land Reclassification

The making of the new LEP will bring with it the need for Council to consider whether its current land holdings are appropriately classified. At the time of the review, the Council was engaged in community consultation to address this issue. Since 2005 this has been identified by staff and the Department of Planning as a priority.

RISK MANAGEMENT

The most significant risks associated with acquisition of 828 Pacific Highway arise with the failure to dispose of sufficient assets in a timely manner to pay down borrowings. This leads to Council maintaining excessive levels of borrowings for extended periods of time. This will serve to limit Council's capacity to carry out other capital works projects included in the Long Term Financial Plan (LTFP) and to maintain existing service levels across all operational areas.

A comprehensive risk assessment was prepared as part of the decision making process leading to the purchase of 828 Pacific Highway (refer to Attachment 2). This risk assessment matrix was subsequently included in the Capital Expenditure Review (CER) for the project.

FINANCIAL CONSIDERATIONS

Council's current LTFP includes asset sales to discharge the borrowing for the acquisition of 828 Pacific Highway in the following years:

Table 3

Budget Year (\$'000)	2014/15 (\$'000)	2015/16 (\$'000)
	13,422	16,387

In accordance with the Division of Local Government's (the Division) Capital Expenditure Guidelines, December 2010 (Guidelines) Council prepared CER for the acquisition of 828 Pacific Highway. On 28 September 2012, the Division advised that Council had met its capital expenditure criteria. The CER was based on asset sales as set out in Table 3 above.

It is now estimated that the sale of these assets will not occur in the timeframe originally envisaged. The Long Term Financial Plan has been adjusted to defer the sale of assets for the period of 12 month, as shown in the following Table 4 below:

Table 4

	Original \$'000	Revised \$'000	Change \$'000
2014/15	\$12311		-\$12311
2015/16	\$15720	\$13422	-\$2298
2016/17		\$16387	\$16387
TOTAL	\$28031	\$29809	\$1778

The delay on assets sales means that the borrowings obtained to finance the building will be delayed in their repayment for a further year. This will have an extra interest cost of approximately \$1.77m as shown above. Totals sales required have been recalculated to preserve the principle that the purchase of the property will have no impact on other Council programs and services. This requires that the future surpluses from the project beyond the asset sales period remain the same. Sales will need to increase by an amount equivalent to the extra interest. It is considered that this revised sales value totalling \$29.8m is achievable given present valuations of the properties and improvement in market value due to later sale.

A revised Financial Analysis of the projects is attached to this report (Confidential Attachment 3)

With the lead time of reclassification and/or rezoning as required being in the order of 12-18 months, it is imperative that Council commences the statutory processes to enable disposal immediately.

SOCIAL CONSIDERATIONS

Council's *Community Strategic Plan 2030*, recognises the community's vision for Ku-ring-gai as a place with infrastructure and facilities that accommodate the needs of the community. The Plan further emphasises the desire for an adopted program for the implementation of new facilities, identified funding sources and a program to maintain Council's assets at a sustainable standard.

Numerous reports have been submitted to Council advising on the substandard condition of Chambers accommodation and investigation of potential property purchases to provide adequate and improved staff accommodation.

The relocation of Council's administration functions is identified and (part) funded in the 2011-2012 capital works budget, discussed in the General Manager's introduction to the *Delivery Program 2012-15* and *Operational Plan 2011-12*, and was specifically raised as an issue during the recent DLG Better Practice Review.

The benefits of improved accommodation extend to Councillors, staff and the community. Whilst the chance to Masterplan the entire Chambers site provides a range of opportunities to determine the types of services and spatial requirements to meet Council's current and long term needs.

ENVIRONMENTAL CONSIDERATIONS

The subject building is an existing office building and the proposed acquisition and the relocation of Council staff will not have any significant adverse environmental impacts.

COMMUNITY CONSULTATION

Community consultation is an inherent part of the reclassification and rezoning processes. Statutory consultation will be carried out as required.

There will also be the need for separate ongoing consultation with existing long standing Council tenants in a number of instances.

INTERNAL CONSULTATION

The GMD and Councillors have been briefed on this process throughout.

SUMMARY

Council owned land at 828 Pacific Highway, Gordon. The land was however encumbered by a ground lease with an expiry date of 25 August 2090. Council sought to acquire the building and therefore extinguish the ground lease and regain its freehold interest in the property.

