

Attachment 1C

SUMMARY PAPER HERITAGE COUNCIL OOS MEETING

DOC21/68673

Friday 5 February 2021**Item 1 – Recommendation to List – MLC Building North Sydney (former) on the State Heritage Register****105-153 Miller Street, North Sydney****PURPOSE**

For the Heritage Council to decide if MLC Building North Sydney (former) should be recommended for listing on the State Heritage Register.

RECOMMENDATION:

That the Heritage Council:

1. in accordance with section 33(1)(d) of the *Heritage Act 1977* advise the Minister that the item known as “MLC Building, North Sydney (former)” at 105-153 Miller Street, North Sydney, is of state heritage significance, as shown in the plan at Annexure B;
2. recommend to the Minister, in accordance with sections 32(1) and (2) of the *Heritage Act 1977*, that the Minister direct the listing of the item, “MLC Building, North Sydney” at 105-153 Miller Street, North Sydney, on the State Heritage Register;
3. in accordance with section 33(1)(e) of the *Heritage Act 1977*, give notice of its decision to persons notified under section 33(1)(a); and
4. in accordance with section 57(2) of the *Heritage Act 1977*, note that the Heritage Council Standard Exemptions will apply.

SUMMARY OF KEY ISSUES

The site meets six of the seven criteria for state heritage significance.

RECENT DEVELOPMENTS

On 7 July 2020 the National Trust of Australia (NSW) requested an IHO be made for the MLC Building, North Sydney (Annexure B). This request was made based on the threat posed by a Development Application (DA 147/20) for demolition of the item and the construction of a 27-storey commercial building in its place.

The DA has not yet been determined and is unlikely to be until late February 2021.

The State Heritage Register Committee considered the IHO at its meeting of 4 August 2020 and recommended the Minister make an Interim Heritage Order. The IHO request is currently with the Minister for his consideration.

The SHRC requested that the statutory process for listing proceed as soon as possible and determined to give Notice of Intention to List at their meeting of 1 September 2020. Submissions on the matter were invited for a period of 28 days from 9 September to 8 October 2020.

During the exhibition period further consultation was undertaken with the owners who have made a written submission objecting to the proposed listing.

25 submissions were received in support of listing the item on the SHR from community members and members of the Australian architects community.

At its meeting of 4 November 2020 Heritage Council reviewed submissions and requested that the owner’s submission objecting to SHR listing be subject of a peer review.

SPONSOR:	Cheryl Brown, Regional Manager Heritage North
OTHER PEOPLE TO ATTEND FOR ITEM:	Barrina South, Acting Senior Team Leader, North Metro
LENGTH OF TIME REQUIRED:	20 minutes
POWERPOINT PRESENTATION	Yes

Two consultants were commissioned for this work. One consultant has provided comment on issues raised regarding heritage significance and has prepared concept plans and costings for a potential adaptive reuse of the building that is sympathetic to the state heritage significance of the building.

The other consultant provided an economic analysis comparing potential yields from the owner proposed scheme and the alternative concept to shed light on the issues of reasonable and economic use of the building.

At its meeting of 3 February 2021 Heritage Council considered all the submissions received including the owner objection and the information provided in the Peer Reviews of the owners submission.

The Heritage Council confirmed that the item is of state heritage significance with the heritage values of the Miller Street wing being of particular significance. The Heritage Council requested Heritage NSW revise the statement of significance to outline the outstanding aesthetic and representative values of the Miller street wing and agreed to consider their recommendation to the Minister on the listing at an out-of-session Heritage Council meeting on 5 February 2021.

ATTACHMENTS

- Tab 1.A Location map
- Tab 1.B Listing boundary recommended
- Tab 1.C Summary of Submissions received
- Tab 1.D Assessment of significance (heritage data form)
- Tab 1.E Electronic copies of submissions
- Tab 1.F Submission from owner
- Tab 1.G Scope of works for Peer Review
- Tab 1.H Report on Peer Review of owner's objection on ground of heritage significance and sympathetic adaptive reuse concept plans.
- Tab 1.I Report on Peer Review – economic analysis of owner's proposal and of alternative concept plans for sympathetic adaptive reuse

Approvals

Prepared by:	Mary Ann Hamilton, Senior Heritage Operations Officer, North Metro	3/2/2021
Approved by:	Cheryl Brown, Regional Manager, North	04/02/2021
Approved by:	Pauline McKenzie, Executive Director, Heritage NSW	4/02/2021



Heritage Council of NSW

Agenda item: 1

Date: 5 February 2021

File: SF20/95118

Type of issue:	State Heritage Register – Recommendation to List
Item:	Former MLC Building, North Sydney 105 Miller St, North Sydney (see location in TAB 1.A)
Recommended curtilage:	Lot 2 of Deposited Plan 792740, Parish of Willoughby, County of Cumberland, as shown in TAB 1.B
Item description:	1957 high rise building in the Post WWII International style.
Criteria satisfied:	6 of the 7 Heritage Council criteria of state heritage significance (a, b, c, d, f, g), as outlined in TAB 1.D
Owner/s:	IOF Custodian Pty Ltd (Investa)
Occupants or Lessee/s:	multiple
Local Govt Area/s:	North Sydney Council
Nominator/s:	2013 Identified on an endorsed Priority List by the Heritage Council, having been identified in the Modern Movement Thematic Study. July 2020 IHO requested by National Trust of Australia (NSW) & DOCOMOMO
Existing Listings:	Statutory i. North Sydney LEP heritage item. Non-statutory (Community) ii. AIA Register of Twentieth Century Architecture.
Threat to Item:	On 4 July 2020, a Development Application (DA 147/20) was lodged for demolition of the MLC Building in North Sydney and the construction of a 27-storey commercial building. North Sydney Council advises that the DA will be determined by the Sydney North Planning Panel in February 2021 (date unscheduled as yet).
Contentious Issues:	The owner has submitted an objection to the listing. There is media interest in the DA.
Site specific exemptions requested or recommended:	No
Information for consideration:	Tab 1.A: Location map Tab 1.B: Listing boundary recommended Tab 1.C: Summary of submissions received Tab 1.D: Assessment of Significance: Heritage Office Database (HOD) report Tab 1.E: Copies of submissions Tab 1.F: Owner's submission 2020 Tab 1.G: Scope of works for Peer Review Tab 1.H: Report on Peer Review of owner's objection on ground of heritage significance and sympathetic adaptive reuse concept plans. Tab 1.I: Report on Peer Review – economic analysis of owner's proposal and of alternative concept plans for sympathetic adaptive reuse

<p>Previous HC determinations:</p>	<p>4 Sep 2013: Endorsed by Heritage Council within priority list of 34 places to be progressed for SHR listing under Modern Movement theme.</p> <p>5 May 2020: SHRC resolved to activate proposal from the Modern Movement heritage study, though it was not placed on the 2020/21 Workplan.</p> <p>4 August 2020: SHRC resolved to recommend that the Minister make an IHO over the item as it is under immediate or imminent threat of harm.</p> <p>18 August 2020: Heritage Council and SHRC members met with the owners and received a presentation on the proposed redevelopment of the MLC Building, North Sydney.</p> <p>1 September 2020: Heritage Council resolved to advertise its Notice of Intention to Consider listing the item on the SHR.</p> <p>4 November 2020: Heritage Council considered an update report on submissions received and resolved to gain further advice on the owner's submission objecting to listing through a peer review of the objections.</p> <p>3 February 2021: Heritage Council considered an update report on the peer review of owner objections to listing the MLC Building, North Sydney on the SHR and requested Heritage NSW review the Statement of Significance and resolved to consider the recommendation to list the MLC Building North Sydney at an out of session meeting as soon as possible.</p>
<p>Consultation overview:</p>	
<p>Owner consultation prior to notifications:</p>	<p>18 Aug 2020: Heritage Council met with representatives of the owner to discuss the proposed DA. The owner's position on the DA would indicate that it is likely to object to the IHO request and SHR nomination.</p> <p>19 August 2020: Heritage NSW wrote to the owner with an invitation for it to engage on the SHR nomination and IHO request prior to instigation of the statutory listing process.</p> <p>22 September 2020: Site visit and discussion of SHR listing with owner was undertaken by Heritage NSW.</p>
<p>Council consultation prior to notifications:</p>	<p>July 2020: Heritage NSW contacted Council staff to discuss the IHO.</p> <p>31 July 2020: Chair of the Heritage Council and senior HNSW staff met with General Manager and senior Council staff</p> <p>20 August 2020: Heritage NSW contacted Council staff to discuss the proposed listing.</p>
<p>Notifications under section 33(1)(a) of the Heritage Act:</p>	<p>9 September 2020–8 October 2020: Intention to consider listing was advertised for comment for 30 days. Letters were issued to all known stakeholders and notices published in the <i>Sydney Morning Herald</i>, <i>The Daily Telegraph</i>, <i>North Shore Times</i>, <i>Mosman Daily</i> and the <i>Koori Mail</i>.</p>

<p>Submissions received during notification period:</p>	<p>A total of twenty-six submissions were received. Twenty-five support listing or no objection. One objects to listing. Tab 5.2 C and E and the following report outline these submissions.</p>
<p>Further consultation:</p>	<p>15 September 2020: Heritage NSW met with the owners to explain the listing process and implications of listing. 22 September 2020: Heritage NSW met with the owner for a site inspection and to further discuss the listing. 9/10 September 2020: Heritage NSW met/phoned Council to discuss the proposed listing 11 January 2021: Heritage Council contacted North Sydney Council for an update on the meeting schedule for the Sydney North Planning Panel to decide the DA 147/20</p>



Image 1. 105 Miller Street north Sydney 2020. (Source: realcommercial.com.au)

ISSUES:

Heritage Significance

The former MLC Building, North Sydney is of state heritage significance as Australia's first post-war office block in respect of its design, materials & mode of construction. Completed in 1957 it was the first high rise office block in North Sydney and the largest in NSW for a number of years after its construction. It is a seminal building associated with the evolution of high-rise office design in Sydney and NSW. It is one of two of the earliest surviving curtain-wall buildings in Australia, the other being MLC building Adelaide.

It was designed and constructed by architectural firm Bates Smart and McCutcheon (Architect Sir Walter Osbourne McCutcheon, Engineer Harvey H Brown) utilising construction and structural techniques not previously used in Australia. This includes one of the earliest uses of a curtain wall design, the first use of modular units in Australia, fully rigid steel frame structure combined with 'light weight' construction of hollow steel floors resulting in reduced construction loads, cost and time. Its significance is also found in its people oriented design intention with natural light,

transparency and amenity being high in the design considerations. It is a building lending itself to adaptation to changes in workplace behaviour and requirements for over 60 year as attested by its acclaimed, award winning interior refit in 2002 and 2010.

The building, especially the Miller Street wing, is representative of the Post-War trends in modern offices with the provision of food (cafeteria, lounge and dining) and recreation (squash, billiards, theatre, roof top garden) spaces for its 5000 workers. It is a landmark site which signified the transformation of the center of North Sydney from C19th town to the second CBD of Sydney.

The former MLC Building North Sydney, most particularly the widely recognised iconic Miller Street wing, is of state heritage significance for its significant landmark qualities in the North Sydney CBD. It has state level heritage values for its use of exceptional modernist building materials such as the curtain wall facade and terracotta glazed bricks that are representative of the Post-War International style of architecture that predominated in early commercial high-rise buildings. McCutcheon's desire for his buildings to integrate modern art within the fabric of the design is demonstrated in the Miller street wing's exterior facade and frontage, through the inclusion of works by significant artists such as Andor Meszros and Gerald Lewers and the design of the forecourt garden by Gerald and Margo Lewers on the Miller Street frontage. As a result, and despite subsequent modifications, the building and its Miller Street landscape setting are of high aesthetic, technical and representative significance.

The building is also of associative significance as the (then) NSW's head office of Mutual Life & Citizens Assurance Company Limited (MLC). It is also of state heritage significance as an important work by a significant firm of architects Bates Smart and McCutcheon, and master builders Concrete Constructions.

The proposed item is likely to meet six of the seven Heritage Council criteria for listing on the State Heritage Register in terms of criteria a (historical values), b (associations with people or groups of people), c (aesthetic values), d (community esteem), f (rarity), g (representative values).

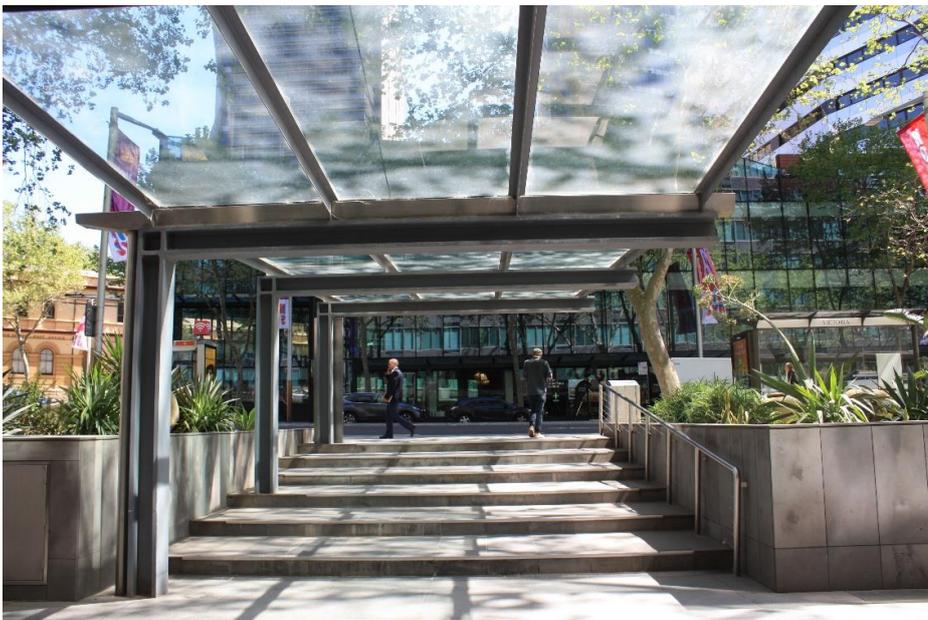


Image 2: Entrance from Miller Street (Source: Heritage NSW)

- **a (historical values)**

The MLC Building North Sydney (former) that was built in 1957 as MLC's state headquarters to the design of the architects Bates Smart McCutcheon, is of state heritage significance as a seminal work in the development of high-rise buildings in NSW and Australia. The MLC building is likely to be of state significance as it was the largest office building in Australia on its completion in 1957. It is the largest and most significant of a series of lightweight structured offices built for MLC by the architectural firm Bates Smart McCutcheon. It used construction and detailing techniques not previously seen in Australia including the use of curtain wall design and the first use of modular units. It is one of two of the earliest curtain wall buildings in Australia, the other being the MLC Building in Adelaide. It also marks the beginning of the transformation of North Sydney into the second CBD of Sydney.

- **b (associations with people or groups of people)**

MLC Building North Sydney (former) is of state significance for its association with the renowned architect Sir Walter Osbourne McCutcheon of the architectural firm Bates Smart McCutcheon, who was influential in the design of high-rise buildings in Australia. It is also associated with Concrete Constructions Pty Ltd, who were a major construction firm in New South Wales from 1916 and built many significant buildings in Sydney. McCutcheon's desire for his buildings to integrate modern art within the fabric of the design is demonstrated by the inclusion of artworks of significant artists such as Andor Mészáros (bronze bas-reliefs), and Gerald Lewers (front garden and stones).

- **c (aesthetic values)**

- The former MLC Building North Sydney, most particularly the widely recognised iconic Miller Street wing, is of state heritage significance for its significant landmark qualities in the North Sydney CBD.

MLC Building North Sydney (former) is of state significance for its technical achievements as a key building in the development of high-rise buildings in Australia, making the MLC Building of national significance. Its design incorporated prefabricated, lightweight construction for both speed of erection and cost saving, rigid steel frame with hollow steel pan flooring, vermiculite plaster for fire proofing, anodized aluminium and (double glazed) glass curtain walls, zone-controlled fully ducted air conditioning. It set new standards of office buildings in NSW with the inclusion of open garden and public park at ground level, natural light and ventilation, shops, staff amenities, restaurant and recreation facilities within the building, underground parking and roof top open space. Its significance is also found in its design intention as a people-oriented design. It is a building lending itself to adaptation to changes in workplace behaviour and requirements for over 60 year as attested by its acclaimed, award winning interior refits in the 2002 and 2010.

It is aesthetically significant for its use of modernist building materials in the curtain wall facade and terracotta glazed bricks, being representative of the Post-War SOS altered

The renovated interiors, completed in 2001 as MLC Campus, won the 2002 RAI NSW state and National Interior Architecture Awards.



Image 3: Andor Mészáros bronze bas-reliefs (Source: Heritage NSW)



Image 4: Gerald Lewers stone sculpture and garden (Source Heritage NSW)

- **d (community esteem)**

MLC Building North Sydney (former) is of state significance for being held in high regard within the building, architecture and engineering communities as it is included on the Australian Institute of Architects list of Nationally Significant 20th Century Architecture, and the 2001 interior renovations won the 2002 RAIA NSW state and National Interior Architecture Awards.

- **f (rarity)**

MLC Building North Sydney (former) is a significant piece of modern architecture of rare quality. It is the last extant example of the three MLC buildings constructed in NSW by Bates Smart McCutcheon for MLC's office expansion programme of the 1950s. (i.e. the Wollongong office demolished, and Newcastle office refurbished exterior and interior)

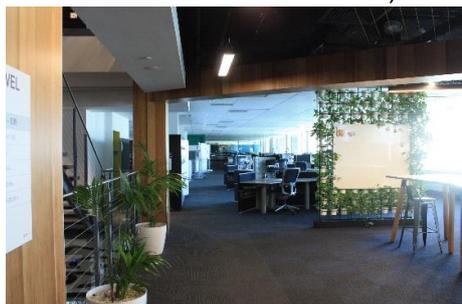


Image 5: Southern office space from breakout area (Source Heritage NSW)



Image 6: Meeting space in breakout area



Image 6: Another breakout area (Source Heritage NSW)

- **g (representative values)**

MLC Building North Sydney (former), particularly the iconic Miller Street wing is of state significance: as an exemplar in NSW of International Modern style office building; as the largest and best example of the Bates Smart McCutcheon innovative office constructions for MLC's office expansion programme of the 1950s; as the first commercial office development that provided large scale social and cultural facilities for its staff; and for re-inventing North Sydney as the second CBD of Sydney.

The full assessment of heritage significance is included in **Tab 1.1 D**.



Image7: Restored 1957 bathroom (Source Heritage NSW)

Comparative analysis

The MLC Building North Sydney is one the 34 places in the 2013 Heritage Council endorsed priority list to be progressed for SHR listing under Modern Movement theme. This priority list has only recently been activated. Therefore, there are very few of these items on the SHR. Comparative analysis of the MLC Building North Sydney (former) has therefore been done through the remaining MLC buildings completed in the company's 1950s office expansion program, and the most celebrated of Sir Osborn McCutcheon's buildings, the contemporaneous, ICI Building Melbourne.

The 12 storey Adelaide MLC Building (1957), 14 storey North Sydney MLC head office building (1957) and 19 storey ICI House (1958) each make claims to be Australia's first International Modern style skyscraper. Each were designed by Sir Walter Osborn McCutcheon for Bates Smart McCutcheon and were closely modelled on the best of corporate design being pioneered in the United States. Each symbolised progress, modernity, efficiency and corporate power and introduced new building design and technology to the states and Australia. Of these three only MLC North Sydney is not state heritage listed.

MLC Building North Sydney (former) is considered a landmark in the International Modern movement in Australia. As the company's head office, it was the culmination of MLC's programme of modern office development around Australia and New Zealand in the 1950s by Bates Smart McCutcheon. It was also the forerunner to Bates Smart McCutcheon's internationally recognised ICI Building in Melbourne.

The MLC Office expansion programme included Brisbane (1955), Wollongong (1956), Shepparton (1959), Ballarat (1954), Geelong (1953), Adelaide (1957), Perth (1957), Newcastle (1957) North Sydney (1957), and Canberra (1959). Bates Smart McCutcheon's first MLC building in International Style was the MLC building in Geelong. This was quickly followed by a succession of similar buildings, the epitome of which was the North Sydney MLC building. This was Australia's biggest building at

the time with the biggest air-conditioning system and even had its own power plant. Only a few of these buildings survive. Some have had extensive internal and external modifications and are unreadable from their International Modern origins. Those with their exterior primarily intact have had extensive interior renovations.

The North Sydney MLC Building is the remaining NSW building from this program with the Wollongong office demolished and the Newcastle Office modified internally and externally. Its sister buildings in Adelaide and Canberra, both 12 storeys and significant for parallel reasons, are State (Territory) Listed. The Perth office was demolished, and the Brisbane office recently modified.

Wollongong (1956) Demolished

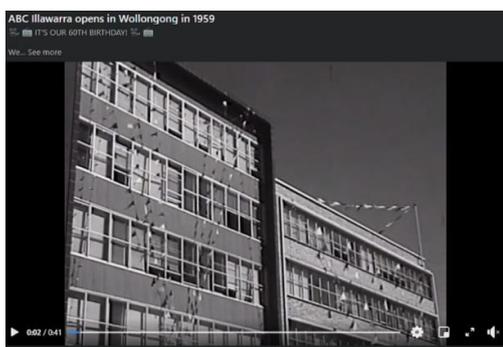


Image 8. 1959 newsreel showing MLC and AMP buildings Keira St. The building has been demolished with Wollongong Central shopping centre in its location. (Source: ABC Illawarra)

Newcastle (1957)

This example retains its basic original form, however it has been significantly modified internally and externally.



Image 9. Civic Centre, Hunter Street looking west. MLC building on the right. (Source: Newcastle Cultural Collections)



Image 10. 2020. (Source: Google Streetview 2020)



Image 11. 432 Hunter St Newcastle former MLC Building 2018 (Source: Google Streetview)

Adelaide 1957 (SA Heritage)

The MLC Building was Adelaide's first postwar skyscraper. It is architecturally significant and a benchmark building embodying advances in construction techniques (such as curtain walling) that have since changed the face of the CBD. The building has become a landmark in Victoria Square.



Image 12. MLC building, Victoria Square, Adelaide 1960 (Source: SA State Library)



Image 13. Beacon House (MLC Building) 2018 (Source: flickr.com)

Canberra 1959 & 1964 (ACT Heritage)

Canberra's first multi-storey office building is a very good example of the post war international style with its cubiform overall shape, a modified form of curtain wall, large sheets of glass and the structural frame expressed. The modern design of the office building demonstrates an important development in 1950s Australian commercial architecture as the new international style gained acceptance.



Image 14. Former MLC Building 1959 before the extension (Source: ACT Heritage Background information Former MLC Building 161 London Circuit 2014)



Image 15. Former MLC Building north and west facades (Source: ACT Heritage Background information Former MLC Building 161 London Circuit 2014)

Other capital city MLC buildings include Perth (1957) demolished, and Brisbane (1955) which, in similar vein as Newcastle has its basic original form, however modified internally and externally.

