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The rebirth of East Darling Harbour – a property industry perspective

*A submission to the NSW Government and
the East Darling Harbour Urban Design
Competition Jury*

Property Council of Australia – August 2005

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Executive Summary

The proposed redevelopment of East Darling Harbour presents a unique opportunity to add a new world class commercial, tourism, cultural and recreation precinct to Sydney.

The Property Council of Australia strongly supports the NSW Government's decision to facilitate the redevelopment of this precinct through an international design competition. The purpose of this submission is to assist the Government and the East Darling Harbour Urban Design Jury in the transformation of this 22 hectare site.

The submission does not critique the five alternate design schemes chosen in stage 1 of the design competition. The Property Council is facilitating industry feedback on these designs separately. This submission addresses how these schemes should be developed during stage 2 of the design competition, a final scheme determined and then implemented.

Fundamentally the plans for the redevelopment of East Darling Harbour must be considered in the context of the role and future of the Sydney CBD.

The CBD is just some 14 years away from reaching its full commercial capacity under existing planning controls. This is the theoretical point at which every last available square metre of space has been developed. Clearly these capacity constraints will be felt much earlier than this.

The addition of around 200,000 sq m of office space at East Darling Harbour helps alleviate this supply constraint in the short term and is very welcome, but it is not a medium or long term solution to this issue. The Property Council has recommended that further planning changes be made in the CBD to ensure it can continue to accommodate jobs growth into the future.

However the quantum of development earmarked for the site – 330,000 sq m of total built space and 200,000 sq m of office space – is probably about right. It delivers a modest amount of new commercial capacity for the CBD and is consistent with the desired building scale of the area, although questions remain over whether it is sufficient to pay for the public domain works to deliver a self funded development option.

It is vital that the addition of the new office space at East Darling Harbour be staged over five to ten years, to ensure its release does not artificially distort the Sydney office market.

The Property Council strongly endorses the key elements of the Government's design competition brief and this submission provides both further comments on how these can be achieved and additional issues which are vital to the delivery of this unique urban renewal.

Summary of recommendations:

- 1. Conduct a competition among the state's school children (with particular involvement of Fort Street Primary School at Millers Point) for a more appropriate name for the precinct.**
- 2. Maintain the key elements of the competition design brief into the delivery of the built form, subject to a full assessment of the development dynamics of the site to review whether the 330,000 sq m of total built space is sufficient to deliver a self funded development outcome.**
- 3. Add two further requirements to the design brief for stage 2 of the design competition, namely the need to address transport and access issues, and the need for a staging plan for the site.**
- 4. Ensure East Darling Harbour is a showcase of sustainable development, good design and quality built form.**

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5. **Stage the release of new commercial development over a period of five to ten years.**
 6. **Ensure public transport services are in place before sites are released to the market for development.**
 7. **Ensure pedestrian linkages to the CBD, King Street Wharf and the Rocks are significantly upgraded before sites are released to the market for development.**
 8. **Establish a commercial advisory committee to assist the design competition jury in assessing the commercial merits of designs and in preparing subsequent advice to stage 2 contestants. The Property Council would be happy to assist with the establishment of this committee.**
 9. **Give responsibility for implementing the redevelopment of East Darling Harbour to a suitably qualified development authority with powers to finalise planning controls (with Ministerial approval), finance the redevelopment, deliver the public domain improvements and act as consent authority for development.**

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1. A unique identity

The urban renewal of East Darling Harbour represents a unique opportunity for Sydney.

This is the last waterfront area of the CBD which can undergo urban renewal. It represents the last addition of land to the CBD likely to be able to support premium office buildings. And it provides a tremendous opportunity to add cultural, recreational and tourism assets to the city.

The Property Council supports the decision to remove the existing stevedoring operations from the site. There is no reason for locating such operations on the edge of the Sydney CBD and every reason that they should move to a better serviced location.

The Property Council strongly supports the Government's decision to launch an international design competition for the future of this unique area.

The Government's aspiration is to create a new addition to Sydney's landscape that will be a showpiece of excellence in waterfront urban renewal. The Property Council supports this aspiration.

Yet the name 'East Darling Harbour' does not shout these values.

This precinct needs to create its own identity, not one which is east of anywhere, but one that represents its own unique character.

The Government has often gone to the state's youth for such inspiration, most recently with the new sea-bridge along Lawrence Hargrave Drive in the Illawarra. We recommend the Government do the same with this site.

We encourage the Government to run a competition among NSW school children for a new, more appropriate name for the East Darling Harbour precinct. In particular, we encourage the Government to involve the children at Fort Street Primary School at Millers Point in this process.

