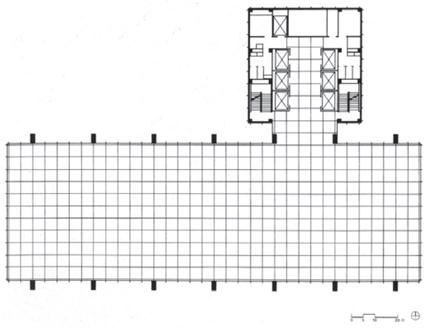
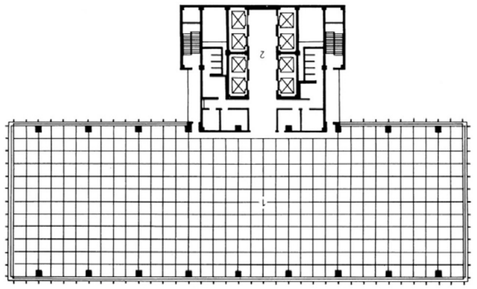
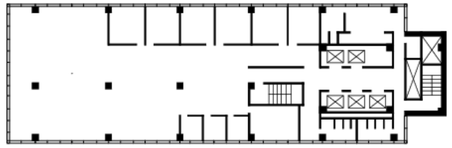
HERITAGE SIGNIFICANCE

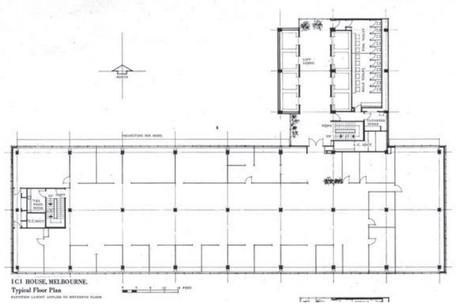
POST WWII HIGH-RISE

Inland Steel, Crown Zellerbach, and ICI House had lighter refurbishments. All of these buildings had highly functional floorplates for contemporary office use.









INLAND STEEL, CHICAGO, 1957
SOM (Bruce Graham & Walter Netcsch)

CROWN ZELLERBACH, SAN FRANCISCO, 1959
SOM

LEVER HOUSE, NEW YORK, 1951
SOM

ICI HOUSE, MELBOURNE, 1958
Bates Smart & McCutcheon

BATES SMART

*"**Innovative development** and refinement of the **multistoreyed office building** in Australia came primarily through exploratory designs such as those from the Melbourne based firm of Bates Smart & McCutcheon."*

JENNIFER TAYLOR 'TALL BUILDINGS: AUSTRALIAN BUSINESS GOING UP 1945-1970'

BATESSMART™

MLC SIGNIFICANCE

*The MLC Building in North Sydney was designed by Bates Smart & McCutcheon in 1952 & completed in 1956. It is currently listed as a **local heritage item** on the North Sydney LEP 2013, item number I0893, and is one of the few remaining NSW buildings in the post-war international style.*

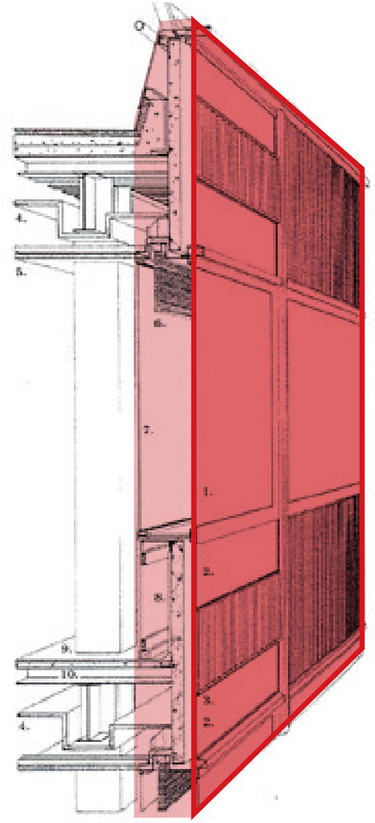
- *Australia's first post-war office block in respect of its design, materials and mode of construction*
- *Completed in 1957, it was the first high-rise office block in North Sydney and the largest in NSW for a number of years after its construction.*
- *One of two of the earliest surviving curtain-wall buildings in Australia*
- *Significant landmark qualities in the North Sydney CBD*
- *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 1950's*

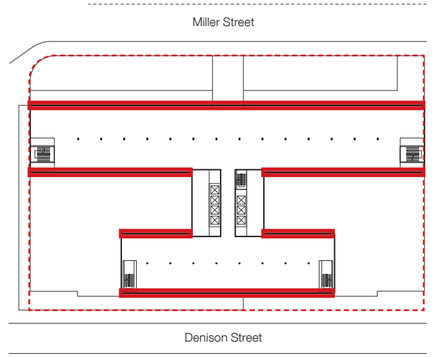
EXISTING BUILDING ISSUES

CURTAIN WALL REPLACEMENT

*The rubber gaskets used in the glazed east and west facades have **disintegrated** resulting in these **facades leaking**. The gaskets cannot be replaced without removing the facades. Further, the aluminium curtain wall frame has **corroded**, requiring replacement.*

The curtain wall is at the end of it's design life and requires full replacement.



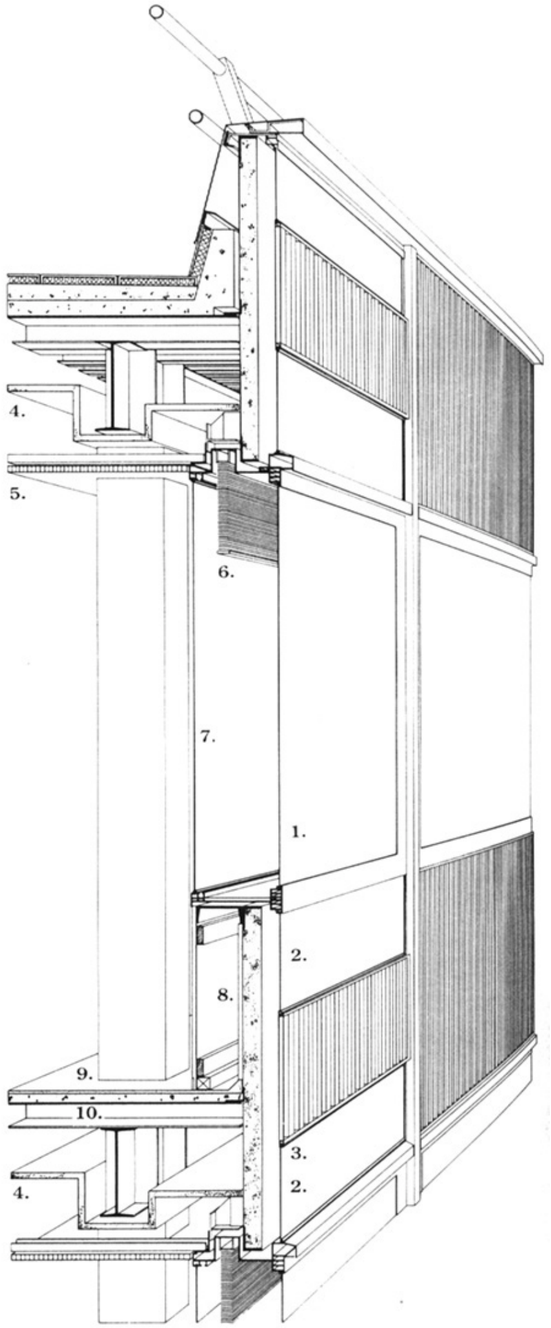


MLC Typical Floor Plan

MLC FACADE

"It was during the design of this (MLC North Sydney) building that it became abundantly clear that a ***fundamental error had been made in the orientation of the building****. ...Chastened by this experience, McCutcheon issued an edict within the practice that* ***no building designed by BSM was to be oriented in the east west direction****."*

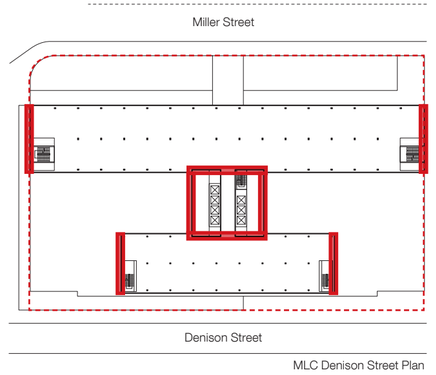
JENNIFER TAYLOR 'TALL BUILDINGS: AUSTRALIAN BUSINESS GOING UP 1945-1970'



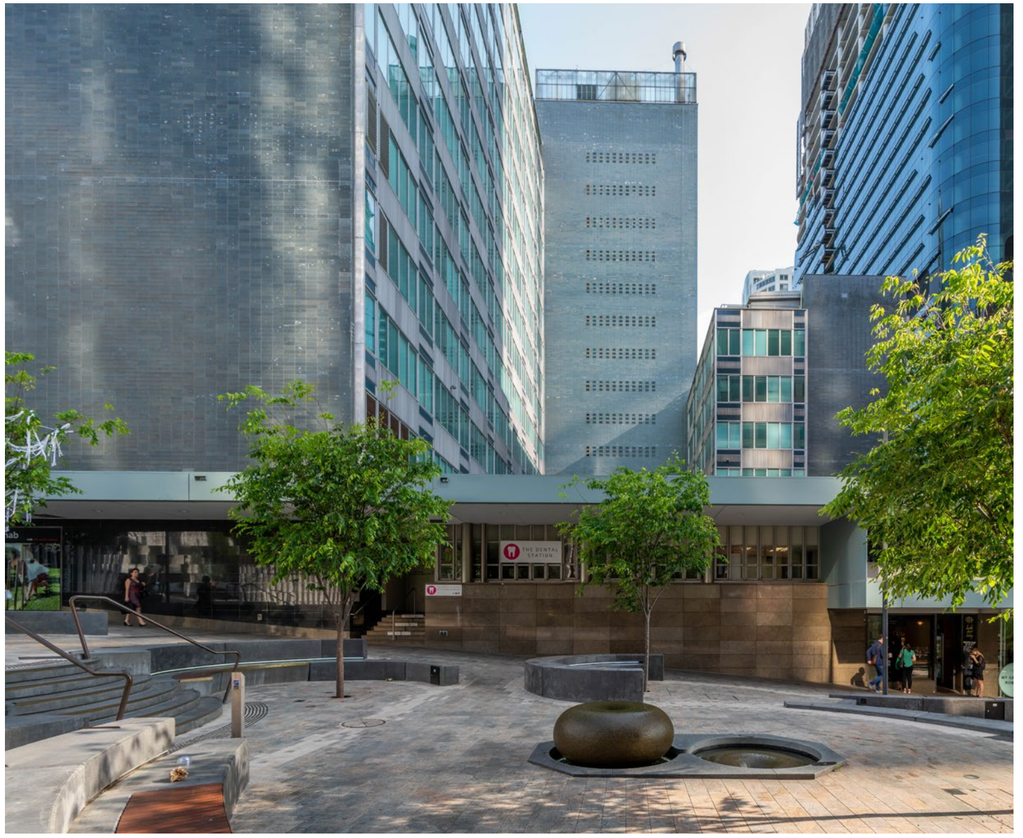
TERRACOTTA TILE REPLACEMENT

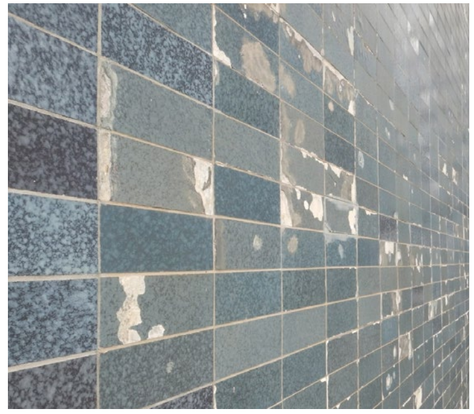
*Terracotta tiled north and south facades are **delaminating** from their substrate as identified in a 2002 ARUP Façade Report. Loose tiles have been mechanically fixed to the substrate, however all tiles will need to be permanently fixed and/or replaced in the future.*

There is currently an bi-annual testing regime required with all loose tiles required to be mechanically fixed.



