

Item 10.

Project Scope - 343 George Street - Renewal and Upgrade

File No: X098324

Summary

This report outlines the recommended scope for ongoing renewal and upgrade works for the City owned building at 343 George Street, Sydney.

343 George Street, Sydney, is a state heritage item built in 1925 and occupying a prominent site at the western end of Martin Place. The building was acquired by the City in September 2010 and is a key asset in the City's Investment Property Portfolio.

An ongoing program of renewal and upgrade works is required to maintain this historically significant building and ensure its position in the market and secure an ongoing financial return for the City.

In summary, the proposed scope of works included in the whole-of-building renewal and upgrade plan includes: the renewal and upgrade of base building services; efficiency and sustainability measures to meet the City's sustainability targets and market requirements; upgrade of building common areas to meet market expectations; accessibility upgrades for equity and compliance; and the renewal and upgrade of commercial office floors.

It is recommended that the scope of works outlined in this report form the basis of a staged renewal and upgrade program.

Recommendation

It is resolved that Council:

- (A) endorse the scope of works described in the subject report for the purpose of proceeding with lodgement of required planning approvals, detailed design and documentation and tender for staged construction of the works; and
- (B) note the financial implications outlined in Confidential Attachment C to the subject report.

Attachments

Attachment A. Location Plan

Attachment B. Summary of Recommended Project Scope (Confidential)

Attachment C. Financial Implications (Confidential)

Background

1. 343 George Street, Sydney, is a state heritage item occupying a prominent site at the western end of Martin Place. The building was acquired by the City in September 2010 and is a key asset in the City's Investment Property Portfolio.
2. The building comprises 13 levels in total, with basement, lower ground floor, ground floor (retail) and 10 upper commercial office floors. There are significant views over Martin Place and Barrack Street. The building has 2 main lobbies – one from George Street and one from Barrack Street.
3. The building is historically significant as an early example of the Commercial Palazzo style and as the former headquarters of one of the leading banks in New South Wales, the Commercial Banking Company of Sydney Ltd, which had occupied this site since the 1850's until its merger with the National Bank in the 1980's.
4. The façades, ground floor, lower Ground Floor Safe Deposit Vault, and surviving original interiors of the executive areas are exceptionally fine and rare examples of design and craftsmanship.
5. The building was originally built in 1925 and has been well maintained. Renewal and upgrade works completed to date and underway include:
 - (a) Renewal of base building services and interiors (lobbies and common bathrooms and kitchenettes) in the early-mid 90s.
 - (b) Major modification of upper floor tenancies by tenants / previous building owner in the early 2000s to create multi-floor tenancies with internal stairs installed to connect levels six and seven as a two storey tenancy and levels eight, nine and ten as a three storey tenancy.
 - (c) Renewal and remediation of the Barrack Lane building facades by the City. Stage 1 works to Barrack Lane completed in 2021 Stage 2 works to the George and Barrack Street facades of the building are now underway.
6. An ongoing program of renewal and upgrade works is required to maintain this historically significant building and ensure its position in the market and secure an on-going financial return for the City. Works required include:
 - (a) Renewal of all base building services and interiors which are at or nearing end of asset life (20-30 years old).
 - (b) Upgrades to comply with current standards including:
 - (i) Accessibility - upgrade of ground floor entries and lobbies and bathrooms on all levels to meet current accessibility standards.
 - (ii) Services - upgrade of services to meet current statutory requirements and the City's sustainability targets.

- (c) Upgrades recommended to meet market expectations:
 - (i) End of Trip Facility - provision of an appropriately sized / located facility.
 - (ii) Rooftop Tenant Common Space - provision of a break-out space for tenant use.

Asset Management

7. When the building was purchased in September 2010 the building was fully leased and had a strong lease expiry profile. At the time of purchase the weighted average lease expiry (based on rental income) was approximately 6.5 years, with the ground floor lease to Burberry having an unexpired lease term of 15 years (to 2025).
8. Building leasing and returns remained high through to 2022 (mid- Covid) when the level 6 and 7 multi-floor tenancy became vacant at the end of the lease term for Built Pty Ltd. Shortly following this Atlassian chose not to execute a lease extension.
9. Given the opportunity presented by the concurrent vacancy of several floors of the building, a detailed review of leasing and required renewal and upgrade works was completed in late 2022 to inform budget planning and asset management. Key outcomes of this review included:
 - (a) Leasing - maintain the current mix of ground floor retail, small office suites (L1-3) and whole / multiple floor tenancies (L4-10).
 - (b) Base building renewal and upgrade works - works to be delivered in stages aligned with vacancies and lease expiry profiles with renewal of upper floors (L6-10) prioritised to align with current vacancies.
 - (c) Tenancy renewal and upgrades - works to be progressively delivered aligned to market conditions as / when tenancies are vacant / available for lease.
 - (d) Whole of building renewal and upgrade plan - a whole of building renewal and upgrade plan should be developed.
 - (e) Planning approvals - approval for whole of building renewal and upgrade works including application for award of Heritage Floor Space should be sought.

Recommended Project Scope

10. In August 2023 Johnson Pilton Walker Architects (JPW) were engaged to develop a plan for whole-of-building renewal and upgrade, which could be delivered in stages, aligned to vacancies within the building. The strategy coordinates Development Application and staged construction documentation packages.