The Property Council is also playing our part in engaging our youth in the future of the precinct. We are again sponsoring the Superstudio architectural competition among four universities, who this year have been asked to prepare designs for the East Darling Harbour redevelopment.

Recommendation

- 1. Conduct a competition among the state's school children (with particular involvement of Fort Street Primary School at Millers Point) for a more appropriate name for the precinct.**

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2. The CBD's limited commercial capacity and the role of East Darling Harbour

Fundamentally the redevelopment of East Darling Harbour must be considered in the context of the role and future of the Sydney CBD.

The Sydney CBD is the centre of Australia's global city. It produces 8% of Australia's GDP¹ and employs about 10% of Sydney's total workforce.

Yet the Sydney CBD is small by international standards. It is also tightly geographically constrained with limited expansion options, again unlike many similar sized cities in Australia and overseas. It is bounded on three sides by harbour and parkland. To the south, the newly constructed residential towers have effectively created a barrier to further commercial expansion in that direction.

Just 14 years supply of commercial capacity

The CBD is just some 14 years away from reaching its full commercial capacity under existing planning controls. This is the theoretical point at which every last available square metre of space has been developed. Clearly these capacity constraints will be felt much earlier than this.

In 2001 the City of Sydney completed its Urban Development Capacity Study to investigate the CBD's future growth capacity under existing planning controls. This was a sophisticated study which took into account the effect of height limits, floor space ratios, the fact that new buildings would not be redeveloped in the medium term, heritage items and strata titled buildings².

Its key finding was that the CBD had a total of 2,046,500 sq m of space available under its planning controls. The study's estimate was that 1,150,500 sq m of this was likely to be developed for commercial purposes and 896,000 sq m for residential purposes³.

But what does 1.15 million sq m equate to in terms of future supply?

The Property Council's Australian Office Market Report⁴ tracks all major CBDs in Australia. This shows that it has taken 14 years for the Sydney CBD to grow by this quantity of space (at an average of 72,000 sq m a year).

If we make the assumption that absorption rates will be similar in the future, this would indicate the CBD has the capacity for only 14 years supply of new commercial space under existing planning controls⁵. This is the point at which the CBD will literally run out of space and need to begin to turn new businesses away.

Role of East Darling Harbour

The addition of around 200,000 sq m of office space at East Darling Harbour⁶ will provide some growing space for the CBD, but it is not a medium or long term solution to this issue.

This amount of space is equivalent to only about three years of total supply for the CBD, based on average supply additions over the last 15 years⁷. This is a relatively small (but significant) addition to the Sydney CBD.

¹ Report to the City of Sydney: Integrated Transport Strategy – Mass Transit for CBD and Inner Sydney. Glazebrook & Associates in association with Martin Walsh & Associates Binary Consultants Pty Ltd, February 2005.

² However the impact of sun access controls and the limited development potential of very small heights was not considered

³ This assumed a 65:35 split between commercial and residential development


⁴ Property Council of Australia, Australian Office Market Report, January 2005

⁵ Note there has been very little net additional new commercial space added between 2001 and 2005

⁶ This is the effective maximum limit of office space on the site set out in the design competition brief.

⁷ Property Council of Australia, Australian Office Market Report, January 2005.

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The Property Council believes this is about the right amount of commercial space for the East Darling Harbour precinct. We believe it is important for the current economic functions of the CBD (corporate and regional headquarters, finance and service sectors) to primarily continue to be clustered in the core northern part of the CBD. This amount of commercial space will deliver a built form in line with the Government's desired objectives for the East Darling Harbour site, although this could still be achieved with greater than the targeted 330,000 sq m of total built space set out in the design competition brief.

The solution to the CBD's medium and long term supply constraints lie in the planning controls governing the CBD itself. Planning changes must be made here if the CBD is to continue to accommodate jobs growth into the future.

We have submitted a paper to the City of Sydney Council and the Central Sydney Planning Committee which calls for changes to planning instruments to provide a modest amount of new commercial capacity to the Sydney CBD⁸. The key recommendations in the paper are:

1. Bring floorspace ratios for commercial development in the CBD in line with that of residential development, so the maximum attainable FSR in the A1 zone would be 14:1.
2. Exclude residential development from a new commercial-only zone to be established in the northern core of the CBD to secure this commercial precinct's future.
3. Support a staged approach to the release of new commercial space in the East Darling Harbour precinct.
4. Introduce an incentive scheme to promote the redevelopment of lower grade commercial buildings of an additional 1:1 in floorspace ratio in exchange for a commitment to produce a five star Greenstar building.
5. Strongly advocate for the reform of strata title laws to provide a more workable mechanism to unwind a strata scheme at the end of a building's economic life.
6. Continue to champion the need for enhancements to the City's public transport system.

