

**Submission
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**INQUIRY INTO ENROLMENT CAPACITY IN INNER CITY
PUBLIC PRIMARY SCHOOLS**

Name: NSW Department of Education
Date received: 27 September 2016

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Ultimo Public School – site acquisition for new school

The proposed site for the new Ultimo Public School at the corner of Wattle and Fig Streets Ultimo belongs to the City of Sydney. Construction of the new school is to be partly funded from the sale of the current school site. Negotiations with City of Sydney Council on the purchase of the site have been on-going since November 2013 and have now become unproductive.

Key Information

Following the Inner City Schools Working Party's endorsement on 15 October 2013 of the City of Sydney's site at the corner of Wattle and Fig Streets, Ultimo for the new Ultimo Public School, the Department commenced negotiations to acquire the site.

On 27 February 2014, the Department obtained valuations for both the Council site and the current school site based on the highest and best use permissible under the B4-Mixed Use zoning. Council's site was valued at \$100 million (GST exclusive) and the school site is Item 1(f) & 4(a), (c), (d) & 5(e) GST exclusive). Both valuations assumed that the sites are not contaminated in any way. The Department understands Council's own valuation for the Wattle and Fig Street site was \$105 million, uncontaminated.

Due diligence investigations by the Department have found the site to be highly contaminated. That the site is highly contaminated is not in dispute.

In a March 2014 meeting, Council indicated it would consider the sale of the site to the Department for its highest and best use value, less the estimated cost of decontaminating the land and the cost of the Department constructing a child care centre on the site. Negotiations have proceeded on this basis.

The Department has environmental engineering advice that the cost of decontaminating the site to an acceptable level for a school is \$22 - \$25 million (negotiated down to \$18 million). The engineering advice is not in dispute. Council have made it clear that they are only willing to consider decontamination works suitable for a commercial development. Council's estimate for these works is \$5 million. The Department firmly recommends that the site be decontaminated to a level acceptable for a school.

The Department has made a number of formal offers to the Council, detailed overleaf, none of which has been accepted by Council. In the event that the negotiations cannot be successfully concluded by 30 September 2014, the opening of the new school for the first day of Term 1, 2017 is at risk.

Financial Implications

The Department supports a net sale price of \$74 million. This is arrived at by taking the Department's highest and best use valuation of \$100 million and deducting the cost of decontamination (negotiated down to \$18 million) and an allowance for the construction of an 80 space childcare centre (\$8 million). Item 1(f) & 4(a), (c), (d) & 5(e) The remainder will be funded from the 2014/15 & 2015/16 acquisition budgets.

Recommendation

The Minister notes the Department's position on the purchase of the Fig and Wattle Street site and signs and forwards the attached letter to the Lord Mayor, Sydney City Council, seeking a more reasonable approach to the transaction.

Endorsed
Anthony Perrau, Executive Director, Asset Management,
17/9/14

Approved
R/Deputy Secretary,
Education and Communities,
17/9/14

SECRETARY
COPY

MINISTER PICCOLI

Ultimo Public School – new site

Rationale

A number of formal offers have been made by the Department to City of Sydney Council over a period of time including:

1. The Department pays Council \$27 million for the site based on a valuation for education use, construct an 80 space child care centre for a budget of \$8 million on the site and be responsible for the cost of site remediation.
2. Council decontaminates the site to a standard acceptable for a school, absorbs the cost and the Department pays Council \$67 million for the land and constructs an 80 space child care centre on the site for a budget of \$8 million.
3. The Department pays Council \$67 million for the land, takes responsibility for decontaminating the site and constructs a child care centre on the site for a budget of \$8 million.
4. The Department proposed that Council accepts:
 - a. a cost of decontamination to a level acceptable for a school of \$18m (negotiated down from the \$25 million estimate); and
 - b. an allowance of \$8 million for the construction of an 80 space childcare centre;
 giving a total sale price of \$74 million.

A chronology of the negotiations and discussions with Councils is as follows:

Date	Event
15 November 2013	Initial meeting for DEC and Council to discuss the parameters for valuations.
20 March 2014	<p>DEC and Council discussed the land valuations, the site contamination and remediation costs. At this meeting Council officers advised that Council would only consider sale of the land to the Department for the highest and best value less the cost of remediation plus the construction and transfer to Council's ownership, of a child care centre on the site.</p> <p>Council officers advised that they believe the remediation cost to be approximately \$5 million. However, one of the Council's officers advised that an early 2000 site investigation identified serious contamination, including tar pits and a remediation cost of \$25 million.</p> <p>An acquisition amount of \$67 million was then mentioned, calculated based on \$100 million - \$25 million - \$8 million (estimated cost of the child care centre).</p>
10 June 2014	Letter from Anthony Perrau, Executive Director, Asset Management to Monica Barone, Chief Executive Office of Council proposing 3 options all of which were based on an assumed remediation cost of \$25 million
20 June 2014	Teleconference between Monica Barone, Anthony Perrau and Director Property and Facilities Management, AMD to go through the letter of 10 June 2014
27 June 2014	Anthony and [redacted] met with Monica Barone and a number of her staff. At this meeting Council advised that its legal advice is that it cannot fund or subsidise public education and therefore it requires the Department to pay the highest and best value for the site less the cost of remediation (which is an area of dispute). Alternatively Council would consider a lesser purchase price supplemented by the provision of facilities on the school site for shared use with the community and land.