11. Works included in the whole-of-building renewal and upgrade plan include:
- (a) Renewal and upgrade of base building services including:
 - (i) Fire services - tank to be moved to basement from roof (compliance), new fire booster on street and associated upgrades, new stair pressurisation
 - (ii) Mechanical / Air conditioning (HVAC) roof top plant replacement of cooling towers, new chillers & Heat exchange, on-floor upgrade of zoning
 - (iii) Electrical (including data), lighting, secure access systems and
 - (iv) Vertical transportation (re-fit lift cars and call logic systems).
 - (b) Efficiency & sustainability measures to meet to meet the City's sustainability targets and market requirements including:
 - (i) Electrify all services, remove gas supply and gas boilers
 - (ii) Energy efficient HVAC design and plant, improved edge zoning, retain chill beams on upper floors
 - (iii) Efficient fittings, LED lighting, water efficient fixtures
 - (iv) NABERS rating (at completion of works).
 - (c) Upgrade of building common areas to meet market expectations including:
 - (i) Renewed Ground floor lobbies
 - (ii) Renewed lift foyers and stairs (all levels)
 - (iii) Upgraded rooftop outdoor terrace and new common indoor space
 - (iv) New End of Trip facilities in including new lift to access B1
 - (v) New waste handling facilities.
 - (d) Accessibility upgrades for equity and compliance including;
 - (i) Accessible entry, ramped entry to Barack Street Lobby
 - (ii) Accessible bathrooms to all office floors and End of Trip (12 off)
 - (iii) Wayfinding, signage and contrast upgrades.
 - (e) Renewal and upgrade of commercial office floors including:
 - (i) Fit-out of all floors to "Warmshell" with basic floor and wall finishes, suitable for tenant's own fit-out to suit.
 - (ii) Full fit-out including furniture and equipment of selected floors as required in response to market conditions at time of works.
12. Works will be delivered in stages aligned to lease expiries / vacancies within the building and subject to budget allocations within the Long Term Financial Plan.

13. Planning Approval will be sought for whole-of-building renewal and upgrade with the proposed works to be undertaken in stages following the issue of staged construction certificates.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

14. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
 - (a) Direction 1 - Responsible governance and stewardship - asset management and specifically expanding revenue from commercial operations and the property portfolio.
 - (b) Direction 2 - A leading environmental performer - improvement of the environmental performance of the City's commercial asset.

Organisational Impact

15. This project enables the appropriate maintenance and improvement of an asset which generates important revenue to the City, and improves the performance of the Investment Property Portfolio.
16. These works will improve facilities, reducing reactive maintenance in the short term.
17. This project does not include any proposal to change staffing.

Risks

18. Project and design safety risk assessments have been completed and are subject to ongoing review and update. Significant risks identified and treatment strategies include:
 - (a) Scope does not meet market expectations - consultation with leasing agents etc
 - (b) Tenant Management During Construction - consultation and communication
 - (c) Latent conditions in the building - structural investigation to incorporate recommendations into design.
19. This renewal approach is within the City's risk appetite, which states:
 - The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.

- We aim to strike a balance between achieving our strategic objectives and ensuring the long-term sustainability of infrastructure assets; and preserving and promoting culture and heritage, embracing innovation, and ensuring the long-term sustainability and accessibility of cultural/heritage assets.
20. The Risk Appetite statement notes that the City of Sydney encourages detailed planning and programming of asset renewal to ensure appropriate resources are allocated in the long-term financial plan. It also notes that we will not tolerate a failure to implement maintenance of our infrastructure and assets. This scope proposal is intended to ensure that there is a plan in place for the long term maintenance and improvement of this important asset.

Environmental

21. Renewal of base building services will improve environmental performance of the building, and includes full electrification of the building and the works will result in a reduction in both water and energy usage compared to current.
22. The works are designed to achieve a 5 star NABERS energy rating at completion of works and will meet the City's sustainability targets.

Financial Implications

23. Relevant projects are included in the current Long Term Financial Plan. Financial implications are outlined in Confidential Attachment C.

Relevant Legislation

24. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
25. Attachments B and C contain confidential information which, if disclosed would confer a commercial advantage on a person with whom the City of Sydney is conducting (or proposes to conduct) business.
26. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

27. The anticipated project time frames are:
- | | | |
|-----|--------------------------------------|---------------------------------------|
| (a) | Development application submission | Early 2025 |
| (b) | Construction documentation completed | Mid 2025 |
| (c) | Construction start (first stage) | Late 2025 |
| (d) | Construction finish (first stage) | Early 2027 |
| (e) | Other stages start | As floors become vacant in the future |

Options

28. Proceed with staged implementation of the renewal and upgrade works outlined in this report including relevant approvals, preparation of construction documentation, tender and construction.
29. Project does not proceed - this option is not recommended as there is a high risk of ongoing vacancy and increasing maintenance costs.

Public Consultation

30. Public consultation will be undertaken through exhibition of the Development Application.
31. Consultation with current and prospective tenants has been undertaken and will continue throughout the delivery of the works.

KIM WOODBURY

Chief Operating Officer

Sam Wheatley, Delivery Manager