

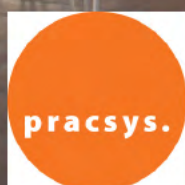
Architecture
Interior Design
Landscape Architecture
Planning
Urban Design

Australia
PR China
Hong Kong SAR
Singapore
Thailand

FORGOTTEN SPACES_ UPPER FLOOR ACTIVATION

Prepared for City of Perth
August 2010

HASSELL



CITY of PERTH

Document Control

Version Number	Date of Issue	Author/s	Brief Description of Changes
1.0	27/08/10	SD	-

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00____Preface

This study examines the financial and practical feasibility of upper floor activation in established buildings in the City of Perth and seeks to identify and explore all factors that are needed for upper floor activation to take place.

The document is set out in two parts. Part A considers broad issues affecting the activation of upper floors and identifies relevant legislation. Part B considers the issues identified in Part A and applies those to 6 case study buildings within central Perth. A financial model was prepared to understand implications for land owners.

Any commercially sensitive information has been removed from this public document.

The contents of each part are outlined in their respective sections.

Part A_

Architecture
Interior Design
Landscape Architecture
Planning
Urban Design

Australia
PR China
Hong Kong SAR
Singapore
Thailand



Prepared for City of Perth
June 2010

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CITY of PERTH

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Hay Street Mall, Perth. This photo shows recently activated upper floors in a contemporary building that incorporates a historic facade. The upper floors contain retail as well as food and beverage tenancies.

01 Introduction

This study examines the financial and practical feasibility of upper floor activation in established buildings in the City of Perth and seeks to identify and explore all factors that are needed for upper floor activation to take place. The buildings of interest to this study are those that contain vacant or underutilised floor space above ground level. Though not necessarily heritage listed, they tend to be older, established buildings in which upper floors that were originally occupied have been vacant or underutilised for some time. Frequently, the original entries to the upper levels have been modified or removed. The buildings were all erected when very different building construction and safety standards applied than are now current, and hence will require some form of upgrading in order to comply with current standards.

The term 'upper floor activation' refers to the occupation of upper floor space by uses that add commercial and/or social vibrancy to a building and preferably help to animate the immediate surrounding area. Such uses will typically involve increased worker, resident and/or visitor population levels, such as apartments, shops, restaurants and bars, offices, consulting rooms, creative studios, exhibition and performance space, and other activities involving an element of public access. The City of Perth has expressed a preference that upper floor uses promote activity out of business hours (i.e. after 5pm and on weekends).

Underutilised upper floors are either vacant or characterised by activities that have limited economic or social benefit, such as storage and administration associated with ground floor uses.



Harper's Buildings, Hay Street, Perth. Upper floors are used for office space and storage associated with ground level tenancies.

01_____Introduction

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1.1_Original Uses of Upper Floors

The upper floors of Perth's old buildings were originally occupied mostly by service industries (e.g. tailors, manufacturing jewellers, small goods repairers), theatres and cinemas, small offices (e.g. lawyers, accountants, medical practitioners) and in some cases, residential flats. The offices and service industries in particular tended to be small business operations that have been made obsolete by changes in the market or economy business models (e.g. growth in mass produced consumer products, amalgamation of firms to larger entities) or they have relocated to suburban premises where they have greater access to their customer base and more and/or cheaper space. This change in function occurred as technologies improved throughout the 1960s and a focus on premium office space was promoted from the early 1970s. During this time, many historic buildings were demolished, particularly along St Georges Terrace, to provide for modern office towers. Changes in retail spending habits were also encouraged through the development of suburban shopping centres, meaning fewer people were coming to the city for daily goods and entertainment.

There was little demand for these smaller upper floor spaces once they were vacated as the market preferred larger, better quality and more contemporary buildings. This led to the upper floors of historic buildings becoming underutilised and used for storage, or alternatively, the access removed and the ground floor access area refurbished for retail tenancy space.

1.2_Area of Interest

The area of interest for this study is the area generally considered to be the central city, bound by Wellington Street to the north, Irwin Street to the east, Mounts Bay Road to the south and the Mitchell Freeway to the west, as shown in Figure 1. Some of the principles discussed in this study may have a wider application beyond this area, however the focus is on the central city.



Figure 1: Area of Interest.

02____Project Approach

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Entrance to the Plaza Arcade, Hay Street Mall, Perth. Whilst the ground level contains valuable retail floor space, upper floors are largely vacant.

02_____Project Approach

2.1_General Assessment and Research

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The study considers matters affecting activation of upper floors within the city, such as:

- _Financial costs associated with removing retail floor space to provide adequate access to upper floors;
- _Suitable uses and the implications of each;
- _Practical issues affecting the refurbishment of upper floors, such as construction access, building structure and capacity to accommodate contemporary uses;
- _Heritage considerations;
- _Legislative and regulatory barriers; and
- _Other financial costs associated with activation, such as insurance and rates.

2.2_Interviews with Stakeholders and Property Owners

Interviews with building owners and other stakeholders such as the Property Council of WA, FORM and architects with experience in upper floor activation have been undertaken as part of the first phase of the study. This has highlighted a number of issues, which are dealt with in subsequent chapters. The first hand knowledge of these participants enabled the real and highest priority issues to be identified.

From interviews with the land owners, appropriate buildings for case study selection could also be identified.

Stakeholders in the city with an interest in upper floor activation include:

- _City of Perth: local government authority and approval body for development in the central Perth area. The City of Perth aims to promote economic and social vitality in the city, in part through upper floor activation and better use of underutilised space in the central city area.
- _Building Owners: Owners of those buildings that participated in the study have generally been single owners or part of a small group of owners, rather than a company or listed entity. The owners have an interest in seeing the vitality of the city improve and the value of their assets increase.
- _Leasing Agents: Representatives of buildings owners who manage leases and building tenants.
- _Tenants/Occupiers: Either small business owners or part of larger retail chains that have an interest in their trade and income increasing through greater city activation.
- _Property Council of Australia (PCA): Peak industry body representing owners of large commercial properties. The PCA seeks to promote the cause of business owners and is interested in greater returns for their members.
- _FORM: An independent cultural organisation which works to enhance Western Australia's competitiveness and creativity through creative, cultural and social capacity building projects. In the Perth central area, FORM is involved in place activation and industry development programmes and is in contact with many city stakeholders.
- _Architects: A small selection of architects who have successfully completed projects to refurbish upper floors of older, established buildings within the central city. These architects understand the particular issues relating to refurbishment, approvals and construction.

02____Project Approach

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2.3_Case Studies

In Part B of the study, case studies will be carried out on four buildings within the central area in order to consider practical issues affecting activation of upper floors. This will allow a more in-depth understanding of what is required in order to promote use of the upper floors and assist the economic and social capital of the city. The findings of the case studies will supplement and refine the findings of Part 1 (this report).

Issues to be addressed in the case studies will be the impact of heritage listing on activation, the impact of restricted site access (either within a pedestrian mall or another site with significant constraints) and understanding the real costs of activating upper floors and potential lease rates.



Figure 2: Case study buildings.

02_____Project Approach

At present, the intended case study buildings (shown on Figure 2) are:

- _650-658 Hay Street Mall, Perth (Plaza Arcade);
- _637-643 Hay Street Mall, Perth (former Royal Theatre and Hotel Metropole);
- _143 Barrack Street, Perth (former Phineas Seeligson's City Loan Office); and
- _722-728 Hay Street Mall, Perth.

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01_



02_



03_



04_

- 01_ Phineas Seeligson's
City Loan Office
- 02_ Plaza Arcade
- 03_ Royal Theatre and
Hotel Metropole
- 04_ 722-728 Hay Street
Mall, Perth

03____Economic and Market Commentary

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Former GPO, Perth. The upper floors have been converted to office space.

03_____Economic and Market Commentary

3.1_Current Assessment of WA Economy

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Despite a tough year for Global Economies, the Western Australian economy seems to be surfacing from 2009 better than most, on the back of continued strong production and sales of iron ore and LNG in particular and other resources and primary products (gold, wheat, mineral sands, etc). This resilience needs to be considered as a relative indicator, with the understanding that most economic indicators for 2009 were the worst for at least a decade.

The Western Australian economy is becoming more and more linked to the fortunes of South-East Asia, and China in particular. Whilst the unprecedented growth in the Chinese economy slowed in 2009, it still expanded at a far greater rate than any other major economy in the world. This expansion was fuelled by a strong focus on development and construction of Chinese domestic infrastructure, continuing to support the strong urbanisation of the Chinese population. Such infrastructure projects required, and will continue to require for many years to come, significant steel content. This will fuel a prolonged demand for iron ore, a major part of which is being satisfied by Western Australian-based mining operations.

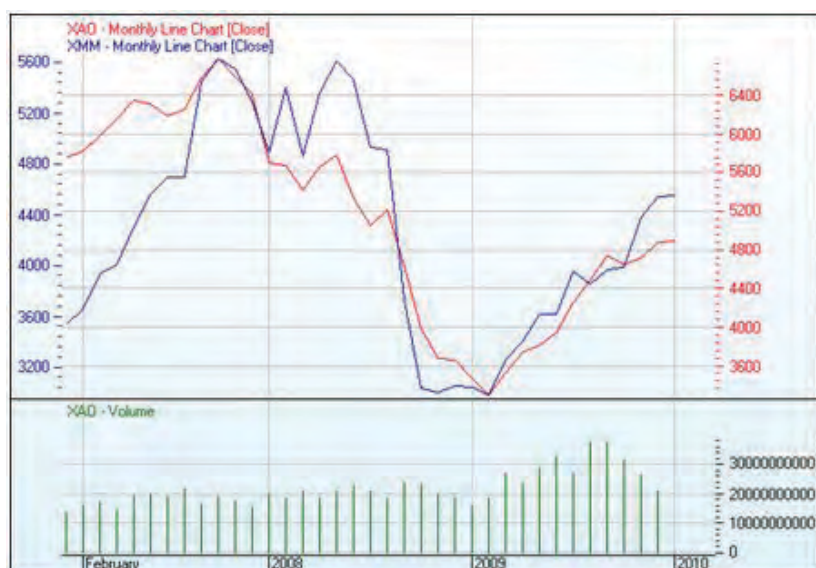


Figure 3: All Ordinaries Index and Metals and Mining Indices to end 2009

However, economic recovery must ultimately depend upon consumer demand, and while the world's strongest consumer base, the United States of America, remains in recession, so will the economies of the globe be restrained and limited in their growth potential. This is particularly relevant for the Western Australian economy.

03____Economic and Market Commentary

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Several office buildings are under construction in Perth, including one40 William Street, shown above. This demonstrates the value that the central city has for businesses.