ICI Building, Melbourne (1958) (Victoria Heritage and National Heritage)

At 19-storeys, ICI House (now Orica House) was the tallest building in Australia on its completion. Designed by Sir Osborn McCutchen of Bates Smart McCutcheon using methods developed and refined throughout the design and construction of the MLC programme of office buildings across Australia and New Zealand.

It was at the forefront of the high-rise boom in Australia's cities in the second half of the 20th century. The national heritage significance of the ICI Building is expressed through the tower, which introduced the idea of trade-offs between height and public amenity in Australian cities.

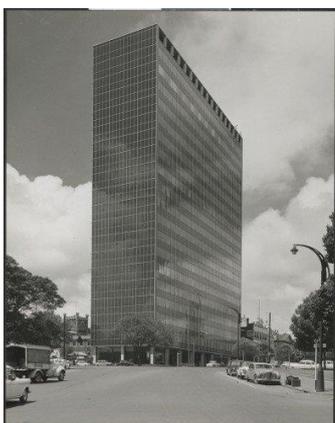


Image 16. ICI House by Wolfgang Sievers (Source: State Library Victoria)



Image 17. Orica House (Source: Wikipedia)

Listing Curtilage

- The recommended curtilage for the listing will enclose the state significant components of the item, as illustrated in the curtilage plan in **TAB 1.B**

- The curtilage includes both wings of the MLC Building (former) North Sydney although the statement of significance reflects the primary significance aesthetic and representative significance values of the Miller Street Wing.
- Works to allow effective adaptive reuse of both wings of the building would be subject of a S 60 application for Heritage Council approval.

Background

- The item was endorsed by the Heritage Council as part of a priority list for investigation of its potential state heritage significance in 2013, under the former Modern Movement thematic listing program, and again on 5 May 2020.

Development Application to demolish the item

- On 4 July 2020 a Development Application was submitted to North Sydney Council for the demolition of the MLC Building, North Sydney and its replacement with a 27-storey commercial building.
- On 7 July 2020 an IHO for the item was requested by the National Trust of Australia. A second IHO request was received on 28 July 2020 by Docomomo Australia Inc.
- At its meeting of 4 August 2020, the State Heritage Register Committee (SHRC) considered the IHO requests and resolved to recommend to the Minister that the IHO be granted in light of its view that the item is under threat and is likely to be of state heritage significance. It also determined to expedite the State Heritage Register listing process.
- The Heritage Council's IHO recommendation has been sent to the Minister for his decision. There is no timeframe for Ministerial decisions on IHO's under the *Heritage Act 1977*.

Consultation and Notice of Intention

- On 18 August 2020 Heritage Council and SHRC members met with the owners and received a presentation on the proposed redevelopment of the MLC Building, North Sydney. Members confirmed their determination to commence the State Heritage Listing process.
- On 1 September 2020 the SHRC resolved to give notice of its intention to consider listing on the State Heritage Register.
- During the exhibition period further consultation was undertaken with the owner, Investa and with North Sydney Council
- The owner hosted a site visit of the building and reiterated their belief that the restoration and adaptation of the building would be cost prohibitive and not yield office accommodation of the calibre expected today. More detail of their written submission can be found below.
- North Sydney Council did not share their views on the listing but indicated that they have commissioned a peer review of the DA to demolish and redevelop the site.

Exhibition

- The proposed listing was advertised for comment from 9 September 2020–8 October 2020.
- A total of 26 submissions were received.
25 submissions supporting listing were received from members of the architectural and urban planning community and broader community.
- 1 objection was received.
- **TAB 1.C** summarises the submissions received. Full copies of the submissions are provided at **TABs 1.E and 1.F**

Owner comments

- An objection was received from the landowner. The objection was made on four issues outlined below. Please see full submission at **TAB 1.F**;

The item does not reach the threshold of state heritage significance

- The owner contends that the MLC Building has only ever been assessed as being of significance to the local area in the North Sydney Council Heritage Studies.
- The owner claims that as the Heritage Council did not progress the listing when it discussed its prioritisation as a potential Modern Movement listing item in 2013, this signalled that it was not of state heritage significance.
- The submission from the owner indicates that the works necessary to conserve the building and reach minimum standards of maintenance and repair will impact heritage fabric to the point where very little of the original building will remain.

Conservation cannot be undertaken without causing undue financial hardship to the owner

- The submission states the item is the owner's only asset
- The owner argues that the extensive conservation works required to bring the building to minimum standards of maintenance and repair will require extensive conservation works including stripping back of façade and interiors to the structural framework and replacing services and rebuilding at an estimated cost of \$ 212M.
- They maintain that listing, retaining and conserving the building will render the asset a "B-grade" office rental property in the North Sydney Market.
- The submission argues that SHR listing will result in the reduction of the value of the building by around 40%.

Listing will render the item incapable of reasonable or economic use

- The submission indicates that the owner considers the building is at the end of its useable life.
- Should the building be listed and conserved the rental return will not be capable of serving the cost of funding the works.
- Should the building be retained it would be considered a "B grade" rental prospect unable to attract premium tenants.
- It is argued that the internal constraints of the building such as low floor to ceiling heights and the out-moded internal configuration make it a compromised leasing product
- The submission notes the problems, experienced more frequently, of flooding from Miller Street
- The submission maintains that listing the item will prevent the owners from potential development in line with the current planning framework the North Sydney
- Listing and conservation will not address significant infrastructure and public domain issues with the building, rendering it incapable of economic or reasonable use.

2013 Heritage Council Consideration of the item as part of the Thematic Listing Program

- The owner's submission claims that in 2013 when the Heritage Council considered items for the Modern movement theme it was decided not to pursue the MLC Building North Sydney listing. Based on this decision the owner embarked on a lengthy and costly process to plan redevelopment of the site.

Other stakeholders

- The local member, Ms Felicity Wilson MP, did not comment on the proposed listing.
- North Sydney Council did not provide a view on the listing.

Findings of Peer Review of owner's submission

- At its meeting of 3 November 2020 the Heritage Council considered submissions received and resolved to gain further advice for its consideration through a peer review of the owners objection.
- Heritage NSW developed a scope of works for the peer review which was sent to four architectural firms with experience in heritage issues. These were Peddle Thorp and Walker, GHD Woodhead, Public Works Advisory and Urbis. Please see Scope of Works provided to consultants at **Tab 1.G**
- Public Works Advisory and GHD Woodhouse declined to provide a return brief as they could not meet the timeframe (Final report by 28 January)
- Urbis could not meet the timeframe for the whole brief but expressed interest in undertaking the economic analysis issues which they subsequently outlined and quoted on.
- Peddle Thorp and Walker (provided a return brief with a quotation outlining the works they would undertake from the scope of works.
- The quotations and proposed works outlined by Peddle Thorp and Walker and Urbis were approved through a selective tender process.

Summary PTW Peer Review

The PTW report examines 4 options for the former MLC Building North Sydney and the impact on heritage significance for each of these options (Please find full PWT Peer Review at **Tab 1.H**);

Option 1. Upgrade the building for contemporary office use in its existing and base condition

Option 2 refurbishment for contemporary office use as a SHR item

- The existing floor plate configuration is capable of upgrade to modern B grade or A grade status
- While the lift services need upgrading to achieve A grade status, the extent of works for fire and mechanical services may not be as extensive as asserted and may be achieved in a range of ways to meet contemporary fire rating and structural requirements
- The replacement of the whole of the curtain walls may be unnecessary as the replacement of gaskets and some glass panelling and flashing was achieved on site as necessary in previous refurbishments
- The wholesale replacement of the terracotta tiles may be unnecessary as a more recent peer review of the recommendation to renew the tiles recommends periodic repair at 10 to 15 year intervals
- The flooding issues cited by the owner in their submission should be addressed in the major infrastructure upgrades proposed in the OSD development for the new Metro Station to the north of the former MLC Building, North Sydney

- The PTW peer review notes that the ongoing upgrade and replacement of fabric is part of managing change over the life of significant buildings.

Option 3. Reduction of the heritage curtilage of the item to include only the Miller Street facing building and the demolition and redevelopment of the Denison Street wing of the former MLC Building as an 18 storey A grade building.

- The Miller Street building would be upgraded to A grade standard, an extended capacity vertical circulation and lift core would be installed between the buildings to serve the Miller street building and the Denison street building.
 - The overshadowing issues cited as the difficulty for such a proposal in the owners submission (a previous 2002 proposal to extend the Denison Street wing was not approved by North Sydney Council) are immaterial as the OSD Victoria Cross building, approved in 2020 will overshadow Brett Whiteley Place from mid-April to mid- August
- Demolition of this item will irrevocably impact the heritage significance of the building.
 - The possible compromise listing with a reduced curtilage would retain the iconic Miller street facing wing of the retained as a landmark building historically and in its streetscape setting. The Miller street building would retain its historic, association, aesthetic, community and rarity values and would be a significant, well known representation of the former MLC building, Australia's first post-war high-rise office block in respect of its design, materials & mode of construction.

Option 4. As described in the DA submitted to North Sydney Council to demolish the building in its entirety and develop a 27 storey office building would pose a total impact on the heritage significance of the building.

Summary of economic analysis findings

- The Urbis report provides a review of the investment/value impacts of the proposed listing and comments on the economic viability of the four options for the building provided by PTW.
- Comments have been developed in the context of the office accommodation demand in the North Sydney CBD.
- Base line valuation for the building has been estimated at a current value of \$254,000,000 (deemed reasonable as the last publicly available valuation in 2018 was \$233,000,000) and the final value for each option is value after costs for each option are deducted (costs are based on those in the owners submission and those provided by PTW).
- Option 1, a minor refurbishment of the existing building, was found to yield a value of \$285,000,000 making it an economically viable option.
- Option 2 is based on the estimate of works and costs provided by WT Partnerships (included in the owners submission). In Option 2 the building value using the costings provided by WT Partnerships was valued at \$171,000,000 after cost of work (\$212,654, 608) was deducted making it not an economically unviable option unless costs could be reduced to \$130,000,000.
- Option 3, partial redevelopment of the site and retention and upgrading of the Miller St wing of the former MLC Building, North Sydney was valued at \$305,000,000 making it an economically viable option.

- Option 4, demolition and redevelopment of the site as per North Sydney Council DA awaiting consideration (DA 147/20) is valued at \$467,000,000, making it an economically viable option. This valuation assumes that current LEP listing has no impact on the realisation of the development

Please find full Peer Review discussion at **Tab 1.I**

Summary of Heritage Council's discussion and resolution relating to the findings of the peer review (HC meeting 3 February 2021).

- At its meeting of 3 February 2021 the Heritage Council considered the Peer Review reports by Peddle Thorp and Walker, who provided information and costings related to conservation and repair and a scenario for heritage sympathetic redevelopment and reuse.
- A second report by Urbis provided an economic analysis of information, including 4 scenarios for the MLC Building (former) North Sydney.
- At the meeting Heritage Council considered all the submissions received in relation to the listing of the 'MLC Building North Sydney (former)', noting that the majority of submissions, including eminent architects and professional bodies, were in support of the listing
- The Council considered the owners objections and took the Peer Review of the owner's objections into consideration.
- Heritage Council noted that the MLC Building North Sydney (former) was identified in the Modern Movement thematic study and endorsed by the SHRC as a priority for listing in 2013. This priority was reiterated in May 2020 and work commenced on the listing prior to the notification of the development application in July 2020.
- Heritage Council concluded that;
 - Major upgrade/refurbishment of the building would not compromise its heritage significance as the architectural design is a key element of listing, rather than original fabric.
 - A reasonable or economic use of the building if listed is possible based on the advice provided in the economic analysis
 - The owner has not demonstrated undue financial hardship to the beneficial owners of the trust.
- Heritage Council requested HNSW to review the Statement of Significance in light of the Council's conclusion on the varying significance and adaptive reuse opportunities of different elements of the Building.

Further information provided on the economic analysis

- On considering the economic analysis at its meeting of 3 February 2020, the Heritage Council noted that the comparative valuation did not include one using the costings provided by Ethos Urban as submitted with the 2020 Development Application and requested this be included in the report.
- Inclusion would clarify that there are a range of design concepts, works and approaches to upgrading the building that would achieve A grade standard and those outlined in the owner's submission objecting to listing are at the high end of upgrade options.
- The revised economic assessment includes an Option 2 and 2a valuation based on the estimate of works and costs provided by WT Partnerships (included in the owners submission) and the costs provided by Ethos Urban SSE in the 2020 development application.

- In Option 2 the building using the costings provided by WT Partnerships was valued at \$171,000,000 after cost of work (\$212,654, 608) was deducted making it not an economically viable option unless costs could be reduced to \$130,000,000.
- In Option 2a the building value using the costing provided by Ethos Urban SSE was valued at \$266,000,000 after the lower cost of works (\$120,000,000) was deducted making this an economically viable option.
- Option 2 and 2a clarify that there is a range of approaches and works that could result in an upgrade of the building to an A grade standard.

That the Heritage Council:

1. **consider the revised statement of significance**
2. **in accordance with section 33(1)(d) of the *Heritage Act 1977* advise the Minister that the item known as “MLC Building, North Sydney” at 105-153 Miller Street, North Sydney, is of state heritage significance, as shown in the plan at Annexure B;**
3. **recommend to the Minister, in accordance with sections 32(1) and (2) of the *Heritage Act 1977*, that the Minister direct the listing of the item, “MLC Building, North Sydney” at 105-153 Miller Street, North Sydney, on the State Heritage Register;**
4. **in accordance with section 33(1)(e) of the *Heritage Act 1977*, give notice of its decision to persons notified under section 33(1)(a); and**
5. **in accordance with section 57(2) of the *Heritage Act 1977*, note that the Heritage Council Standard Exemptions will apply.**

Prepared by: Mary Ann Hamilton, 4 February 2021
Senior Heritage
Operations Officer
Region

Reviewed by: Cheryl Brown, 4 February 2021
Regional Manager,
Heritage North / South

Approved by: Pauline McKenzie, 4 February 2021
Executive Director,
Heritage NSW

TAB 1.A
Heritage Council of NSW
Agenda item: 1
Date: 5 February 2021
File: SF20/95118

Location map
105-153 Miller St, North Sydney

This item is available at Attachment 1A.

Tab 1.B
Heritage Council of NSW
Agenda item: 1
Date: 5 February 2021
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Listing boundary recommended

This item is available at Attachment 1B.

Tab 1.C
Heritage Council of NSW
Agenda item: 1
Date: 5 February 2021
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Summary of submissions from notifications

This item is available at Attachment 1E.

Tab 1.D
Heritage Council of NSW
Agenda item: 1
Date: 5 February 2021
File: SF20/95118

Assessment of Significance: Heritage Office Database (HOD) report—provided electronically

Heritage Database

HOD Number
5062226

Heritage Division, Office of Environment and Heritage

Item Name: **MLC Building North Sydney (former) (under consideration)**

Location: **105-153 Miller Street, North Sydney**

Addresses: Street: 105-153 Miller Street Suburb / Nearest Town: North Sydney NSW 2060 Local Government Area: North Sydney

County/Parish: County: Cumberland Parish: Willoughby

Parcels:	LotCode	Number	Section	PlanCode	PlanNumber	Current	Date Entered
	LOT	2		DP	792740	<input checked="" type="checkbox"/>	15/07/2020

Property Ident (old):

Boundary / Curtilage: Lot 2 DP 792740

Item Type: Built **Group:** Commercial **Category:** Insurance company/b

Owners:

Current Use:

Former Uses:

Area/Group/Complex: **Group ID:**

Other/Former Names:

Assessed Significance: State **Endorsed Significance:**

Statement of Significance: The former MLC Building, North Sydney is of state heritage significance as Australia's first post-war office block in respect of its design, materials & mode of construction. Completed in 1957 it was the first high rise office block in North Sydney and the largest in NSW for a number of years after its construction, and is a seminal building associated with the evolution of high-rise office design in Sydney and NSW. It is the earliest surviving curtain wall building in Australia.

It was designed and constructed by architectural firm Bates Smart and McCutcheon (Architect Sir Walter Osbourne McCutcheon, Engineer Harvey H Brown) utilising construction and structural techniques not previously used in Australia. This includes the first use of a curtain wall design, the first use of modular units in Australia, fully rigid steel frame structure combined with 'light weight' construction of hollow steel floors resulting in reduced construction loads, cost & time. Its significance is also found in its design intention as a people oriented design with natural light, transparency and amenity being high in the design considerations. It is a building lending itself to adaptation to changes in workplace behaviour and requirements for over 60 year as attested by its acclaimed, award winning interior refit in the 2002 and 2010.

The building, especially the Miller Street wing, is representative of the Post-War trends in modern offices with the provision of food (cafeteria, lounge and dining) and recreation (squash, billiards, theatre, roof top garden) spaces for its 5000 workers. It is a landmark site which signified the transformation of the center of North Sydney from C19th town to the second CBD of Sydney.

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Location: **105-153 Miller Street, North Sydney**

The former MLC Building North Sydney, most particularly the widely recognised iconic Miller Street wing, is of state heritage significance for its significant landmark qualities. It has state level heritage values for its use of exceptional modernist building materials such as the curtain wall facade and terracotta glazed bricks that are representative of the Post-War International style of architecture that predominated in early commercial high-rise buildings. McCutcheon's desire for his buildings to integrate modern art within the fabric of the design is demonstrated in the Miller street wing's exterior facade and frontage, through the inclusion of works by significant artists such as Andor Meszros and Gerald Lewers and the design of the forecourt garden by Gerald and Margo Lewers on the Miller Street frontage. As a result, and despite subsequent modifications, the building and its Miller Street landscape setting are of high aesthetic, technical and representative significance.

The building is also of associative significance as the (then) NSW's head office of Mutual Life & Citizens Assurance Company Limited (MLC). It is also potentially of state heritage significance as an important work by a significant firm of architects Bates Smart and McCutcheon, and master builders Concrete Constructions.

Historical Notes or Provenance:

The parent company of MLC, Citizens' Life Assurance Company Limited, was incorporated in Sydney in 1886 by James Garvan. The company soon "placed upon a permanent basis the system of industrial assurance in Australia" (Gray A.C., Union is strength - a centennial history of the Mutual Life and Citizens' Assurance Company Limited, 1886-1986). In 1907 the company amalgamated with Australia's second-oldest mutual life assurance society, the Mutual Life Association of Australia, and became the Mutual Life and Citizens' Assurance Company Limited (MLC). The company has gone through multiple acquisitions and mergers during its history yet retained its name throughout. It is one of the most recognizable life insurance companies in Australia.

The head office in Sydney bought land in 1949 for new offices in Brisbane, Perth, Hobart, Adelaide, Townsville, and Hamilton in New Zealand.

By the early 1950s, the Mutual Life & Citizens Assurance Company Limited (MLC) had recognised that their existing 1938 headquarters at 42 Martin Place (SHR 00597) was insufficient to their needs and in 1954 announced a new head office in North Sydney. North Sydney Council later approved the application from MLC to consolidate a site of 31 shops in the town centre of North Sydney at the Victoria Cross intersection to construct their new office complex. On the occasion of the approval the General Manager of MLC, Milton Cromwell Alder, noted the future division of MLC offices in Sydney as a result: "the position in the city is becoming intolerable because of traffic congestion, as well as the need to accommodate an expanding staff. The new building [at North Sydney] will become the head office, and will house most of the clerks. Most administrative and records work will be done there. The present building [on Martin Place] will be retained for executive headquarters and for dealing direct with the public" (The Newcastle Sun, 12/08/1954, p.5).

MLC commissioned their preferred architects, Bates, Smart & McCutcheon, who had also designed their 1938 head office and with whom MLC would collaborate on the majority of their new office expansion programme, designing buildings in Geelong (1953), Ballarat (1954), Brisbane (1955 - refurbished), Wollongong (1956 - demolished), Adelaide (1957, SA State Heritage Register), Perth (1957 - demolished), Newcastle (1957 - refurbished), North Sydney (1957 LEP listed, interior refurbished 2000), Shepparton (1959), and Canberra

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Location: **105-153 Miller Street, North Sydney**

(1959, ACT Heritage Register).

The key to many of these buildings was their innovation in construction: the introduction of lightweight structure that was unprecedented in Australian City buildings. The initial concept was to replace the normal concrete encasing of steel work with floors of pressed steel panels fire-protected with 50mm of granolithic surface finish and gypsum-plaster suspended ceilings beneath, and steel columns, also gypsum-plastered. The idea was that the system be 'dry' and essentially prefabricated. Each building was planned on a modular grid to facilitate the maximum use of prefabricated elements including precast concrete floor units, wall panels, barrier spandrels and demountable office partitions, a system that demanded constant and accurate scheduling of work by the various trades. In essence this meant that given the 'dry' nature of the design, interior fit out and external cladding could occur at eth lower levels while the steel frame was simultaneously being erected at the upper levels.

The MLC projects therefore represented the aesthetic and technological development of a new typology. It was the latest in the honing of a new language for the post-war office building, of which Bates Smart McCutcheon by 1961 were to become Australia's most proficient exponents. (Bates Smart, 150 Years Of Australian Architecture 2014 pg 162)

As the head office, North Sydney was to be the largest of these new designed buildings. The North Sydney MLC Building design, a 59 metre-high tower complex in the Post-war International style, was the result, with noted inspiration coming from Skidmore, Owings & Merrill's (SOM) 1952 Lever House in New York and coming at the same time as the firm's design of ICI House in Melbourne, which is listed on the Victorian State Heritage Register and the Australian National Heritage List. McCutcheon spent time with SOM's offices immediately after the end of the war, and was greatly influenced by the work of the American modernists embodied in the United Nations Headquarters building completed in 1952 (Goard 2016, p.368).

In the 1950s Bates, Smart & McCutcheon, led by Principal Partner Osborn McCutcheon until 1977, was one of Australia's largest architectural firms and the firm's designs often reflected McCutcheon's desire to link architecture with the broader arts, often including major works of art like painting, tapestry and sculpture. This is demonstrated in the design for the MLC Building with a treated-aluminium bas-relief of the MLC 'unity in strength' symbol (derived from a fable attributed to Aesop, it depicts a man unsuccessfully trying to break a bundle of sticks) sculpted by Andor Meszros, a prominent Hungarian-Australian artist known for his public sculpture commissions, and the front garden on either side of the main entrance with seven shaped rocks designed by sculptor and engineer, Gerald Lewers. Other works designed by the firm at this time included Imperial Chemical Industries (ICI) buildings in Sydney (1956; demolished 1996) and Melbourne (1955-58), the Monash University masterplan (1960-61), and the Australian Embassy, Washington DC (1964). The project builders, Concrete Constructions Pty Ltd, were a prominent Sydney building and engineering firm that was established in 1916, and examples of their work include MLC Building Martin Place (1938), King George Memorial Hospital (1939), Royal Canberra Hospital (1942), Qantas House (1957) and Centrepont Tower (1970). The consulting engineers were Julius, Poole & Gibson and W. E. Bassett & Associates.

