



BOARD DECISION PAPER
BOARD MEETING NO 263 – 21 OCTOBER 2020

ITEM 3.3.1

NCIE DIVESTMENT PLAN PROGRESS UPDATE – 160-202 GEORGE STREET, REDFERN NSW

PURPOSE

To brief the Board on the progress of the Divestment Strategy for 160-202 George Street, Redfern NSW (**National Centre for Indigenous Excellence**) and to seek feedback on proposed divestment criteria for the asset.

RECOMMENDATION

That the ILSC Board:

- 1. Notes the contents of this paper; and**
- 2. Provides feedback on the proposed divestment criteria to support a future conditional grant of 160-202 George Street, Redfern NSW to New South Wales Aboriginal Land Council.**

BACKGROUND

In October 2017, the ILSC received an un-solicited request from the New South Wales Aboriginal Land Council (**NSWALC**) seeking to enter into discussions on the divestment of the National Centre for Indigenous Excellence (**NCIE**) to NSWALC. In May 2018, the ILSC received correspondence specifically requesting the ILSC consider divesting the NCIE property to NSWALC.

At its June 2018 meeting, the Board endorsed the ILSC to work with NSWALC on the development of a plan for the divestment of the NCIE asset, noting that NSWALC was in all likelihood the only Indigenous controlled and representative body with the financial capacity, capability and statutory purpose to own, manage and invest in the asset.

As has been set out in previous Briefing Papers provided to the Board, the ILSC set a number of non-negotiable parameters for NSWALC to abide by in developing a divestment proposal. These included:

- The property would be divested under the ILSC's usual practice of Deed of Grant of Land with ILSC determined terms and conditions, notably a caveat.
- The property must be divested and used for the purpose of which it was intended.
- The current footprint (nature and scope of services/tenants) must be retained.
- Future use must increase the Indigenous Benefits.

- Governance and membership matters, including competing interests on the NCIE site, must be resolved and assured by NSWALC.
- Any future development of the property would require the ILSC's consent and must be consistent with the original intent of the acquisition and the aspirations of the community.

NSWALC has participated in this exploration process with the ILSC in good faith, with knowledge that there are no guarantees of divestment. Both the ILSC and NSWALC undertook preliminary due diligence activities, including:

- **ILSC:** undertook due diligence on the legal ability to divest to NSWALC; the governance and financial security of NSWALC; and its landholding capacity.
- **NSWALC:** undertook due diligence on the asset (condition, cost to maintain etc) as well as the financial viability of the site through its current tenancy arrangements.

Since June, the NSWALC has invested significant resources in developing a Concept Plan for the site and completing feasibility on various development options and management models. A *KPMG Feasibility Report* at **Attachment A** provides detail on the development options and models being considered.

The ILSC also engaged the services of Cox Inall Ridgeway to complete an initial round of community consultation to obtain community views on the future development and use of the NCIE site. Further detail on each of these elements is provided in this paper.

NSWALC is the largest member based Aboriginal organisation in Australia with the core functions to manage, protect and develop Indigenous land in NSW. The viability and sustainability of NSWALC is underpinned by access to statutory funding arrangements with the NSW Government, and has governance obligations protected by the *Aboriginal Land Rights Act (1983)*. NSWALC's current property portfolio is valued at \$36 million, with their greater land estate (including LALC ownership) valued over \$2 billion.

A valuation of the NCIE asset was undertaken by CBRE in December 2019 that provided valuations as a going concern (subject to existing occupancy) of \$29.7 million (GST Excl.) and vacant possession value of \$32.45 million (GST Excl); the going concern value being lower due to the current operating model which delivers annual losses.

The ILSC has invested approximately \$65 million into the acquisition, development and operations of NCIE since acquisition in October 2006. CAPEX invested to develop and equip the property has been \$32.8 million. In addition, the ILSC has underpinned NCIE's annual operational losses to an approximate value of \$18 million.

Under the *Aboriginal and Torres Strait Islander Act (2005)* the ILSC has an obligation to divest land it acquires within a reasonable timeframe. The ILSC has historically subsidised the operations of the NCIE Ltd by approximately \$2 - \$3 million per annum. As such, it can be considered that holding the site in its current state represents a significant risk/liability for the ILSC.

CURRENT SITUATION

NSWALC's Vision and Intent

NSWALC's vision is to develop the property into a nationally recognised asset in the Indigenous Estate. To achieve this, NSWALC is prepared to invest heavily in the redevelopment of the site to ensure the community has greater access to improved facilities. In doing so, NSWALC will ensure



the site reflects and honours the rich history of Aboriginal culture in Redfern, whilst facilitating access to Indigenous businesses, services, programs and events.

NSWALC intends to activate the site to provide greater accessibility through development that will deliver the following key uses: enhanced public space; increased cultural space; education and research facilities; commercial office space; mixed use retail; and affordable housing options – all with an Indigenous focus.

The development aspirations of NSWALC align with the ILSC’s original intent for the NCIE site to become a precinct of national significance to Australia. Redfern has played a significant role in the history of both Indigenous and Non-Indigenous Australia. In recent years the area has undergone significant gentrification and renewal and this is expected to continue with the future development of the Waterloo Metro Quarter which adjoins the site (by Phillip St).