03_____Economic and Market Commentary

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Notwithstanding this, the IMF expects global economic recovery to be slow and protracted. Australian equities markets have already rebounded from lows in 2008/09, with the All Ordinaries Index, shown as the red line in Figure 3, lifting by over 50%, and the Metals and Mining Index (the blue line) gaining 45%. Property markets have also rebounded, with WA new home sales rising 12.1 per cent in November supported by continued first home buyer demand. This compares to a rise of just 0.3 per cent nationally, according to figures from the Housing Industry Association. Median House Price in Perth has recovered to 2007 levels. House prices are expected to rise a further 10% over the next 12 months ¹.

Population is expected to more than double in Western Australia over the next forty six years, reaching 4.3 million people in 2056 ². The Perth Metropolitan Area will need to support 3.35 million of these people, an increase of 116%. This will place enormous demand on the entire range of property types, and if urban sprawl is to be avoided, will necessarily involve innovative utilisation of vacant and underutilised spaces.

In particular, it has been demonstrated over the entire history of Perth that by far the most popular location for office and retail accommodation is the Perth CBD. In addition, the residential population of Perth CBD is growing almost exponentially (see section 3.3_Demographic Commentary) over the last five years, in response to strong economic conditions, changing demographic needs and behaviours, and a deliberate approach by the Perth City Council to make Perth a more balanced, vibrant city.

¹ The West Australian, 5 January 2010

² Australian Bureau of Statistics, 3222.0 - Population Projections, Australia, 2006 to 2101

03____Economic and Market Commentary

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The new WA Headquarters for BHP Billiton is the City Square development. The mining sector will continue to drive demand for contemporary office developments in the city.

03_____Economic and Market Commentary

3.2_Market Commentary

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3.2.1_Office

Demand

Jones Lang LaSalle noted that Perth CBD recorded 300sqm of positive net absorption during the first quarter of 2010, slightly lower than last quarter. Demand for prime office space has increased as businesses want to relocate and expand their business operations in Perth and, as a result, Prime vacancy has declined over the quarter. However, JLL noted that the market still recorded negative net absorption over the 12 months to March 2010 (totalling -3,900 sqm).

Gross leasing activity totalled 15,600 sqm, as the largest move was Rio Tinto's expansion into a further 3,600 sqm at their existing premises in 179 St Georges Terrace.

Vacancy totalled 7.7% this quarter, unchanged from Q4/2009.

Supply

Although no projects reached practical completion during the quarter, JLL expects 2010 to deliver 94,500 sqm of new supply.

Over the next twelve months a number of major projects will come online including Alluvion (22,400 sqm) and One40 William Street (35,500 sqm) both of which are 100% pre-committed.

Other projects which are due to complete in 2010 are 226 Adelaide Terrace (13,600 sqm) and Westralia Plaza, 167 St Georges Terrace (9,800 sqm).

Pre-commitments are still a major factor for developers and investors as creditors require a level of pre-commitment before funding is provided and construction can commence.

Asset Performance

Rents across the Perth CBD have continued to decline this quarter, with prime gross effective rents falling by 3.1% to average \$641 per sqm p.a. Prime gross effective rents have declined by 33% since their peak in Q4/2008. This is a factor of not only increasing leasing incentives but also a decline in face rents of 18% during the same time period.

The investment market slowed amidst stalemate of cautious buyers and landlords holding firm on asking prices as no transactions were recorded during the quarter (\$5.0 million). Total sales for the 12 months to March 2010 were \$137.5 million.

Prime equivalent yields appear to have peaked in the current cycle; indicative prime investment yields tightened by 25 basis points at the lower end of the market to now range 7.75% to 8.75%. Secondary yields remained unchanged ranging from 8.75% to 9.75%.

03 Economic and Market Commentary

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12-Month Outlook

Demand for prime space is forecast to strengthen in 2010 and 2011 as construction of prime office space reaches completion.

Despite vacancy stabilising in Q1/2010, by year end, the strong development pipeline will create backfill space and vacancy is forecast to rise through 2010. Consequently, rents will remain under pressure until vacancy approaches a cyclical peak in the current cycle.

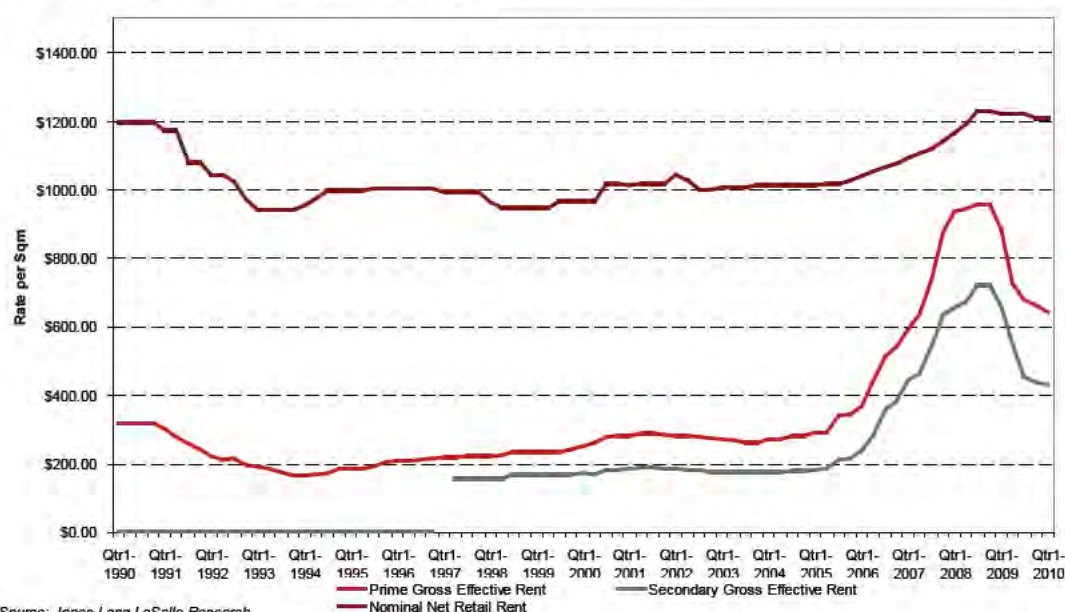


Figure 4: Prime and secondary gross effective office rents and nominal retail rents: Perth CBD

3.2.2_Retail

Demand

The previous vacancy survey, conducted in December 2009, indicated Perth CBD vacancy stabilised at 5.5%. This compares to the national average of 3.1%. Tenants are being more selective with their locations, favouring super-prime locations in the CBD and high quality tenancies.

Retail trade and consumer sentiment strengthened in the first quarter of 2010. The Westpac - MI Survey of Consumer Sentiment again increased from 113.8 in December 2009 to 117.3 in March 2010. This is in line with the three month national average of 118.1, despite a second consecutive increase to the official cash rate, which is now 4.25%. Real retail turnover is expected to increase by 3.2% in 2010 and increase by a further 5.0% in 2011.

Asset Performance

Improving economic conditions have supported the retail sector in recent months. Prime CBD rents remain unchanged this quarter averaging \$1,209 per sqm p.a. while Regional retail rents increased 3% from the previous quarter. Regional rents are currently averaging \$1,696 per sqm p.a.

03_____Economic and Market Commentary

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Retail investment sales in Perth over the past 12 months now total \$546.4 million.

Investment sales in Perth have slowed this quarter as Q4/2009 recorded four major sales (\$5.0 million) totalling \$411.6 million.

Prime CBD yields remained unchanged during the quarter ranging from 7.50%-8.50% while Regional yields tightened by 25 basis points this quarter, now ranging from 6.50%- 7.00%. Sub- Regional yields also remain stable ranging from 8.00%-9.25%.

3.3_Demographic Commentary

Perth city is a commercial and residential area which has experienced significant recent residential redevelopment. The suburb of Perth is bounded by Roe Street, William Street, Newcastle Street and the Graham Farmer Freeway in the north, the railway line, Lord Street, Wellington Street and Hill Street in the east, the Swan River in the south and Kings Park, the suburb of West Perth and the Mitchell Freeway in the west (refer to figure 3). Part of the suburb of Perth is located in the Town of Vincent.

Settlement of the area dates from 1829 when the Swan River Colony was established. Population was minimal until the 1850s, with settlement mainly close to the Swan River, and land used mainly for sheep grazing, wheat growing and market gardening. Expansion took place in the 1880s and 1890s, spurred by nearby gold discoveries. Gradual growth continued in the early 1900s, aided by the construction of railway lines. From the 1960s to the 1980s the population declined significantly as residents moved outwards and offices were constructed. This trend began to be reversed from the mid 1990s, spurred by urban renewal and gentrification of the inner city. Rapid growth took place between 2001 and 2006, a result of new dwellings being added to the area, particularly high density housing.

Major features of the area include the Perth CBD (including Hay and Murray Street Malls), various shopping centres, Art Gallery of Western Australia, Perth Institute of Contemporary Art, Western Australia Museum, Convention Centre, Entertainment Centre, Performing Arts Centre, Perth Concert Hall, His Majesty's Theatre, Playhouse Theatre, State Library of WA, Government House, Royal Perth Hospital, Perth Town Hall, Council offices, St Georges Cathedral, St Mary's Cathedral, The Esplanade, Allan Green Conservatory, Alf Curlewis Gardens, David Carr Park, John Oldham Park, Southern Cross Fountain, Stirling Gardens, Supreme Court Gardens, Central Institute of Technology (formerly Central TAFE), Curtin University - School of Business, Mercedes College and The Perth Boys School.

The City of Perth is the focus of the Metropolitan area and features the main commercial, cultural and political institutions of Western Australia. In 2008, the total resident population of the municipality was estimated at 15,113, an increase of 10.84% from the previous year. It is expected to increase to 23,157 people by 2016, at an average annual growth rate of over 6%. This is based on an increase of more than 4,500 households, with the average number of person per household remaining relatively stable, decreasing marginally from 1.75 in 2006 to 1.73 by 2016.

03____Economic and Market Commentary

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Figure 5: City of Perth municipal boundary and suburb areas.

03_____Economic and Market Commentary

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All areas in the City of Perth are expected to increase in population to 2016, with the largest gains expected in the areas of East Perth - Central, Perth (small area) and West Perth. The population increases are based on household growth, which in turn relates to new residential opportunities, most notably in the areas experiencing significant apartment development and government investment. The forecast population growth rates are slightly lower than household growth as a result of the decreasing number of people per household. This is a pattern that will affect some areas of the City of Perth during the forecast period. There is also likely to be a greater share of growth in areas where the average household size is lower, such as Perth and West Perth³.