	<p>It was agreed the Council will advise the Department on the types of facilities the local community needs and the Department will attempt to include the facilities into the school design. In addition, the Department would consider if there are any surplus land in the LGA that it could offer to Council.</p>
9 July 2014	<p>Email from Monica Barone confirming that council require a firm offer from the Department regarding the childcare centre, (they want the strata), netball or other games courts with public access in perpetuity, and land to cover the shortfall.</p>
14 July 2014	<p>Meeting at Council - discussions around the types of facilities required by the local communities. The Department pointed out that as yet Council has not advise of the types and size of facilities it requires eg is it netball courts and if yes how many?</p> <p>The Department advised that it does not have any surplus site within the LGA that it can transfer to Council, however there is a possibility of a parcel just across the boundary in Marrickville LGA.</p> <p>There was further discussions and disagreement around the site contamination and remediation. Council maintained that the site remediation cost should not exceed \$5 million. The Department advised that it has commissioned Douglas and Partners to prepare a thorough site investigation report and will provide the report to Council when it is completed.</p> <p>Council officers indicated that Council may consider a cash payment of around \$60 million with the difference between that and the highest and best use value less remediation cost, made up by the provision of a child care centres, and community facilities.</p>
25 July 2014	<p>The Department provided a copy of its site investigation report to council officers and again prompted Council that it has still not provided its requirement in relation to the community facilities it wants the Department to include in the school design.</p> <p>Council advised that the surplus site offered by the Department is not suitable for its needs. Negotiations of the provision of the 'in kind' facilities broke down due to the unreasonable ownership and access requirements of Council.</p>
6 August 2014	<p>The Department sent an email to Council with a firm and final offer for the property based on \$100 million less \$25 million for site remediation and less \$8 million for a child care centre to be constructed by the Department as part of the school.</p> <p>The Department would pay Council \$67 million (GST exclusive). The \$25 million was based on a cost estimate by NSW Public Works of \$23.25 million to remediate the site.</p> <p>The Department also advised its preferred payment structure is in two equal instalments in 2014/15 and 2015/16.</p>
13 August 2014	<p>Council wrote to DEC advising that given the passage of time, it has commissioned a reassessment of the market value of the site. The letter also continue to dispute the Department's remediation cost estimate</p>
15 August 2014	<p>DEC wrote to Council seeking Council's cooperation in finalising a reasonable sale price and transfer of the site to DEC to allow for the new school to open on Day 1 Term 1 2017.</p>
18 August 2014	<p>The Department provided to Council a breakdown on the \$23.25 million remediation cost prepared by NSW Public Works based on the Douglas and Partner's site investigation report. No response has been received.</p>

28 August 2014	NSW Public Works, Douglas and Partners met with Council officers and its environmental consultant to consider the Douglas and Partner's site investigation report and the remediation cost breakdown. The engineering report and the cost of the option most suitable for a school is not in dispute.
8 September 2014	<p>The Department proposed that Council accepts:</p> <ul style="list-style-type: none"> • a cost of decontamination to a level acceptable for a school of \$18 million (negotiated down from the \$25 million estimate); and • an allowance of \$8 million for the construction of an 80 space childcare centre; <p>giving a total sale price of \$74 million. There has been no response received from Council to date.</p>

Context

The Inner City Schools Working Party undertook significant planning for additional primary school facilities in the Ultimo/Pymont area. The planning process involved an examination of the need for additional primary school facilities derived from projections for population growth and student enrolment numbers, and the identification and evaluation of options to meet the projected demand.

The Working Party evaluated the following options for primary school facilities to meet projected demand in Ultimo/Pymont:

- expansion of the existing Ultimo Public School;
- a new primary school on Council land at Wattle, Fig and Jones Street, Ultimo;
- a new primary school at 100 Harris Street, Pymont;
- a new primary school on other potential sites in Pymont; and
- the expansion of Glebe Public School.

On 15 October 2013, the Working Party unanimously agreed that the construction of a new, larger school on land at the intersection of Wattle, Fig and Jones Streets, Ultimo, owned by City of Sydney Council, is the preferred option. There is a strong desire to incorporate purpose built child care facilities into the new school site.

The Working Party also agreed that the current Ultimo Public School site will be sold to fund the new school development, however, the school will continue to operate until the new school is completed. It is anticipated that the new primary school will be a state of the art public education facility that will eventually cater for up to 1,000 students.

Author	Director Property and Facilities Management
Consultation	
Media release/ Communication Strategy	<input checked="" type="checkbox"/> Not required <input type="checkbox"/> Media Unit briefing attached <input type="checkbox"/> This briefing sent to <u>Media Unit</u> <input type="checkbox"/> Communication Strategy attached