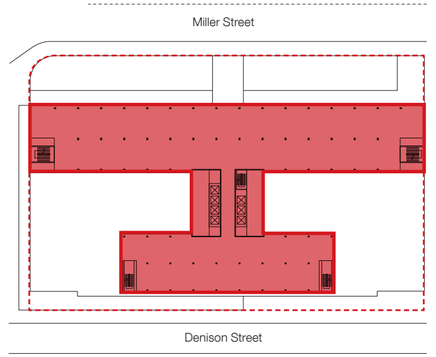
MLC Denison Street Plan





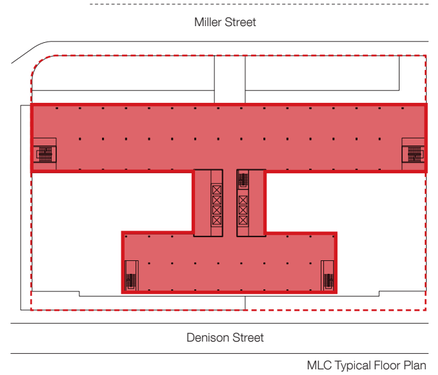
SERVICES REPLACEMENT

__All buildings services__ have passed their design life and __require replacement__ including rooftop plant and floor services. The lifts are also outdated & require replacement.



MLC Typical Floor Plan

FIRE RATING REPLACEMENT

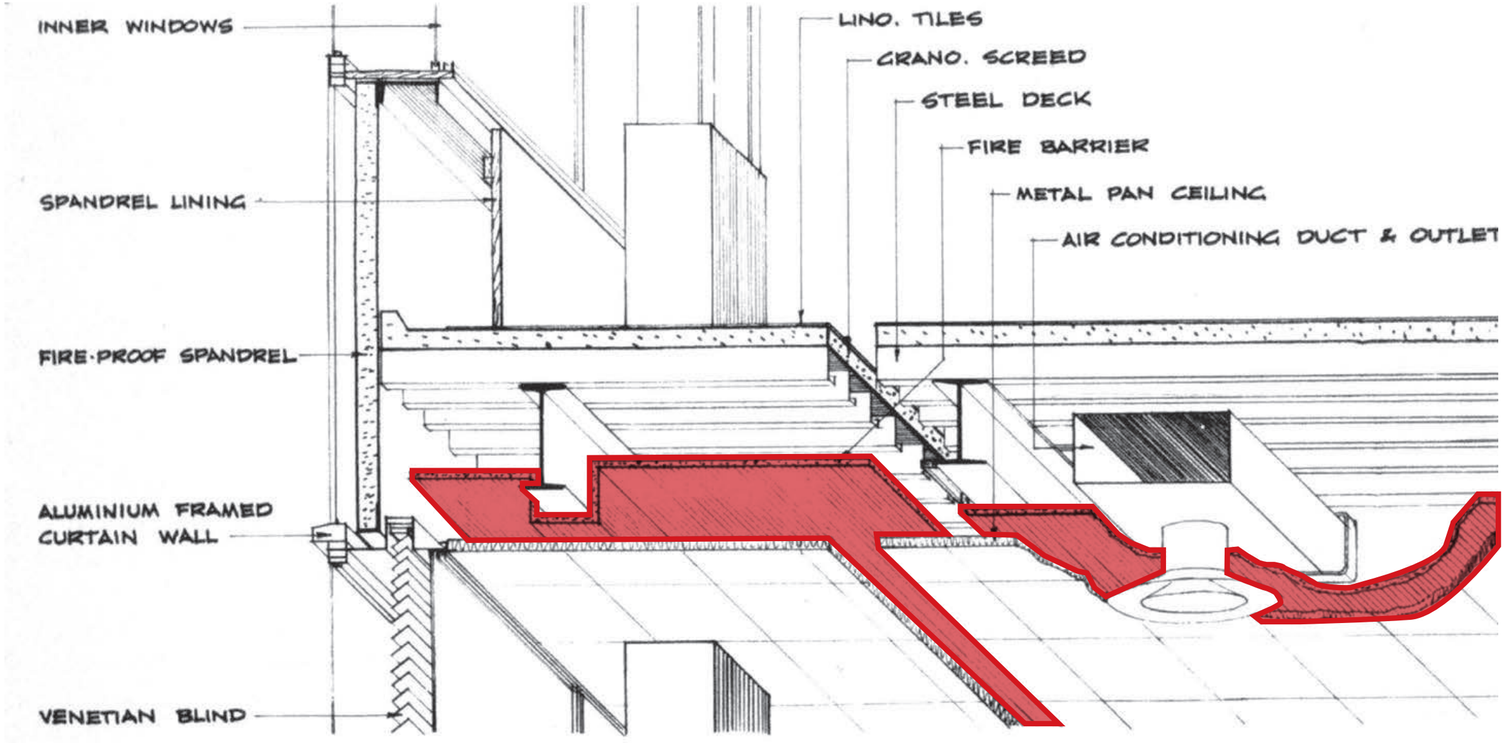


MLC Typical Floor Plan

*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.*

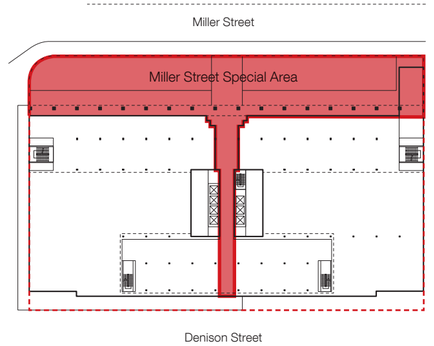
*To allow for future **tenant flexibility**, a new slab of 140mm would be required, with additional fire protection of all columns and beams.*

*The weight of the new topping slab requires strengthening of the current foundations, while also **further reducing a sub-standard floor-to-floor**.*

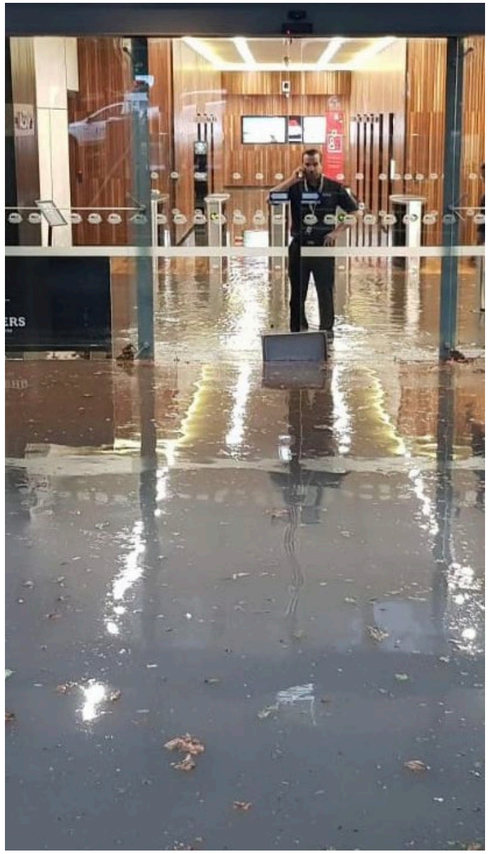


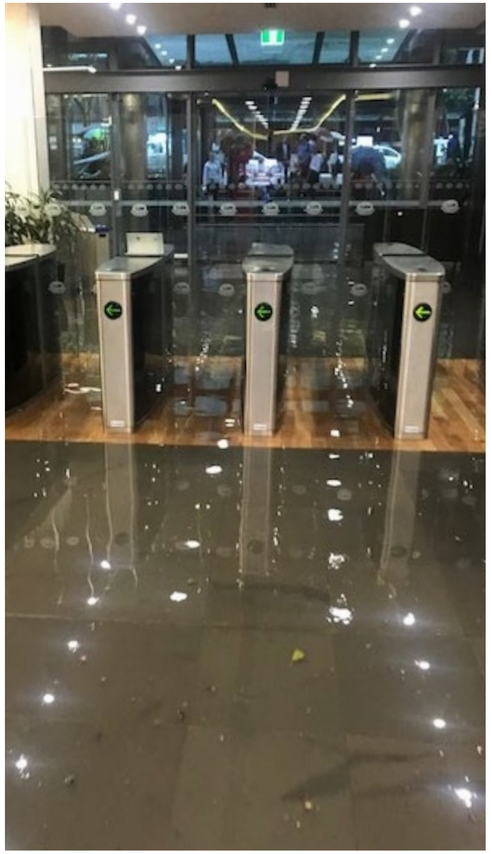
FLOODING

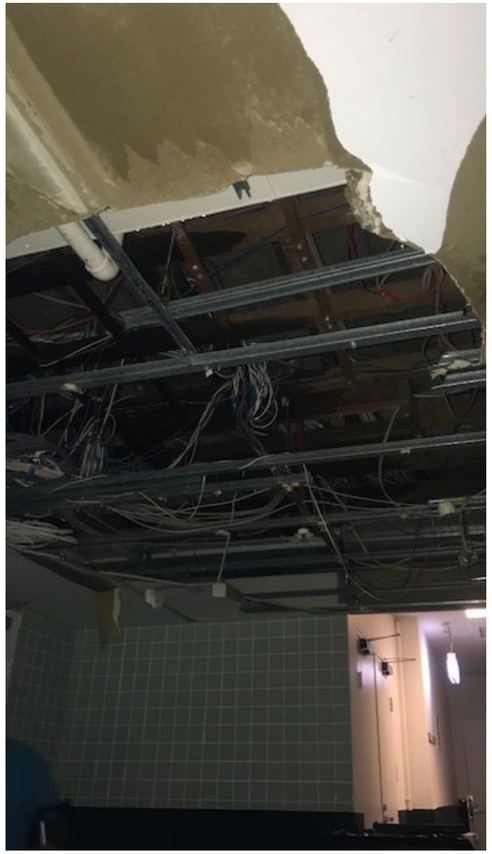
The lobby currently floods every time there is a significant rain event, which is approximately every two years. This is caused by there being a ***low point, flowing down the Miller Street Special Area and flooding through the lobby and down the lift shafts.***