By 2016, the population of Perth will be younger, with almost 50% of all residents under 35 years of age. The age ranges within the Perth population will be:

- _20-35 age group: 37.5% of population in 2016 (8,688)
- _55-75 age group: 20.6% of population in 2016 (4,773)
- _0-14 age group: 5.2% of population in 2016 (1,204)
- _Total under 35 population in 2016: 49% (11,441)

This compares to the corresponding figures for the Perth Metropolitan Area:

- _20-35 age group: 23.59% of population in 2016 (444,717)
- _55-75 age group: 19.66% of population in 2016 (370,674)
- _0-14 age group: 18.71% of population in 2016 (352,664)
- _Total under 35 population in 2016: 48.9% (921,864)

As of 2009, a significant portion (36.4%) of Perth dwellings were occupied by single person households, and 85.7% of all 2009 households were either 1 or 2 person households.

This shift in demographic profile of the City has enormous implications for upper floors:

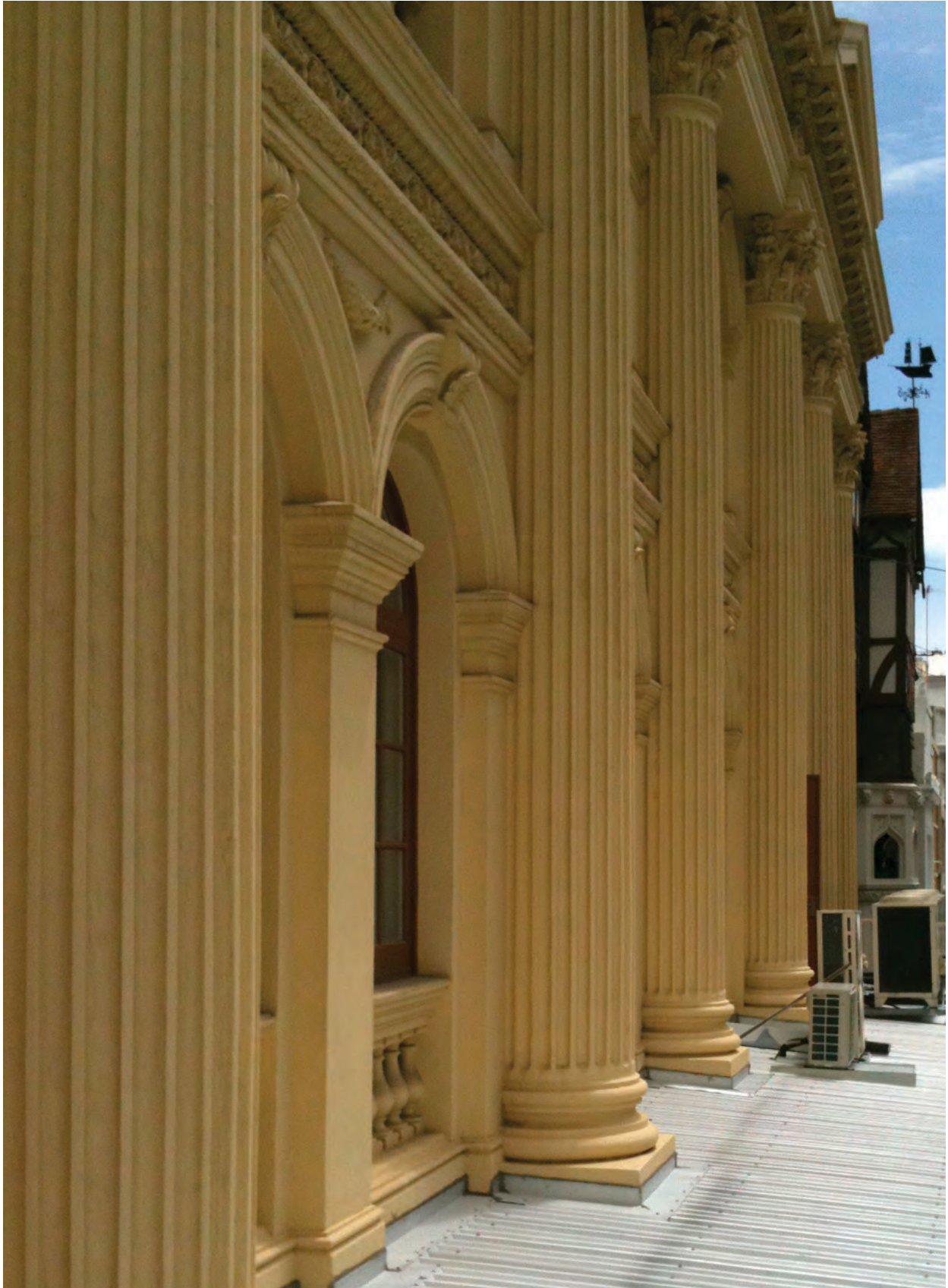
- _Upper floors, and particularly their characteristics as a retail, commercial or residential space, have a greater propensity to be used by a younger population (under 35); and
- _Activities focused towards a younger, professional population – bars, cafes, other recreation activities – can be well-accommodated within converted upper floor premises.

Whilst this youth-focussed population provides strong opportunities for utilisation of upper floors, these spaces may also support activities and services for retirees and a more senior population, e.g. meeting places, library and recreation spaces.

³ City of Perth Website "Population Forecasts", Forecast id 2006

04____ Legislation and Policy

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Refurbished facade of the Royal Theatre building, Hay Street Mall, Perth. The only access to the upper floors is via the first floor awning. The upper floors have been cut off from any access from ground level within the building itself.

04_____Legislation and Policy

This chapter discusses State and local government legislation, schemes and policies that impact on the adaptation and use of upper floors of established buildings. Only legislation and policy directly relevant to this study is addressed.

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4.1_Planning

4.1.1_Planning and Development Act 2005

The Planning and Development Act 2005 provides the framework for town planning and development within Western Australia.

Implications

The Planning and Development Act 2005 is primarily concerned with the creation and assessment of region and local planning schemes and the subdivision of land.

Otherwise, the Act has little direct bearing on the development and use of upper floors in established buildings.

4.1.2_City Planning Scheme No. 2

The City Planning Scheme No. 2 (the Scheme) is the City of Perth local planning scheme for its local government area. It divides the City into precincts and describes the general intent or vision for each. The Scheme sets out the development standards that guide the use of land and the bulk, scale, and character of development.

Much of the area of interest for this study is within Precinct 5: Citiplace, as defined by the Scheme. This precinct is intended to be the main retail focus of the city. The Statement of Intent for Citiplace states that a wide range of general and specialised retail uses as well as a mix of other uses such as entertainment, commercial, medical, service industry, residential and minor office uses will be offered. Ground floor uses will have attractive shop fronts and provide activity, interest and direct customer service.

The area between St Georges Terrace and Mounts Bay Road forms part of Precinct 6: St Georges, which is intended to be the main office and administrative area of the city. The area to the east of Pier Street is part of Precinct 7: Civic (south of Hay Street) and Precinct 4: Victoria, which comprise largely institutional uses.

Implications

Within each of the above precincts, a wide variety of uses can be considered, notwithstanding the inflection of particular land use groupings. However, practicalities of access, ownership and building fabric mean that not all uses will be easily accommodated in all parts of the city. For example, whilst residential is listed as a contemplated use within the Citiplace Precinct, the pedestrian orientation of the malls means accessibility for residential uses in this area is limited. Generally, the Council has discretion to vary development standards within the Scheme where proposals are consistent with the Statement of Intent for each precinct and the objectives of the Scheme.

04_____Legislation and Policy

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The Scheme does make specific mention of upper floors, but only in reference to restricted activities at ground level. That is, in certain areas such as the town centre use area or within the malls, active ground floor uses are required, and less active uses, such as offices or residential dwellings, are only permissible where they are located above ground floor level. Therefore, in terms of upper floor activation, the Scheme tends not to restrict use.

4.1.3_Heritage Precinct Design Guidelines

Forming policies within the Scheme are design guidelines for areas that contain historic buildings. These areas collectively contribute to the city and people's understanding of its past. Whilst not all buildings within these areas are listed for heritage protection, the visual richness that these buildings provide for the public realm is recognised as important to the city's point of difference within the metropolitan region. The buildings are recognised to combine to create a defined character that contributes strongly to the city's attractiveness.

Implications

The design guidelines promote the retention of the existing character and details of the buildings within each area. Redevelopment of sites is permitted where the streetscape character and heritage values of the properties are retained. In some cases, the development potential of sites may not be able to be fully realised due to the need to retain heritage values. Therefore, provisions in the Scheme allow for the transfer of plot ratio to other sites within the city.

As the design guidelines are established as policies appurtenant to the Scheme, the Council has discretion to vary the relevant standards. This means the Council can consider applications that may be outside the standards prescribed by the policy, but where the intent of the policy is met, applications may be approved.

04_____ Legislation and Policy

4.1.4_Plot Ratio Bonus Policy and Transfer of Plot Ratio Policy

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Plot ratio is the ratio of floor area permitted on a site as compared to the site area. Clause 27 of the Scheme limits plot ratio to that as specified within the Plot Ratio Plan, which can range from 1:1 up to 5:1 for various precincts throughout the city.

Plot ratio bonuses may be considered by the Council under clause 28 of the Scheme. Bonuses of up to 20% may be granted by the Council for the provision of community uses such as open space and pedestrian links, as well as the conservation of heritage buildings. Within the West Perth, Matilda Bay and Hamilton Precincts, a plot ratio bonus can only be granted for the conservation of heritage listed buildings.

The Scheme also allows the transfer of plot ratio from heritage sites to any other site within the city, including sites throughout West Perth, Matilda Bay and the Hamilton Precinct. Where plot ratio is transferred from a heritage building, a heritage agreement, including a conservation plan, must be entered into with the Council.

The City of Perth is currently undertaking a review of the plot ratio provisions of City Planning Scheme No. 2 with a view to preparing an urban design framework to guide future development throughout the city.

Implications

Clause 34 of the Scheme allows for the transfer of plot ratio from sites that contain buildings of heritage value. Where development up to the permitted plot ratio cannot occur due to constraints relating to heritage buildings, that plot ratio may be transferred off site and sold to other parties. Transfers are allowed by the Council on the condition that conservation plans are prepared and adopted for properties, which may take the form of a heritage agreement. This provides a mechanism for property owners to rejuvenate historic sites and provide for their use whilst also realising the economic value of their land.

4.1.5_Safer Design Guidelines

The City's Safer Design Guidelines provide advice on how the design of buildings can contribute to creating a safer city. The policy was formulated to minimise the opportunity for crime and to improve perceptions of the city as a safe place to visit. The guidelines promote the active use of buildings and therefore encourage use of upper floors. Design of buildings should seek to minimise entrapment opportunities and promote surveillance of public areas.

4.1.6_Perth Parking Management Act and Policy

The Perth Parking Management Act was created to control parking within the central city area, including Northbridge, West Perth and East Perth, and promote alternative means of transport over the private car. The Perth Parking Policy is established under the Act and sets the controls for parking within the city. Whilst the policy is established under the Act, it is also adopted as a policy by the City of Perth under the provisions of the City Planning Scheme No. 2. The Policy is therefore administered by both the City of Perth and Department of Transport.