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Item Name: **MLC Building North Sydney (former) (under consideration)**

Location: **105-153 Miller Street, North Sydney**

It was noted on the approval of the design in 1954 that the MLC Building marked the change of North Sydney as a second CBD of metropolitan Sydney. The Mayor of North Sydney, William Henry Brothers, commented that "The northern side of the harbour will eventually develop into the commercial centre of Sydney", while MLC General Manager Milton Alder agreed: "I am of the opinion that in years to come Sydney will be a twin city - like Buda and Pest and Brooklyn and New York" (Construction, 21/07/1954, p.1). The construction of the MLC Building in North Sydney began just as the smaller modernist AMP Building on Miller Street, North Sydney, designed by Stephenson & Turner and built by Concrete Constructions Pty Ltd, was completed. In January 1955, preparations of the site began and the demolition of all the buildings on the site was completed by November 1955. Excavation works removed more than 50,000 tonnes of soil and rock, which was used by the Municipality of North Sydney for improvements to parks and gardens.

The MLC Building's modernist design was noted for its first use of a curtain wall design, the first use of modular units in Australia and was the first high-rise building in Australia to have a public plaza. The design was one of the first commercial development to include extensive staff facilities such as a staff canteen, lounge, billiards room, theatre, squash courts and roof gardens (Rodrigo 2016, p.89). Other elements of the design were no less impressive: 3000 occupants, 3,556 tonnes of steel, 9,775m of curtain walls, a gross floor space of 41,806m, and ten 23-passenger lifts. As the first building in Sydney with a fully rigid steel frame and hollow steel floors, the steel framing, providing maximum width and the first-use of steel pan flooring, allowed natural light to permeate to even the centre of the building. The glass too was a innovative inclusion, with the use of a double layer of anti-actinic glass to the curtain walls that filtered light but prevented heat transfer, and was supplied by F. W. Gissing Pty Ltd of Newtown. 'Glass in Australia' praised the building's design as "an outstanding example of Australia's trend towards greater utilisation of glass in modern constructions" (Glass in Australia, June-August 1957, pp.6-7) and by any account, the new building "exemplified slick corporate America transplanted to Sydney" (HeriCon, 2013, p. 87). As a mark of its position as the tallest building in North Sydney, a weather beacon was installed on the roof by Standard Telephones and Cables, which remained in place until 1987 when the building was no longer the tallest tower in North Sydney. Construction work was stopped temporarily in February 1957 when an electrician fell to his death from the 14th floor, and his fellow workers later presented his widow and children with a cheque for (Pounds)1,200.

Completed at a final cost of (Pounds)4.5 million, the MLC Building was officially opened by Prime Minister Robert Menzies on 22 August 1957, who expressed that "The view [from the top floor] gives me such a new conception of Sydney that quite frankly I'm beginning to like the place" (The Cumberland Argus, 11/09/1957, p.15). The decorative finishings echoed the prestige of the building when it opened, with the use of marble, granite, glazed terra cotta tiles, mosaic feature murals, and indoor tropical gardens, all being used to "add to the attractive representation of Australia's concept of a modern building in keeping with world standards" (MLC, 1957). The treated-aluminium bas-relief of the MLC 'unity in strength' symbol by Andor Meszros, was placed high on the southern blue-grey tiled wall, with a yellow-tiled background helping it to stand out against the blue grey tiles (MLC 1957). At the time of its opening, the eastern section of the building was also leased by Commonwealth Oil Refineries Limited, while MLC occupied the top five floors of the west block. The eighth

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floor was completely taken up (1,300m) by office machinery and an innovative computer, the whole plant being described as "the biggest single plant of its kind in Australia" (MLC, 1957). With the ground level occupied by 13 shops, the southernmost section was occupied by the North Sydney Branch of the Commercial Banking Company of Sydney from 1957 to 1977. The frontage of the west block along Miller Street was setback to allow for landscaping, consisting of six plane trees, New Zealand Browntop grass (*Agrostis tenuis*) lawns, and a decorative sculpted sandstone and river rock garden on either side of the central entrance ramp designed by Gerald Lewers.

In 2000, the facade was restored by Bates Smart (as it was known from 1995) following a conservation management plan prepared by Peter McKenzie alongside extensive interior renovations for a project termed "Campus MLC" by Bligh Voller Nield, which were completed in 2001. Campus MLC won the 2002 RAI NSW Interior Architecture Award and the 2002 RAI National Interior Architecture Award

The building underwent further interior re-designs by Woods Bagot in 2013 on behalf of NAB and MLC.

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- "Glass at Work: Gigantic New Building", *Glass In Australia (Special Journal of the Federated*

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Location: **105-153 Miller Street, North Sydney**

Glass Merchants' Association of Australia), June-August 1957, Vol 1, No. 1, pp. 6-7.
HeriCon Consulting; Morris, Colleen and Spearritt, Peter (August 2013), The Modern Movement in New South Wales: A Thematic Study and Survey of Places, Heritage Council of New South Wales, p. 87.
"WEATHER BEACON", The Canberra Times, 13 March 1957, p.1. URL: <http://nla.gov.au/nla.news-article91236418>
"Workers Stop When Electrician Falls To Death", The Canberra Times, 22 February 1957, p.1. URL: <http://nla.gov.au/nla.news-article91234965>
"NATIONAL ROUND-UP", Tribune, 3 April 1957, p.11. URL: <http://nla.gov.au/nla.news-article236326278>
"Mr. Menzies To Open New M.L.C. Building", The Canberra Times, 22 August 1957, p.5. URL: <http://nla.gov.au/nla.news-article91596557>
"P.M. Sees New View of Sydney", The Cumberland Argus, 11 September 1957, p.15. URL: <http://nla.gov.au/nla.news-article132135579>

Themes:

Designer: Bates, Smart & McCutcheon (Osborn McCutcheon architect, Harvey H Brown Engineer)

Maker / Builder: Concrete Constructions; Julius Poole & Gibson (Elec Engineers); W E Bassett & Assoc (Mech Engineers)

Year Started: 1955 **Year Completed:** 1957 **Circa:** No

Physical Description: A fourteen storey cubiform office block of 450,000 feet of floor space designed in the Post-War International style and constructed on a rigid steel frame with hollow steel floors. Curtain walls of glass and anodized aluminium spandrels. Vermiculate plaster fireproofing, stamped metal ceilings. Double glazed using anti-actinic heat-resisting glass outer and plate glass inner, ten inches apart. Facing materials include terracotta, marble, granite and mosaic tiles. The building is prominently faced with blue glazed terracotta tiles. A bronze bas-relief sculpture of the company's logo 'Strength in Unity', depicting a man attempting to break up a bundle of rods, by Andor Mészáros, is on the building's southern tiled facade. The front garden on either side of the main entrance on Miller Street with seven shaped sandstone rocks, designed and sculpted by Gerald Lewers.

Physical Condition: Intact with modifications.
Treated-aluminium bas-relief of the MLC 'unity in strength' symbol sculpted by Andor Mészáros is extant on the south tiled facade.
The front garden on either side of the main entrance on Miller Street with seven shaped sandstone rocks designed and sculpted by Gerald Lewers, remains in situ.

Modification Dates: 2001 - major modification of interiors for "Campus MLC" project by architects BVN. Original main entrance stairs from Miller street to first floor entrance removed and replaced with ground floor entrance and an awning structure that hints at the original stairs.
2013 - Woods Bagot redesigned the interiors for National Australia Bank (NAB) adopting an 'agile working' practice. Destination meeting floors were created to encourage movement, while collaborative lounges in the centre of the space on each floor promote impromptu meetings and interaction.

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Item Name: **MLC Building North Sydney (former) (under consideration)**

Location: **105-153 Miller Street, North Sydney**

Recommended Management:

Management:

Further Comments:

SHR criteria a): [Historical] The MLC Building North Sydney (former) that was built in 1957 as MLC's state headquarters to the design of the architects Bates Smart McCutcheon, is of state heritage significance as a seminal work in the development of high-rise buildings in NSW and Australia. The MLC building is likely to be of state significance as it was the largest office building in Australia on its completion in 1957, and is the largest and most significant of a series of lightweight structured offices built for MLC by the architectural firm Bates Smart McCutcheon. It used construction and detailing techniques not previously seen in Australia including the use of curtain wall design and the first use of modular units. It is one of two of the the earliest curtain wall building in Australia, the other being the MLC Building in Adelaide. It also marks the beginning of the transformation of North Sydney into the second CBD of Sydney.

SHR criteria b): [Association] MLC Building North Sydney (former) is of state significance for its association with the renowned architect Sir Walter Osbourne McCutcheon of the architectural firm Bates Smart McCutcheon, who was influential in the design of high rise buildings in Australia. It is also associated with Concrete Constructions Pty Ltd, who were a major construction firm in New South Wales from 1916 and built many significant buildings in Sydney. McCutcheon's desire for his buildings to integrate modern art within the fabric of the design is demonstrated by the inclusion of artworks of significant artists such as Andor Meszros (bronze bas-reliefs), and Gerald Lewers (front garden and stones).

SHR criteria c): [Aesthetic/Technical] *The former MLC Building North Sydney, most particularly the widely recognised iconic Miller Street wing, is of state heritage significance for its significant landmark qualities in the North Sydney CBD.
MLC Building North Sydney (former) is of state significance for its technical achievements as a key building in the development of high-rise buildings in Australia, making the MLC Building of national significance. Its design incorporated prefabricated, lightweight construction for both speed of erection and cost saving, rigid steel frame with hollow steel pan flooring, vermiculite plaster for fire proofing, anodized aluminium and (double glazed) glass curtain walls, zone-controlled fully ducted air conditioning. It set new standards of office buildings in NSW with the inclusion of open garden and public park at ground level, natural light and ventilation, shops, staff amenities, restaurant and recreation facilities within the building, underground parking and roof top open space. Its significance is also found in its design intention as a people-oriented design. It is a building lending itself to adaptation to changes in workplace behaviour and requirements for over 60 year as attested by its acclaimed, award winning interior refits in the 2002 and 2010.

It is aesthetically significant for its use of modernist building materials in the curtain wall facade and terracotta glazed bricks, being representative of the Post-War International style of architecture that predominated in early commercial high-rise buildings. The aesthetics, especially of the Miller Street wing's exterior faade and landscaped frontage, are enhanced by McCutcheon's desire for his buildings to integrate modern art within the fabric of the design is demonstrated by the inclusion of artworks by significant artists such as Andor

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Meszros (bronze bas-reliefs), and Gerald Lewers (front garden and stones).
modifications, the building and its Miller Street landscape setting are of high aesthetic, technical and representative significance

The renovated interiors, completed in 2001 as MLC Campus, won the 2002 RAI NSW state and National Interior Architecture Awards.

SHR criteria d): MLC Building North Sydney (former) is of state significance for being held in high regard within the building, architecture and engineering communities as it is listed on the Australian Institute of Architects list of Nationally Significant 20th Century Architecture, and the 2001 interior renovations won the 2002 RAI NSW state and National Interior Architecture Awards.
[Social/Cultural]

SHR criteria e):
[Research Potential]

SHR criteria f): MLC Building North Sydney (former) is of state significance as a significant piece of modern architecture of rare quality. It is the last extant example of the three MLC buildings constructed in NSW by Bates Smart McCutcheon for MLC's office expansion programme of the 1950s. (i.e. the Wollongong office demolished, and Newcastle office refurbished exterior and interior)
[Rarity]

SHR criteria g): MLC Building North Sydney (former), particularly the iconic Miller Street wing is of state significance: as an exemplar in NSW of International Modern style office building; as the largest and best example of the Bates Smart McCutcheon innovative office constructions for MLC's office expansion programme of the 1950s; as the first commercial office development that provided large scale social and cultural facilities for its staff; and for re-inventing North Sydney as the second CBD of Sydney.
[Representation]

Integrity / Intactness:

References:	Author:	Title:	Year:
	Sheppard,	North Sydney's landmark MLC building set for \$450m redevelopment	2020

Studies:	Author:	Title:	Number:	Year:
	Tony Brassil, Robert Irving, Chris Pratten, Conybeare Morrison	North Sydney Heritage Study Review		1993
	HeriCon Consulting in association with Colleen Morris and Peter Spearritt	The Modern Movement in New South Wales: A Thematic Study and Survey of Places		2013

Listings:	Name:	Title:	Number:	Date:
	Heritage Act - Under consideration for SHR/IHO listing	Nomination reactivated from the Modern Movement he		
	Heritage study	MLC Building		4/09/1993

Data Entry: **Date First Entered:** 19/12/2013 **Date Updated:** 04/02/2021 **Status:** Basic

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Tab 1.E
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State Heritage Register Committee
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File: SF20/95118

Electronic copies of submissions

This item is available at Attachments 1E and 1F.

Dear

We are currently seeking a quotation and reverse brief from a number of agencies and companies regarding a review of owner objections to listing the MLC Building, North Sydney, on the NSW State Heritage Register. Please find a detailed outline of our request below.

The recommendation to list this item has not yet been determined by the Heritage Council but should the listing be finalised, the Heritage Council of NSW is supportive of sympathetic change and development of the buildings to adapt to contemporary requirements or new uses.

Heritage NSW seeks an independent review of the owner's objection to State Heritage Register listing of the MLC Building, North Sydney. The review should consider the appropriateness of the arguments used in the owner's submission and accompanying scope of works which the owner believes to be necessary to bring the building to minimum standards of maintenance and repair. We also request a second opinion on the valuation of the property and any loss of value from a State Heritage Register listing.

As this is a contested subject, it will not be possible to undertake an on-site visit but Heritage NSW will be able to provide photographs of the site if this will be of assistance, a copy of the submission and accompanying document as well as the documentation available in the Development Application submitted to North Sydney Council for the demolition and redevelopment of the site.

At this point, we are seeking a quote and staged timeframe to complete the review. We require a quote and return brief with a timeframe for the work by Friday 18 December 2020. The review must be finalised by 27 January 2021.

Again, thank you for your time and if I can provide any further information or you would like to discuss further, please let me know.

Yours sincerely

Pauline McKenzie
Executive Director, Heritage NSW
Department of Premier and Cabinet

Review of Owner Objections to the State Heritage Listing of the MLC Building North Sydney

Background

On 7 July 2020 the National Trust of Australia (NSW) requested an IHO be made for the MLC Building, North Sydney (Annexure B). A further request for an IHO was received on 28 July 2020 from DOCOMO. The requests were made based on the threat posed by a Development Application (DA 147/20) for demolition of the item and the construction of a 27-storey commercial building in its place.

The DA has not yet been determined although the Planning Panel has been briefed by North Sydney Council staff and it is expected that the matter may be scheduled for determination in mid February 2021.

The State Heritage Register Committee considered the IHO at its meeting of 4 August 2020 and resolved to recommend the Minister make an Interim Heritage Order. It also requested that the statutory process for listing proceed as soon as possible with the presentation of a Notice of Intention to List report at the meeting of 1 September 2020.

The IHO request is currently with the Minister for his consideration.

At its meeting of 1 September 2020 the State Heritage Register Committee resolved to give notice of its intention to consider the listing of the MLC building (former), North Sydney on the State Heritage Register.

During the exhibition period further consultation was undertaken with the owners who have made a written submission objecting to the proposed listing.

On 4 November 2020 the Heritage Council of NSW resolved that the item is of state heritage significance but determined to seek expert advice to adequately consider some aspects of the objections of the owner of the MLC Building, North Sydney, IOF Custodian.

Review

The aspects of the owner objections we would like advice on from your company/agency are:

1. Heritage Significance

The impact on the heritage significance of the building of the works the owner claims would be required should the building be retained. The scheme to bring the building up to minimum standards of maintenance, detailed in the owner's submission, would replace elements like for like in terms of functionality and appearance. Never-the-less the proponents architects indicate that the materials to be used would be new and significantly different (eg. replacing aluminium with stainless steel). The overarching question in this regard is whether substantial replacement of original fabric of a Twentieth Century heritage office building such as the MLC building, North Sydney, would impact on heritage significance or, rather while some fabric elements are significant and should not be impacted, it is mostly the form of such buildings that is significant.

2. Owners Submission

The objection to SHR listing on grounds that listing would render the item incapable of reasonable and economic use. The owners claim that even with the remediation works outlined in the submission, the building would be a 'B grade' office building. The owners contend that only an 'A grade' office building on this site would achieve reasonable or economic use.

a. Useable Office Building

- Review of whether the extent of works outlined in the submission are required to ensure reasonable standards of maintenance and repair for the building and make the place a useable office building.
- Estimate of the costs of the works assessed as needed to make the place a useable office building
- Estimate of the value of the building and rental income if only necessary works as established above were carried out to make the place a useable office building. It is currently heritage listed on the North Sydney LEP and we would need a valuation as is and if the building were to be SHR listed.

b. Development

- Estimate of the value of the proposed development and its potential rental income on completion.

3. Alternative Concept

Provision of preliminary concept advice on alternate schemes for the refurbishment and remediation of the building if state heritage listed which may improve the economic viability of the building. These may involve variations of curtilage (potentially excluding the rear building facing Denison Street) and provision of site-specific exemptions from Heritage Council approval for some works to all or part of the building.

4. Economic Appraisal

- A broad financial/economic appraisal of the options for the site:
 - minimum maintenance and repair to make it useable,
 - remediation works as proposed in the submission,
 - development with a state heritage listing and
 - the proposed development.



MLC Building North Sydney

Review of owner objection to State Heritage listing

Prepared for:
Heritage NSW
February 2021



Heritage NSW

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Nominated Architects

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D Jones Architect No. 4778

Report Register

This report register documents the development and issue of the report entitled 'MLC Building North Sydney - Review of owner objection to State Heritage listing'. The report has been reviewed and approved for issue.

Project Director & Reviewer

Diane Jones

Issue No.

B.1

Signature

Diane Hatada Jones

Position

Executive Director
PTW Architects

Date

01.02.21

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ISSUED	REVISION	DESCRIPTION	ISSUED BY
12.01.21	A.1	For Review	DJ
01.02.21	B.1	Final	DJ

Coverpage Image:

<https://docomomoaustralia.com.au/dcmm/mlc-building-1954-1957-nsw/>

1 INTRODUCTION

Heritage NSW commissioned PTW Architects in late 2020 to undertake an independent assessment of the owner's objection to the State Heritage Register listing of the 1957 MLC Building, North Sydney. Urbis were commissioned to undertake an economic assessment of the proposed development, taking into account the PTW studies.

During January 2021, PTW and Urbis worked together to understand the physical and economic values of the existing building and a redevelopment scenario that retains the Miller Street wing of the existing building with new additions.

The initial return brief developed by PTW in response to the NSW Heritage outline of requirements was:

- 1 Concise list of elements which define the contemporary workplace in North Sydney, including an understanding of the differences between A and B grade office buildings as defined by the Property Council.
- 2 A brief condition assessment of the existing building and the extent of work required for a minimum standard of maintenance and repair.
- 3 A comparative analysis of any similar refurbishment projects in Sydney where the buildings have either a LEP heritage or SHR listing.

4 An examination of the anticipated heritage impact of four different scenarios :

- 4.1 **Scenario 1** - the refurbishment for contemporary office use of the existing MLC, North Sydney as item 10893, Schedule 5, North Sydney LEP2013 (existing and base condition)
- 4.2 **Scenario 2** - the refurbishment for contemporary office use of the building as a SHR item
- 4.3 **Scenario 3** - a redevelopment option that considers a reduced curtilage for the site
- 4.4 **Scenario 4** – the owner's submission as represented by the publicly available DA documents ie demolition of the existing building and
 - the owner's submission that the extent of repair necessary invalidates the heritage significance of the existing building.

Access to the building and any specialist reports on condition were not possible, other than publicly available information.

Therefore PTW examined in detail the DA documents , undertook documentary searches and used information from our recent projects. The projects used to develop the comparative analyses of the elements that make up the 'contemporary workplace' were the 2019 design excellence competition brief for a new building in the southern part of the Sydney CBD and the 2020 design excellence competition brief for a new premium office building in the northern part of the CBD. The 2020 fitouts in an existing building for the same global tech company that was the sponsor of the 2019 competition brief were used to test the floorplates of Scenario 3 in terms of tenancy subdivision and furniture layouts.

Scenario 3 as explored in this report is very similar to the Scenario 3 in section 5.1 Comparison Matrix of the DA design report. The base information for the condition assessment and comparative analysis of similar refurbishments was similarly found in the DA documents . However, this report offers an alternative interpretation of the information .

As the study progressed, and in concert with Urbis and the Heritage NSW project team, it was agreed that Scenario 4 would not form a separate section of this report in terms of assessment of the heritage impact of demolition. The DA proposal, however, is used to inform an analysis of this report's Scenario 3. Further, we have commented on the link between extent of refurbishment and cultural significance , as raised by the owner, in the discussion on condition and maintenance and repair.

1.1 Site Context



1.2 Location



2 THE CONTEMPORARY WORKPLACE

Characteristics of the contemporary workplace:

Below is a list of characteristics of the contemporary workplace extracted from a Sydney CBD Competition 2020 brief, and the DA Report by Bates Smart 2020 for 105 Miller Street North Sydney.

- Flexible and contiguous workplace settings which provide flexibility to tenancies to expand and contract according to need
- Vertical connectivity - up and across floors
- Campus workplace - two floorplates vertically connected by an atrium of usually 6-8 floors
- Natural light and ventilation in workspace environments, with high sustainability performance, providing natural elements
- Responsiveness to external factors impacting the workplace - climate change, smart tech and covid-safety
- Quality views and outlook
- High quality amenity
- Technically advanced, responsive and adaptive
- Activation of social interaction and collaboration
- Communal and social spaces to maximise social and communication and collaboration.