On 4 December 2012, Council settled on the purchase of 828 Pacific Highway after several years of negotiations. The acquisition was made by Council on the basis it would be fully funded from asset sales.

With the lead time of reclassification and/or rezoning as required being in the order of 12-18 months, it is imperative that Council commences the statutory processes to enable disposal immediately.

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RECOMMENDATION:

- A. That a Planning Proposal be prepared, in accordance with section 55 of the Environmental Planning and Assessment Act, 1979, to reclassify and/or rezone the sites in the table below from Community land to Operational land either via an amendment the Ku-ring-gai Planning Scheme Ordinance (KPSO), draft Ku-ring-gai Principal Local Environmental Plan 2013 (if gazetted in the interim) or the Ku-ring-gai Local Centres LEP (2012) as appropriate:

Site	Property Address	Relevant Plan	Planning Action
1.	818 Pacific Highway, Gordon	KLEP (Local Centres) 2012	Initiate Planning Proposal to reclassify from Community land to Operational land
2.	2-4 Moree Street, Gordon	KLEP (Local centres) 2012	Initiate Planning Proposal to reclassify from Community land to Operational land
3.	Culworth Avenue Car Park, Killara	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land
4.	2A Park Avenue, Gordon	KLEP (Local Centres) 2012	Initiate Planning Proposal to reclassify from Community land to Operational land
5.	4 Park Avenue, Gordon	KLEP (Local Centres) 2012	Initiate Planning Proposal to reclassify from Community land to Operational land
6.	19 Hughes Place, East Lindfield	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land
7.	62 Pacific Highway, Roseville	KLEP (Local Centres) 2012	Initiate Planning Proposal to reclassify from Community land to Operational land
8.	27 Garrick Road, St Ives	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land and Rezone R2 Low Density Residential.
9.	9 Eric Street, Wahroonga	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land and subdivide for sale as two lots
10.	56-58 Koola Avenue, East Killara	KPSO	Initiate Planning Proposal for reclassification and rezoning to R2 Low Density Residential.
11.	97 Babbage Road, Roseville	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land and rezone to R2 Low Density Residential.
12.	136A Morris Avenue/Junction Lane, Wahroonga	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land and rezone to R2 Low Density Residential.
13.	Edith Street, Pymble (Between 74/76 Bannockburn Road)	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land
14.	57 Merrivale Road, Pymble	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land
15.	6A Peace Avenue, Pymble	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land
16.	77A Bradfield Road, West Lindfield	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land
17.	17 Marian Street, Killara	KPSO	Initiate Planning Proposal to reclassify from Community land to Operational land
18.	1186 Pacific Highway, Pymble	KLEP (Local Centres) 2012	Initiate Planning Proposal to reclassify from Community land to Operational land
19.	1186 Pacific Highway, Pymble	KLEP (Local Centres) 2012	Initiate Planning Proposal to reclassify from Community land to Operational land

- B. That Council undertake a public hearing under the provisions of the *Local Government Act, 1993* for the proposed reclassification of the sites in Table 1 from Community land to Operational land.
- C. That where relevant, Council formally seeks to discharge all interests for the sites listed in Table 1.
- D. That the Planning Proposal(s) be submitted to the Department of Planning and Infrastructure for a Gateway Determination in accordance with Section 56 of the Environmental Planning and Assessment Act, 1979.

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- E. That upon receipt of a Gateway Determination(s), the exhibition and consultation process is carried out in accordance with the requirements of the *Environmental Planning and Assessment Act, 1979* and with the Gateway Determination requirements.
- F. That a report be brought back to Council at the end of the exhibition and public hearing processes.
- G. That formal road closure application for the following sites be submitted to the Crown Lands Division, if required:
- Edith Street, Pymble (Between 74/76 Bannockburn Road) Being Closed Road;
- H. That, upon issuance of the Certificates of Title from the Crown Lands Division the following land is classified as Operational Land:
- Edith Street, Pymble (Between 74/76 Bannockburn Road) Being Closed Road;
- I. That, the General Manager be authorised to submitted a development application for subdivision of the lot into two building lots for the land known as 9 Eric Street, Wahroonga Being Lot 1 DP662194.

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Deborah Silva
Manager Integrated Planning, Property &
Assets

Andrew Watson
Director Strategy & Environment

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Attachments:	A1 Council report of 20 March 2012	<i>Confidential</i>
	A2 Risk Assessment	2013/094292
	A3 Financial analysis	<i>Confidential</i>