04_____Legislation and Policy

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Implications

The Policy limits the number of car parking bays that may be accommodated on each site. A maximum parking number is set and often, no parking can be permitted, however the Policy does provide preferred parking rates. In terms of upper floor activation, the policy allows for changes in use without the need to consider any additional parking on site. This provides a positive approach to often sites with difficult vehicular accessibility or where parking provision would be cost prohibitive.

4.2_Heritage

4.2.1_Heritage of Western Australia Act 1990

This Act provides for the creation of the Heritage Council of Western Australia, which administers the Act, and the State Register of Heritage Places. Section 34 of the Act allows the Heritage Council to override provisions of the Building Code of Australia where historic fabric is to be retained; however, this provision is not commonly called upon. Generally, it is considered important to meet the requirements of the BCA.

4.2.2_State Register of Heritage Places

This Register is an authoritative list of places throughout Western Australia that are considered to be of historic and cultural significance. The Register provides statutory protection for properties is designed as a planning tool and as a vehicle for public education about heritage issues generally. Development controls apply under the Act and conservation incentives are available to owners. Entry imposes on 'decision making authorities' (such as local government authorities, or the Ministry for Planning) a requirement to consult with the Heritage Council regarding development proposals affecting registered places.

The Heritage Council will consider a place for entry in the Register of Heritage Places based on the following criteria.

- _Aesthetic Value - It is significant in exhibiting particular aesthetic characteristics valued by the community.
- _Historic Value - It is significant in the evolution or pattern of the history of Western Australia.
- _Scientific Value - It has demonstrated potential to yield information that will contribute to an understanding of the natural or cultural history of WA.
- _Social Value - It is significant through association with a community or cultural group in WA for social, cultural, educational or spiritual reasons.
- _Rarity - It demonstrates rare, uncommon, or endangered aspects of the cultural heritage of Western Australia.
- _Representativeness - It is significant in demonstrating the characteristics of a class of cultural places or environments in the State.

Implications

Listing of properties on the State register does not preclude redevelopment opportunities. Whilst redevelopment potential may be affected to some extent, this does not mean that refurbishment and extensions of properties cannot occur. Such redevelopment must be consistent with the heritage values of the property and the Burra Charter. There may be conflicts, however, where the retention of historic building elements are desired and the need to provide for contemporary Building Code of Australia requirements, such as fire egress and disability access.

04_____ Legislation and Policy

4.2.3_City Planning Scheme No. 2 Register

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A register of places of cultural heritage significance forms Schedule 8 of the Scheme and is required under Clause 32. It identifies local properties of significant heritage value.

Implications

Property that is included on this register is eligible for rate relief, plot ratio bonuses and plot ratio transfer, which are development incentives and help to overcome any financial burden associated with heritage listing. The Council can vary development standards within the Scheme in order to maintain the heritage significance of a place.

4.2.4_Heritage Agreements

A Heritage Agreement is a legally binding contract intended to ensure the long-term conservation of a heritage place. It is usually entered into by the owner of such a place and the Heritage Council or local government. Heritage agreements are required when plot ratio is transferred from places of heritage significance.

Incentives such as rate remissions, land tax reductions, grants, planning concessions and plot ratio transfer can be considered by the City of Perth or Landgate for owners who guarantee to undertake conservation works.

The main elements of a Heritage Agreement are:

- _Requirements on the owner such as short, medium and long-term conservation works.
- _The Incentives, describing those benefits which may be provided to the owner.
- _Recitals, interpretations and other miscellaneous clauses.

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- 24 _A Conservation Plan (if required) which documents the significance of the place, assesses its condition and makes recommendations about conservation works.

It also links the value and duration of any incentives to the value of the conservation measures taken.

4.2.5_ Remissions of Rates and Charges

The Heritage Council can offer waivers for rates and taxes under some circumstances, including:

- _Where the owner can demonstrate that the use, or continued use of the place, is not economically feasible; and its conservation is thereby endangered.
- _In special cases where in the opinion of the Council the conservation of the place will be secured.

The remissions can include one or more of the following: Land Tax, Metropolitan Region Improvement Tax, water and sewerage rates or charges, and rates payable to a municipal council (with the approval of the local council).

The level of remission approved is tied to a specified program of conservation-related expenditure or some conservation-related "cost penalty" to which the owner is committed. Consideration is not given to past expenditure or "cost penalties" which pre-date the application for a remission.

In evaluating applications made on special case grounds, specific matters for consideration are the proposed works which will provide for the continued appropriate management and conservation of the site or provide a community benefit such as:

- _Any special treatment undertaken to restore original fabric or decoration of the exterior or interior spaces beyond that necessary for normal use.
- _Any works to improve public access to the place.
- _Any special design modification to accommodate conservation considerations.

The total amount of remissions granted in a given year is subject to a ceiling fixed annually by the State Government.

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4.3_Building Regulations

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4.3.1_Building Act

A new Building Act is being developed to replace the Building Regulations 1989 and parts of the Local Government (Miscellaneous Provisions) Act 1960. An associated new Building Occupations Registration Act will register building surveyors and other specialist certifying practitioners for the purpose of certifying compliance under the Building Act provisions. The new legislation will take into consideration national regulatory reforms by confirming the Building Code of Australia as the primary building standard, formalising private sector participation in the building certification process, and providing a registration system for building surveyors and other building professionals who may be required to certify compliance.

The proposed reforms to the current regulatory environment are:

- _Whole of state coverage;
- _All buildings to be covered, including those owned by the Crown;
- _Giving a clearer definition of what constitutes a building and clear exemptions from the building permit process;
- _Nominating Permit Authorities - Local Authorities, State Government or special authorities - to issue building and occupancy permits and to enforce building control;
- _Allowing suitably qualified practitioners to certify compliance with the Building Code of Australia and construction compliance with the building permit;
- _Introducing separate and streamlined processes for approving domestic and commercial buildings;
- _Enabling private certification of compliance against building standards, but retaining local government as the sole issuer of building and occupancy permits;
- _Retaining the option for owners to use the current local government combined certification and permit issuing function for normal houses and minor building work (class 1 and 10);
- _Taking a risk-based approach to inspection requirements so that registered building professionals require less independent checking than lay designers and owner-builders;
- _Providing a clear end-point to the construction period, and certification that the building complies with the building permit issued;
- _Registering a wider range of industry practitioners to certify compliance;
- _Implementing a nationally agreed accreditation framework for building surveyors; and
- _Implementing a process for the assessment and approval of building works carried out without a building permit.

The outcome of these reforms will be a more responsive and modern building regulatory system that meets the changing needs and aspirations of all building industry participants and consumers.

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4.3.2_Building Code of Australia

The BCA in each state is adopted under State legislation. In Western Australia it is the Local Government Act of 1960 and the Building Regulations 1989.

In Part 1 Clause 5 (2) states

"Any alteration, addition, restoration or repair to a building shall conform with these regulations but when the Council is of the opinion that any such work consists only of minor work and does not adversely affect the safety of persons accommodated in or resorting to a building or property in or in the vicinity of a building the Council may determine that the Building Code does not apply in relation to such work and that the work shall conform to only such of the provisions the Building Code as are specified by the Council"

Implications

From this it is quite clear that in WA, the Local Authority has the discretion as to how the requirements of the BCA are applied to existing buildings. The key words are "and does not adversely affect the safety of the persons" and probably infers compliance with all or part of the BCA as regards Fire Safety requirements.

The BCA prescribes more costly accessibility and fire rating requirements for public buildings. Public buildings are places of assembly and may include nightclubs, theatres, schools, meeting rooms, taverns, small bars. Essentially, where there are large groups of people gathering at one time, egress, fire rating and access requirements increase to deal with that expected number of people.

Relevant Clauses

There are quite a few relevant clauses but the following are the most commonly used and are the basis of a first off assessment of existing buildings in the study.

Classifications

A3.2-Building Classifications relevant to the study:

- _Class 3 Residential Building
- _Class 6 Shop, Restaurant, Bar and others
- _Class 5 Office
- _Class 9b Public Assembly (Theatre)

Part D1 Provision for Escape – Deemed to Satisfy

- _D1.2 (a) - One exit required from each storey
- _D1.3 (b) - Class 5 to 9 Buildings - Every required exit must be fire isolated unless required.
- _D1.4 (c) - Class 5 to 9 Buildings - Maximum distance of travel to one exit 20 meters
 - _Maximum distance of travel to two exits 40 meters
 - _Class 5 or 6 at road level Maximum distance 30 meters

Part E1 Fire Fighting Equipment – Deemed to Satisfy Provisions

- _Alternative solutions to comply with the performance requirements in A0.10
- _E1.3 (a) Fire hydrants are required where the total floor area is greater than 500m²
- _E1.4 (b) Fire hose reels are required where hydrants are installed and the floor area is greater than 500m²

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- _E1.5 sprinklers are required where the building height is in excess of 25m2
- _Sprinklers are required for Class 6 buildings with greater than 3500m2 floor areas
- _Class 9 buildings have special exit requirements

Part D3 Access for People with Disabilities – Deemed to Satisfy Provisions

- _D3.2 Buildings to be accessible as required by Table D3.2
- _Class 5 to 8 - To and within the entry floor and to any other floor by way of an access ramp complying with AS1428.1 or via a passenger lift
- _Class 9b - To the main entrance and to every auditorium but not every tier or platform

Implications

Access and fire safety are the two most costly elements in building conversions and refurbishments. It would appear that there is little discretion by way of compliance with fire safety, in particular; and where a change of use is required, buildings must comply with the relevant provisions of the Building Code of Australia. Costs of over \$200,000 can be incurred simply for changes to the use of upper floors (in terms of building classification), for example from a Class 5 Office to a Class 6 Shop. Importantly, where there is no evidence of a previous use, or a building has been unused for a significant period of time, it is likely compliance with the BCA provisions would be required for any building works and ongoing activity.

4.3.3_Building Regulations

The Western Australian Building Regulation [Clause 11(2)] requires plans to be submitted to the Fire and Emergency Services Authority of Western Australia (FESA) for Class 2 to 9 buildings. (BCA Part A3 - Classification of Buildings and Structures).

One set of architectural, hydraulics, electrical and mechanical plans will need to be submitted to FESA for assessment together with a FESA Plan Lodgement Form. Upon completion of the assessment, FESA will respond in writing to the City and to the person submitting the plans.

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4.4_Tenure

4.4.1_Commercial Tenancy (Retail Shops) Agreements Act 1985

The Commercial Tenancy (Retail Shops) Agreements Act 1985 (as amended) (“the Act”) seeks to protect the rights of tenants under leasing arrangements involving a landlord of a cluster of 5 or more retail businesses. It is unique in this respect, as similar legislation does not exist for other property uses. Nevertheless, this Act can be restrictive in relation to potential development of upper floors in the CBD.