MLC Miller Street Plan

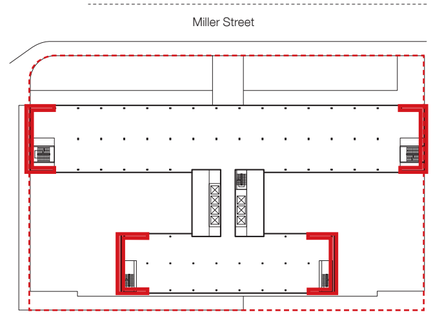




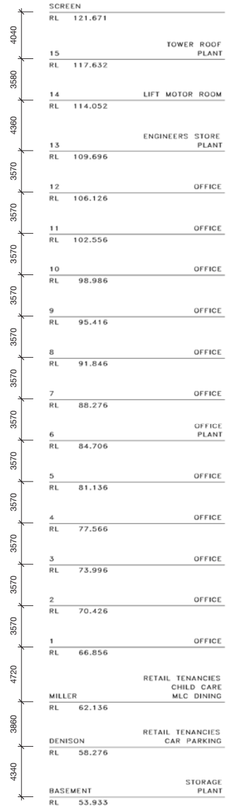


LATERAL STRUCTURE

Given that the building was constructed in the 1950's prior to the introduction of earthquake design codes. The existing building's ***lateral structure will not comply with the current earthquake loading requirements.***



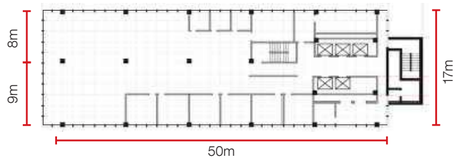
MLC Denison Street Plan



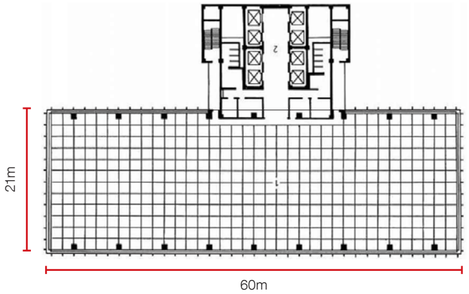
LEASING ISSUES

FLOORPLATE CONFIGURATION

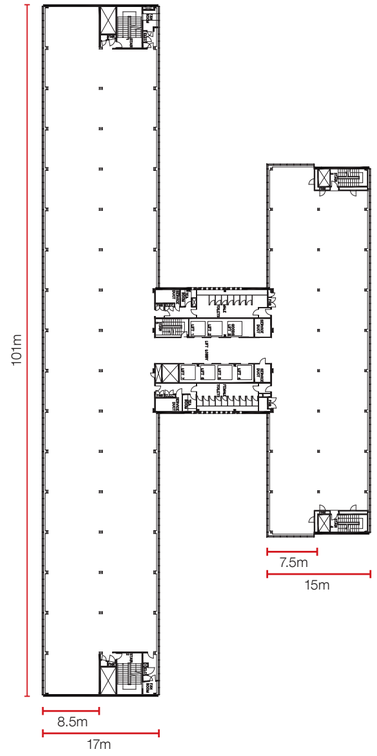
Lever House in New York, Inland Steel Headquarters in Chicago, and Crown Zellerbach in San Francisco are considered to be ***highly functional floorplates for contemporary office.*** *These floorplates provide opportunities for* ***connectivity, collaboration, and well- proportioned contiguous spaces.***