The City of Sydney and CSPC are currently considering these recommendations, with favourable reaction from the Lord Mayor and the Deputy Lord Mayor.

Employment capacity of East Darling Harbour

The NSW Government originally announced the redevelopment of East Darling Harbour would accommodate 25,000 workers. However, the actual employment outcome is likely to be about half this number under the parameters of the design competition brief.

The competition brief sets out a limit of 330,000 sq m of gross floor area for all built uses of the site, including some 200,000 sq m of office space. The office space is likely to accommodate around 12,000 jobs based on a relatively efficient 17 sq m per worker workspace ratio.

This is far more consistent with the Government's desired built form for the area and one which the Property Council supports.

⁸ Property Council of Australia, *Securing the Commercial Future of the Sydney CBD*, May 2005

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3. Support for the key elements of the design brief

The Property Council supports the key elements of the Government's design competition brief, although we recommend that further investigation be undertaken as to whether the floorspace limit of 330,000 sq m is sufficient to fully fund the public domain works on the site.

In addition, we recommend that transport and pedestrian access, and a staging plan be added as additional elements for stage 2 of the design brief.

We offer the following comments against each of these key elements.

Provision of 50% of the site as public open space

The Property Council supports this objective. We note that not all of this open space is likely to be in the new foreshore parkland.

In addition to the recreational and cultural uses of this space, the Property Council encourages the Government to ensure this space is designed so that it is a tourism attractor for Sydney. This is the last opportunity to add a tourism precinct to central Sydney.

Foreshore public walkway

This will create a 14 km long foreshore walk which will be a tremendous asset to Sydney.

Retention of the overseas passenger functions on the site

Sydney clearly needs to retain the capacity to service overseas passenger cruisers and Circular Quay does not provide sufficient capacity for this.

The retention of these functions on the site will have significantly implications for its design. Disembarking visitors will want direct access to the CBD and the Rocks. This reinforces the need for excellent public transport to be provided to the precinct and for a dramatic improvement in pedestrian access to the CBD and the Rocks.

Visitors will also want a sense of arrival, retail and traveller services, visitor information and clear signage.

Future iconic use on the northern tip of the site

The Property Council strongly supports the Government's concept of preserving the northern tip of the site for a future iconic use to complement the Sydney Opera House.

We note that this may be a building, a number of buildings or not a building at all. We would urge the Government not to rush to select a use for this site.

Even if this iconic use for the site is not delivered in the short term, the master plan for the site needs to plan ahead to ensure the final use is not a white elephant. The iconic site needs to be highly accessible and an interesting approach.

Providing for the commercial growth of the CBD through the provision of high quality, large floorplate medium rise buildings

The Property Council strongly supports this objective. The need for further commercial growth of the city is discussed extensively in the previous section of this paper.

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East Darling Harbour should be a showcase of good design, quality buildings and sustainable development. We recommend that new buildings on the site be required to achieve a minimum of 4.5 star rating on Green Star and be premium or A grade quality. In addition to the environmental measures, it is important that social sustainability is closely considered, especially in relation to the neighbouring residential precincts.

The Property Council supports the Government's objective of providing for the needs of large floorplate tenants on the site. The CBD is likely to be increasingly reliant on smaller tenants as the remaining few development opportunities are taken up. It is important that East Darling Harbour can cater for large tenancies of 1200-1800 sq m net lettable area. We note that some of the five stage 2 master plans do not provide such options.

To achieve this outcome significant site sizes will need to be available for commercial development in the final design.

The Property Council questions whether the 50 m height limit set out in the design brief is appropriate given the 150 m height of the soon to be completed Westpac headquarters on the KENS site. It would seem to be preferable for there to be a more even transition at this part of the East Darling Harbour site.

We also note that sufficient car parking will need to be provided to ensure premium businesses are attracted to the area.

Limiting residential uses to 25% of the gross floor area

We support this objective as it ensures the predominant use of the built components of the site are employment based.

East Darling Harbour will be enlivened through the presence of some residential uses, although the recreation, tourism and employment uses on the site are likely to contribute at least as much in this regard.

The residential components will need to be carefully located so they do not conflict with other uses. Poorly located residential development will result in complaints from residents and pressure to limit employment uses with the potential to undermine the recreation, tourism, employment and passenger terminal functions of the precinct.