The Act refers to leases of space within a retail shopping centre, which is defined as a cluster of premises, 5 or more of which are used wholly or predominantly for the carrying on of a retail business. Accordingly, the upper floors of buildings in the CBD whose ground floor is being let for retail use to 5 or more tenants are treated exactly the same as that retail space, regardless of use.

The Act prescribes conditions which can be quite onerous to landlords, including the right of the tenant to at least 5 years’ tenancy, as well as the obligation of the landlord to spread all general variable outgoings across all tenancies in accordance with area occupied as a percentage of the entire area. This was originally intended to ensure that landlords could not allocate costs associated with vacant space to other occupants. It is now operating as a potential hurdle to development and tenancing of upper floors, in that such outgoings as council rates must be allocated evenly to all tenants, regardless of use. In other words, rates (which are calculated in proportion to the amount of annual rent as determined by the Valuer-General’s Office) are allocated in accordance with area occupied, meaning the high-value ground floor retail tenants are being cross-subsidised by the upper floor uses.

There would appear to be no simple way for an owner of a substantial CBD property with a number of ground floor retail tenancies and underutilised upper floors to develop and lease those floors without being subject to the limitations inherent within the Act. Accordingly, any upper floor development would be at a disadvantage to alternatives currently or potentially available throughout the city, including specific office buildings with less than 5 retail tenancies. In addition, these variable outgoings, which are not unsubstantial, would force gross rents higher in upper floor tenancies despite their relative locational disadvantage when compared to ground floor retail tenancies.

4.4.2_Strata Titles

Where older buildings are the subject of applications for strata titles, compliance with BCA provisions is examined. Inspection of buildings to consider compliance with current BCA provisions is usually carried out by the local authority and is standard practice at the City of Perth. This practice is a result of the collapse of a residential balcony on a strata property in Fremantle, which led to a civil case being filed against the local authority.

Therefore, where strata titling of a property is required or preferred for a project, costs associated with BCA compliance, notwithstanding any other change of use, can be incurred.

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4.5_Taxes and Charges

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Relevant charges associated with the occupation and/or ownership of CBD property are:

Charge	Driver
WA Government Stamp Duty	Transaction value of land and/or buildings
WA Government Land Tax	Unimproved Land Value (ULV)
WA Government CBD parking levies	Long term parking bays
City of Perth rates	Gross Rentable Value (GRV)

Source: WA Government and City of Perth publications

4.5.1_City of Perth Rates

City of Perth rates are levied on gross rental values of properties. In our analysis, we will consider additional rates due to 'value uplift' associated with upper floors development.

4.5.2_WA Government Stamp Duty

The basis for Stamp Duty on transactions is the sale value of land and/or buildings. Stamp Duty is calculated in accordance with section 75AE of the Stamp Act 1921. The rates are as follows:

Concessional Rate

Applies to purchase of principal place of residence or business undertaking with a dutiable value not exceeding \$200,000.

\$ 0 - \$100,000	\$1.50 per \$100.00 or part thereof
\$ 100,001 - \$200,000	\$1,500 + \$4.70 per \$100.00 or part thereof above \$ 100,000

First Home Owner Rate

Certain purchasers who qualify for the 'First Home Owner Grant' qualify for this rate. Also some transferees who receive their property as a gift are eligible.

The thresholds for this rate are: for property purchased that includes a dwelling house \$600,000 and for vacant land \$400,000. Effective from 10 May 2007.

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Purchases that include a dwelling house

\$ 0 - \$500,000	Nil
\$ 500,001 - \$600,000	\$26.10 per \$100.00 or part thereof above \$ 500,000

Purchases of vacant land

\$ 0 - \$300,000	Nil
\$ 300,001 - \$400,000	\$15.70 per \$100.00 or part thereof above \$ 300,000

Normal Rates

0 - \$ 80,000	\$2.00 per \$100.00 or part thereof
\$ 80,001 - \$100,000	\$1,600 + \$3.00 per \$100.00 or part thereof above \$ 80,000
\$100,001 - \$250,000	\$2,200 + \$4.00 per \$100.00 or part thereof above \$100,000
\$250,001 - \$500,000	\$8,200 + \$5.00 per \$100.00 or part thereof above \$250,000
\$500,001 and upwards	\$20,700 + \$5.40 per \$100.00 or part thereof above \$500,000

As properties undergoing upper floor development experience their value uplift and are sold, stamp duty will be charged. Each building will eventually be sold, and buildings are usually on-sold on average every 5 years (residential); or every 10 years (commercial and retail).

4.5.3_Car Park Levy

A levy of \$586 per bay per annum must be paid by owners to the State Government annual levy. This will generate almost \$800,000 revenue for the WA Government.

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4.5.4_Land Tax and Metropolitan Region Improvement Tax

Land Tax is an annual tax which is based on the aggregated taxable value of ALL land an investor owned (excluding exempt land) at midnight on 30 June before the year of assessment.

For example, the owner of land at 30 June 2009 is assessed in respect of the 2009-10 financial year (year of assessment).

Land Tax and Metropolitan Region Improvement Tax (MRIT) are calculated on the aggregated taxable value of ALL taxable property held in the same ownership (excluding exempt land) at midnight on 30 June. Taxable value is calculated as the Unimproved Land Value (ULV).

The following Land Tax rates apply for the 2009-10 financial year.

Total Taxable Value of the Land

Exceeding (\$)	Not exceeding (\$)	Rates
0	300,000	NIL
300,000	1,000,000	0.09 cent for each \$1 in excess of \$300,000
1,000,000	2,200,000	\$630.00 + 0.47 cent for each \$1 in excess of \$1,000,000
2,200,000	5,500,000	\$6,270.00 + 1.22 cents for each \$1 in excess of \$2,200,000
5,500,000	11,000,000	\$46,530.00 + 1.46 cents for each \$1 in excess of \$5,500,000
11,000,000	and upwards	\$126,830.00 + 2.16 cents for each \$1 in excess of \$11,000,000

Note: The land tax rate scale is reviewed annually as part of the budget review process

MRIT is imposed on property with a Land Tax liability at a rate of 0.14 cent for every dollar of the taxable value of the land in excess of \$300,000.

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4.6_Other Legislation

4.6.1_Disability Discrimination Act 1992

The Disability Discrimination Act 1992 is a Commonwealth law that makes it illegal for people or business to discriminate against others on the basis of physical or mental disabilities. In relation to buildings, the Act provides that equitable access be provided for people with disabilities to public buildings such as libraries, places of worship, government offices, hospitals, restaurants, shops, or other premises used by the public.

Every area and facility open to the public should be open and available to people with a disability, as provided for by the Act. They should expect to enter and make use of places used by the public if people without a disability can do so. For example:

- _Places used by the public should be accessible at the entrance and inside;
- _Facilities in these places should also be accessible (wheelchair-accessible toilets, lift buttons within reach, tactile and audible lift signals for people with vision impairments);
- _Rather than being confined to a segregated space or the worst seats, all areas within places used by the public should be accessible to people with a disability; and
- _Information available to users of the premises should be accessible.

Examples of changes which have already taken place at the request of people with a disability include:

- _A local council built footpath ramps, altered stair areas, widened some path areas, and relocated post boxes and traffic signs to create a clear passage and access to three local shops;
- _A ramp was installed at the front door of a bank to enable a local customer to independently conduct her financial transactions;
- _Furniture in a college canteen was rearranged to enable a student easier access. The new arrangements meant improved traffic flow for everyone;
- _A shopping complex provided way-finding information on how to get to the lifts; and
- _A lift was adapted to provide tactile and audio information about floor numbers.

Implications

The Act allows for complaints against places and buildings to be registered with the Australian Human Rights Commission. If a person or business is found to be able to make changes to rectify discrimination, the Commission can order that person or business to do so. Additionally, there may be financial implications/charges for people and business found to deliberately discriminate against people with disabilities.

The Act does not require the provision of access to be made where there is significant hardship involved or excessive costs. This provision requires significant consultation to be undertaken with access groups and the relevant authorities, however. All avenues of access to buildings and places must be exhausted for significant hardship to be demonstrated.

In order to obtain an exemption from the Act, the applicant must first lodge a building licence application with the City of Perth with the knowledge that the application is non compliant. The City of Perth would need to refuse the application on the basis of non compliance with the Building Code. An

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appeal must then be lodged with the State Administrative Tribunal with evidence supporting the claim of significant hardship or excessive costs. This process is uncertain in terms of outcome, time intensive and costly.

The Act requires access that provides equity and dignity.

There have been numerous claims under the Act but more recently frivolous claims have been dismissed by the courts. There is not a great problem for restaurants that do not comply as latterly, disabled people tend to make a phone call and if access is not available they do not patronise the establishment.

The local authority has discretion on compliance with the Building Code of Australia (BCA) and there is some conflict between the BCA and the Act. There is a large stock of older two and three storey buildings in the Perth CBD and there have been some lengthy attempts to obtain approvals for upper floors that failed due to access issues. Passenger lifts are not the panacea for resolving all issues as in such buildings other issues exist, such as door openings and toilet facilities that do not allow for disabled access.

On this basis, current thinking is that it is generally preferable for the underutilised upper floor commercial stock to be used for purposes that do not require a high volume of public access, to minimise the chance of a claim being made under the Act. Buildings that are of an historic nature or listed under the Heritage Act should also be able to claim an exemption.

4.6.2_Occupational Safety and Health Act and Regulations

Safety in design is a process that focuses on minimising or eliminating hazards at the design phase that may pose a risk of injury throughout the life of a building being designed. Western Australia's Occupational Safety and Health Act 1984 sets out requirements including the duties of different groups of people who play a role in workplace health and safety and have a 'duty of care'. Safety in design therefore places a 'duty of care' requirement on the designer. The main implication is that the designer must consider the risks for each phase of the building's life cycle.

This duty addresses Occupational Safety and Health in relation to:

- _people involved in construction;
- _people maintaining, repairing or servicing the building or structure; and
- _end users of the building or structure.

The Act requires any person who has a duty of care to do everything that is reasonably practicable to protect the safety and health of themselves and others. Section 3 of the Act sets out the following tests for practicability:

- _the likelihood and severity of the hazard and the subsequent risk of harm and injury occurring;
- _the severity of the hazards;
- _the probability and likelihood of the incident of injury occurring;
- _ways of minimising or eliminating the risk; and
- _availability, suitability and cost of appropriate solutions.

The responsibilities of employers, self employed persons, main contractors and persons having control of a workplace or access to it, are further set out in Part 2, Division 2 clauses 1.4-1.8 of the Regulations. Part 3 of the

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- 34 Regulations sets out workplace safety requirements, including movement around, access to and egress from the workplace and hazard identification and risk assessment. These requirements must be taken into account during the design phase of construction by persons in control of the work and/or the workplace.