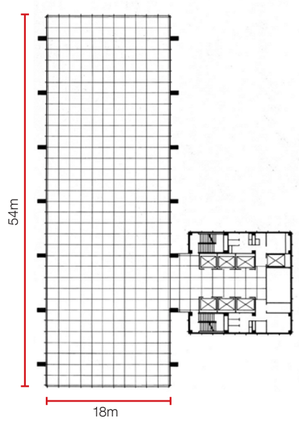


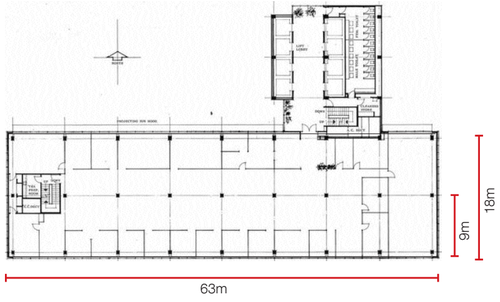
LEVER HOUSE
SOM

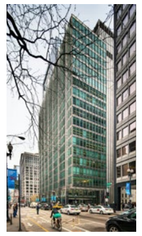


CROWN ZELLERBACH
SOM

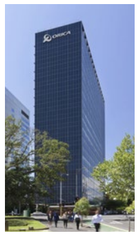




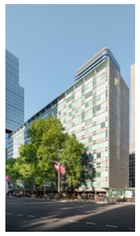




INLAND STEEL
SOM



ICI HOUSE
Bates Smart & McCutcheon

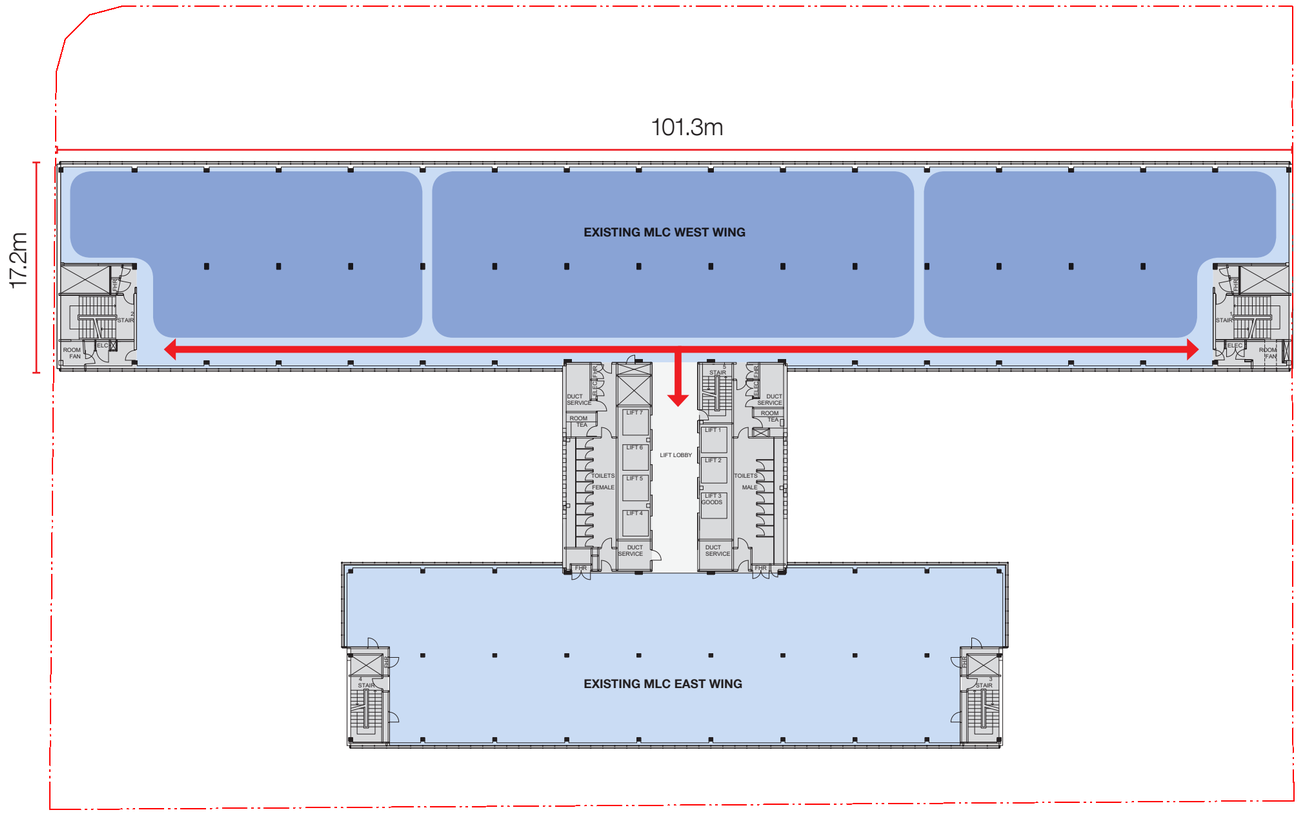


MLC NORTH SYDNEY
Bates Smart & McCutcheon

FLOORPLATE CONFIGURATION

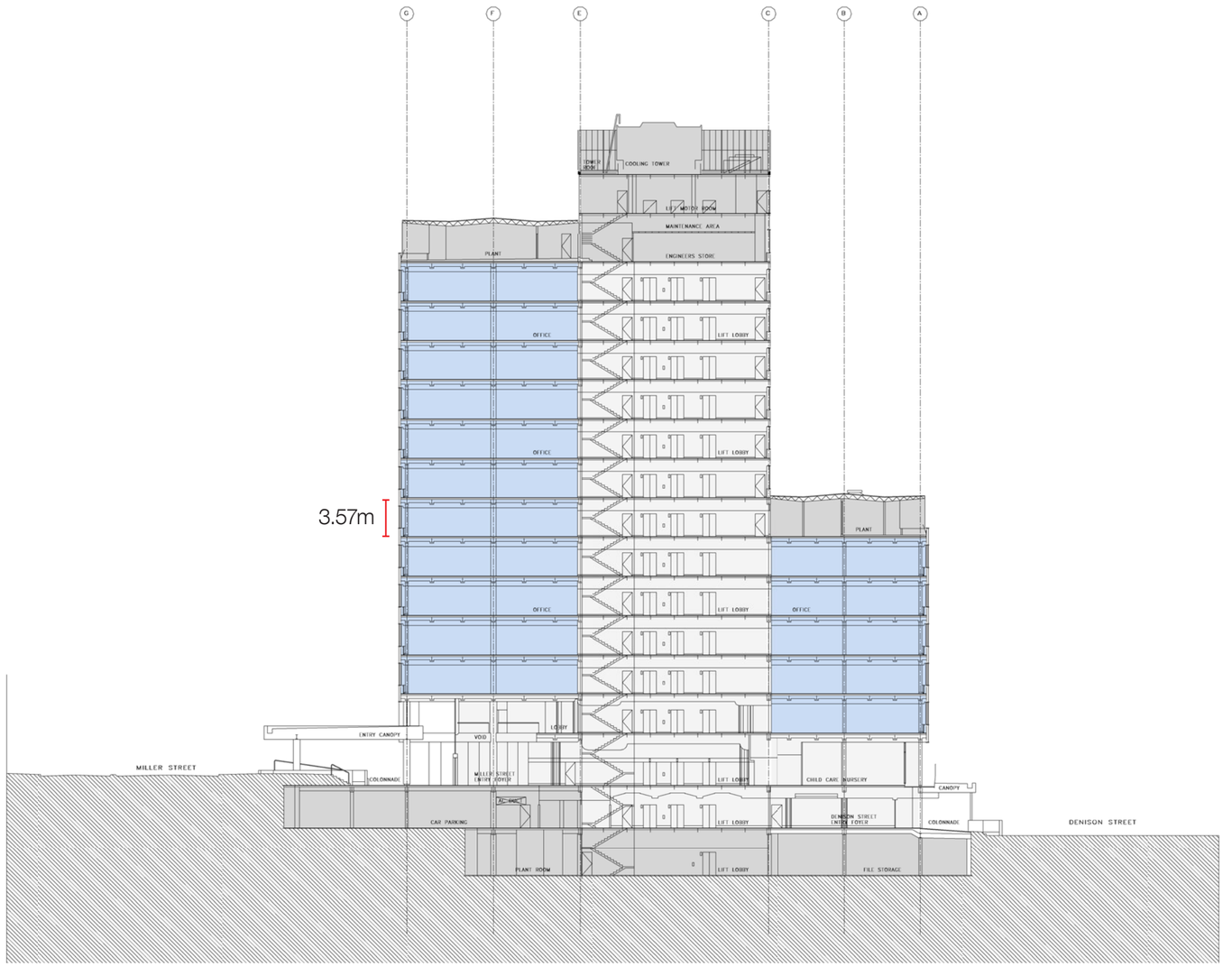
ICI House was influenced by the floorplates of both Lever House and Inland Steel, yet with the perimeter columns not expressed similar to that of Lever House.

On the other hand, the proportions (length & width) of the floorplate to MLC North Sydney creates a sense of ***disconnect****, which is considered to be* ***unsuitable for contemporary office use and subdivision.***



FLOOR-TO-FLOOR HEIGHTS

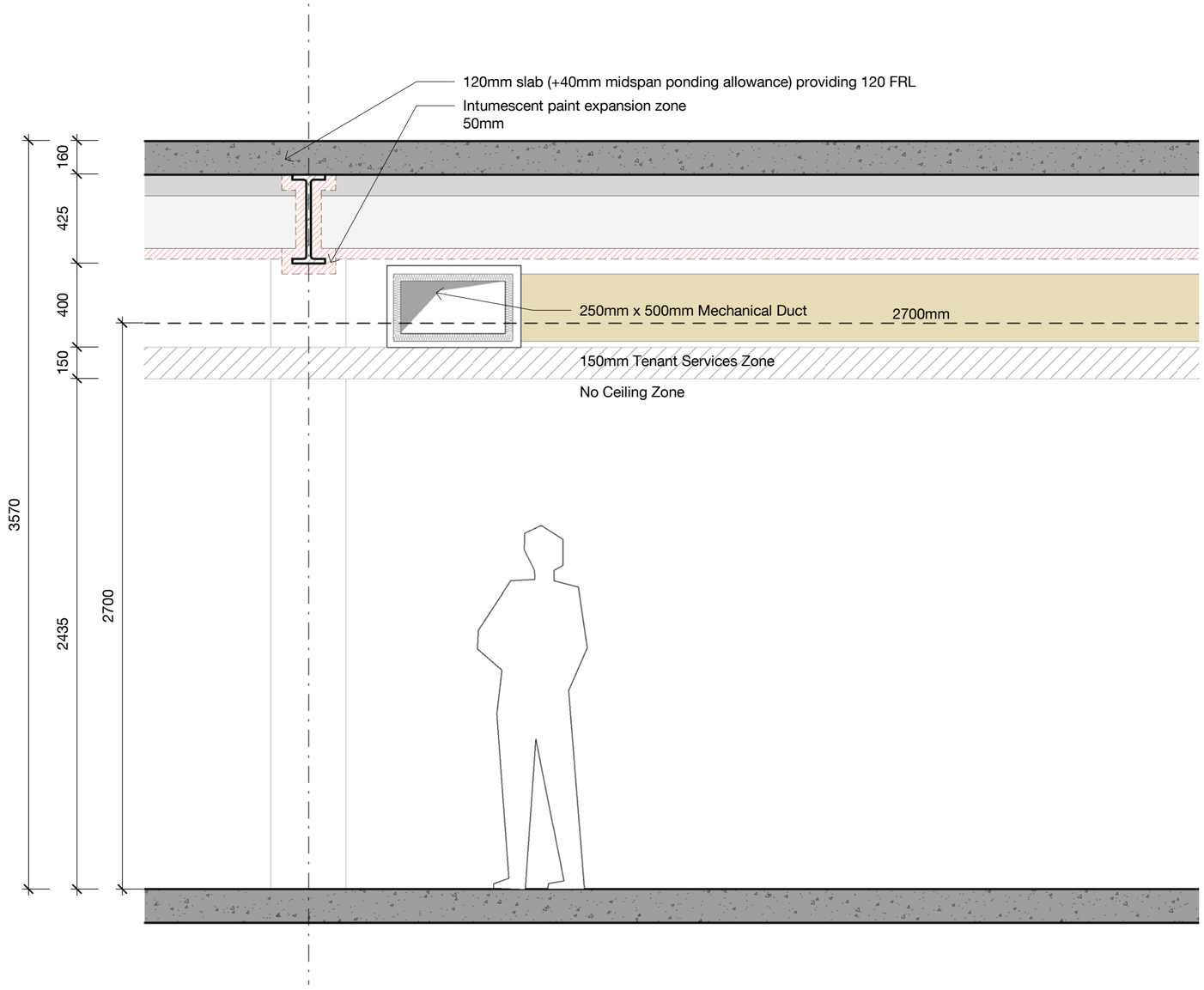
The floor-to-floor heights of the commercial levels are 3.57m, ***well below a contemporary floor-to-floor*** *height of 3.75m - 3.9m. This results in compromised floor to ceiling heights* ***below PCA A Grade*** *(2.7m) when measures are introduced for the building to reach BCA compliance, and the mechanical system is upgraded to a contemporary standard.*



FLOOR-TO-CEILING HEIGHT

The update of fire rating to achieve compliance along with an upgrade of the mechanical systems to contemporary standards results in a floor to ceiling height below PCA A Grade.

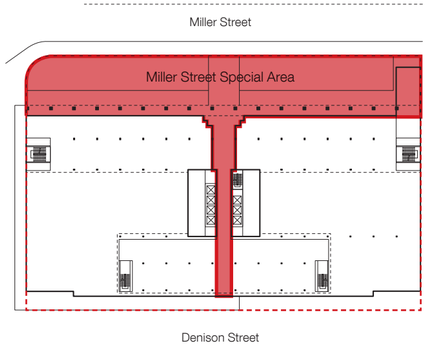
With a 160mm slab allowance (120mm slab + 40mm midspan ponding allowance) + 425mm typical beam depth + 50mm fire spray allowance the total structural depth at the steel beams would be 635mm leaving a zone of only 235mm between the underside of the structural zone and underside of a 2700mm ceiling – Assuming no raised access floor.



PUBLIC DOMAIN ISSUES

SUNKEN WALKWAY TO MILLER STREET

Currently, the Miller Street Special Area has sunken levels away from the street. This results in ***accessibility issues, compromised street activation, and overland flow issues****.*

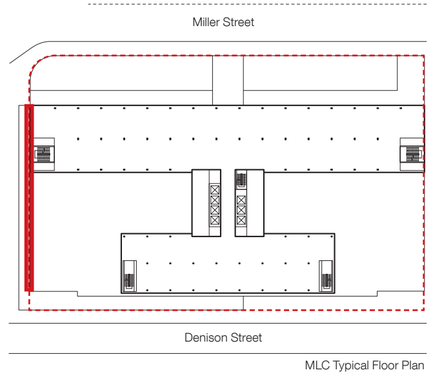


MLC Miller Street Plan

BLANK WALL TO BRETT WHITELEY PLACE

*The Brett Whitely Place frontage contains **inactive facades** through the design of the solid north and south glazed walls to the existing building with unattractive **low canopies**. The entire frontage has no sympathetic scale or rhythm to relate to the existing heritage shops opposite.*

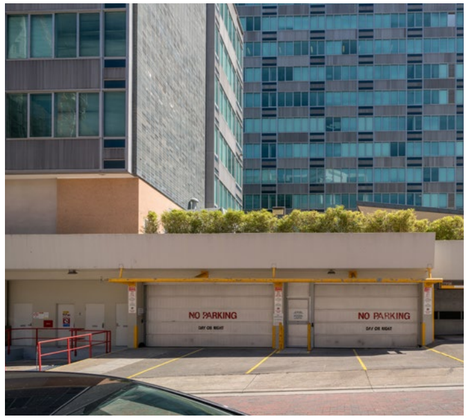
*The solid walls are **shear walls** for the building, and thus cannot be opened or removed. The lower portion has floor levels that do not align with the street level making it difficult to activate.*