The Property Council believes specific zoning controls will be required to ensure residential uses are located in the desired locations. Left to the market, more of the site will tend to be developed as residential due to the generally higher yields that this use can achieve. Residential development in a premium city location can achieve around \$18,000 a sq m, whereas the yield from even a premium commercial building is around \$11,000 a sq m.

Providing for a new hotel or serviced apartments on the site

The Property Council believes there is capacity for more than one hotel or serviced apartment on this site. We note that the Rocks precinct has the highest room rates in the city, suggesting that the northern half of East Darling Harbour would be a successful location for tourism accommodation.

We would urge the Government to ensure that any serviced apartments on the site are of the apartment hotel style.

We also note that it is important for this precinct to mirror the City of Sydney's dual use controls, to ensure residential apartments are not able to operate as serviced apartments on an apartment by apartment basis on the same floors. If residential and serviced apartments are mixed within a building, these should be

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on separate contiguous floors and have separate lift and lobby access as per the City's controls.

Limiting the combined gross floor area for all land uses to 330,000 sq m

A self funding development outcome

The Property Council is generally supportive of these objectives, although we note that the site could contain up to an extra 100,000 sq m of floorspace while still achieving the other objectives and integrating with the surrounding built form.

However we believe it is unlikely that the 330,000 sq m of development will be sufficient to pay for the public open space and other public domain works, as well as for the access and transport improvements needed.

The Property Council does not know what analysis has been done into the likely costs of the public domain improvements needed, although given that the final design is yet to be determined, it is likely that any assessment would have been very approximate at best. If the development is to be fully self funding as the Government desires, there will need to be a full analysis of the costs of the public domain works before the planning framework for the site is finalised.

We strongly recommend that the Government full assess the development dynamics of the site before stage 2 is finalised and reconsider the built form limits following this assessment.

Additional elements to be added to the stage 2 design brief

The Property Council believes two important issues are missing from the original design brief which should be incorporated into the brief for the five design teams selected for stage 2 of the competition.

The first of these issues is transport and access. This is discussed in greater detail later in this paper.

The second issue is the need for staging, which is discussed in the next section of this paper.

Each of the stage 2 contestants should be asked to address these issues in their design schemes.

Recommendations

- 2. Maintain the key elements of the competition design brief into the delivery of the built form, subject to a full assessment of the development dynamics of the site to review whether the 330,000 sq m of total built space is sufficient to deliver a self funded development outcome.**
- 3. Add two further requirements to the design brief for stage 2 of the design competition, namely the need to address transport and access issues, and the need for a staging plan for the site.**
- 4. Ensure East Darling Harbour is a showcase of sustainable development, good design and quality built form.**

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4. The need for staging

The Property Council strongly urges the Government to stage the release of East Darling Harbour over time.

The redevelopment of East Darling Harbour will add around 200,000 sq m of commercial floor space to the city. While this is a modest expansion of the CBD's total commercial capacity⁹, it still represents three years of total supply of CBD office space.

This would significantly artificially distort the Sydney CBD office market were it to be released at the one time. It is clearly not in the public interest for the Sydney CBD office market to be artificially induced into oversupply as this would dampen new investment in the CBD, undermine the viability of Sydney's other office markets, and reduce investment returns to the millions of Australians who invest in commercial property through their superannuation and retirement savings.

Significantly, this result would also undermine the commercial basis for the East Darling Harbour development itself, with an oversupply of office space likely to result in reduced commercial returns from the site.

Clearly the release of the commercial space from the East Darling Harbour precinct needs to be staged over time.

The actual staging period will depend on market conditions and the Government should take a flexible approach to this. By way of comparison, the Darling Park development at Darling Harbour (with a total net lettable area of 150,000 sq m) has taken 18 years to roll out.

It is also sensible to stage some aspects of the public domain improvements of the site over time. Some components (such as the transport and pedestrian access elements) will need to be provided up front, others may be able to be provided later.

The Property Council strongly urges to Government to ensure the release of this space is staged over five to ten years.

Recommendation

5. Stage the release of new commercial development over a period of five to ten years.

⁹ There is currently 4,560,000 sq m of office space in the Sydney CBD

5. Transport and access

The East Darling Harbour precinct (and the western corridor of the CBD generally) is currently poorly serviced by public transport. The site also has poor pedestrian linkages to the CBD, King Street Wharf and the Rocks. These issues will need to be addressed for it to become the high quality precinct the Government intends.