Implications

The implications of safety in design are particularly relevant to refurbishment of historic buildings. The designer, or architect, must ensure that the design of the refurbished building allows for its safe use over time. Where the building exhibits features that are no longer compliant with Building Codes, such as balustrade heights, stair landings or other features, modifications may be required, which increases costs for the building owner.

Under section 23 (3a) of the Act, a person who designs or constructs any building or structure, including a temporary structure, for use at a workplace is required to ensure that as far as practicable, the design and construction of the building or structure must be such that: persons are not exposed to hazards when they properly:

- _construct, maintain, repair or service the building or structure; or
- _use the building or structure.

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5.1_Heritage

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Heritage buildings themselves are not necessarily inhibitors to upper floor activation, however careful adaptation in line with principles established by the Burra Charter as required by the Heritage Council is necessary in order to allow for contemporary use. The best way to maintain buildings and promote heritage values is through ongoing use – therefore it is in both the land owner's and Heritage Council's interests that underutilised upper floors of heritage buildings be sensitively reused.

Gaining approvals to adapt heritage listed buildings can be a lengthy process, but if assisted by a trained professional, can be relatively simple. Retaining historic building fabric allows the history of the city to be retained and the layers of stories that can be told because of retention make the city a more interesting place. This in itself can assist in encouraging people to use the city centre.

Retention of historic fabric can inhibit compliance with contemporary BCA standards, such as access, fire rating and passages of escape. Often it is costly for land owners and potential tenants to refit buildings and retain historic fabric. Some recognition of the historic values of buildings and the need to use underutilised floor space should be recognised when assessing building licence applications.



The Royal Theatre and Hotel Metropole building in the 1980s. The upper floors have been variously used for a theatre, cinema, office space and storage. The upper floors are now largely vacant. Source: Heritage Council WA

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Hay Street Mall, Perth.

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5.2_Retail versus Building Entries

Often former building entries to upper floors have been removed and replaced with ground level retail floor space. Much of these conversions occurred in the 1960s and 1970s during a period of substantial modernisation of building stock in the city centre. Whilst this created contemporary retail tenancies, it restricted access to upper floors, particularly within the malls. The return on ground floor retail floor space is often such that it is greater than the sum total of the upper floors. As such, there is little financial incentive to reinstate access to upper floors in many cases.



The upper floors of the Dobbie Building on Hay Street are used for retail space associated with the ground floor book store. Access is readily available from Hay Street.

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5.3_The Pedestrian Malls

Perth's pedestrian malls were created in the 1970s in response to traffic congestion and to promote retailing within the central city. The malls are a popular attraction within the city in their own right, so much so that retail has tended to concentrate in this precinct over the past thirty years. The malls have the highest daily pedestrian numbers within the city centre, and as such, the rents for ground floor space is very high – often up to \$4,000 a square metre. The high rents have an impact on the types of businesses that can operate within the malls, and they tend to be major fashion retailers, jewellers and

department stores. The high ground floor rents are also significantly greater than rents achieved for upper floors. Upper floors within the malls in older buildings tend to be used for storage, office space related to the ground floor tenancy and lower grade retail space. Often they are underutilised spaces and some are inaccessible, the entries converted and used for retailing.

The City of Perth limits vehicular access in the malls as well as construction times. Essentially, works and access tend to be limited to outside daylight hours, when the malls are not being utilised by pedestrians. Whilst construction

management is an important issue for all city development sites, the limitation of construction hours in particular can significantly increase redevelopment costs for land owners within the malls, where a high number of historic buildings are located.

The creation of lots under the Planning and Development Act 2005 requires direct access to public roads. The central city malls are considered roads for the purposes of subdivision and are designated as road reserves. However, access is limited to foot traffic and some service vehicles. The limitation of private vehicle access significantly depresses demand for residential and hotel development within the malls.

Daily activity within the malls is intense, as demonstrated by the high daily pedestrian numbers. This level of activity diminishes the desirability for permanent residential accommodation through a lack of perceived privacy and noise from passers-by.



Hay Street Mall street furniture.

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5.4_The City's Point of Difference

Accessibility: Perth is at the heart of the metropolitan transport network. It is easily accessed by road and by public transport – one of the few places in the metropolitan region where public transport and private transport are both very good. The accessibility of the city centre means that it is easier for businesses, events and other activities to occur.

Accessibility to the city should promote it as a destination, rather than a transit hub.

Critical mass of people: Over 100,000 people work in the city and it receives more visitation than any other destination in the metropolitan region. A critical mass of people is necessary in order to promote a 'buzz' and air of activity that makes a place exciting. However, these people also need to be visible – that is, on the street. No amount of workers will assist in city vitality if they do not interact with the city and its businesses.

The city and its positive aspects therefore need to be constantly promoted to regular and new visitors as well as its workforce. People need to know where to go, and be encouraged to explore – to move from the ground floor to upper levels.

This requires a cultural shift in Perth that allows people to own the city, and to use it more frequently.

Mix of uses and activities (culture as well as retail and other): Perth enjoys the greatest mix of uses and activities out of any centre in the metropolitan region. The vitality that this offers is unique and can be better harnessed to promote greater activation. The mix of activities means Perth is of a scale that can allow growth of new businesses through networks and communication – however these networks need to be continually promoted through encouragement of activity.

High quality offering – experience
The quality of the uses and management affects the degree to which people feel comfortable in a place and the time they will linger. Higher quality activities and management (as distinct from higher cost) can be achieved through visual displays, promoting a sense of ownership of the surrounding public realm and engaging with the public. If a greater number of tenants and building owners contribute to a higher quality experience, activation of the city improves.



City areas are accessible and exhibit high quality public spaces.

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5.5_Broader City Activation

A common point in discussions with land owners and other stakeholders is that in order to activate upper floors, greater activation of the city in general is required. In particular, after hours activation and extending activity beyond the central malls is needed. Whilst a greater number of people is required within the city centre to achieve this, upper floor activation must also be achieved by way of a culture change. That is, people need to feel inclined to use the city after hours, and parts of the city that aren't used frequently at present. This is a 'hearts and minds' battle, rather than a numbers battle.

The people using the city at night are most likely to be those living in or near the city, rather than those in the outer suburbs. The city is therefore competing with the likes of Mt Lawley, Subiaco, Fremantle and Victoria Park, rather than outer suburban areas. These centres tend to be more urban in character and are easily accessed by car and public transport. They compete with the city in terms of character and experience and marketing of the central city should promote its individuality, character and ease of access. Development should seek to reinforce Perth as a unique destination within the metropolitan area and improve the experience on offer for visitors.

5.6_Practical Adaptation

Where there may be ambition to refurbish upper floors for a viable business, the practicalities of adaptation and associated financial costs can inhibit upper floors from being used.



Street activation by cafes can extend the life of a city beyond business hours.

5.7_Major Financial Impositions

Major financial impositions to re-use of upper floors, particularly where a change of use applies, include:

- _ Building costs associated with compliance with BCA requirements for fire rating, hydrants and access;
- _ Additional annual outgoings for insurance and local and state charges.

Where a change of use (as classified by the BCA) is proposed, often significant financial burdens occur in order to bring the building (or tenancy) into compliance with current standards. Often the types of businesses using these spaces are

small and the increased lease rates to cover such costs makes the venture unviable, particularly in comparison to other commercial sites within the metropolitan area.

It is expected that this will include (but not be limited to):

- _ State Government taxes, charges, fees etc.
- _ Responding to universal access requirements
- _ Emergency exit requirements
- _ Fire regulations and provision of emergency exits
- _ Occupational safety and health considerations.

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5.8_Allocation of Outgoings

As noted in section 4.4.1, the Commercial Tenancy (Retail Shops) Agreements Act 1985 (as amended) ("the Act") requires the allocation of common charges in accordance with the proportion of space occupied. This can and does affect the financial and commercial feasibility of the development of upper floors. The likely uses of upper floors would be less commercial than the ground floor, with tenants therefore paying lower levels of net rental per square metre. Nonetheless, these tenants would still be responsible, under the Act, for variable outgoings in proportion to area occupied. This virtual cross-subsidisation of outgoings may affect the viability of upper floor development in an adverse manner.

5.9_City of Perth Rates

As noted in 4.5.1 above, City of Perth charges rates in proportion to gross rental value of properties. Hence, as the upper floors of these CBD buildings are developed for tenancy they will incur additional rates costs to the owner and, ultimately, the tenant. Given the comparatively lower commercial return emanating from the use of these upper floors (both for the owner and the tenant), the imposition of additional rates could adversely affect the feasibility of use of these upper floors. In addition, the calculation of rates by the City of Perth references a variable rates basis depending upon highest use. The uses are:

Residential

The residential category covers properties that are used for singular and multi-dwellings including boarding and lodging accommodation. The residential rate is 4.603 cents per dollar of GRV. The residential rate is set at a relatively low level to support the City's aim of encouraging people to reside in the City.



An upper level in the Hotel Metropole building.

Hotel

This category includes hotels, hostels and serviced apartments. The rate for this sector is 6.863 cents per dollar of GRV. The hotel and tourism sector are vital to the economic development of the City, and a number of the City's capital expenditure initiatives will have a positive impact on the Hotel industry.

Retail

This classification covers retail sales and services. The rate for this sector is 7.377 cents per dollar of GRV. The City encourages the retail sector

which plays a significant role in attracting residents and visitors to the City.

Office

The majority of properties within the City are used for office accommodation. The GRV of the office sector represents a large percentage of the total rateable values. The rate for this sector is 3.863 cents per dollar of GRV.

Vacant Land

The rate of 7.726 cents per dollar of GRV applies to all vacant lands within

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the district. The higher rate is imposed to discourage holding undeveloped land within the City which reduce the amenity of the area and to encourage its early development.

Commercial

This classification includes a variety of land uses including transportation services, communication services, wholesalers, warehouses, laboratories, auto services, entertainment services and sporting facilities. This category also comprises the former Industrial classification comprising light and general industrial use. The rate for the commercial sector is 6.452 cents per dollar of GRV.

Hence, a building that has retail tenants at Ground Level and other lesser uses above ground level will be rated according to the Retail category (the highest level). This further exacerbates the cross-subsidisation issue discussed in the previous section.

5.10_Safety and Security

A general issue raised by some property owners that affects activation in the city is safety and security, or at least, perceptions of safety. In particular, where properties are located adjacent or near to areas that are poorly surveilled and with lesser activity, the propensity for anti-social behaviour after hours increases. This can affect the degree to which tenants are willing to enter into leases as well as the returns an owner can expect for their property.

In order to combat this issue, building design should promote passive surveillance of all surrounding public areas, including rear laneways and access ways. Lighting and employment of Crime Prevention Through Environmental Design (CPTED) principles, will also limit the degree to which anti-social



Barrack Street, Perth.

behaviour occurs. This is based on the notion of 'eyes on the street' and where there is people, there is a better chance of anti-social behaviour at least being reported or not occurring at all.