Sydney Competition 2020 Brief notes in black text

DA Report by Bates Smart 2020 DA Submission in green text

Table 1. Comparative analysis of building characteristics for the contemporary workplace:

PROPERTY COUNCIL CRITERIA	EXISTING MLC BUILDING	PROPERTY COUNCIL A GRADE - SYDNEY CBD		PROPERTY COUNCIL B GRADE - SYDNEY CBD		SYDNEY CBD COMPETITION 2020 (Premium Grade)	SYDNEY CBD COMPETITION 2019 (Premium Grade)
		NEW	EXISTING	NEW	EXISTING		
Design Principles							
Views	✓		High		-	✓	✓
Outlook	✓		High		-	✓	✓
Natural light			High		-	✓	✓
Natural Ventilation	Operable windows					✓	✓ Depth of A - < 4 x Ceiling Height
Column Density	5.8m span between columns						5m x 7m Grid (beams in one direction only) OR 7m x 7m Grid
Access from street	✓		High		-	✓	✓
Attractive street setting	✓ Miller Street		High		-	✓	✓
Lobby and lift finishes	2013 refurb		High		-	✓	✓
Lift ride	2013 refurb		High		-	✓	✓
Amenities	2013 refurb		High		-	✓	✓
Presentation	✓ Miller Street		High		-	✓	✓
Maintenance			High		Good	✓	✓
Finishes			High		Good	✓	✓
Configuration							
Building size m ² NLA		>10,000	>10,000	> 5,000	> 5,000		60,000 m ² NLA
Building size m ² GFA (assuming NLA is 85% of GFA)	28746 m ² GFA	>11,764	>11,764	> 5,882	> 5,882	70,000 m ² GFA	70,000 m ² GFA
Floor plate m ² NLA		> 1,000	> 900	> 700	-		
Floor plate m ² GFA (assuming NLA is 85% of GFA)	Miller St -12 storeys - 1,700m ² (GFA) Denison St -5 storeys - 730m ² (GFA)	> 1,176	> 1058	> 823	-	1687m ² + 2167m ²	approx. 7,600m ² over 5 floors: 1520m ² 59,900m ² over 26 floors: 2,300m ²
Tenant service zone		>=125	-	>=100	-		

The building in the public domain:

- Provide space for casual meetings and leisure for staff, commuters and visitors
- Connectivity to public transport and amenity
- Building as extension of public domain
- Appropriate street scale
- Cohesive sense of public space
- 18-hour economy - experience economy "creative class workers"
- Demand for dining facilities with new developments in the area
- Social spaces away from office environment

Sydney Competition 2020 Brief notes in black text

DA Report by Bates Smart 2020 DA Submission in green text

Table 1 (cont): Comparative analysis of building characteristics for the contemporary workplace:

PROPERTY COUNCIL CRITERIA	EXISTING MLC BUILDING	PROPERTY COUNCIL A GRADE - SYDNEY CBD		PROPERTY COUNCIL B GRADE - SYDNEY CBD		SYDNEY CBD COMPETITION 2020 (Premium Grade)	SYDNEY CBD COMPETITION 2019
		NEW	EXISTING	NEW	EXISTING		
Lifts							
	6 Lifts						
		Car capacity @ 75kg / person	Car capacity @ 68kg / person	Car capacity @ 75kg / person	Car capacity @ 68kg / person		
Car capacity		>=16	>=16	>=13	>=13		
Waiting time		"Up peak <=30 Lunch peak <=40"	"Up peak <=30 Lunch peak <=40"	"Up peak <=35 "	"Up peak <=35 "		
Goods lift	1	>=1 @ >= 1,400	>=1 @ >= 1,200	-	-		
Amenities							
Concierge		Yes for Buildings >=20,000					
End-of-trip facilities		Yes					
Onsite Retail	✓	Yes		No		yes 750 m ²	
Access to public transport and amenities	✓	Yes		No		all forms of transport within 450m	
Sporting facilities	in basement	N/A		N/A			
Bicycle parking						yes	
Parking and Loading services							
Car park		Yes		-		min 79 spaces	
Loading Docks / delivery bay		Yes		-			
Courier parking		Yes		-			

3 BRIEF CONDITION ASSESSMENT

PTW extract from the DA Document:

**105 Miller Street North Sydney - DA Design Report by
Bates Smart - February 2020**

4.4 MLC Issues

p 38 Building services and lifts require replacement.

p 40 Façades - Curtain Wall

- States that façades need to be removed to replace the rubber gaskets on east and west façades.

p 41 Façades - Terra Cotta Tiled Façade

Glazed ceramic tiles on north and south elevations

- 2002 ARUP Façades identified delamination from substrate; mechanical fixing undertaken as temporary measure with two-yearly cycle of inspections.

p 42 Fire Rating

- Structural fire rating below the mechanical services (and above ceilings) needs to be removed to renew services.

p 43 Miller Street Special Area

- 100 year rain event (approx every two years), floods lobby.
- Report notes that can be resolved through infrastructure upgrade by Sydney Water or onsite redesign

**p 44 Urban Design considerations
(p 39 Denison Street, p 44 Brett Whiteley Place)**

Denison Street:

- Designed originally as back-of-house, however southern part of Denison Street is to be pedestrianised as part of Metro redevelopment

Brett Whiteley Place:

- Pedestrian 'way' from Denison Street to Miller Street (along Mount Street alignment)

See Scenario 1 discussion on pp 12 - 14 which provides further technical information and commentary on the statements above.



Figure 3. MLC Building view from Denison Street
Photo: PTW 2021

4 COMPARATIVE ANALYSIS

105 Miller Street North Sydney - DA Design Report by Bates Smart - February 2020

contains the following information:

4.5 Refurbishment of Mid-Century Buildings

pp46-51

Comparative analysis of the refurbishment of mid-century office buildings:

USA

- Lever House, NY 1952 / 2001 - 'highly functional floorplates for contemporary office use'
- Crown Zellerbach, SF 1959 / 1990
- Inland Steel Headquarters, Chicago 1957/2018

AUSTRALIA

- Reserve Bank of Australia, Sydney 1964/1990s and 2008 lobby refurbishment
- ICI House, Melbourne 1958/no date refurbishment
- Council House, Perth 1963/1990s
- MLC, Brisbane 1935/2017 refurbishment
- MLC, Adelaide 1957/2017
- MLC, Perth 1957/2017

4.6 Floorplate Comparison

p 52

States that:

Lever House, New York
Inland Steel Headquarters, Chicago
Crown Zellerbach, San Francisco

"considered to be highly functional floorplate for contemporary office. These floorplates provide opportunities for connectivity, collaboration, and well-proportioned contiguous spaces"

Conversely states that MLC North Sydney "unsuitable for contemporary office use and subdivision"

PTW review:

The floorplates for the US buildings above and ICI House, Melbourne have been overlaid on the MLC North Sydney floorplate (Figures 4 to 7).

The overlays indicate that the MLC North Sydney floorplates are very similar to those described as 'highly functional...for contemporary office' in the DA document.

The western wing of MLC North Sydney is however longer than cited precedents. Therefore the diagrams in Figure 8, Figure 9 and Figure 10 test the MLC North Sydney floorplates for subdivision into 500-800m² tenancies. The office layouts are based on those completed in 2020 for the Sydney offices of one of the leading tech companies and those produced by leading international architects for the competitions called 'Sydney 2020' and 'Sydney 2019' in Table 1 on page 4.

4 COMPARATIVE ANALYSIS (continued)



Figure 4. Comparison MLC North Sydney Floorplate with Lever House, New York (coloured orange)

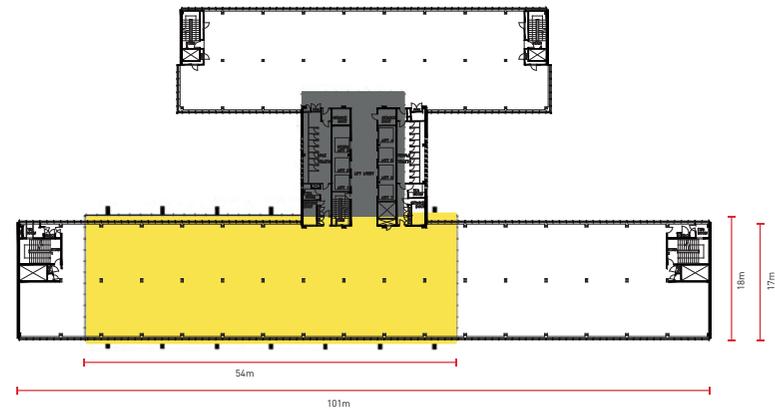


Figure 5. Comparison MLC North Sydney Floorplate with Inland Steel Headquarters, Chicago (coloured yellow)

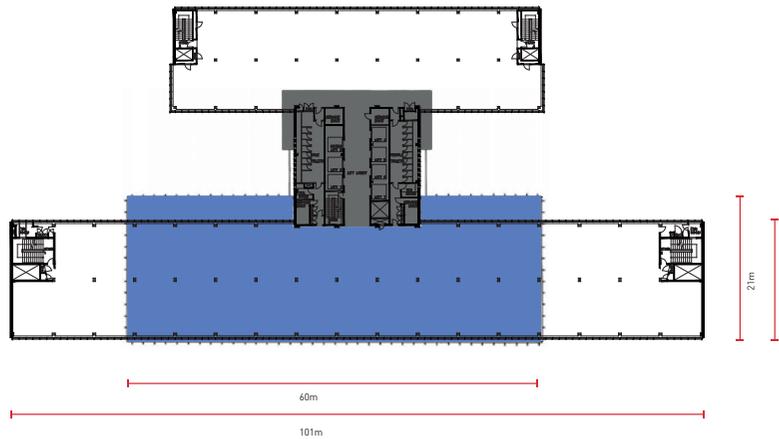


Figure 6. Comparison MLC North Sydney Floorplate with Crown Zellerbach Building SF (coloured purple)

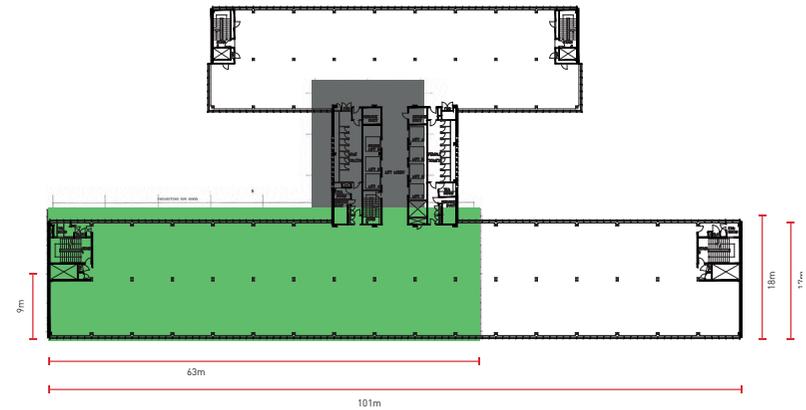
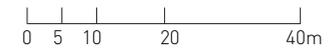


Figure 7. Comparison MLC North Sydney Floorplate with ICI House, Melbourne (coloured green)



4 COMPARATIVE ANALYSIS (continued)

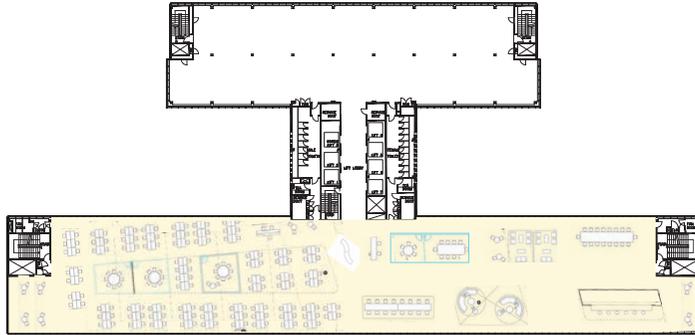


Figure 8. Single 1600 m² tenancy MLC North Sydney Floorplate (Miller Street Wing)

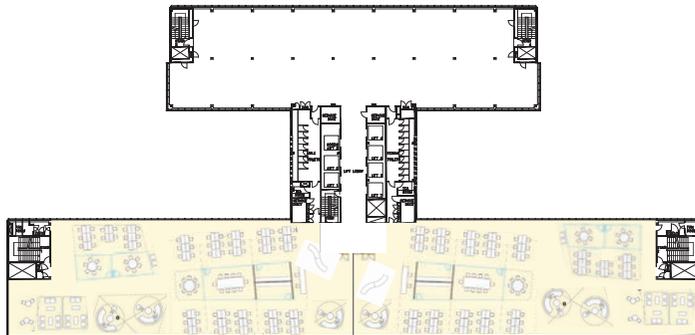


Figure 9. Two 800 m² tenancies MLC North Sydney Floorplate (Miller Street wing) using furniture layouts from with Sydney 2020 Competition entry



Sky Rise - 1 Tenant
Sydney 2020 Competition entry

0 5 10 20 40m

4 COMPARATIVE ANALYSIS (continued)

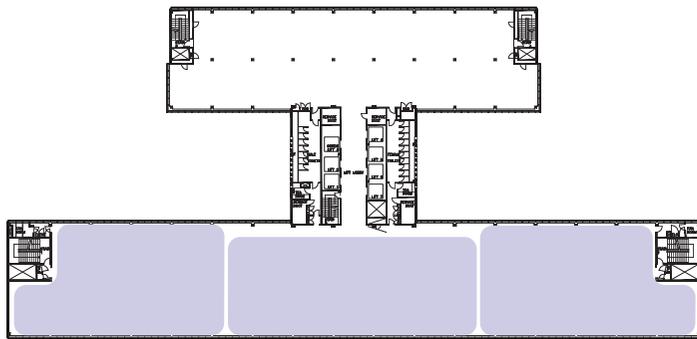
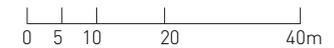


Figure 10. Three 500 m² tenancies MLC North Sydney Floorplate (Miller Street wing) using furniture layouts from Sydney 2020 Competition entry



High Rise - 2 Tenants

High Rise - Two tenancies
Sydney 2020 Competition entry



5 IMPACT OF HERITAGE SIGNIFICANCE

5.1 Scenario 1

Impact of refurbishment for MLC, North Sydney as a LEP item

The DA report (Section 4.4 MLC Issues, page 45 and summarised in Section 3 of this report on page 6) notes that refurbishment of the MLC Building 'would be required to be taken back to its structural frame and rebuilt to provide a serviceable building for the next 50 years'.

The DA report sets out the main issues as being:

Building Services & Lifts (p38)

'All buildings [sic] services have passed their design life and require replacement including rooftop plant and floor services. The lifts are also outdated & require replacement.'

PTW Comment:

In 2013, a \$40m refurbishment project was undertaken for NAB and Investa (architect Woods Bagot) *'for a flexible working fitout, throughout all 25,000m² of the building plus upgrades to the entry foyer, base building amenities as well as major fire, mechanical and lift upgrades....MLC staff have embraced their new work place with great excitement'*

(<https://www.gallagherjeffs.com.au/Projects/Details/PK/451/Project/MLC-Campus-Revitalisation>, accessed January 2021)

These the refurbishment works are eight years old.

Scenario 1 continued

Denison Street Loading Docks, Basement ramp access & Plant (p39)

With the arrival of Metro & impending pedestrianisation of Denison Street, to be completed as part of Section 94 Contributions from 1 Denison Street, the revitalisation and activation of Denison Street is a priority & cannot be achieved with the existing services and carpark/loading areas. Further, the current location of loading and carpark entry create a pedestrian/vehicle conflict at the entry/exit to Metro.

PTW Comment:

The potential conflicts are valid. It is noted, however that the DA design does use some of the Denison Street frontage for vehicular entry and services (coloured grey).

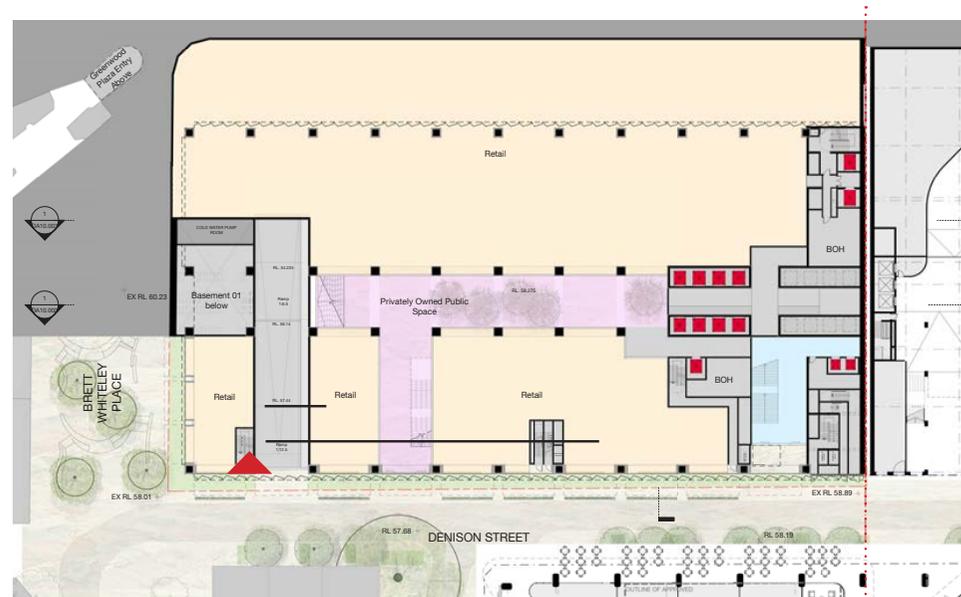


Figure 11. Drawing showing vehicular entry, service and access areas coloured grey in DA Submission. Note: approx. 78 linear metres of active frontage to Denison Street. Also note retail area shown in yellow on Miller Street sits below ground (extracted from DA submission drawings by Bates Smart dated February 2020)

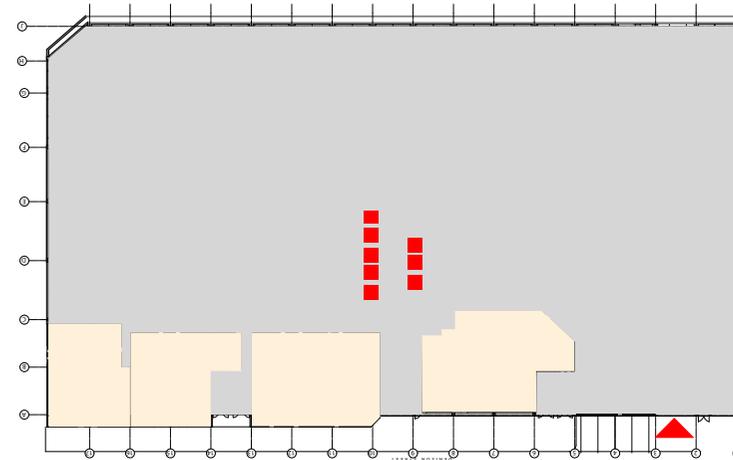


Figure 12. Drawing showing existing car park entry (coloured grey) and loading dock (coloured blue). Note: approx 74 linear metres of active frontage (extracted from DA Submission drawings by Woods Bagot dated September 2012)

Scenario 1 continued

Façades - Curtain Walls (p 40)

'The rubber gaskets used in the glazed east and west façades have disintegrated resulting in these façades leaking. The gaskets cannot be replaced without removing the façades'

PTW Comment:

Curtain walls of the MLC North Sydney era are generally unlike contemporary curtain walls in that a large proportion of the walls were assembled on site.

In the 2000 refurbishment of the base building, the curtain wall facade was repaired:

- mill finished aluminium was scoured to remove corrosion (this comparison has re-occurred as is visible in the photographs of the DA report and requires re-doing as part of cyclic maintenance)
- colour backed blue glass panels were replaced, working from both inside and outside
- new flashing elements were inserted working from both front and back
- operable sash were screwed shut.

In addition, new ducted skirting was installed. It is also likely that the rubber gaskets were inserted at this time as the original 1957 glass was set using butyl mastic.

Therefore it is likely that replacement of some deteriorated elements can again occur without complete replacement.

As a relevant comparison, in late 2018, RM Watson completed the facade restoration of the Qantas building (now called One Chifley Square) including:

- *'Removal and replacement of 25% of the façades heritage spandrel panels and glazing.*
- *Safe removal and disposal of asbestos sealant and glazing putty from the façade.*
- *General sandstone repairs and maintenance.*
- *Cleaning of all façade finishes*

The budget was \$1,450,000 and spandrel panels were replaced without dismantling the whole facade.

(https://www.rmwatson.com.au/project_list/one-chifley-square-sydney/ accessed January 2021)

Façades - Terra Cotta Tiled Facade (p 41)

'Terracotta tiled north and south façades are delaminating from their substrate as identified in a 2002 ARUP Facade Report. Loose tiles have been mechanically fixed to the substrate, however all tiles will need to be permanently fixed and/or replaced in the future.'

PTW Comment:

PTW notes that a second opinion was sought by the then owner. The diagnosis (by Hyder, ICS and JTCW) looked at options for conservation/repair. These repairs were undertaken by RM Watson. Please see Appendix A for a copy of the presentation to Australia Icomos 'Unloved Modern' conference in 2009 by the consultants describing the actual repair works undertaken.

As noted in the presentation, similar conservation work will need to be undertaken at about 15 year intervals. PTW's informal discussions with facade engineers estimate that this may be in the order of a few hundred thousand dollars per time (which is substantially lower than the owner-estimated \$4.5m)

Fire Rating (p 42)

'The structural fire rating is below the mechanical services, and thus must be removed to allow the replacement of mechanical services as well as to provide contemporary flexibility of services'

PTW Comment:

Drawings of the building section both in the DA and for the 1998 refurbishment indicate a sheet of plasterboard, fibre cement or the like, providing fire rating to the steel structure. Removal and replacement would seem possible above the new ceilings that appear from photographs to be part of the 2012 refurbishment.

Miller Street Special Area (p 43)

'There are additional complications in that the lobby currently floods every time there is a 100 year rain event, which is approximately every two years. This is caused by there being a low point in Miller Street where water ponds and cannot get around the corner to Pacific Highway, instead flowing down the Miller Street Special Area and flooding through the lobby and down the lift shafts. This requires an infrastructure upgrade by Sydney Water or can be resolved onsite through the redesign.'

PTW comment: It is assumed that the redevelopment of the adjacent site of the Sydney Metro Victoria Cross OSD with extensive below ground works will involve major infrastructure upgrades which may well address this issue.

Summary:

Noting that PTW does not have access to the building and specialist reports, regular upgrading of services, lifts to meet contemporary expectations and cyclic maintenance, repair of fabric is to be expected. The actual works undertaken in mid-2000s and proposed maintenance for the glazed terracotta walls, for example, is far less intensive than suggested by the DA reports (in the order of 10-15 % stated costs).

5.2 Scenario 2

Impact of refurbishment for MLC, North Sydney as a SHR item

The elements discussed for Scenario 1 apply equally for Scenario 2 - the MLC, North Sydney as a State Heritage Register item.

The owners submission to the Heritage Council of NSW (Investa, 8 October 2020), however makes two other comments with regard to refurbishment:

- **p 5*** *'In order to conserve the MLC Building for State heritage purposes, considerable works will need to be undertaken to both the facade and services. This will involve stripping the building back to its structural frame and then rebuilding the MLC Building as a facsimile of the original with new materials and technology'*

Apart from any considerations that the extent of refurbishment required may not be as extensive as asserted, this statement assumes that all the cultural significance sits within the 'original' fabric and removal and replacement is not part of managing change. As with the Hyder review of the Arup report on the glazed tiles (see p14), conservation and upgrading of any material requires judicious repair and sometimes replacement eg stonework - some elements may be patched, some elements may be replaced without major adverse impact to the cultural significance of the building as a whole.

- **p 5** *'upgrades to fire rating and additional lateral stability for earthquake loading. These issues cannot be resolved with retention of the existing building fabric and will require major intervention to primary elements of the structure'*

Augmentation to meet current codes is the norm for the upgrading of any existing building, noting that the required safety outcomes can often be achieved in a number of different ways.

* Also referenced on p 45 of The DA report - Section 4.4 MLC Issues.

Deterioration – Detachment of Terracotta



- Extensive areas of drummy terracotta
- Opening up indicated debonding between mortar backfill and concrete
- Potential to detach in large sections



Feasibility and Trials



Salvage of terracotta units

- Saw cut joints
 - Sacrifice first unit
 - Prise / lever out unit below
-little success!