East Darling Harbour does not need good public transport and pedestrian access. It needs excellent transport and access if it is to support premium level businesses and underwrite the tourism potential of the precinct. These issues need to be resolved before the sites are released to the market for development.

The Government recently announced a new CBD rail line would be built next decade along a Pitt and Castlereagh Streets, a city east alignment. While this is a welcome reinforcement of the Sydney CBD, it leaves transport options for the western corridor unaddressed.

The western corridor has seen significant growth in recent years and the renewal of East Darling Harbour will add demand for public transport in this area. These public transport needs should be considered and addressed in conjunction with a wider review of central Sydney transport needs. As the Property Council has argued separately, CBD congestion is clearly getting worse. The opening of the Cross City Tunnel will remove east-west through traffic from the city, but other congestion pressures will remain. The Sydney CBD is forecast to undergo substantial employment, tourism, retail and residential growth in coming years, much of it in the CBD's western corridor. It is clear that simply adding more busses into the CBD is not the solution.

Former Premier Bob Carr had announced he would hold a summit on CBD transport needs later this year. The Property Council hopes this forum goes ahead and looks forward to participating in the Premier's summit on CBD transport needs at the end of the year. This forum must result in concrete public transport solutions for the CBD, including the western corridor. The feasibility of a metro west rail line needs to be assessed as part of this review.

While these issues are outside the bounds of the East Darling Harbour design competition, the issue of pedestrian linkages is not.

The site is currently physically disjointed from the CBD, King Street Wharf and Millers Point. Good pedestrian links are needed to ensure it becomes a safe and vibrant precinct that is attractive to both Sydneysiders and tourists. Design competition contestants should be asked to address these issues in stage 2 of the competition.

Recommendations:

- 6. Ensure public transport services are in place before sites are released to the market for development.**
- 7. Ensure pedestrian linkages to the CBD, King Street Wharf and the Rocks are significantly upgraded before sites are released to the market for development.**

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6. Commercial overview of stage 2 designs

It is very important that the five designs chosen to now proceed to stage 2 of the design competition process be assessed on their practical commercial merits as well as their design merits.

If these designs are not strongly informed by commercial reality it will be difficult to select a preferred design with confidence and potentially undermine the ability of the built components to fund the public domain improvements.

We recommend that a commercially-orientated review of the five finalist designs occur immediately. This would best be done by establishing a commercial advisory committee and using the outcomes of this in the feedback to be provided to the finalists.

We are aware that the previous Minister for Infrastructure and Planning has already given some consideration to this option and we have also raised this in discussions with the Sydney Harbour Foreshore Authority.

The Property Council would be very pleased to assist with the establishment of this advisory committee.

Recommendation:

- 8. Establish a commercial advisory committee to assist the design competition jury in assessing the commercial merits of designs and in preparing subsequent advice to stage 2 contestants. The Property Council would be happy to assist with the establishment of this committee.**

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7. Governance and delivery

The Property Council understands that the governance structure and delivery responsibilities for the renewal precinct have not yet been determined.

Currently the Department of Infrastructure, Planning and Natural Resources (DIPNR) is managing the design competition with the Sydney Harbour Foreshore Authority (SHFA) acting in an advisory capacity.

The Property Council recommends that this arrangement continue through to the end of the design competition and the finalisation of the masterplan. Following this, responsibility for finalising the environmental planning instruments (with Ministerial approval required), implementing the masterplan, acting as the consent authority for subsequent development, and the delivering the essential infrastructure should be given to a separate authority with wide ranging implementation powers.

The governance arrangements overseeing the implementation of the redevelopment of the site will be vital because of the need to forward fund much of the public domain works on the site. This will require the authority to borrow money to fund these works and recoup these costs as sites are released for development. A renewal authority model is best placed to manage this financing structure.

Three options exist for this:

- establish a separate stand alone authority along the lines of the Sydney Olympic Park Authority,
- give responsibility for the site to the Sydney Harbour Foreshore Authority,
- give responsibility for the site to any urban renewal authority established as part of the Metro Strategy for Sydney, as per the Property Council's recommendations of November 2004.

As discussed above, it is absolutely vital that there be strong commercial input into the implementation of the masterplan. We recommend a reference group be established to provide this input and be comprised of investment, development, funding and planning interests. This group should particularly be used to provide commercial input into sequencing and staging decisions for both built development and public domain works.

Recommendation:

- 9. Give responsibility for implementing the redevelopment of East Darling Harbour to a suitably qualified development authority with powers to finalise planning controls (with Ministerial approval), finance the redevelopment, deliver the public domain improvements and act as consent authority for development.**

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