The City of Perth's Safer Design Guidelines seek to minimise the opportunity for and occurrence of crime throughout the city by implementing CPTED principles and encouraging activity. The City also has an ongoing commitment to implementing urban design proposals to create activity and life within the central city area, such as the Laneway Activation programme. Whilst capital works will take time, each step, be it within the public realm, or through activation of

private buildings, will help to improve safety and security in Perth.

05_____Key Issues

5.11_Building Code of Australia Interpretation

The BCA is a prescriptive document and does not allow a great deal of discretion. However, performance based compliance can be demonstrated where alternative methods of construction are proposed. Notwithstanding the prescriptive nature of the BCA, there is evidence that interpretation across jurisdictions is different. For example, where private certifiers are employed in other states, there tends to be a less flexible approach to compliance with BCA provisions due to concerns around ongoing liability and insurance. In Western Australia, certification of buildings is the responsibility of local authorities, and through discussions with stakeholders, the City of Perth tend to be more progressive in their assessment of buildings to provide for whole of city outcomes.

The application of the BCA is at the discretion of the local authority, as guided by the provisions of the Building Regulations and the Local Government (Miscellaneous Provisions) Act, which adopts the BCA under Western Australian law. The WA regulations adopting the BCA allow local governments to have discretion in applying the BCA to existing buildings.

Ideally, local governments will adopt formal policy to guide interpretation of the BCA, particularly in terms of the high level aims and their application to historic/existing buildings. Such a policy can also inform private certifiers and their consideration of alternative solutions under the BCA.

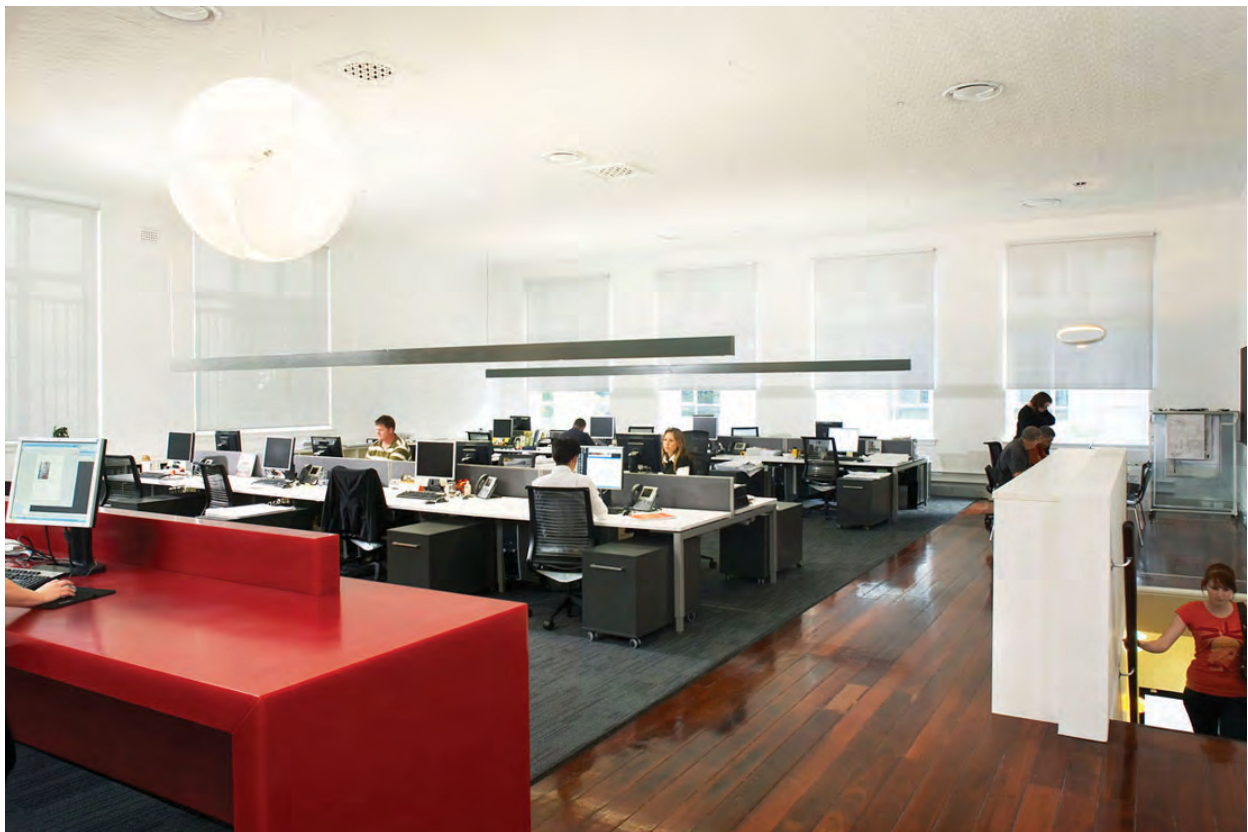
The review of the BCA and the enacting regulations seeks to include provisions that will also provide compliance with the Disability Discrimination Act. This will remove some risk from the building designer and make activation of upper floors easier in some respects.



Inside the Royal Theatre building.

06 Opportunities

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Hay Street Studio, Perth: HASSELL refurbished the upper floor of a turn of the century building to provide for contemporary office space.

06 Opportunities

This chapter outlines best practice examples from overseas demonstrating activation of upper floors and smaller spaces as well as the types of uses that may be appropriate for upper floors in Perth's central area.

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6.1 Benchmarks

6.1.1 Curtin House, Melbourne

Curtin House is a six storey Art Nouveau building on Swanston Street in the Melbourne CBD that hosts Cookie bar, rooftop cinema, a Kung-fu studio, flash developers tundra and music venue - the Toff in Town, which hosts cabaret, comedy, acoustic, blues, jazz and world music performances. The building was built in the 1922, originally the Tattersalls Building, it was renamed after the Labor Prime Minister John Curtin. It was also once the office of the Communist Party.

Whilst the building was previously used as a private club, it is now used for a variety of hospitality and entertainment uses. The collection of similar uses creates a node, or identifiable place, that attracts people to both the building and the surrounding neighbourhood. The uses respond to Melbourne's identity as a cultural centre and play on the notion of Melbourne's laneways within the building. Architects were engaged by the building owners to refurbish the various floors, which enabled compliance issues to be dealt with early. The scale of the building, however, meant that it was able to accommodate new fittings to comply with current BCA standards.



The rooftop of Curtin House in Melbourne is used as an outdoor cinema. Source: <http://www.flickr.com/photos/avlxyz/4139546949/sizes/l/>.

06____ Opportunities

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6.1.2_Hay Street Studio, Perth

The HASSELL Hay Street studio is located on the first floor of a previously unutilised heritage building. The design maximises the use of natural light obtained from the large windows that overlook Hay Street.

The high pressed metal ceilings were retained along with the existing timber floors assisting in the creation of a light studio environment. Graphic elements above the stairs and bench seating are derived from the Swan River topography. The workplace is separated into two work areas by an informal presentation and breakout zone. Collaboration and communication is encouraged through the layout of the workplace, long bench workstations and the placement of informal meeting areas.



Hay Street Studio, Perth: Entry stairs.

06 Opportunities

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Wolf Lane Studio, Perth: A former office and residence was refurbished for contemporary studio space for HASSELL's design practice.

06 Opportunities

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6.1.3_Wolf Lane Studio, Perth

The HASSELL studio in Wolf Lane was formerly a first floor heritage warehouse space. The fitout included an extensive refurbishment in order to provide a quality workplace whilst maintaining the individual character of the building. Contemporary finishes and fixtures are juxtaposed with existing face brick walls, floor boards and building features.

The space is divided into two workplaces by an internal stair, meeting space and informal tea preparation area. A model room is located centrally and is visible to all staff and visitors. Bench style workstations encourage collaboration and communication between project teams and disciplines further reinforcing the HASSELL studio philosophy.



Wolf Lane Studio, Perth

06 Opportunities

6.2 Range of Uses Appropriate for Upper Floors

Within the central area, virtually any use of a commercial, residential, retail, cultural, entertainment or food and beverage nature can be approved, subject to compliance with development standards and any conditions imposed by the Council. Therefore, in terms of land use, the Scheme allows a wide array of possibilities for upper floors.

6.2.1 Residential

The residential market, from affordable to high end, is catered for across the broader City of Perth area to varying degrees. The medium to high end market is particularly well catered for, with new residential apartment developments being constructed throughout the city. Site and access constraints, as well as a desire to retain existing building fabric, will limit the type of residential accommodation that will suit the upper floors the subject of this study. In particular, the inability to provide car parking for all sites will mean if residential accommodation is offered, it will most likely be an affordable type, or it will be designed such that it meets a small section of the inner city, professional worker market. Alternatively, short stay accommodation could be a suitable alternative, and in particular, serviced apartments, where on site car parking and substantial servicing areas are not required.

Issues/Implications

- _Car parking access: The current residential market typically demands exclusive vehicle parking bays for each dwelling. Whilst older buildings may be structurally and practically able to be converted to residential uses, there is a lesser ability to provide car parking due to constrained sites. This limits demand for housing, particularly that of the middle to upper market;
- _Alteration or addition to historic fabric: This is a common issue across a number of land uses. The alteration of historic fabric is required in order to accommodate residential apartments, particularly to insert new services, mezzanine floors, stair access and new walls. Such alterations, whilst achievable, require a design approach sensitive to the historic nature of the particular building;
- _Access to natural light and ventilation: The City of Perth's Residential Design Policy requires all habitable rooms, including bedrooms, have direct access to natural light and ventilation. Older buildings with deep floor plates may not be suitable for residential conversion as a result. It is important that good amenity be achieved for living and working spaces, which is the intent of this provision of the Residential Design Policy;
- _Strata titles and internal subdivision: The strata titling of residential apartments in older buildings requires inspection of the building to assess compliance with Building Code of Australia provisions. Where features do not comply, they may need to be refurbished or updated in order to gain a strata approval;
- _Noise attenuation: Often older buildings have wooden floors, which allow clearer noise transference between floors as compared to concrete. Additional materials are often required to minimise noise transference between dwellings, which may conflict with heritage objectives if the building is listed;
- _Fire rating of wooden floors: Wooden floors also pose a greater fire risk in buildings. The treatment of floors is necessary in order to comply with the Building Code of Australia, particularly given a change in use.



Residential apartments can be a good alternative use for historic buildings.

06 Opportunities

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6.2.2 Commercial

Upper floors may have some potential for use as commercial space, and in particular office or serviced meeting rooms. Where there is a change in use involved, there would likely be requirements for additional access and fire rating as well as hydrants, which will significantly increase the costs involved for building owners and/or tenants. However, this can be offset by increased demand (and therefore financial return) for commercial floor space within the city in recent years. Commercial uses would also be less likely to require permanent on site car parking bays, or other service areas such as store rooms, making them attractive propositions for constrained city sites.