COMPLETED WORKS



Colour match of glaze depends on lighting conditions



CONCLUSION



- Sympathetic repair of a heritage listed asset
- Owner's project objectives achieved
- 'Engineered' solution for long term stability and durability

Will require documentation to prevent future consultants misinterpreting past works

Figure 13. Extracted pages from AICOMOS presentation - Unloved Modern, Peter Johnsson 2009 detailing restoration works of glazed terracotta tiles of MLC Building North Sydney

3. Denison Street relocated to the north
 This option replaced the Denison Street wing with a version that maintained the southern extent of the existing Denison Street wing and extended up to the northern boundary as well as above the existing Miller Street wing. The symmetry with the Miller Street wing and core was lost. This option achieved 57,300sqm NLA, however was highly visible from Miller Street and continued to have significant overshadowing of Brett Whiteley Place throughout the year.

- Site - 105 Miller Street
- North Sydney REI Zone - Public Recreation (Brett Whiteley Place)
- North Sydney LEP Special Area
- Additional Shadow cast by proposal
- Existing MLC building to be retained
- New addition

Partial Demolition Scenario 3

Background (continued)

Shadow Analysis Diagrams extracted from **105 Miller Street North Sydney - DA Report by Bates Smart**
5.0 MLC Adaptive Re-Use



New Proposed DA Option

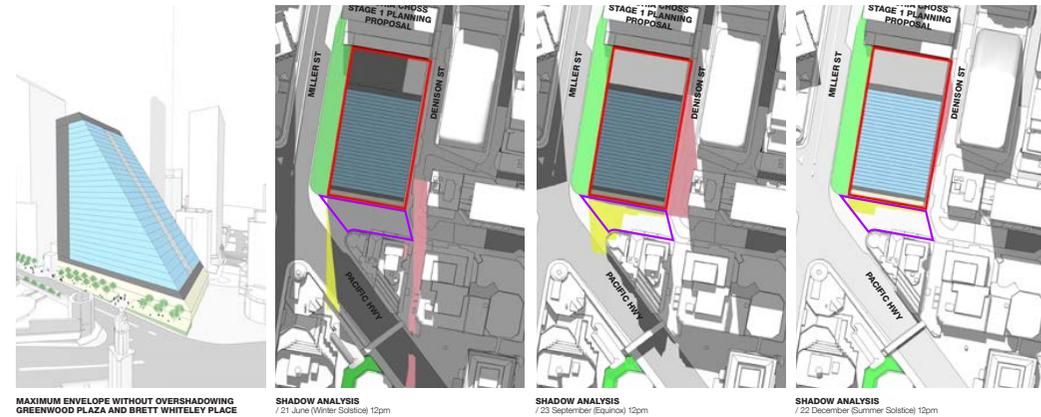


Figure 15. Shadow Analysis Diagrams extracted from 5.0 MLC Adaptive Re-Use

Scenario 3

Proposed Indicative Scenario 3

A version of the Scenario 3 which appears in the DA document has been tested by this report and shown in Figures 17 to 22:

- Retain existing 13 level Miller Street building
- Demolish existing core and 5 level building on Denison Street
- New Denison Street 18 level building (13 levels at 1505 m² + 4 levels at 1315 m²)
- Rebuild 2 Cores
 - 1 to service existing 13 level Miller Street building
 - 1 to service new 18 level Denison Street building
- Rebuild/extend podium (L00) level of Denison Street building into central area (replace existing).



Figure 16. Aerial image of existing MLC building

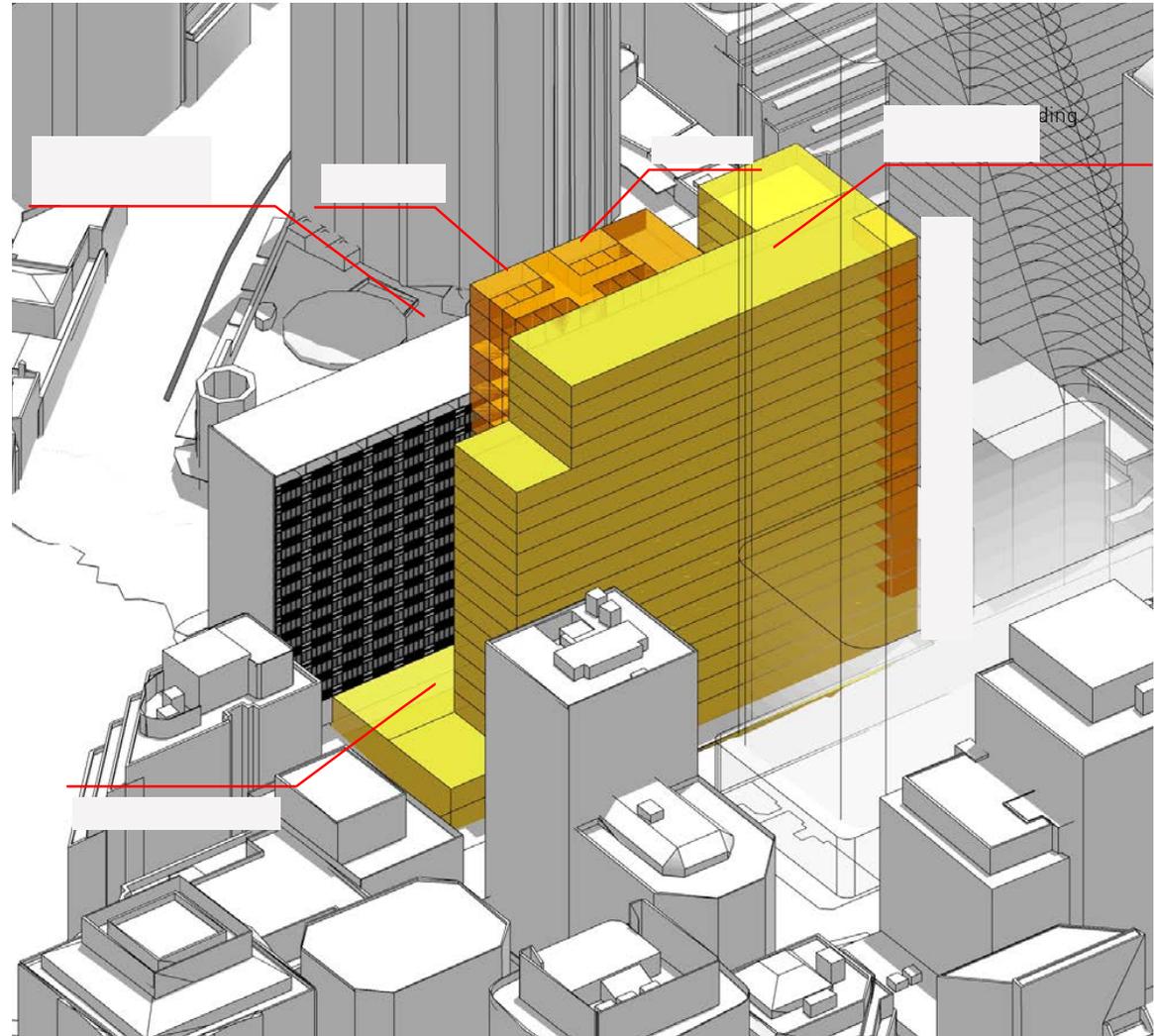


Figure 17. Indicative 3D Massing Diagram of Scenario 3 viewed from the west

Scenario 3

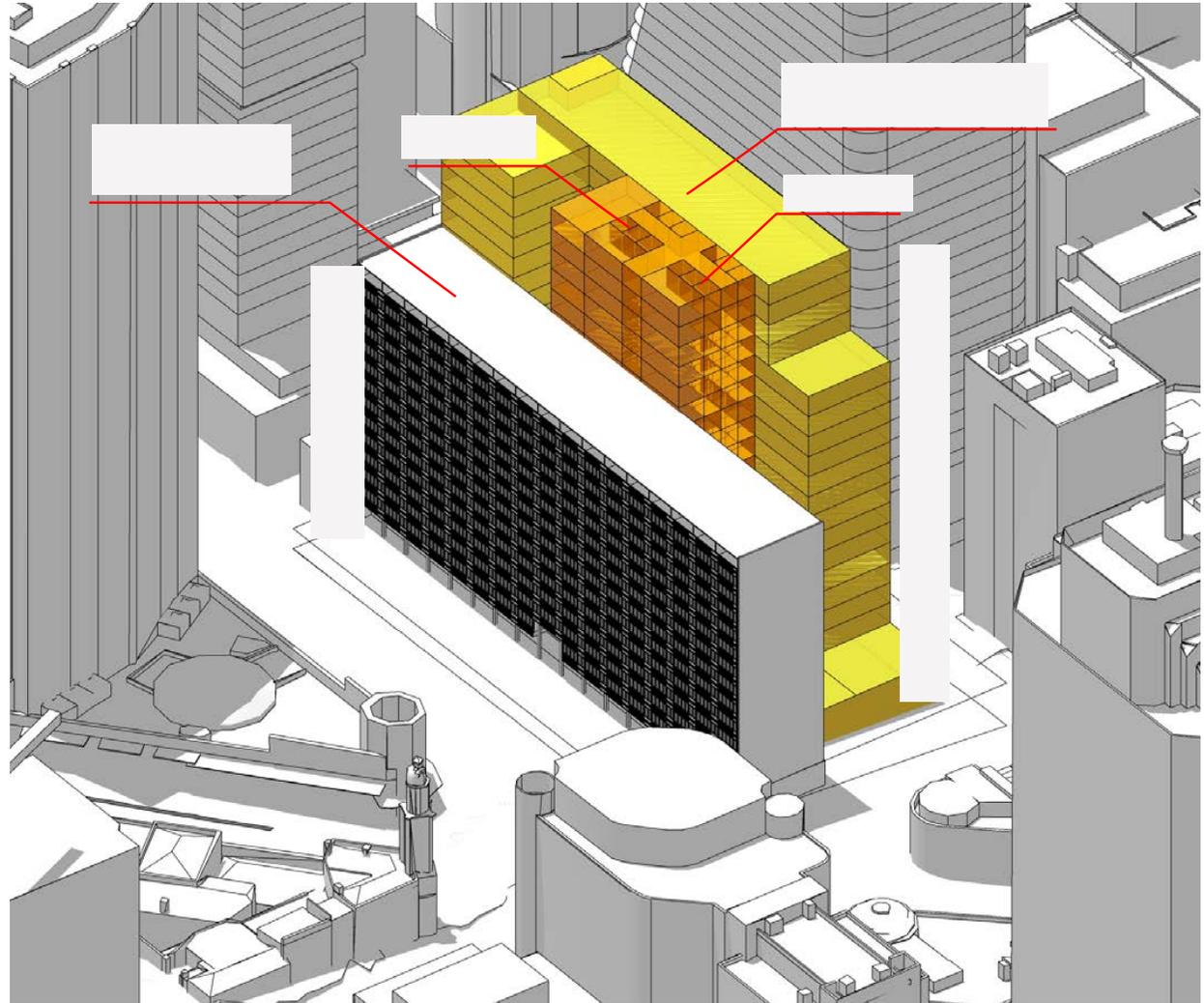


Figure 18. Indicative 3D Massing Diagram of Scenario 3 viewed from the east

Scenario 3

Indicative Plan

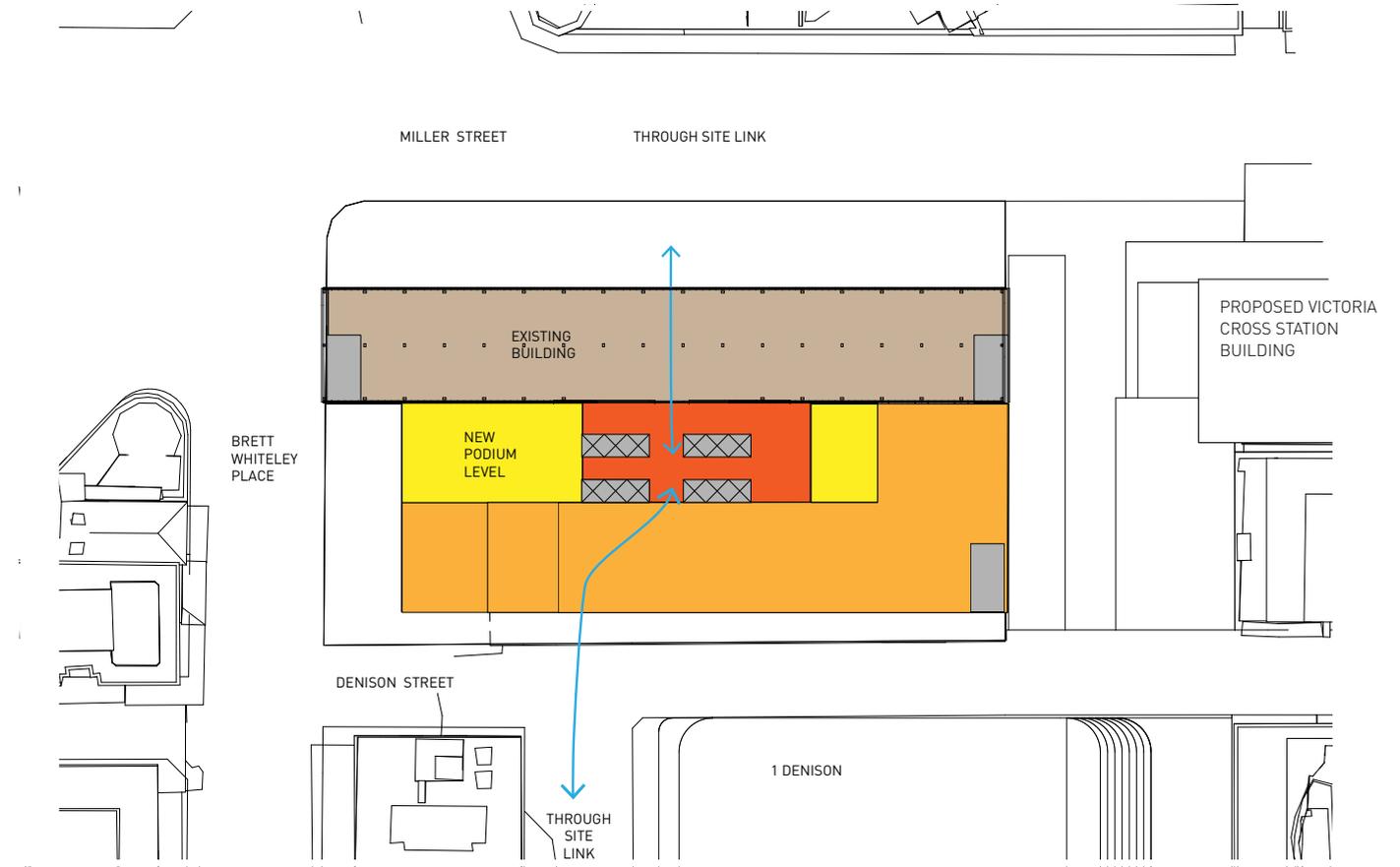
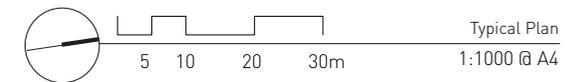


Figure 19. Scenario 3 - Typical Plan

** note underlay information for Victoria Cross Station extracted from Approved Section 4.55 TFNSW Victoria Cross OSD 06 July 2020



Scenario 3

Indicative Plan

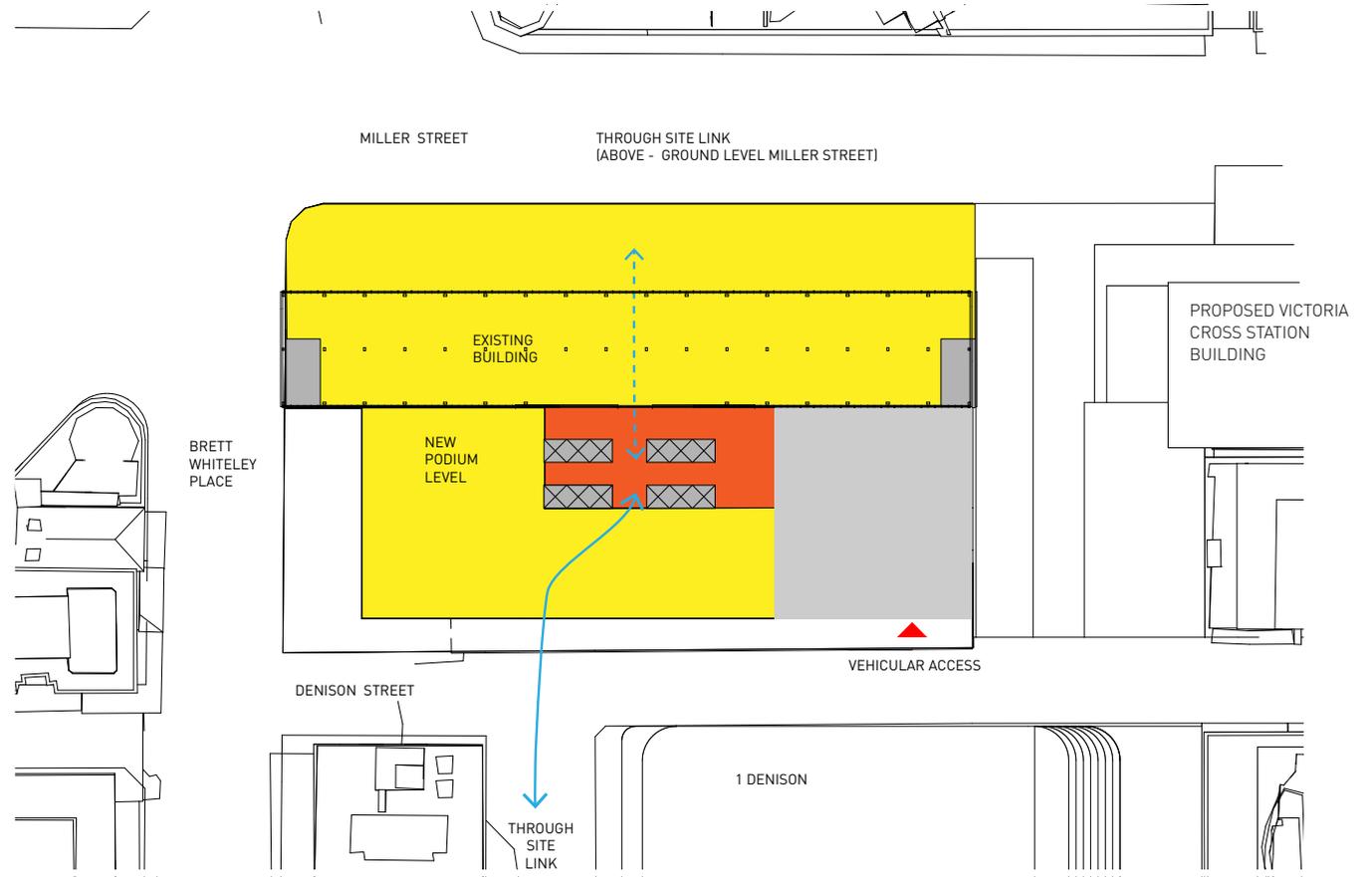
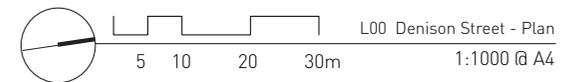


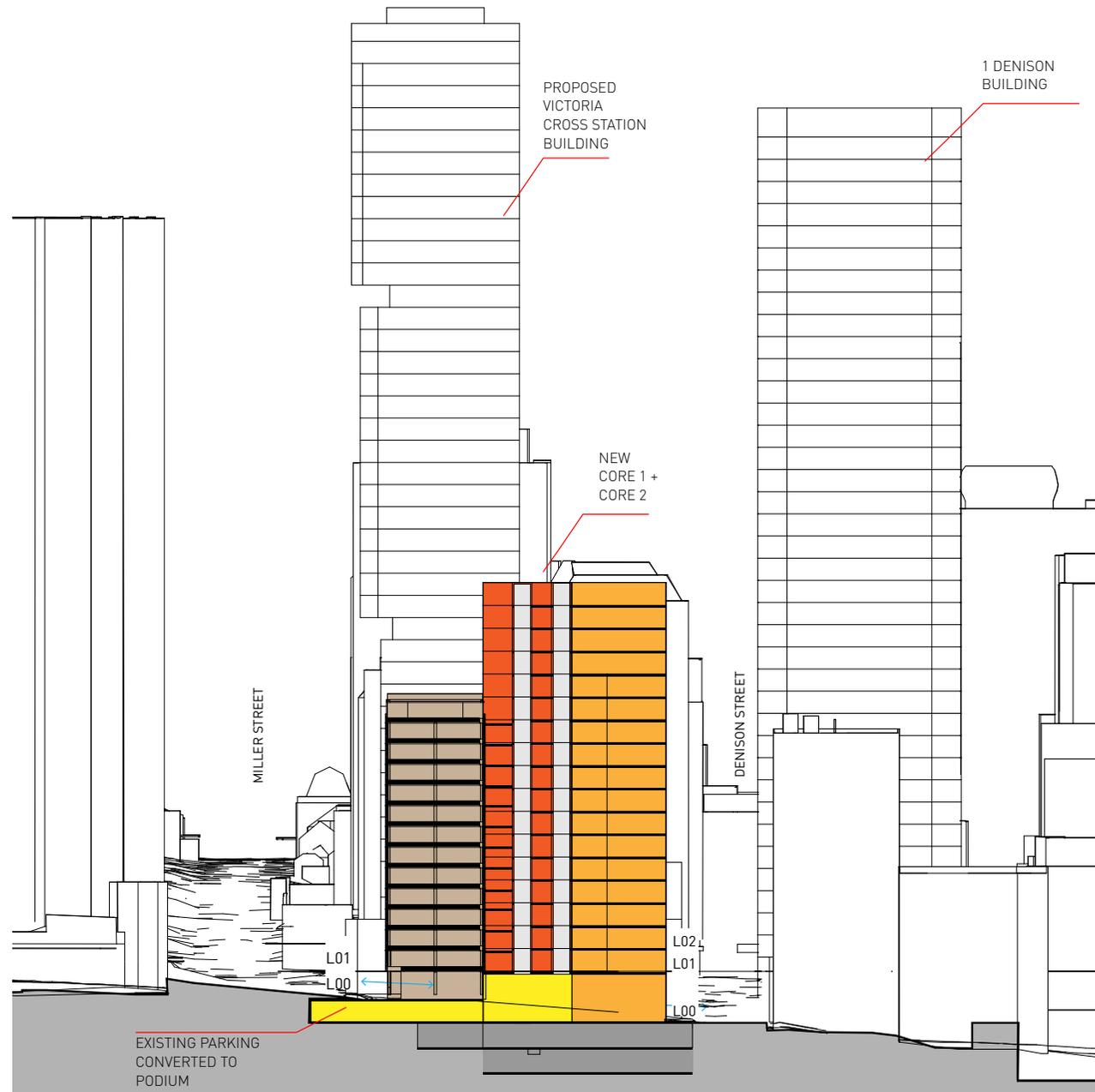
Figure 20. Denison Street L00 - Plan

** note underlay information for Victoria Cross Station extracted from Approved Section 4.55 TFNSW Victoria Cross OSD 06 July 2020