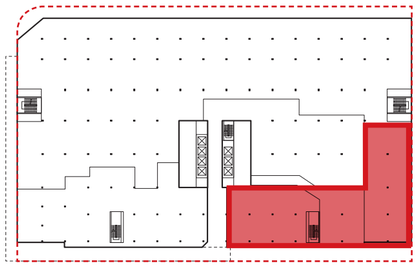


MLC Typical Floor Plan

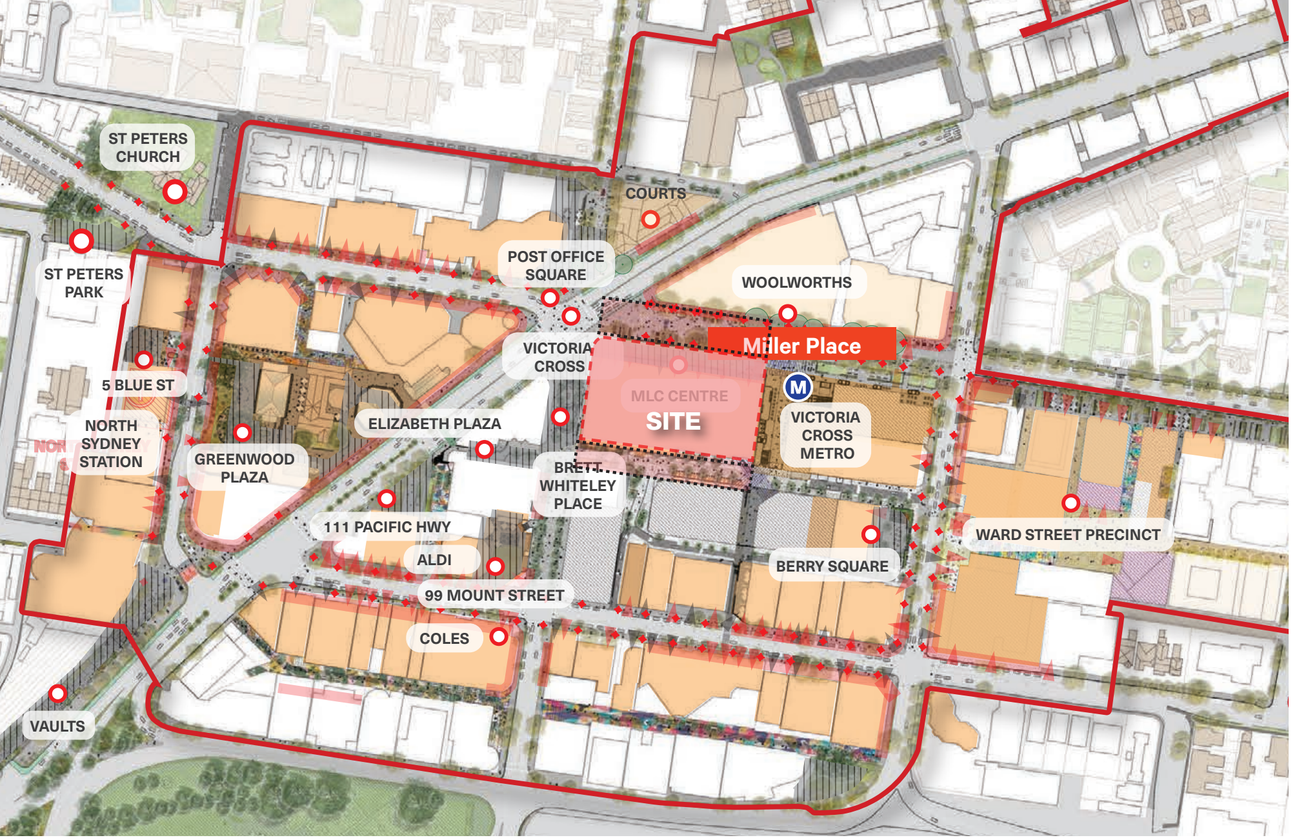
LOADING & SERVICES TO DENISON STREET

*Denison Street was originally a **service laneway**, and as a result the existing building treats it as a back of house area, with a carpark entry, loading dock and essential services (sub-station, hydraulic, fire, etc) fronting the laneway.*





MLC Denison Street Plan



NORTH SYDNEY COUNCIL PUBLIC DOMAIN VISION

The North Sydney Public Domain Strategy seeks to "provide a holistic vision and an urban structure for the CBD Public Domain," which includes a civic spine along Miller Street and a pedestrianized laneway precinct along Denison Street.

*With the current MLC building consisting of a **sunken plaza** to Miller Street, an **intrusive cafeteria on the northwest corner** adjacent to the Metro, and a **back-of-house service area** along Denison Street, it **significantly hinders in achieving this vision**.*

BATESSMART™

REDEVELOPMENT CHALLENGES

OPTIONS FOR EXTENSION

1952-1958
Design + Construction
Bates Smart & McCutcheon

1958-1996
MLC Occupation

1997-1999
Campus MLC
Bates Smart & BVN

2000
Glazed tile studies and rectification
ARUP & Bates Smart

2002-2004
MLC additions
Bates Smart for ING

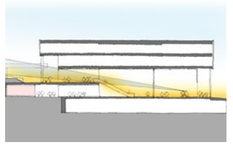
2010
Building refurbishment studies
Bates Smart for Investa

2010
Retail opportunity studies
Bates Smart for Investa

2015
Opportunity studies
Bates Smart for Investa

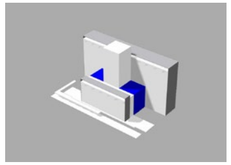
COMPARISON MATRIX

UPGRADING THE EXISTING MLC BUILDING



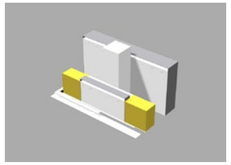
2017: DENISON STREET RETAIL REDEVELOPMENT

DEMOLITION AND REDEVELOPMENT OF MILLER & DENISON STREETS



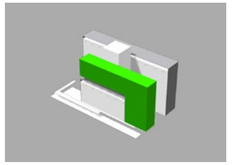
2002: EXTENSION OF EXISTING MLC

OPTION 1: FIVE-LEVEL INFILL TO THE NORTH AND SOUTH OF CORE BETWEEN MILLER & DENISON ST WINGS



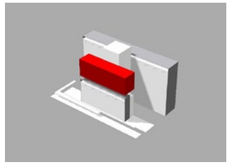
2002: EXTENSION OF EXISTING MLC

OPTION 2: EXTENSION OF DENISON ST FLOOR PLATE TO THE NORTH AND SOUTH



2002: EXTENSION OF EXISTING MLC

OPTION 3: FLOOR PLATE EXTENSION TO THE NORTH OF DENISON ST WING PLUS FOUR NEW LEVELS ABOVE



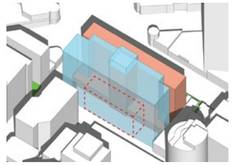
2002: EXTENSION OF EXISTING MLC

OPTION 4: SIX ADDITIONAL LEVELS ABOVE DENISON ST FLOOR PLATE

PLANNING						
consistent with the objectives of the North Sydney CBD Capacity and Land Use Strategy	X	√	√	√	√	√
no additional overshadowing to Brett Whiteley Place (RE1 zone)	√	√	√	X	X	X
no additional overshadowing to Greenwood Plaza Special Area	√	√	√	√	√	√
maintains Miller Street Special Area	√	√	√	√	√	√
active retail frontages along Brett Whiteley Place	√	√	√	√	√	√
active retail frontages along Miller Street	√	√	√	√	√	√
active retail frontages along Denison Street	√	√√	√	√	√	√
PUBLIC BENEFIT						
increases solar access to Brett Whiteley Place (RE1 zone)	X	X	X	X	X	X
extends and revitalises the Miller Street Special Area through raising levels to match street level	X	X	X	X	X	X
creates a covered public space as an extension of the Miller Street Special Area	X	X	X	X	X	X
creates a covered connection between Victoria Cross Metro and Greenwood Plaza, linking the two train stations	X	√	X	X	X	X
provides through-site links to connect the pedestrianized streets of Miller Street & Denison Street	X	√	X	X	X	X
provides additional cultural amenity to North Sydney	X	X	X	X	X	X
RELATIONSHIP TO ORIGINAL MLC BUILDING						
maintains existing MLC building	√	√	√	√	√	√
maintains Miller Street wing	√	√	√	√	√	√
reinterprets and re-use elements of original fabric	√	X	√	√	√	√
provides a large innovative campus floorplate	√	√	√	√	√	√
provides a next generation in office typology	X	X	X	X	X	X
provides open unencumbered floor plates	√	√	√	√	√	√
expresses a lightweight structure	√	√	√	√	√	√
provides clarity in organisation & form	√	√	X	√	X	√
articulates and expresses services core	√	√	√	√	√	√
provides a landmark building form	√	√	√	√	X	√
DEVELOPMENT						
utilizes City of Sydney's density levels to meet density demands for the 21st century	X	X	X	X	X	X
provides a minimum total NLA of 60,000sqm*	X (26,000sqm)	X (29,900sqm)	X (30,300sqm)	X (30,400sqm)	X (30,400sqm)	X (30,900sqm)
provides a minimum FSR of 10:1 from the current 4.5:1* (FSR: City of Sydney 4.5:1, Vic Cross Metro 13.3:1 , 1 Denison St 18.4:1)	X (4.3:1)	X (4.8:1)	X (4.7:1)	X (4.7:1)	X (4.71)	X (4.7:1)
SUBTOTAL √	**15**	**18**	**15**	**15**	**13**	**15**
SUBTOTAL X	**-11**	**-9**	**-11**	**-11**	**-13**	**-11**
TOTAL	**4**	**9**	**4**	**4**	**0**	**4**
MAIN ISSUES	N-S facades drumming E-W facades leaking mech replacement requires removal of fire-rating	compromised activation of Miller St no gain in FSR through-site link interrupted by existing core	3 volume expression diminished deep floor reduce A-grade spaces increased population impacts core	overshadowing to RE1 zone increased population impacts core removal of podium spaces	overshadowing to RE1 zone new formal language reversed hierarchy of volumes	overshadowing to RE1 zone minimal FSR gain strengthening of existing structure

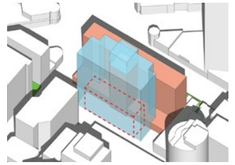
* All areas and FSR calculations are approximate only