Future developments are projected to provide approximately 700 new private, social and affordable residential options, retail and entertainment and improved transport links with the proposed Waterloo train station. This mainstream development will continue to apply pressure to community based Indigenous residential, commercial and social involvement, underpinning the importance of NSWALC’s development model for the site that protects and grows Indigenous representation and benefit.

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Community Consultation

To test local community aspirations for the site the ILSC led a community consultation process independently conducted by Cox Inall Ridgeway. Concluding in June 2020, 50 hours of interviews and focus groups occurred involving 37 individuals and 16 organizations based in Redfern and surrounds or who had a connection to the site.

Encouragingly there was a strong alignment between the ILSC's intent behind the acquisition and the NSWALC vision for the future of the site, with the uniqueness of the site as one of the last remaining large, central, urban places for Aboriginal people in inner-city Sydney to come together, being repeatedly highlighted.

The key themes from the community's feedback included:

- The site was seen as particularly important for maintaining the identity of Aboriginal Redfern into the future;
- Some areas of the site were under-utilized or not reaching their full potential, such as the playing field and accommodation facilities;
- Other parts of the site are seen to be heavily used and highly valued for different generations within the community, particularly the pool and gym, and the programs which present Aboriginal excellence, such as the catering programs;
- Stakeholders were open to a range of uses and future development at the site but stressed that existing strengths and community uses of the site should be enhanced, not replaced;
- Stakeholders emphasized that it is important to ensure that the site represents the diversity of Redfern, and was accessible to all Aboriginal people, consistent with the history of Redfern as a place where Aboriginal people from different nations and parts of Australia came together, and where key organisations and Aboriginal rights movements were launched;
- The importance of the site being strongly connected to and delivering for the local Aboriginal community was emphasized;

- Options for the future suggested stronger involvement of local voices and representatives in the management of the site;
- Changes or development which adds to or builds on what has already been established at the site; and
- Almost universally, stakeholders emphasized the importance of ensuring that the site is under Aboriginal control, and that there be an opportunity for further community input into decisions about the future of the site.

NEXT STEPS – ILSC DIVESTMENT DECISION

[Redacted]

To provide NSWALC with sufficient confidence to make such an investment, decisions are required by both the ILSC and NSWALC Boards to commit to pursuing the objective of a divestment to NSWALC, subject to clearly defined and agreed criteria.

Once defined, the criteria can form the basis of an ‘in principle’ divestment decision by the ILSC Board, and the execution of a conditional Deed of Grant with NSWALC, with the actual transfer of land only taking place after the agreed criteria have been met.

ILSC Management intends to provide the Board with the ‘in principle’ divestment decision paper at its December 2020 meeting. To ensure that the Board has an opportunity to inform the criteria, feedback is sought from Directors as to what those criteria should entail.

[Redacted]

The Board should note that, in addition the divestment criteria outlined above, the ILSC may also assign further post-divestment terms and conditions that it deems necessary to mitigate against risks that the project does not proceed as was agreed by the ILSC.

Future of NCIE Ltd

For the purposes of divestment, the ILSC has taken an approach to separate the NCIE asset from NCIE Ltd, as the current operator. Notwithstanding further Board deliberation on NCIE Ltd, and as is the case with other ILSC subsidiaries, NCIE Ltd exists for the sole purpose of carrying out management of the NCIE site, on behalf of the ILSC, to derive Indigenous benefits.

NSWALC remain committed to retaining NCIE Ltd as tenants if required, however clarity on the ILCS’s intentions for NCIE Ltd post divestment is needed for planning purposes. If there is a requirement for the property to continue to house NCIE Ltd post divestment, then detail on its footprint on the site, the activities it will deliver and the rent it will pay, must be factored into NSWALC’s plans.

The ILSC must therefore come to a decision on its future plans for NCIE Ltd, including if it would continue to maintain NCIE Ltd as a subsidiary post divestment.

Should a divestment to NSWALC meet ILSC criteria, options may include: a plan to gradually wind down NCIE’s operations over an agreed period and in line with its constitution; or, NCIE Ltd retaining its core programs to remain as a viable, stand-alone entity and continue operating within that capacity.

ILSC Management intends to recommend the engagement of a third party to complete an independent review of NCIE Ltd to identify options outlined above and provide recommendation as to its future. Given the significance of this decision, ILSC Management seeks advice from the Board as to its appetite for this approach. If supported, a full Terms of Reference for the Review will be provided to the Board at its December 2020 meeting.

Endorsements
<p>Endorsed by: Name: Tricia Stroud Title: A/Group CEO Date: 14 October, 2020</p> <p><i>In supporting this recommendation, I declare I have no, and am not aware of any, conflict of interest.</i></p>

Attachment A - KPMG Feasibility Report



Australian Government
Indigenous Land and Sea Corporation



The ILSC GROUP

Commercial in Confidence
BOARD DECISION

Decision No

BOARD MEETING NO: 262
MEETING DATE: 23 SEPTEMBER 2020
FOR: NCIE - DIVESTMENT PLAN PROGRESS UPDATE

THE BOARD OF DIRECTORS OF THE INDIGENOUS LAND AND SEA CORPORATION

That the ILSC Board:

- 1. Notes the contents of this paper; and**
- 2. Provides feedback on the proposed divestment criteria to support a future conditional grant of 160-202 George Street, Redfern NSW to New South Wales Aboriginal Land Council.**

SIGNED, Mr Edward Fry, Chair: Date: 21 October 2020