Scenario 3

Indicative Section



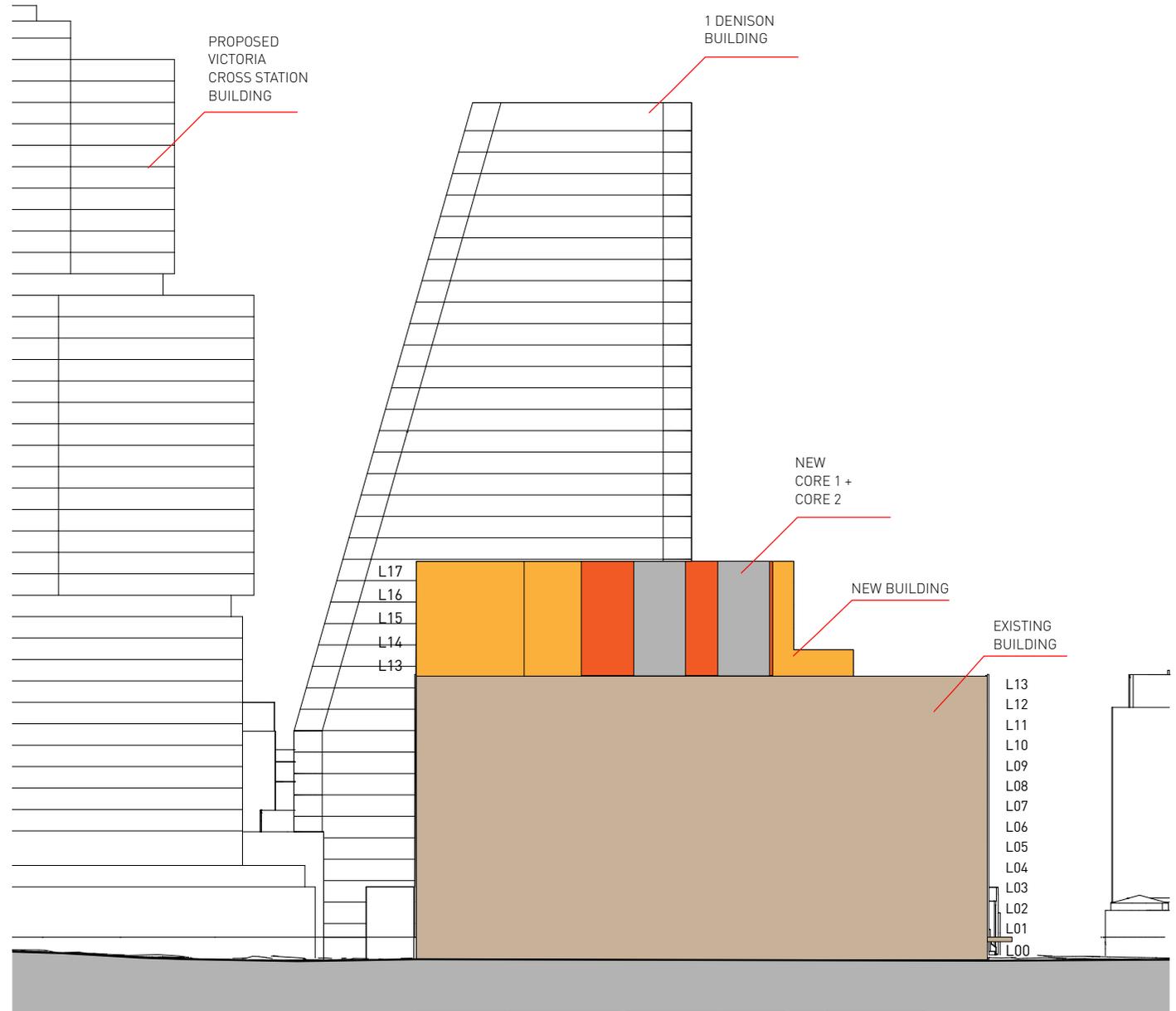
** note underlay information for Victoria Cross Station extracted from Approved Section 4.55 TFNSW Victoria Cross OSD 06 July 2020

Figure 21. Indicative Section



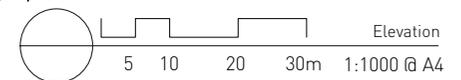
Scenario 3

Indicative Elevation



** note underlay information for Victoria Cross Station extracted from Approved Section 4.55 TFNSW Victoria Cross OSD 06 July 2020

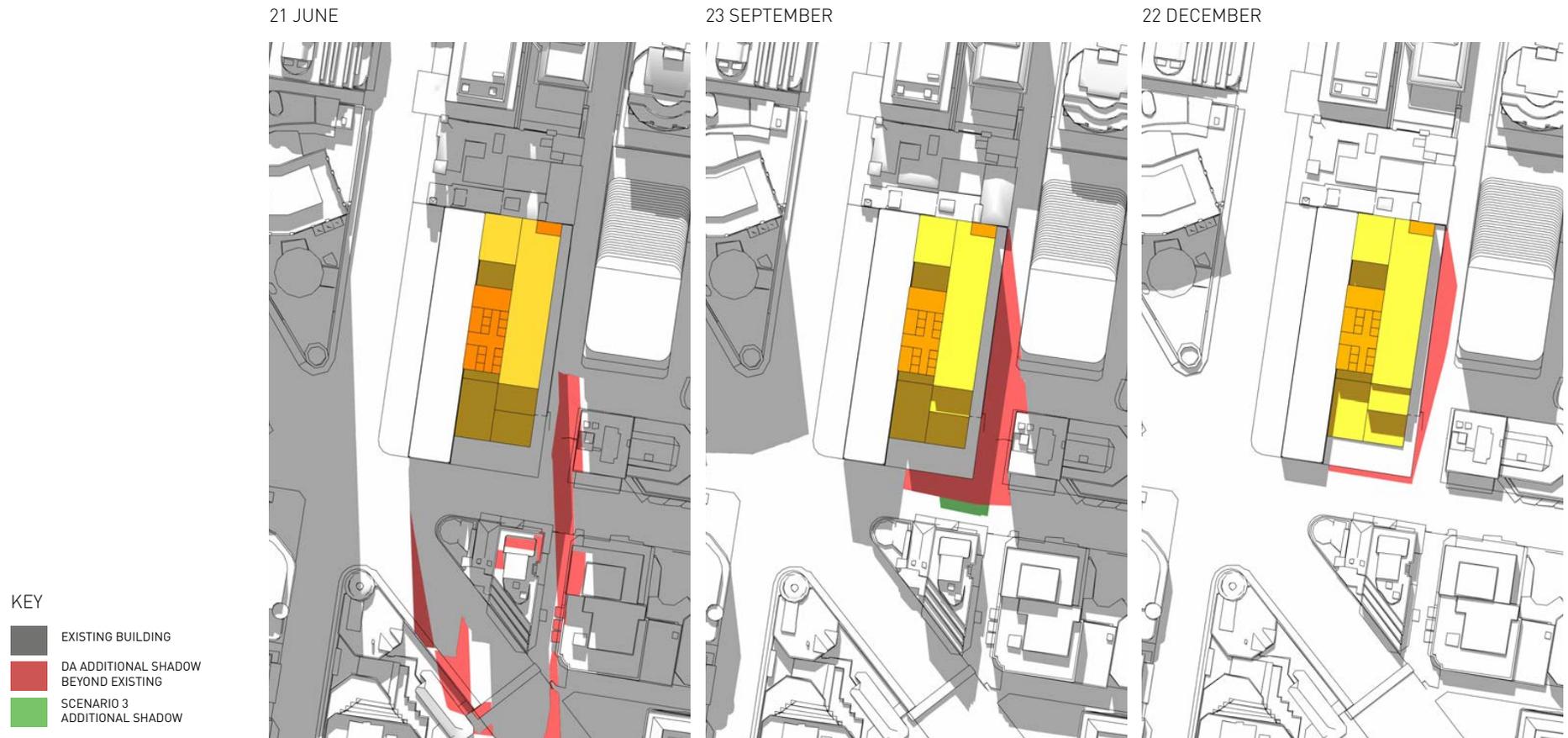
Figure 22. Miller Street Elevation



Shadow Diagrams

Figure 23. Shadow Diagrams for Scenario 3 - 18 Levels (L00 + 17)
Diagrams based on current conditions.

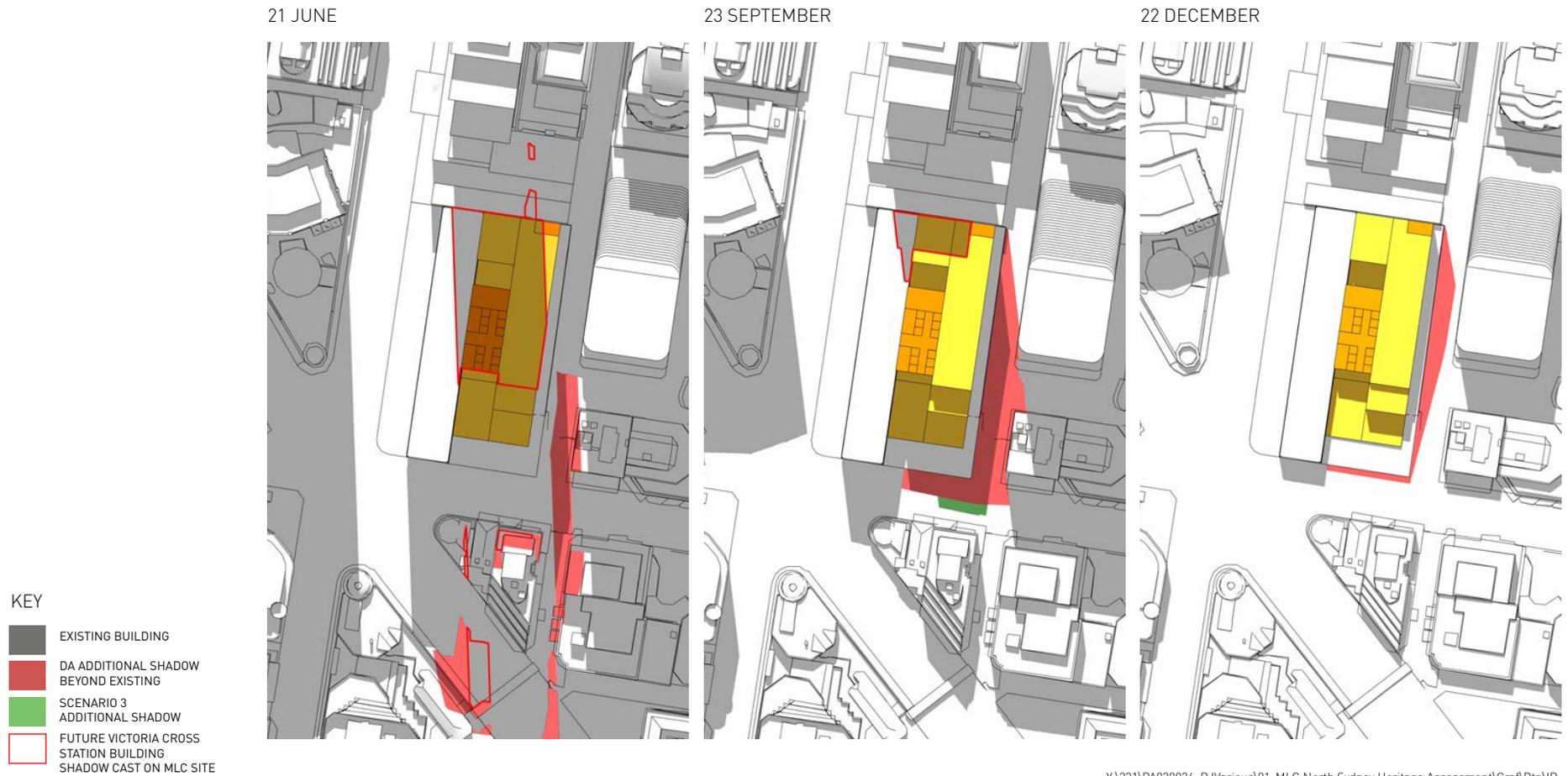
A new eastern wing of the MLC North Sydney would add a small amount of extra shadow beyond the DA proposal (shown in green) on Brett Whiteley Place at the equinox (23 September)



Shadow Diagrams

Figure 24. Shadow Diagrams for Scenario 3- 18 Levels (L00 + 17)
Diagrams based on future state with Victoria Cross OSD Building

Note: The Victoria Cross OSD building will overshadow Brett Whiteley Place from mid April to mid August



Scenario 3

Area Tables

Table 2. Area table of Proposed Scenario 3 (estimates only) * [Existing Building information extracted from DA Report by Bates Smart 2020]

Existing Miller St Building	RL	Height	GFA m2	Lift and services core (excluding toilet amenities)
GFA				
Level 16	121.671			
Level 15	117.632	4.099		
Level 14 LMR	114.052	3.58		
Level 13	109.696	4.356		
Level 12	106.126	3.57	1600	275
Level 11	102.556	3.57	1600	275
Level 10	98.986	3.57	1600	275
Level 09	95.416	3.57	1600	275
Level 08	91.846	3.57	1600	275
Level 07	88.276	3.57	1600	275
Level 06	84.706	3.57	1600	275
Level 05	81.136	3.57	1600	275
Level 04	77.566	3.57	1600	275
Level 03	73.996	3.57	1600	275
Level 02	70.426	3.57	1600	275
Level 01	66.856	3.57	1600	275
Level 00	62.136	4.72	690	275
Basement 01 existing			2440	275
			22330	
TOTAL GFA Miller st building			22330	
Basement 02 existing			1266	275
				4400

GFA DEFINITION

<http://www.legislation.nsw.gov.au/#/view/EPI/2013/411/dict1>
17 February 2017

gross floor area means the sum of the floor area of each floor of a building measured from the internal face of external walls, or from the internal face of walls separating the building from any other building, measured at a height of 1.4 metres above the floor, and includes:

- (a) the area of a mezzanine, and
- (b) habitable rooms in a basement or an attic, and
- (c) any shop, auditorium, cinema, and the like, in a basement or attic, but excludes:
 - (d) any area for common vertical circulation, such as lifts and stairs, and
 - (e) any basement:
 - (i) storage, and
 - (ii) vehicular access, loading areas, garbage and services, and
 - (f) plant rooms, lift towers and other areas used exclusively for mechanical services or ducting, and
 - (g) car parking to meet any requirements of the consent authority (including access to that car parking), and
 - (h) any space used for the loading or unloading of goods (including access to it), and
 - (i) terraces and balconies with outer walls less than 1.4 metres high, and
 - (j) voids above a floor at the level of a storey or storey above.

New Denison St Building		Height	GFA m2	Lift and services core (excluding toilet amenities)
GFA				
	132.656			
Level 17	128.786		1315	225
Level 16	124.916		1315	225
Level 15	121.046	3.87	1315	225
Level 14	117.176	3.87	1315	225
Level 13	113.306	3.87	1505	225
Level 12	109.436	3.87	1505	225
Level 11	105.566	3.87	1505	225
Level 10	101.696	3.87	1505	225
Level 09	97.826	3.87	1505	225
Level 08	93.956	3.87	1505	225
Level 07	90.086		1505	225
Level 06	86.216	3.87	1505	225
Level 05	82.346	3.87	1505	225
Level 04	78.476	3.87	1505	225
Level 03	74.606	3.87	1505	225
Level 02	70.736	3.87	1505	225
Level 01	66.866	3.87	1505	225
Level 00	58.286	8.58	980	225
Level 00 New podium		8.58	385	
			26190	
TOTAL GFA Denison st building			26190	
TOTAL GFA			46920	
Level 00 New podium (loading dock)			850	
Level B1 New podium (carpark)	84 car spaces	4.34	3070	
Level B2 New podium (services)		4.34	3070	

Scenario 3

Area Tables (Continued)

Table 3. Area table of Proposed Scenario 3 (estimates only) * [Existing Building information extracted from DA Report by Bates Smart 2020]

Existing Miller St Building	RL	Height	NLA m2
NLA			
Level 16	121.671		
Level 15	117.632	4.099	
Level 14 LMR	114.052	3.58	
Level 13	109.696	4.356	
Level 12	106.126	3.57	1365
Level 11	102.556	3.57	1365
Level 10	98.986	3.57	1365
Level 09	95.416	3.57	1365
Level 08	91.846	3.57	1365
Level 07	88.276	3.57	1365
Level 06	84.706	3.57	1365
Level 05	81.136	3.57	1365
Level 04	77.566	3.57	1365
Level 03	73.996	3.57	1365
Level 02	70.426	3.57	1365
Level 01	66.856	3.57	1365
Level 00	62.136	4.72	1365
Basement 01 existing			
Total NLA Miller St			17745

New Denison St Building	RL	Height	NLA m2
	132.656		
Level 17	128.786	3.87	1156
Level 16	124.916	3.87	1156
Level 15	121.046	3.87	1156
Level 14	117.176	3.87	1156
Level 13	113.306	3.87	1330
Level 12	109.436	3.87	1330
Level 11	105.566	3.87	1330
Level 10	101.696	3.87	1330
Level 09	97.826	3.87	1330
Level 08	93.956	3.87	1330
Level 07	90.086	3.87	1330
Level 06	86.216	3.87	1330
Level 05	82.346	3.87	1330
Level 04	78.476	3.87	1330
Level 03	74.606	3.87	1330
Level 02	70.736	3.87	1330
Level 01	66.866	3.87	1330
Level 00	58.286	8.58	385
Basement 01 new			
Basement 02 new			
Total NLA Denison St			22299
TOTAL NLA			40044

Net Lettable Area (NLA) is a measurement of the total occupiable floor space taken from the inside surfaces of the exterior walls and/or the mid-line of any shared walls and excludes areas such as common stair wells, toilets, lift lobbies and vertical service ducts. This method is most commonly used to measure multistorey, multi tenancy buildings such as office buildings.

Scenario 3

Indicative Tenancy Layouts

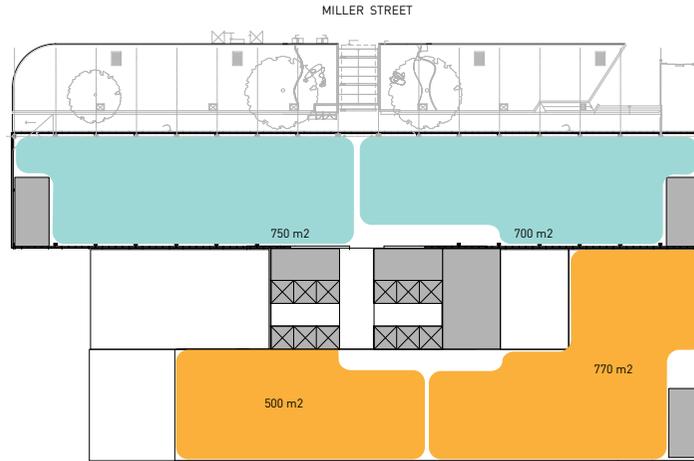


Figure 25. Tenancy layouts of typical floor showing:
2 Tenancies in Miller Street Building (existing)
2 Tenancies in Denison Street Building (new)

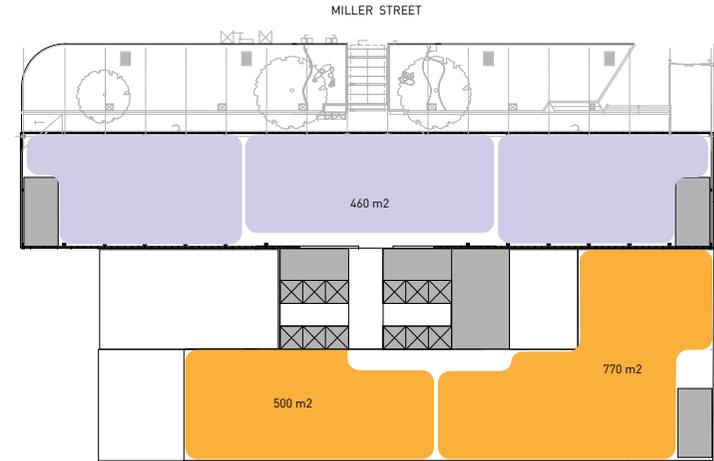


Figure 26. Tenancy layouts of typical floor showing:
3 Tenancies in Miller Street Building (existing)
2 Tenancies in Denison Street Building (new)

The diagrams in Figures 25 to 27 test the MLC North Sydney floorplates for subdivision into 500-800m² tenancies. The office layouts are based on those recently completed for the Sydney offices of a global leading tech company.

Figures 28 and 29 demonstrate how the tenancies can accommodate the furniture layouts for collaborative interactive working (the contemporary workplace). The coloured tenancy areas of Scenario 3 are overlaid over the furniture plans for the fitouts (completed 2020) showing that similar furniture arrangements could be fitted into Scenario 3.