COMPARISON MATRIX



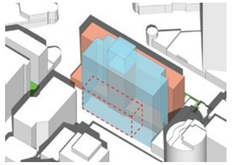
2016: PARTIAL DEMOLITION OF MLC

OPTION 1: MAXIMISING THE LENGTH OF THE EASTERN WING



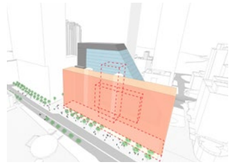
2016: PARTIAL DEMOLITION OF MLC

OPTION 2: MAXIMISING EFFICIENCY



2016: PARTIAL DEMOLITION OF MLC

OPTION 3: MAXIMISING HEIGHTS AND RETAINING THE SOUTHERN SETBACK TO THE EASTERN WING

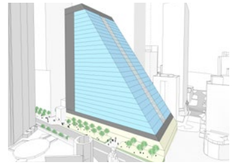


2017: HYBRID SCHEME

PARTIAL DEMOLITION OF MLC + MAXIMUM ENVELOPE WITHOUT OVERSHADOWING GREENWOOD PLAZA & BRETT WHITELEY PLACE

2017: DEMOLITION AND REDEVELOPMENT

OPTION 1: NO ADDITIONAL OVERSHADOWING GREENWOOD PLAZA



2017: DEMOLITION AND REDEVELOPMENT

OPTION 2: NO ADDITIONAL OVERSHADOWING GREENWOOD PLAZA & BRETT WHITELEY PLACE

PLANNING						
consistent with the objectives of the North Sydney CBD Capacity and Land Use Strategy	√	√	√	√	√	√
no additional overshadowing to Brett Whiteley Place (RE1 zone)	X	X	X	√	X	√
no additional overshadowing to Greenwood Plaza Special Area	√	√	√	√	√	√
maintains Miller Street Special Area	√	√	√	√	√	√
active retail frontages along Brett Whiteley Place	√	√	√	√	√	√ √
active retail frontages along Miller Street	√	√	√	√	√ √	√ √
active retail frontages along Denison Street	√	√	√	√ √	√ √	√ √
PUBLIC BENEFIT						
increases solar access to Brett Whiteley Place (RE1 zone)	X	X	X	X	X	√
extends and revitalises the Miller Street Special Area through raising levels to match street level	X	X	X	X	√	√
creates a covered public space as an extension of the Miller Street Special Area	X	X	X	√	√	√
creates a covered connection between Victoria Cross Metro and Greenwood Plaza, linking the two train stations	X	X	X	√	√	√
provides through-site links to connect the pedestrianized streets of Miller Street & Denison Street	X	X	X	√	√	√
provides additional cultural amenity to North Sydney	X	X	X	√	√	√
RELATIONSHIP TO ORIGINAL MLC BUILDING						
maintains existing MLC building	X	X	X	X	X	X
maintains Miller Street wing	√	√	√	√	X	X
reinterprets and re-use elements of original fabric	X	X	X	√	√	√
provides a large innovative campus floorplate	√	√	√	√	√	√
provides a next generation in office typology	X	X	X	X	√	√
provides open unencumbered floor plates	√	√	√	√	√	√ √
expresses a lightweight structure	√	√	√	√	√	√
provides clarity in organisation & form	X	X	X	X	√	√
articulates and expresses services core	X	X	X	√	X	√
provides a landmark building form	X	X	X	X	√	√
DEVELOPMENT						
utilizes City of Sydney's density levels to meet density demands for the 21st century	√	√	√	√	√	√
provides a minimum total NLA of 60,000sqm*	X (59,100sqm)	X (51,800sqm)	X (57,300sqm)	X (55,000sqm)	√ (81,400sqm)	√ (75,000sqm)
provides a minimum FSR of 10:1 from the current 4.5:1* (FSR: City of Sydney 4.5:1, Vic Cross Metro 13.3:1 , 1 Denison St 18.4:1)	X (9.6:1)	X (8.4:1)	X (9.2:1)	X (9.0:1)	√ (13.3:1)	√ (12.2:1)
SUBTOTAL √	**11**	**11**	**11**	**19**	**23**	**28**
X	**-15**	**-15**	**-15**	**-8**	**-5**	**-2**
TOTAL	**-4**	**-4**	**-4**	**11**	**18**	**26**
	overshadowing to RE1 zone reversed hierarchy of volumes compromised street activation	overshadowing to RE1 zone reversed hierarchy of volumes compromised street activation	overshadowing to RE1 zone reversed hierarchy of volumes new formal language	new formal language compromised hierarchy of volumes compromised floorplates and core location	demolition of MLC building overshadowing to RE1 zone	demolition of MLC building

* All areas and FSR calculations are approximate only

HERITAGE NSW REVIEW

FLOORPLATE ANALYSIS

The comparative analysis of similar floorplates clearly demonstrates that MLC building is ***challenged in being substantially longer*** *(circa 100m) than all relevant comparisons. This is not addressed by the Heritage NSW review and in fact supports our assertions of it's commercial leasing challenges.*

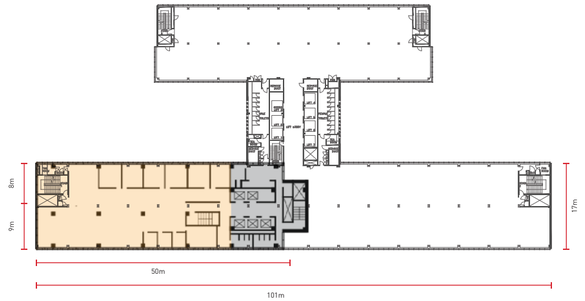


Figure 4. Comparison MLC North Sydney Floorpate with Lever House, New York (coloured orange)

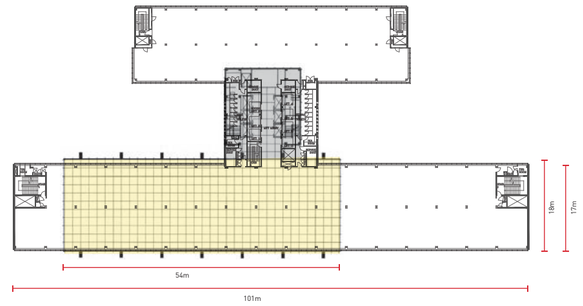


Figure 5. Comparison MLC North Sydney Floorplate with Inland Steel Headquarters, Chicago (coloured yellow)

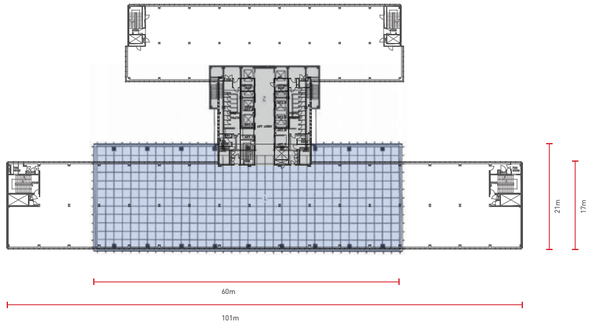


Figure 6. Comparison MLC North Sydney Floorpate with Crown Zellerbach Building SF (coloured purple)

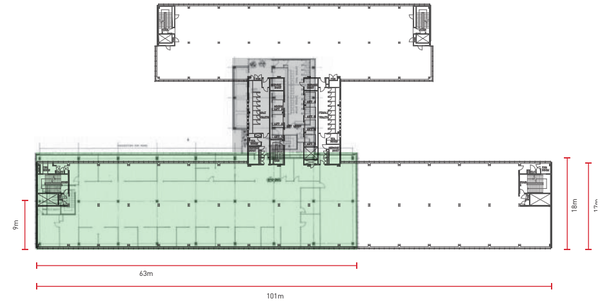
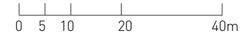


Figure 7. Comparison MLC North Sydney Floorplate with ICI House, Melbourne (coloured green)



FLOORPLATE ANALYSIS

Tenancy layout comparisons re-arrange MLC layout but ***ignore the building length issue***

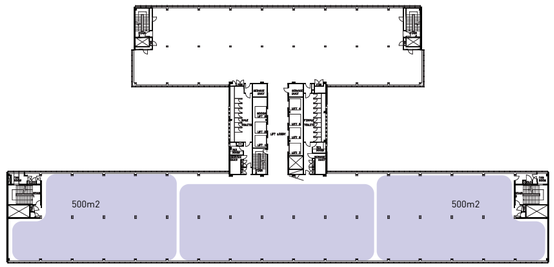


Figure 10. Three 500 m² tenancies MLC North Sydney Floorplate (Miller Street wing) using furniture layouts from Sydney 2020 Competition entry

High Rise - Two tenancies
Sydney 2020 Competition entry

0 5 10 20 40m

BATESSMART.™

BUILDING SERVICES

The MLC staff embracing their new work place with great excitement is not reflected in the ***reluctance of new tenants to lease the building.***

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 25,000m^2 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.

Facade - Curtain Wall

Façade and tile replacements assume the current maintenance program is sufficient as a long term strategy for the building, ignoring the leaks in the glazed facade which is at the end of its design life

Terracotta Tiled Facade

Simplified façade maintenance program does not address hazard of falling tiles, nor the aesthetics of drilling into the tiles exposing fixings and patching.

Fire Rating

BCA fire separation needs to be addressed while providing flexibility of services, ie without the firecheck layer in place.

Miller Street Special Area

The proposal that Victoria Cross infrastructure upgrades "may well address" the flooding issues is incorrect. Victoria Cross diverts the existing stormwater pipe, without increasing capacity as there is no additional downstream capacity. The flooding issue needs to be addressed from MLC then downstream.

Floor to Floor Heights

Reduced floor-to-floor heights of existing MLC building not addressed

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).

HERITAGE NSW REVIEW - SCENARIO 3

SCENARIO 3

No allowance for rooftop plant

No allowance for lift overrun

Does not deal with existing floor-to-floor heights

Unsympathetic relationship with the western MLC Wing

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 m^2 + 4 levels at 1315 m^2)
- 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

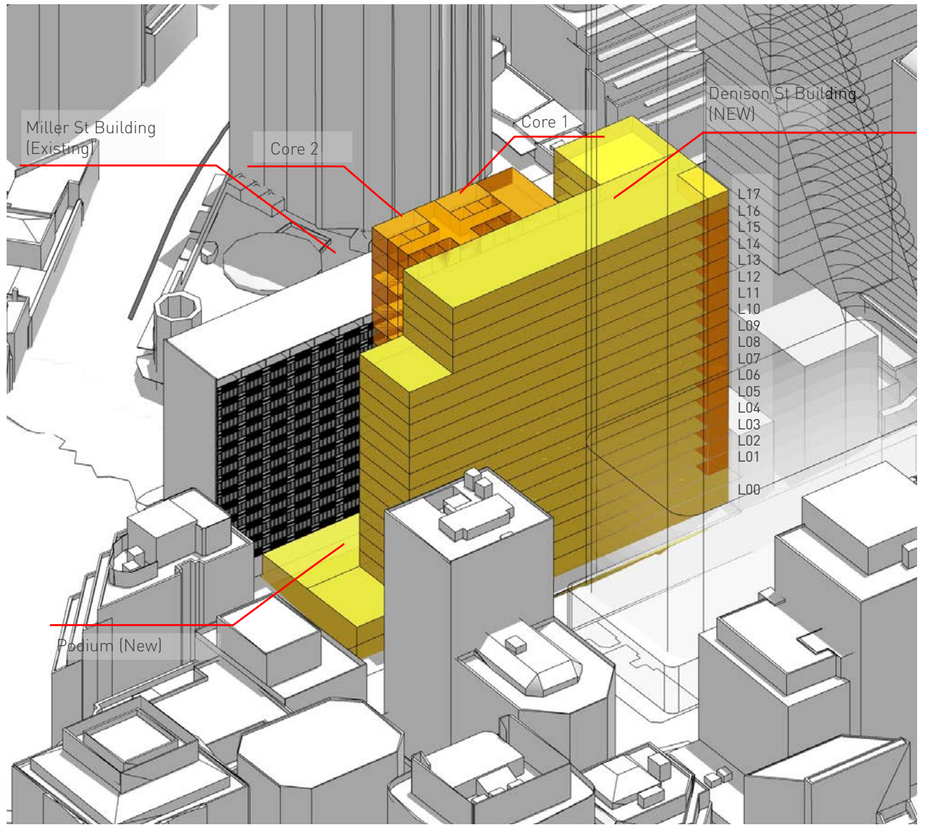


Figure 17. Indicative 3D Massing Diagram of Scenario 3 viewed from the west

SHADOW DIAGRAMS

The provisions of Clause 6.3(4) of NSLEP state that:

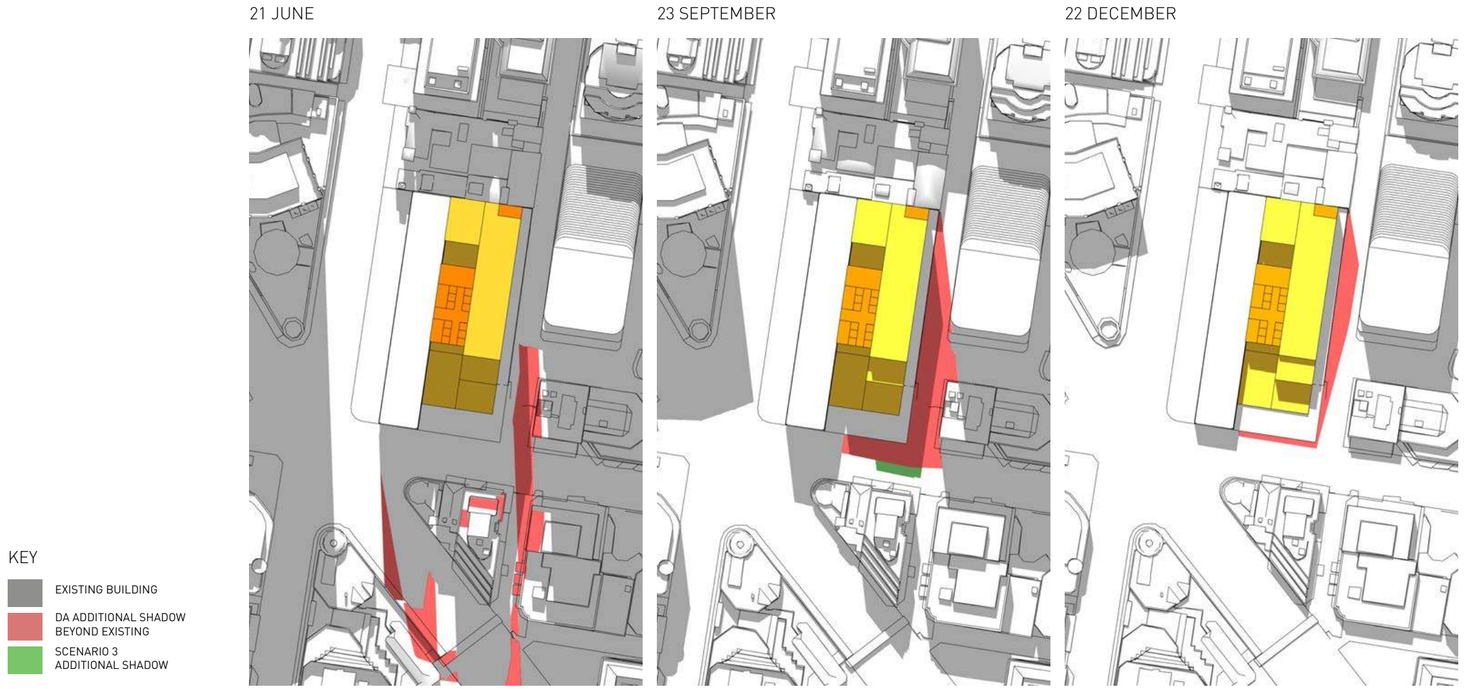
"Development consent may be granted to development on land at 105–153 Miller Street, North Sydney, known as the MLC Building, that would result in a net increase in overshadowing of the land known as Brett Whiteley Plaza that is within Zone RE1 Public Recreation from the March equinox to the September equinox (inclusive)."

Scenario 3 significantly increases overshadowing of Brett Whitely Place as shown in the Heritage NSW Report.

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)



Reasonable Use

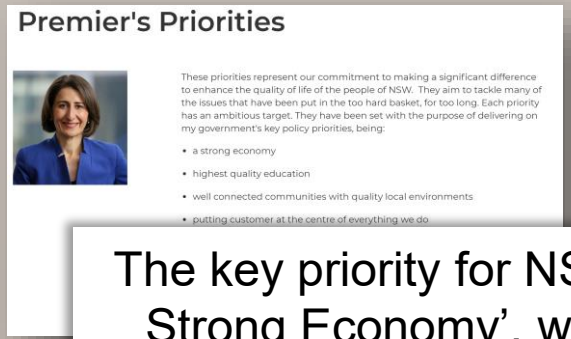
The term “reasonable use” as referred to in section 33(2)(c) of the Heritage Act should be interpreted by reference to the planning framework existing at the time of the listing decision for that item.

Heritage Amendment Bill 2009

This approach ignores a range of other important issues that have a bearing on the conservation of an item. As well as considering whether an item is of State heritage significance, the Minister will be required to consider a range of broader planning and economic issues.

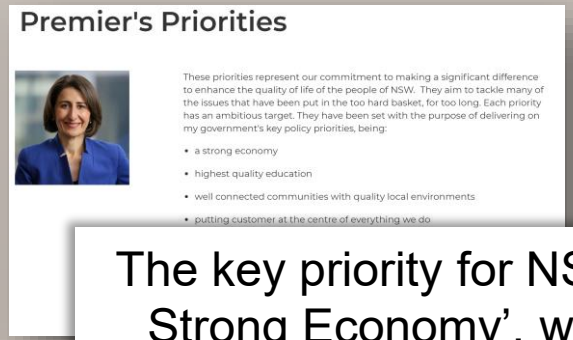
These additional criteria that the Minister will be required to consider will ensure that appropriate balance is achieved between conservation of the State's heritage, the rights of landowners and the costs of heritage conservation.

State Strategic Priorities

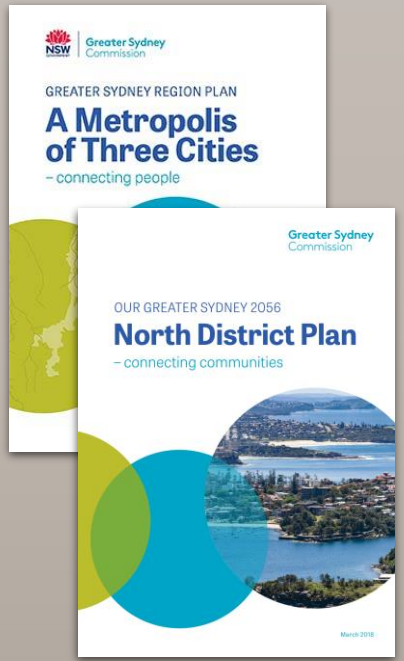


The key priority for NSW is ‘a Strong Economy’, with the Government’s ambition “to build the strongest economy in the region, providing the jobs and investment opportunities that will take NSW to the next level”.

State Strategic Priorities



The key priority for NSW is ‘a Strong Economy’, with the Government’s ambition “to build the strongest economy in the region, providing the jobs and investment opportunities that will take NSW to the next level”.



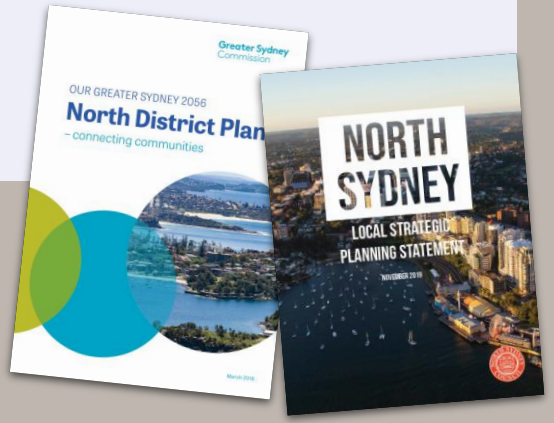
Jobs and skills for the city

Creating the conditions for a stronger economy

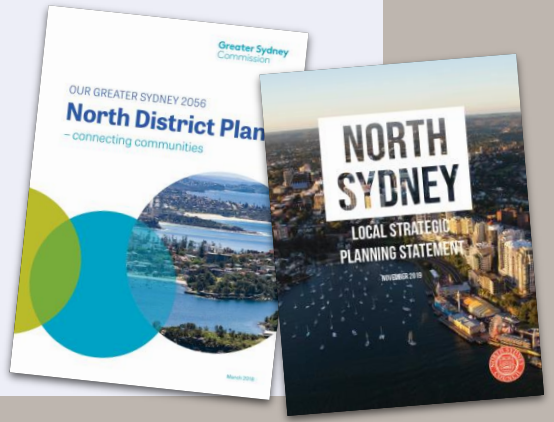
Potential indicator:
Increased jobs in metropolitan and strategic centres

Planning Priority N7
Growing a stronger and more competitive Harbour CBD

Actions	Responsibility
24. Grow economic development in the North Sydney CBD to: a. maximise the land use opportunities provided by the new station b. grow jobs in the centre and maintain a commercial core c. strengthen North Sydney's reputation as an education centre, to grow jobs and add diversity d. expand after hours' activities e. encourage growth in business tourism as a conference location that takes advantage of North Sydney's identity as a business hub, its location, access and views f. provide a variety of high quality civic and public spaces befitting a globally-oriented CBD, which can be utilised for a range of cultural and entertainment activities g. improve amenity by reducing the impact of vehicle movements on pedestrians h. create capacity to achieve job targets by reviewing the current planning controls.	North Sydney Council, other planning authorities, and State agencies

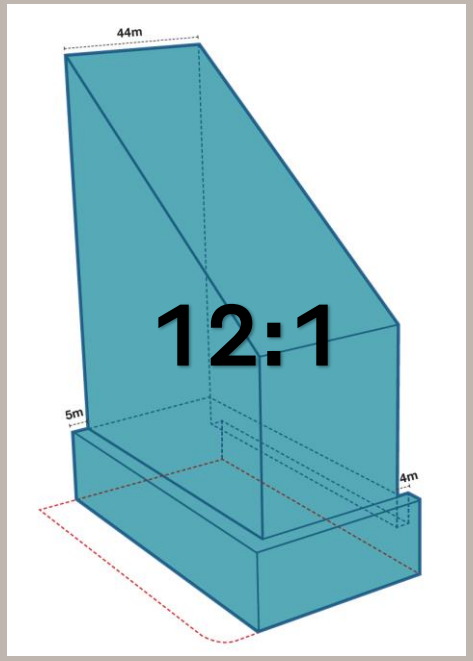


Actions	Responsibility
24. Grow economic development in the North Sydney CBD to:	North Sydney Council, other planning authorities, and State agencies
✕ a. maximise the land use opportunities provided by the new station	
✕ b. grow jobs in the centre and maintain a commercial core	
✕ c. strengthen North Sydney's reputation as an education centre, to grow jobs and add diversity	
✕ d. expand after hours' activities	
✕ e. encourage growth in business tourism as a conference location that takes advantage of North Sydney's identity as a business hub, its location, access and views	
✕ f. provide a variety of high quality civic and public spaces befitting a globally-oriented CBD, which can be utilised for a range of cultural and entertainment activities	
✕ g. improve amenity by reducing the impact of vehicle movements on pedestrians	
✕ h. create capacity to achieve job targets by reviewing the current planning controls.	