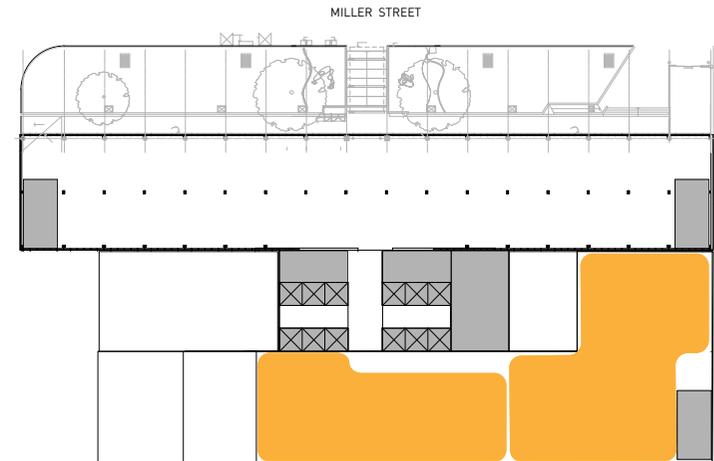
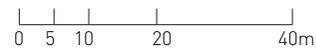


Figure 27. Tenancy layouts of upper floor levels of new building showing: 2 Tenancies in Denison Street Building (new)



Scenario 3

Tenancy Layout comparisons

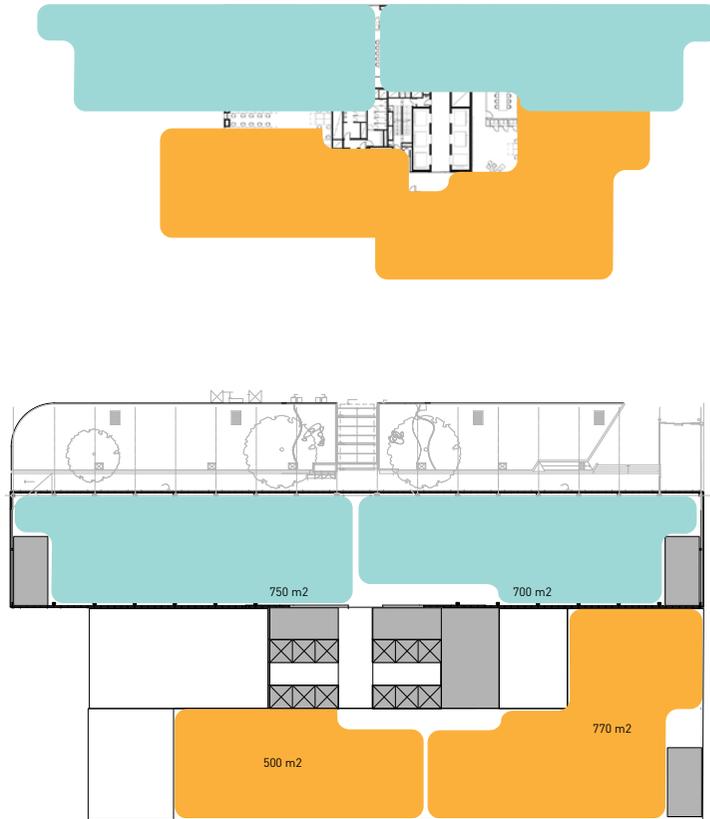


Figure 28. Tenancy capacities compared to 2020 office layout for a global tech company

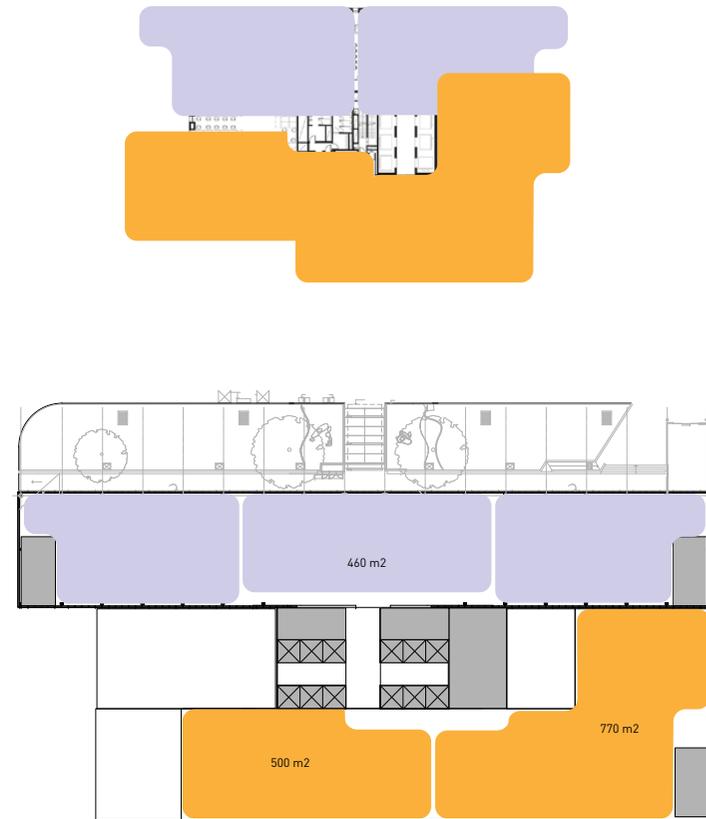
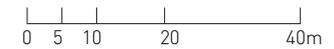


Figure 29. Tenancy capacities compared to 2020 office layout for a global tech company



6 CONCLUSION

From an analysis of the information contained within the DA documents, the owner's submission to Heritage NSW and publicly available information, this report concludes that:

- 1 The existing MLC Building North Sydney fulfils the minimum building and floorplate size parameters set by the Property Council for A grade buildings in the Sydney CBD.
- 2 The floorplate configuration of the existing building is capable of being fitted out for a contemporary workplace and compares favourably with the precedents cited in the DA report as 'highly functional floorplate for contemporary office'.
- 3 While it is not unexpected that the building services and lifts require upgrading, the 2000 and 2013 refurbishments included major upgrades to fire, mechanical and lift services. Further, there are usually a range of ways to meet contemporary fire rating and structural requirements.
- 4 The proposed Victoria Cross OSD development to the north of the MLC site for the new Metro will likely involve major infrastructure upgrades that could well address the flooding problem of the Miller Street lobby.
- 5 The DA call for complete replacement of the terracotta tiled façade based on a 2002 Arup Facades report does not seem to align with the fact that the 2002 report was superseded by a Hyder-led peer review and the actual work then undertaken and documented. Periodic repair at 10 to 15 year intervals was recommended by the Hyder/ICS/JTCW team.
- 6 The DA call for complete replacement of the curtain walls owing to the inability to replace the rubber gaskets requires further interrogation. The rubber gaskets are not original and in the 2000 refurbishment, many of the blue glass panels were replaced, working from both the front and the back. New flashing elements were inserted into the façade at the same time. Curtain walls of about 1960 tended to be assembled to a great extent on site. Thus it is probable that, as in 2000, replacement of deteriorated elements can occur without the replacement of the whole façade.
- 7 The owner's assertion that major repairs or replacement of the fabric of the MLC Building North Sydney would reduce the building to a facsimile assumes that all the significance sits within the original fabric. Removal and replacement of fabric is part of managing change over the life of significant buildings.
- 8 Scenario 3 reduces the curtilage to that of the Miller Street wing. The building of a new vertical circulation and services core for the existing wing and a separate core for a new Denison Street wing will address the lift capacity issues with the existing building; provide the potential to vertically connect floorplates with atria; and provide greater visual and physical connections from Denison Street to Miller Street through a new podium.
- 9 In late 2020, the Victoria Cross OSD building to the north of the MLC site was approved. At about 40 storeys high, it will effectively overshadow Brett Whiteley Place from mid-April to mid-August. Therefore the small increase in overshadowing caused by the new Denison Street wing of the proposed Scenario 3 at the September equinox is not as significant as it may have been when North Sydney Council rejected a similar proposal in 2002.
- 10 The approval of the Victoria Cross OSD building and the completed envelope of about 38 storey building '1 Denison' to the south of the MLC site creates a very high built form context into which a new higher western wing (interconnected to the original Miller Street wing) can be inserted without major adverse impacts.

Back cover page Image:
Photograph of Pacific Highway with MLC Building in the background
Frank Hurley, *Sydney a Camera Study* (1958 Edition)

Heritage Council of NSW - OOS MLC Building North Sydney - MLC Building North Sydney (former) - RTL



URBIS

MLC BUILDING NORTH SYDNEY ECONOMIC ASSESSMENT

**Economic Feasibility of MLC Building
Redevelopment in North Sydney**

Prepared for: Department of Premier and
Cabinet NSW

4 February 2021

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION

The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, has and continues to cause considerable business uncertainty which in turn materially impacts market conditions and the Australian and world economies more broadly.

The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The data and information that informs and supports the Report Content is current as at the date of this report and (unless otherwise specifically stated in the Report) does not necessarily reflect the full impact of the COVID-19 Outbreak on the Australian economy,

the asset(s) and any associated business operations to which the report relates. It is not possible to ascertain with certainty at this time how the market and the Australian economy more broadly will respond to this unprecedented event and the various programs and initiatives governments have adopted in attempting to address its impact. It is possible that the market conditions applying to the asset(s) and any associated business operations to which the report relates and the business sector to which they belong has been, and may be further, materially impacted by the COVID-19 Outbreak within a short space of time and that it will have a longer lasting impact than we have assumed. Clearly, the COVID-19 Outbreak is an important risk factor you must carefully consider when relying on the report and the Report Content.

Were we have sought to address the impact of the COVID-19 Outbreak in the Report, we have had to make estimates, assumptions, conclusions and judgements that (unless otherwise specifically stated in the Report) are not directly supported by available and reliable data and information. Any Report Content addressing the impact of the COVID-19 Outbreak on the asset(s) and any associated business operations to which the report relates or the Australian economy more broadly is (unless otherwise specifically stated in the Report) unsupported by specific and reliable data and information and must not be relied on.

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This report is dated **4 February 2021** and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd's (Urbis) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of **Department of Premier and Cabinet NSW** (Instructing Party) for the purpose of a Economic Valuation (Purpose) and not for any other purpose or use. Urbis expressly disclaims any liability to the Instructing Party who relies or purports to rely on this report for any purpose other than the Purpose and to any party other than the Instructing Party who relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

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Urbis has made all reasonable inquiries that it believes is necessary in preparing this report but it cannot be certain that all information material to the preparation of this report has been provided to it as there may be information that is not publicly available at the time of its inquiry.

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Project code	P0030967
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Report number	Final
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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Project Background

Urbis has been engaged to undertake an economic assessment of the proposed State Heritage Listing of the MLC Building in North Sydney. As part of this we will review the investment / value impacts of the proposed listing and the flow on economic viability of up to four options that are being assessed by PTW.

We understand that the owners of the building are proposing to demolish the existing MLC complex and build a new 27 level office building, with a raked façade that aims to reduce the impact of overshadowing on Mount Street (Brett Whitely Place) with a GFA of 73,756.

North Sydney Market Review

North Sydney has a larger proportion of smaller floorplate buildings compared to other office markets in Sydney. This is significant for North Sydney, as there has been a general trend for organisations to occupy larger floorplates and fewer floors in order to maximise organisational efficiency and connectivity.

North Sydney's current floorspace is dominated by the secondary market, with B Grade accounting for 49% of total floorspace and C-D Grade stock accounting for 20%. The prime market is largely A Grade stock (23%), while Premium Grade stock contributes to 10% of total floorspace. We note however that this trend is shifting with a high volume of recently completed and proposed development pitched at the modern office occupier.

Vacancy rates for Premium Grade and A Grade stock recorded 7.9% and 0% in July 2020 respectively. Vacancy rates for B Grade stock recorded 10% in July 2020 and has falling demand over the last five years. C and D Grade vacancy recorded 7.2% and 3.8% in July 2020 respectively.

The legacy of B Grade buildings has historically held North Sydney back from attracting or retaining large tenants. The current level of proposed development is expected to improve the mix of office accommodation in North Sydney.

Key Requirements for North Sydney Office Space:

- Minimum sized floorplates of 1,500 sq.m
- Building of 20,000-30,000 sq.m
- Modern A Grade and Premium
- Generous floorplates
- Efficient floorplates
- Flexibility - Scale up and down

Financial & Economic Assessment

We have undertaken valuation assessments of the MLC Building assuming:

1. A minor refurbishment of the existing building.
2. Option 2, is based on a regeneration of the existing building as per the WT Partnership cost estimate. Option 2a utilises a lower cost figure previously quoted on behalf of the owner in the SEE prepared by Ethos Urban.
3. A major refurbishment of the existing Miller Street building and demolishing the Denison Street building to develop a 18 level building.
4. Demolishing the existing building to develop a new 27 level A Grade office tower.

Based on our assessment, the 'As If Complete' assuming vacant possession and 'As Is' value (value after costs for each option are deducted) for each scenario are as summarised as follows.

Scenario	'As If' Complete Value	Adopted Refurbishment / Construction Cost	'As is' Value
Option 1	\$285,000,000	\$31,317,000	\$254,000,000
Option 2	\$386,000,000	\$212,654,607	\$173,000,000
Option 2a	\$386,000,000	\$120,000,000	\$266,000,000
Option 3	\$560,000,000	\$249,955,774	\$310,000,000
Option 4	\$985,000,000	\$508,861,398	\$476,000,000

Option 1 – this provides the base scenario for comparison against other options and is considered to be a good proxy for current value as the last publically available valuation as at May 2018 placed the value at \$233,000,000.

Option 2 – This result indicates that the extent of works proposed by the owner as estimated by WT Partnership would not be viable compared to the base option. Option 2a utilises the estimated costs quoted in the Ethos Urban SEE that was lodged with the development application. This option indicates that it is possible for the owner to be no worse off if the costs can be managed to the lower end of the range.

Option 3 – This option indicates that a partial redevelopment of the site retaining the Miller Street building fully refurbished could be viable for the owner and is supported by the analysis undertaken by PTW that indicates that overshadowing of Brett Whitely Place will not add to the impacts of the Victoria Cross over station development. This option is worthy of a more detailed assessment.

Option 4 – This provides the best option, however is predicated on the current heritage listing having no impact on the development for it to be realizable.

INTRODUCTION

INTRODUCTION

Project Background and Objectives

The MLC Building in North Sydney was designed by Bates, Smart and McCutcheon and completed in 1956. Located at 105-153 Miller Street, North Sydney, the building was the largest building of its type in Australia at the time of its construction.

The MLC building is listed as a heritage item of local significance in the North Sydney Local Environmental Plan (LEP) 2013.

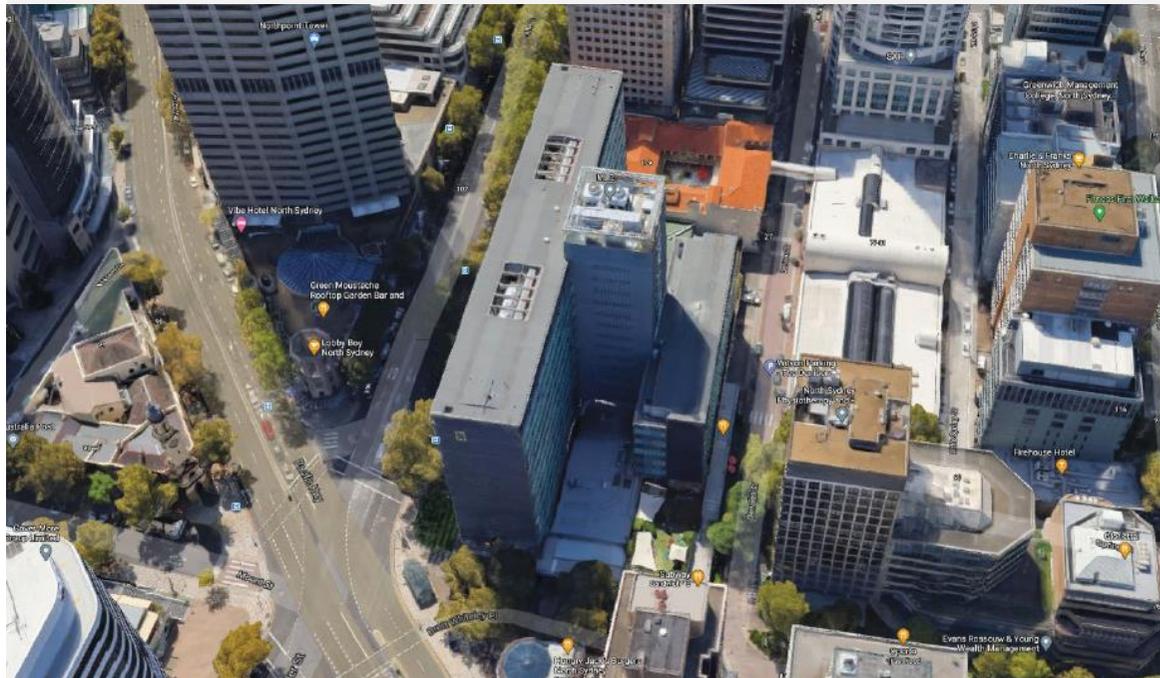
Due to its significance as a modernist office building the Heritage Council of New South Wales is considering placing an interim heritage order on the MLC Building.

Demolition of heritage items can only be justified in the most exceptional circumstances and every effort must be made to find compatible uses for heritage items and to apply re-use and refurbishment strategies. However, the owner's representative, IOF Custodian, has said that redevelopment of the site is necessary, since a study found it would cost \$213 million to adequately restore the building, suggesting that it is economically unviable to retain the building.

Urbis has been engaged to undertake an economic assessment of the proposed State Heritage Listing of the MLC Building in North Sydney. As part of this we will review the investment / value impacts of the proposed listing and the flow on economic viability of up to four options that are being assessed by PTW.

The four options that are considered as part of this assessment are summarised below the adjoining image.

Current MLC Building



Source: Google Maps

Assessment Options

- Option 1 – assumes requirement for minimal maintenance and repair to make it useable (this is effectively the base case for comparison purposes)
- Option 2 – retention of the current building with full remediation works as proposed in the submission presented by IOF Custodian,
- Option 3 – assumes retention and remediation of the Miller Street wing with a state heritage listing together with demolition and development of a new wing fronting Denison Street, as per a concept developed by PTW, and
- Option 4 – the full demolition and replacement with a new office building as proposed by the landowner.

DEVELOPMENT PROPOSAL

Key Observations

The owner of the MLC Building lodged a development application in July 2020 for the demolition of the current structures and construction of a new office building.

The proposed development would include a 27-level structure, with a raked façade that aims to reduce the impact of overshadowing on Mount Street (Brett Whitely Place).

It is proposed to include lower ground floor and ground floor containing retail tenancies, commercial lobby and 24 commercial office levels. Other facilities will include 123 parking spaces and 802 bicycle parking spaces with end of trip facilities.

The proposed building would have a total GFA of approximately 73,756 sq.m.

This scheme is assessed as Option 4 in this assessment.

Proposed Development



Source: Ethos Urban

ALTERNATIVE DEVELOPMENT OPTION

Key Observations

The proposed development looks at demolishing the tower fronting Denison Street, making this part of the site available for development of a new and larger eastern wing.

This is a compromise option that would retain the existing Miller Street wing, which provides 13 levels of accommodation. This is the most prominent element of the original 1957 building and has the greatest exposure to Miller Street and Pacific Highway.

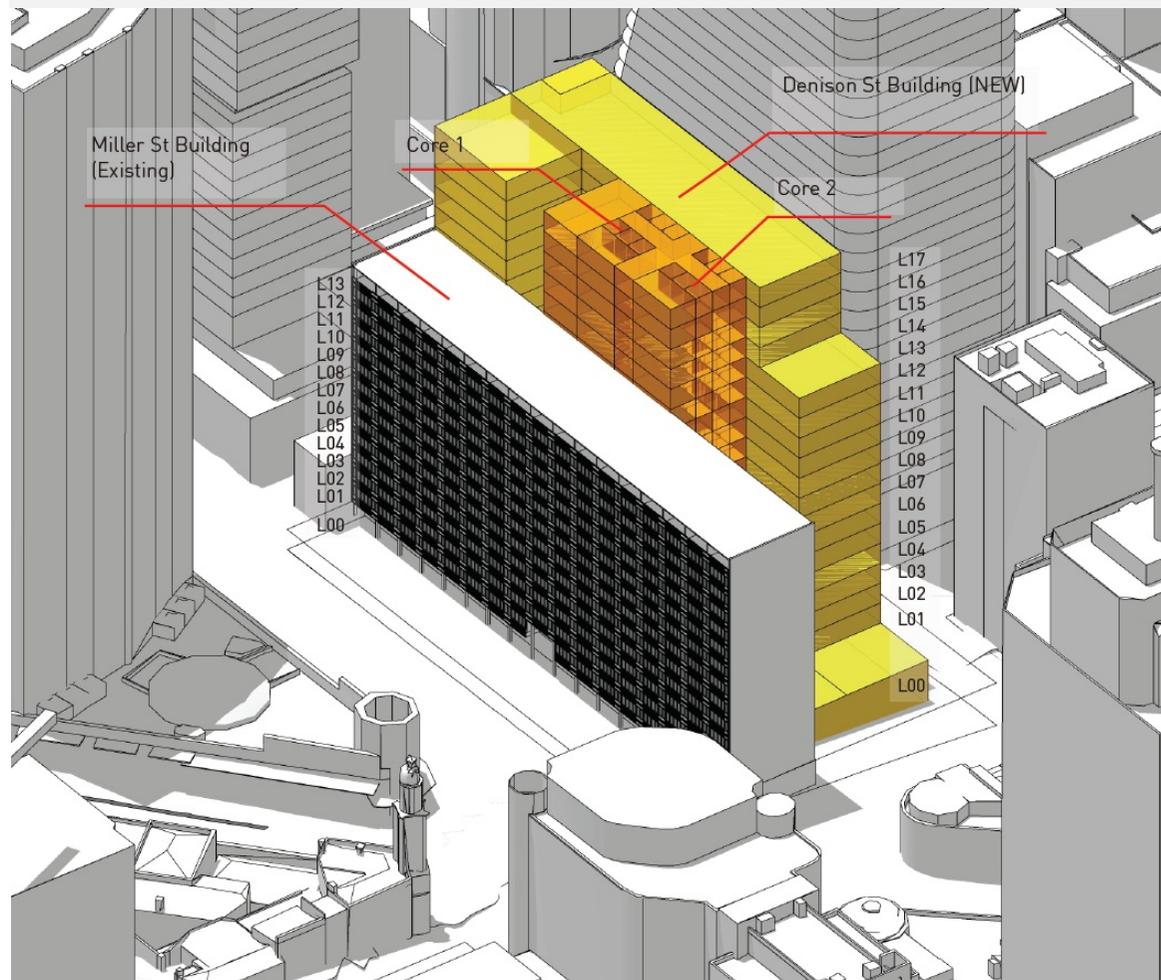
The new 18-level building would add approximately 26,190 sq.m of GFA or approximately 22,299 sq.m of NLA (as calculated by PTW).

The combined building with the existing Miller Street wing and the new Denison Street Building would provide approximately 46,920sq.m of GFA or 40,044 sq.m of NLA.

It is also noted that this proposal adds an additional lift core that would assist in the ability of the building to be subdivided.

We also note that analysis undertaken by PTW indicates that this option would not add to overshadowing impacts on Brett Whitely Place that have already been approved for the Victoria Cross Over Station Development. The Ethos Urban SEE lodged with the development application note that potential overshadowing was a key reason not to proceed with a hybrid option, however this would now appear to be worthy of consideration.

Option 3 as envisaged by PTW



Source: PTW

NORTH SYDNEY OFFICE MARKET OVERVIEW

EXISTING OFFICE ACCOMMODATION

Key Findings

As at July 2020, total office floorspace in North Sydney was 824,767 sq.m. The majority of additions were from 2001-2010. Between 2011-2016, the market saw net withdrawals of 72,168 sq.m, before a further 32,285 sq.m of floorspace was added between 2017-2020.

Premium Grade: Premium Grade floorspace has more than doubled from 36,822 sq.m in 2000 to 78,500 sq.m in 2020. This indicates a shift toward higher quality commercial buildings.

A Grade: Supply of A Grade floorspace has declined by 51,768 sq.m over the past 20 years. This was largely due to a change in standards and reclassification of buildings to B Grade.

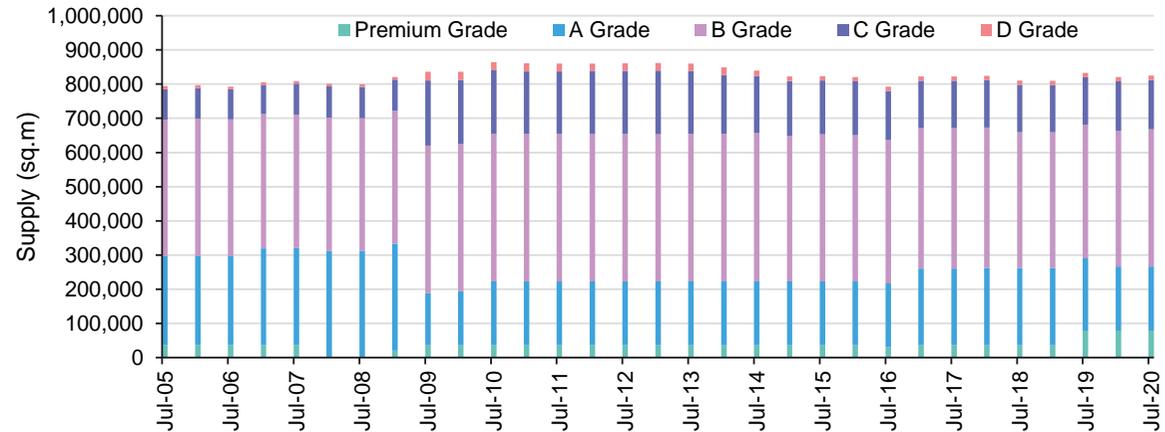
Secondary Grade: B Grade floorspace has remained relatively stable over the past 20 years. C and D Grade floorspace was recorded at 144,389 sq.m and 12,582 sq.m respectively in 2020.

While the total quantum of floorspace and buildings developed was significantly lower after 1991, the average building size more than doubled from 6,766 sq.m between 1971 and 1990 to 13,904 sq.m from 1991 onwards. This reflects the trend to larger floorplate developments, which averaged 551 sq.m between 1997 and 1990 and 901 sq.m from 1991 onwards.

North Sydney has a larger proportion of smaller floorplates. This is significant for North Sydney, as there has been a general trend for organisations to occupy larger floorplates and fewer floors in order to maximise organisational efficiency and connectivity. As a result, companies such as Optus have relocated from North Sydney to Macquarie Park.

Office Stock by Grade in North Sydney

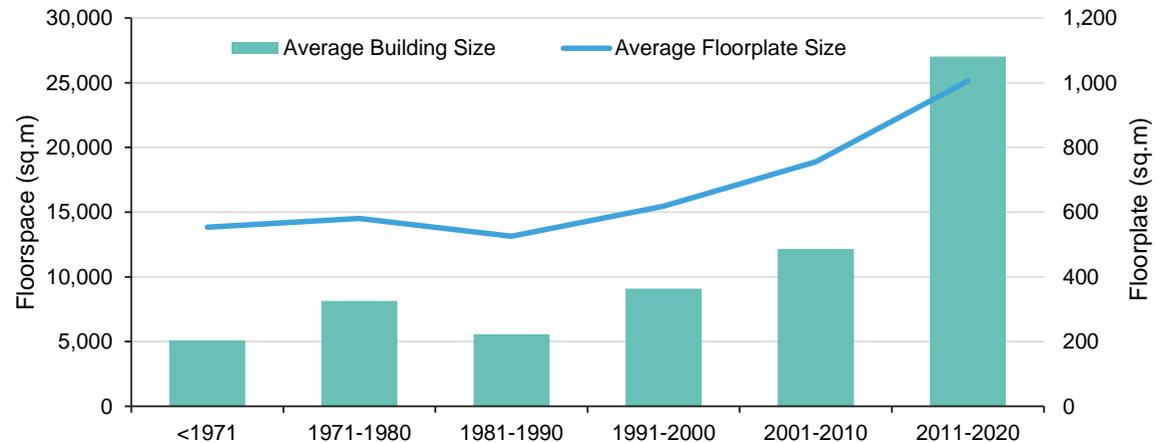
Chart 1



Source: Property Council of Australia Office Report

Existing Office Stock by Building Age, as at July 2020

Chart 2



Source: CityScope, Urbis

EXISTING AND FUTURE OFFICE ACCOMMODATION IN COMPETING MARKETS

Key Findings

North Sydney's current floorspace is dominated by the secondary market, with B Grade accounting for 49% of total floorspace and C-D Grade stock accounting for 20%. The prime market is largely A Grade stock (23%), while Premium Grade stock contributes to 10% of total floorspace. As the only non-Sydney CBD market with a Premium market presence, North Sydney leverages its position close to Sydney Harbour and has redevelopment potential to further increase this offering.

As at 1 July, there was 255,210 sq.m of commercial office floorspace in the pipeline for North Sydney (not including the subject site). If all of this stock came online and no other existing stock was withdrawn, total floorspace would see an uplift of 27.5% to 1,052,000 sq.m. There is potential that not all of this floorspace would come online as 66,247 sq.m is currently mooted (i.e. in early planning or development application phase).

Almost all of the new proposals are for A Grade or Premium stock, most targeting larger floorplates.

Floorspace by Grade and Location, as at July 2020

Table 1

Office Market	North Sydney (sq.m)	Sydney CBD (sq.m)	Crows Nest/ St Leonards (sq.m)	Chatswood (sq.m)	Macquarie Park (sq.m)	Parramatta (sq.m)
Premium	78,500	1,196,828	0	0	0	0
A Grade	188,010	1,839,973	80,912	132,181	616,726	326,113
B Grade	401,286	1,314,011	84,226	58,392	241,807	232,966
C Grade	144,389	447,161	128,134	83,451	32,780	129,245
D Grade	12,582	179,965	10,775	0	2,721	77,439
Total	824,767	4,977,938	304,047	274,024	894,034	765,763

Source: Property Council of Australia Office Report

Proposed Supply in North Sydney, as at July 2020

Table 2

Type	2020	2021	2022+	Mooted	Total
New Construction	78,964	0	90,937	66,247	236,148
Full Refurbishment	19,062	0	0	0	19,062
Withdrawals	0	0	-1,291	-27,000	-28,291
Total	98,026	0	89,646	39,247	226,919
No. of Projects	3	0	4	1	8
% of Existing Floorspace	11.9%	0.0%	10.9%	4.8%	27.5%

Source: Property Council of Australia Office Report

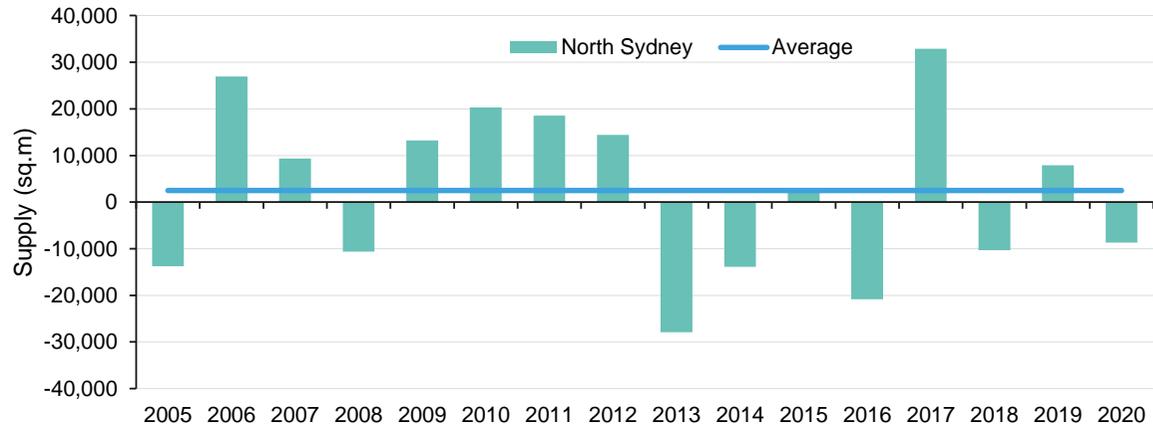
NET ABSORPTION AND VACANCY RATES

Key Findings

Annual absorption of office space in North Sydney has averaged 2,475 sq.m since 2005. Absorption was negative from 2013 to 2016 due to supply being taken offline. This reflected the Sydney housing boom with developers seeking to convert office buildings to residential for some buildings, as well as sites being withdrawn to facilitate new A Grade development. Tenant demand remained strong during this period though lack of supply pushed existing and potential new tenants elsewhere, including the Sydney CBD. Vacancy rates for Prime Grade stock have stayed relatively low, with fluctuations typically present with the addition of substantial new supply, followed by a reduction as new tenants have taken occupancy. Vacancy rates for A Grade stock recorded 7.9% in July 2020, down from 10.9% in January 2020. Premium Grade stock recorded peaked at 41.2% in July 2016 when NSW Road and Maritime Services exited the North Sydney market. This stock has since been absorbed, returning vacancy rates to 0% in July 2020. Vacancy rates for B Grade stock recorded 10% in July 2020 and has been trending down over the last five years. C and D Grade vacancy recorded 7.2% and 3.8% in July 2020 respectively. All markets experienced an increase in vacancy rates between January and July of 2020, showing the economic implications of COVID-19 beginning to negatively impact office demand in the short term.

North Sydney Office Annual Net Absorption, as at July 2020

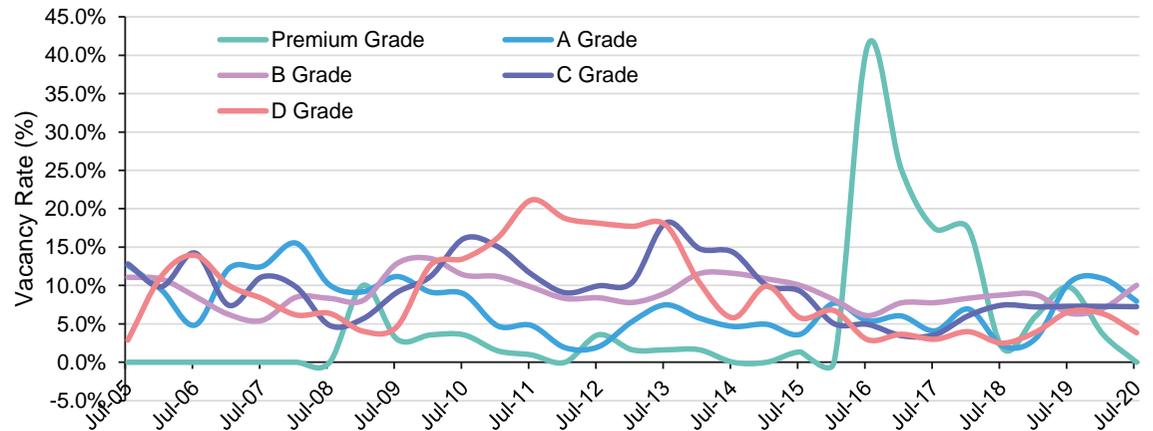
Chart 3



Source: Property Council of Australia Office Report

North Sydney Vacancy Rate by Grade

Chart 4



Source: Property Council of Australia Office Report

ANECDOTAL EVIDENCE – NORTH SYDNEY OFFICE MARKET

Preferred Building Types

Key Insights:

Features needed to attract large scale corporate tenants:

- Modern A Grade and Premium
- Generous floorplates
- Efficient floorplates that provide for contiguous available space (e.g. 10,000 sq.m for large tenant)
- Access to good local amenities including transport and retail.

Flexibility means having the opportunity to:

- Scale up and down the amount of space they occupy in a building or a location
- Transform spaces for different uses over the life of a tenancy
- Leverage 3rd spaces to enable flexibility.

Benchmark Criteria

To motivate tenants to consider North Sydney it is important to match the level of finishes to the same quality that is found in contemporary Premium and A-Grade buildings in centres such as the Sydney CBD, which means:

- High standard of finishes and amenities
- Hotel standard end-of-trip facilities
- Inclusion of third spaces
- Green space are important to attract tenants
- The whole sustainability story is increasingly part of the offer
- Minimum sized floorplates of 1,500 sq.m are critical to attract large scale occupiers, with flexibility required for subdivision into 400 to 800 sq.m tenancies for mid size tenants
- Inclusion of outdoor areas.

Consensus among agents in North Sydney is that buildings targeting large corporate tenants need to at least 20,000-30,000 sq.m in lettable space and require a pre-commitment of approximately 50% to be successful and those tenants tend to be in the insurance, banking or technology sectors.

The broader drivers of growth in demand for office space depend on:

- Future organisation growth
- Other aspects such as mergers and acquisitions
- Work style - % at people working at individual desks
- Location preference - % of people mobile vs. in the office.

Adequacy of Building Stock

Historically the lack of supply of contemporary A Grade stock in the North Sydney CBD has been a major constraint on attracting or retaining large scale occupiers and tenants.

The legacy of North Sydney having a higher proportion of secondary grade buildings has held North Sydney back from attracting large tenants. Historic supply limitations have seen a number of large North Shore tenants not being able to fulfil their requirements in North Sydney.

This trend has shifted over the past decade with the development new buildings and the increase in the number of proposals pitched at the Premium and A Grade Markets. It is noted that a number of tenants have now been displaced from the secondary market due to buildings being withdrawn for development and conversion. This could continue to drive demand for buildings such as MLC.

FINANCIAL AND ECONOMIC ASSESSMENT

BUILDING ASSUMPTIONS

Key Assumptions

The help inform the assessment of the financial and economic impact of the proposed State Significant Heritage Listing, we have considered a range of options from minimal refurbishment to full redevelopment. The aim of this assessment to compare the options and compare the outcomes.

Our methodology includes a preliminary assessment of value for each option and deducts the costs of construction to arrive at an “as is” value for each option. As we do not have sufficient information available to prepare detailed development feasibility assessments, this preliminary valuation based assessment will give a relative indication on the potential upside or downside available to the owner under each option. Ideally, a more detailed assessment should be undertaken on the preferred option.

We note that we have not physically inspected the property, as such have relied on publically available information and also reports and information provided to us Heritage NSW, PTW and Turner & Townsend. We note that we have not had the benefit of a detailed engineering assessment to confirm the representation made by the building owner.

The various options are well summarised within the PTW Heritage Assessment prepared for Heritage NSW. For the purpose of this assessment we relied on the areas outlined in Table 3 for this assessment.

Adopted Areas

Table 3

Area – Options 1 & 2 – Refurbishment of Existing		Size
Miller Street & Denison (existing NLA) Source - Investa		26,980 sqm
Miller Street & Denison (existing GFA) Source – WT Partnership		48,180 sqm
Car spaces (existing) – Source - Cityscope		132 bays

Area – Option 3 – Partial Redevelopment	Miller St	Denison St
Denison Street (new NLA) Source - PTW	17,745 sqm	22,299 sqm
Denison Street (new GFA) Source – PTW	22,330 sqm	26,190 sqm
Basements (new GFA) Source – PTW	4,400 sqm	6,990 sqm
Car spaces (new) Estimate – Source - PTW	168 bays	

Area – Option 4 – Full Redevelopment		Size
New Building(new NLA) – Source – 85% of GFA		62,693 sqm
New Building (new GFA) – Source – Ethos Urban SEE		73,756 sqm
Car spaces (new) – Source – Ethos Urban SEE		123 bays

ESTIMATED REFURBISHMENT & CONSTRUCTION COSTS

Key Findings

Our valuation assessment has been predicated on undertaking various refurbishment works for Options 1 to 2, partial refurbishment and new development for Option 3 and a fully new development for Option 4.

Option 1 – we have assumed minor refurbishment works to the existing building, works as defined in the Rawlinsons, 2020 Edition 38. These are the minimum works required to maintain the building in a lettable state.

Option 2 – we have adopted a cost plan by WT Partnership October 2020 prepared for IOF Custodian, assuming recycling and regeneration of the existing building, works as defined in the Rawlinsons, 2020 Edition 38. We note however that the Ethos Urban SEE submitted as part of the July 2020 development application advised that the full reconstruction cost of the existing building to address remediation of external tiles, façade, fire rating and flooding would be \$120m. We have also considered the lower end of this range as **Option 2a**.

Option 3 – we have adopted a pro-rata of the WT Partnership October 2020 cost plan for the refurbishment works to the Miller Street building and full demolition and new development on Denison Street, adopting the cost plan prepared by Turner and Townsend for PTW for the new construction. In addition to this base cost, we have also added professional fees at 12% of construction costs and a contingency of 10%.

Option 4 - we have adopted a cost plan by WT Partnership October 2020 prepared for the DA submission.

	Option 1	Option 2 / 2a	Option 3	Option 4
Miller St (refurb)			\$139,872,774 (\$4,414/sqm GBA)	
Miller & Denison St (refurb)	\$31,317,000 (\$650/sqm GFA)	Option 2 \$212,654,607 (\$4,414/sqm GBA) Option 2a \$120,000,000 (\$2,490/sqm GBA)		
Denison St (new office)			\$93,632,000 (\$3,575/sqm GFA)	
Denison St (new car park)			\$15,501,000 (\$2,217/sqm GFA)	
Denison St (demo)			\$950,000	
Total Demolition & New Construction				\$508,861,398 (\$4,953/sqm GBA)
Total Cost	\$31,317,000	\$120,000,000 - \$212,654,607	\$249,955,774	\$508,861,398

GFA – Gross Floor Area – total building excluding area excluding plant rooms, balconies, car parks, etc

GBA – Gross Building Area – based on sum of all horizontal floor areas

Note: different area definitions have been utilised in different reports, affecting rate per square metre calculations, however we have adopted the total value calculated in various quantity surveyor cost estimates, therefore the measurement basis should have not impact on the assessment.

FINANCIAL ASSESSMENT

Key Findings

Based on the assumed level of works for each scenario, for our valuation assessment we have benchmarked our valuation metrics, rental rates and building outgoings in the following manner:

- **Option 1** – a typical B grade asset maintained in its current condition with minimal refurbishment (It is noted that Investa rate the building as A Grade on their website)
- **Option 2 / 2a** – a fully refurbished A grade asset albeit with the same building configuration as Option 1. This result indicates that the extent of works proposed by the owner as estimated by WT Partnership would not be viable compared to the based option. Option 2a utilises the estimated costs quoted in the Ethos Urban SEE that was lodged with the development application. This option indicates that it is possible for the owner to be no worse off if the costs can be managed to the lower end of the range.
- **Option 3** – a twin tower comprising a new 17-level A grade office asset and a 12-level fully refurbished A grade office asset, combined with ground floor retail. This option indicates that a partial redevelopment of the site retaining the Miller Street building fully refurbished could be viable for the owner.
- **Option 4** – a Prime A grade office building providing a range of floorplate sizes. This provides the best option, however is predicated on the current heritage listing having no impact on the development.

Our “As If Complete” valuation assessment also assumes vacant possession with an appropriate letting up period for all options to allow for a consistent basis of comparison. This also affects the adopted capitalisation rates that allow for the risk associated with letting the buildings and undertaking the development.

Valuation Summary

Table 5

	Option 1	Option 2 / 2a	Option 3	Option 4
"As If Complete" Adopted Value	\$285,000,000	\$386,000,000	\$560,000,000	\$985,000,000
Refurbishment/ Construction Costs - Estimated	(\$31,317,000)	Option 2 (\$212,654,607) Option 2a (\$120,000,000)	(\$249,955,774)	(\$508,861,398)
"As Is" Rounded Value (Value range given for Option 2 and 2a)	\$254,000,000	Option 2 \$173,000,000 Option 2a \$266,000,000	\$310,000,000	\$476,000,000
Adopted Metrics				
Cap Rate	5.50%	5.25%	5.25%	5.00%
Discount Rate	6.50%	6.00%	6.00%	6.00%
Terminal Yield	6.00%	5.75%	5.75%	5.50%
Office Net Market Rental Profile (\$/sqm)	\$650 - \$725	\$850 - \$925	\$750 - \$975	\$880 - \$1,100
Outgoings (\$/sqm)	\$164	\$139	\$124	\$115
Gross Incentives (10yr profile)	22.5% - 32.5%	22.5% - 32.5%	20.0% - 32.5%	22.5% - 32.5%
Letting up (months)	9 - 12	9 - 12	9 - 12	9 - 15

We note that the IOF Annual Report 2018 included the last publicly advised valuation of the MLC Building. The valuation dated May 2018 concluded that the market value of the building at that time was \$233,000,000 based on a capitalisation rate of 5.75% and discount rate of 7%. The current owner, Oxford Investa Property Partners (OIPP) was formed after the acquisition of all units in the former IOF by Oxford Property Group in December 2018 and the total amount paid to purchase all units in the IOF was \$263,797,465 which was settled in February 2020. Based on rental increases and firming of capitalisation rates since 2018 and the recent purchase of the trust units, this indicates that assessed Option 1 value is a suitable basis of comparison to the other options.

ECONOMIC ASSESSMENT

Key Consideration

In assessing the economic impact of the proposed State Significant Heritage Listing it is important to consider the following points:

- Economic viability is likely to be sustainable where a proposed expenditure results in an 'As Is' value or residual value that exceeds a current base value, resulting in a profit. It is noted however that the level of value improvement (or profit) needs to be sufficient to reward the asset owner for taking that risk. In the case of Option 1, there is a relatively low investment required relative to the likely 'As If Complete' value, therefore the risk is relatively low.
- Option 2, based on the cost estimated prepared by WT Partnership for the owner at \$213m, indicates a situation where the 'As If Complete' value demonstrates an erosion of value, therefore making it economically unviable. Having said that, if the costs presented by the SEE prepared by Ethos Urban were adopted at \$120m, this would produce a result indicating that it could be viable. This cost range indicates that there may be alternative methods to achieve the same outcome for a lower cost that need to be further investigated and considered.
- In the case of Option 3, the owner is taking on a more significant development risk, therefore a higher profit market would be required. Based on our assessment, the 'As Is' value increases by \$56m over the based Option 1 value, indicating the potential for this option to be viable. It is noted that the analysis in the SEE prepared by Ethos Urban indicated that options similar to the Option 3 adopted in this report are unviable due to overshadowing of Brett Whitely Place (Mount Street). The analysis undertaken by PTW indicate Option 3 will not significantly add to the overshadowing that will already occur as a result of the approved Victoria Cross Over Station Development, making this option worthy of consideration.
- The MLC building is listed as a heritage item of local significance in the North Sydney Local Environmental Plan (LEP) 2013. Whilst this listing does not automatically prohibit demolition of a building, it would alert the owner or any new prospective owner that the building has a higher threshold to cross when it is assessed for redevelopment, thereby increasing the risk. Therefore, the financial outcome for Option 4 is not guaranteed and involves a significantly higher development risk.

Recommendations

Based on our analysis, we make the following recommendations to the Heritage Council NSW:

- Given the range of remediation costs produced by the owner in the Development Application and response to the proposed State Significant Heritage listing, Urbis recommends that further assessment of remediation options be undertaken by an independent engineer to assess the viability of different approaches to resolve potential issues associated with the repairs to the building façade, fire rating, external masonry tiles and flooding. The key objective of this assessment would be to ensure that different approaches are considered that may reduce the cost to the owner to maintain the building in its current form.
- In the event that remediation costs outlined in the WT Partnership are confirmed by a detailed engineering assessment, making the retention of the building unviable for the owner, the Heritage Council should consider if a hybrid development that retains part of the existing structure along Miller Street and development of a new building on Denison Street would provide a suitable heritage outcome for the site. This would require a further assessment through a detailed design, costing and feasibility study to confirm that the option is viable and able to be delivered on the site.