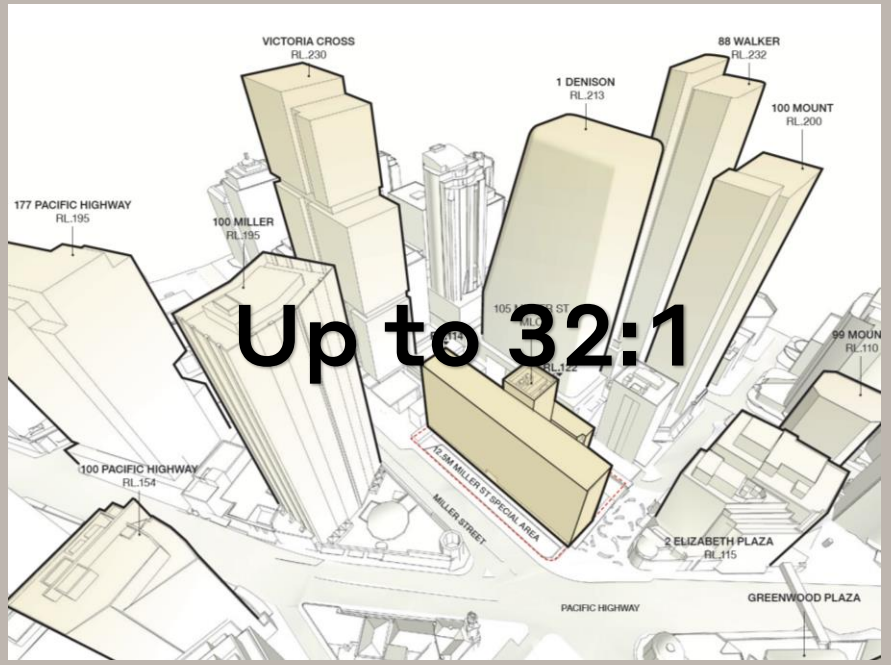


As a 6,000m² site in the centre of the North Sydney CBD adjacent to the new Victoria Cross Metro Station, 105 Miller Street is the single largest and best opportunity to deliver on the NSW's Government's strategic planning imperatives.

Existing Building



LEP + DCP Compliant Envelope



North Sydney Centre

The existing building is a significant under utilisation of the key site's development potential and does not allow for the achievement of key strategic planning objectives and therefore reasonable use.

Economic use

Will the listing result in financial hardship?

Economic Use

Background

1) Economic Impact Assessment (Social and Economic Impact Assessment prepared in 2019-2020)

2) Review of submitted materials (2021)

3) Review of North Sydney Office Market (2020-2021)

Economic Use

Office Building Quality

Property Council of Australia - ‘A Guide to Office Building Quality’ released in 2019.

Guide to parameters and criteria that typically influence perceptions of building quality – for new and existing buildings.

Existing Buildings

Code	Parameter	Unit	Premium Buildings	Grade A Buildings	Grade B Buildings	Grade C Buildings
	Descriptor	Presentation	A landmark office building located in major CBD office markets which is a trendsetter in establishing rents. Includes expansive views and outlook, ample natural light, prestige quality access from an attractive street setting, prestige lobby and lift finishes, premium quality lift ride, premium quality amenities, premium presentation and maintenance.	High-quality office building including high-quality views, outlook and natural light, high-quality access from an attractive street setting, high-quality lobby and lift finishes, high-quality lift ride, high-quality amenities, high-quality presentation and maintenance.	Good quality office building with a good standard of finish and maintenance.	Adequate quality office space.

Source: Property Council of Australia

Economic Analysis

Existing asset

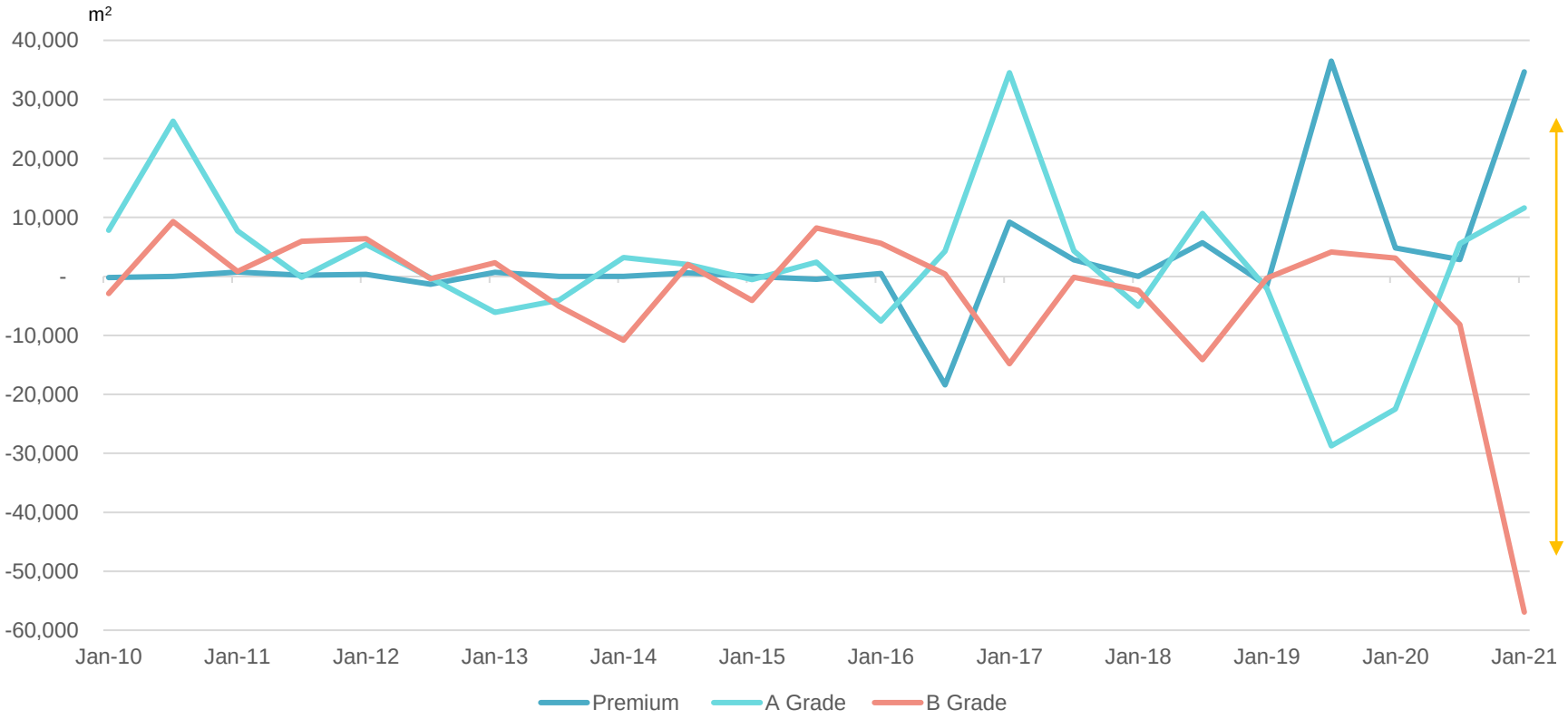
- End of useable life at over 60 years old
- Inefficient floorplates (only Miller Street wing offering floorplates above 1,500m^2 but useable space is impacted by heights and central columns)
- B grade office market rating simply retained post-refurbishment
- No improvement in office market rating and potential for future rating downgrades as market expectations evolve

Modern tenant requirements and market outlook

- ‘Flight to quality’ - Major occupiers (leases >1,000m^2) over last 3 years show over 90% of new leases in North Sydney have been in A grade or Premium buildings
- Major tenants seek efficient floorplates (column free, open and light) of 1,300m^2-1,500m^2 or larger – to attract staff, support flexibility and collaboration. Smaller tenants lease across all grades, however, physical limitations of MLC Building to subdivide make it unsuitable for these tenants.
- B grade is an underperforming segment of the North Sydney market (PCA)
- Substantial new supply to occur in North Sydney that will compete with the MLC Building (around 250,000m^2) – all A grade or Premium

MLC Building no longer suitable for modern corporate office occupiers

North Sydney Office Net Absorption by Grade (rolling 12 months)



Source: Property Council of Australia

Economic Analysis

Market rent

- North Sydney average market net face rent of $830/m^2 (prime grade – Premium and A grade) and $690/m^2 (secondary grade – B to D grade).
- Rents post refurbishment for MLC Building will still be aligned to B grade quality stock.
- Definitive cost plan prepared for the landowner outlines cost of $212 million to refurbish the asset and the implied rent required to balance profit and risk, would need to be 50%-100% above a reasonable market rent (and well in excess of premium and A grade rents) – unrealistic in the face of current market conditions and future supply in North Sydney.
- The return is not commensurate with the risk when a major refurbishment supports only marginal improvement to the achievable market rent due to structural limitations and the resulting B grade office market rating.

Cost to refurbish MLC Building not justified by economic return

Economic Use

Even assuming a refurbishment, with regards to the economic use of the asset, it is my view that a heritage listing would result in the following:

- No significant refurbishment program due to limited commercial viability
- Retention of MLC Building as an older B grade office asset with future potential to downgrade to C and D grade status over time
- Unable to compete with new quality office supply in North Sydney
- Reduced tenant demand
- Potential for reduced occupancy rates (i.e. vacancy)
- Reduced rents and commercial return
- Potential asset degradation due to lack of commercial return on maintenance expenditure
- Uneconomic asset with limited market appeal or relative capital value

A listing would result in a substantial impact to the economic use of the asset which will be unviable

Financial hardship

Will the listing result in financial hardship?

Yes. In our view a listing will result in financial hardship due to the unviable nature of the asset in its current, or refurbished form.

Even with a refurbishment, the MLC Building is not able to compete with high quality new office supply in the North Sydney market. As a B grade rated office building with structural limitations, the asset will not be able to attract or retain the corporate tenants required to fill a building of this size. The result will be lower occupancy at the building, lower rents, and an asset commercially unviable on an ongoing long-term basis as costs of maintenance/refurbishment will mean required rates of economic return are not achieved.