Issues/Implications

- _Disability access: This is required, particularly where new uses are proposed in upper floors. Alterations to buildings can be expensive and disrupt the original features;
- _Fire rating and hydrants: refer to comments under 6.2.1 Residential;
- _Alteration or addition to historic fabric: refer to comments under 6.2.1 Residential;
- _Demand for office/commercial accommodation: The relative demand for floor space will inevitably affect the use of older buildings and associated upper floors. Where demand for commercial floor space is high, it is more commercially viable for land owners to refurbish buildings and obtain a long term tenant. The Perth market has traditionally been subject to booms and busts, which means there has not been sufficient demand over the long term for such spaces. Commercial operators often demand higher grade spaces with large floor plates or space in contemporary buildings, which affects the marketability of historic upper floors for office space in particular;
- _Quality of space compared to contemporary buildings: contemporary buildings contain modern features that historic buildings do not have, such as large and efficient lifts, larger floor plates and other services. This gives contemporary spaces a competitive advantage when compared to historic buildings, which in turn affects demand for use of upper floors.



Commercial office tenants often demand high quality, contemporary buildings that offer flexible working environments.

06 Opportunities

6.2.3_Retail

Retail land uses are encouraged throughout the central city area, particularly at ground level, in order to help activate the city's streets and improve the city's interest to visitors and regular users. Whilst most retail floor space in the city is centred around the malls, it is extending outside of this area, particularly along the western sections of Hay and Murray Streets. Essentially, where there is regular foot traffic, retail land uses are likely to occur. However, retail floor space at upper levels is often a difficult proposition in terms of long term viability. This is due to the propensity for consumers to bypass stairs and stay at ground level. Destination businesses are therefore more likely to succeed at upper levels.

Issues/Implications

- _Attracting patrons to upper levels: Retail floor space and particularly premium retail, tends to function most effectively at ground level. It is difficult to attract shoppers to upper levels where there is no clear destination. That is, only retail activities that are destination based or a major attractor, such as a department store or mini-major, tend to function effectively. There is a tendency for shoppers to stay on one level which affects the profitability of upper floor businesses;
- _Need for a quality business model and the right business owner/manager to promote the business: Notwithstanding location, businesses also need to attract shoppers into their store. Appropriate marketing and place management can assist shoppers finding the store. Retailers that take pride in the adjacent public realm and ensure it is maintained to an attractive standard tend to receive more customers;
- _Fire rating and hydrants: refer to comments under 6.2.1 Residential;
- _Disability access: refer to comments under 6.2.2 Commercial;
- _Alteration or addition to historic fabric: refer to comments under 6.2.1 Residential.



Retail in Perth has tended to centre around the malls.

06 Opportunities

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6.2.4 Cultural and Entertainment

Cultural and entertainment land uses, such as art galleries and exhibition space may be ideal land used for upper floors as they tend to be destination businesses that require little alteration to building fabric. However, issues around accessibility and fire rating would still apply. Additionally, there is not a large demand in Perth for exhibition space, therefore a programme of cultural promotion would likely be necessary in order to improve the viability of cultural and entertainment businesses. Exhibition space also requires the production or procurement of art, and upper floors may provide a good and inexpensive option for artists studios.

Whilst these particular uses tend to add much to the social capital of the city, they also tend to provide a lower return to building owners than other more commercial land uses. This limits the opportunity for one-off galleries to be created; rather, a collection of galleries and studio spaces may be required in order to create a reasonable scale and thus identifiable attraction for returns to be made.

Issues/Implications

- _Lower returns: cultural facilities tend to attract fewer patrons over a wide period and so offer lesser returns to building owners, particularly when compared to commercial options. Whilst artist studios and similar activities may be an attractive function from a city and cultural perspective, they generally do not offer the ongoing monetary value to justify large scale refurbishments of buildings;
- _Ability for artists to pay rent or lease space – programme of patronisation required: in order to better attract artists in residence or exhibition space, overheads for the artist need to be low. There may be opportunity for the City and State Government to initiate a programme whereby such activities attract rate relief or some other benefit;
- _Alterations and additions to historic fabric: refer to comments under 6.2.1 Residential;
- _Disability Access: refer to comments under 6.2.2 Commercial;
- _Fire rating of existing building fabric: refer to comments under 6.2.2 Commercial.



Cultural and entertainment uses can extend the life of a city. However, building alterations can be difficult and costly.



06 Opportunities

6.2.5 Food and Beverage

Like retail space, food and beverage floor space tends to be located where there is passing trade, except that it can open longer and offer an evening city experience, particularly in the form of restaurants or bars. The advent of the Small Bar licence is beginning to impact upon the city, with a number of 'small bar' businesses now operating in upper floor or laneway spaces, such as Helvetica, Alda's Cafe and Wolfe Lane. Applications for liquor licences are costly and lengthy, requiring expert assistance in their preparation (often by a legal practitioner), however small bar licences are less onerous on the applicant. Additionally, the intent of the small bar licence is to move away from large collections of taverns/bars in one location. Therefore, there is likely to be a point at which no new bar licences will be permitted within the central city. For now though, this is some time away. Good management is also required of bar premises in order to ensure no antisocial behaviour.

For licensed venues, such as bars and performance venues, noise can often be a conflicting issue. Sound attenuation to existing buildings may be required where there are sensitive land uses nearby, such as residential land uses.

As with all other use types, the establishment of food and beverage premises is not limited by the Scheme, but may be limited by compliance with BCA requirements such as access and fire rating. Such issues have been experienced with existing bar and cafe owners, where lifts for the disabled and hydrants have had to be installed into buildings. Where a building is heritage listed, this can conflict with requirements for retention of important fabric. Nevertheless, these issues have been resolved in the past and should not be considered insurmountable.

Issues/Implications

- _Need for management plans to deal with antisocial behaviour: Taverns and small bars add considerable life and interest to the city. However, there can also be antisocial elements that must be dealt with. Management plans should be prepared by business owners to deal with intoxicated patrons and ensure that risks are minimised. Such plans can burden the business, particularly in added staff costs and insurance;
- _Sound attenuation and operating hours of small bars and licensed venues: hospitality venues often play music or encourage groups of people which leads to noise being created. Where such uses are close to residential dwellings, conflict can arise. To minimise noise emissions, sound attenuation and costly speakers are often required. This diminishes opportunities for such businesses to establish within upper floors, where there are already large costs involved in modifying the building fabric;
- _Accessibility: refer to comments under 6.2.2 Commercial;
- _Fire rating of existing building fabric: refer to comments under 6.2.2 Commercial; and
- _Alterations and additions to historic building fabric: refer to comments under 6.2.2 Commercial.



Food and beverage tenancies can offer good use of space slightly away from heavy pedestrian environments.



The refurbished Perth GPO building. New internal stairs were constructed to promote work flexibility.

06_____ Opportunities

6.3_How Can Upper Floors Promote the City and its Uniqueness?

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Encourage Diversity

Upper floors allow for a diverse range of uses to be located within the city. Where there may be retail at ground level, upper levels can contain cultural, commercial or even residential uses. This extends the hours of operation of the city and gives more choices to people visiting the city. Overall, with more business and more activity, the city is a more interesting place.

Remove regulation and allow 'rule breaking' (BCA Discretion)

Whilst risk minimisation and ensuring compliance with law is paramount, there may be opportunities to consider those areas where other jurisdictions are making the same discretionary decisions. By removing any unnecessary barriers to business owners, the likelihood of new businesses starting increases.

Catalysts for change – demonstration projects

These allow the market to consider untested opportunities. The market tends to be risk averse, so the City may consider options to promote upper floor activation. The City can then understand where the pressure points are within the start-up process and minimise risk where possible.

Promote the value of underutilised space

The city should continue to promote the value of upper floors to the business and general community.

Sustainability

Efficient use of space and historic buildings is a more sustainable option than demolition and construction of new floor space, minimising the need for new resources and utilising the embodied energy of existing buildings. Retention of such buildings also promotes the cultural understanding of the city and retains a sense of place. As such, the social fabric of the city is retained and enhanced through the use of historic upper floors.



Act or Regulation	Purpose	Implications for Upper Floors
Planning and Development Act 2005	The Planning and Development Act 2005 provides the framework for town planning and development within Western Australia.	The Planning and Development Act 2005 is primarily concerned with the creation and assessment of region and local planning schemes and the subdivision of land. Otherwise, the Act has little direct bearing on the development and use of upper floors in established buildings.
City Planning Scheme No. 2	The City Planning Scheme No. 2 (the Scheme) is the City of Perth local planning scheme for its local government area. It divides the City into precincts and describes the general intent or vision for each. The Scheme sets out the development standards that guide the use of land and the bulk, scale, and character of development.	Within each of the above precincts, a wide variety of uses can be considered, notwithstanding the inflection of particular land use groupings. However, practicalities of access, ownership and building fabric mean that not all uses will be easily accommodated in all parts of the city. For example, whilst residential is listed as a contemplated use within the Citiplace Precinct, the pedestrian orientation of the malls means accessibility for residential uses in this area is limited. Generally, the Council has discretion to vary development standards within the Scheme where proposals are consistent with the Statement of Intent for each precinct and the objectives of the Scheme.

Act or Regulation	Purpose	Implications for Upper Floors
Perth Parking Management Act and Policy	The Perth Parking Management Act was created to control parking within the central city area, including Northbridge, West Perth and East Perth, and promote alternative means of transport over the private car. The Perth Parking Policy is established under the Act and sets the controls for parking within the city. Whilst the policy is established under the Act, it is also adopted as a policy by the City of Perth under the provisions of the City Planning Scheme No. 2. The Policy is therefore administered by both the City of Perth and Department of Transport.	The Policy limits the number of car parking bays that may be accommodated on each site. A maximum parking number is set and often, no parking can be permitted, however the Policy does provide preferred parking rates. In terms of upper floor activation, the policy allows for changes in use without the need to consider any additional parking on site. This provides a positive approach to often sites with difficult vehicular accessibility or where parking provision would be cost prohibitive.
Heritage of Western Australia Act 1990	This Act provides for the creation of the Heritage Council of Western Australia, which administers the Act, and the State Register of Heritage Places. The Act allows the Heritage Council to override provisions of the Building Code of Australia where historic fabric is to be retained; however, this provision is not commonly called upon. Generally, it is considered important to meet the requirements of the BCA.	Listing of properties on the State register does not affect their value and redevelopment opportunities still exist. Whilst redevelopment potential may be affected to some extent, this does not mean that refurbishment and extensions of properties cannot occur. Such redevelopment must be consistent with the heritage values of the property and the Burra Charter. There may be conflicts, however, where the retention of historic building elements are desired and the need to provide for contemporary Building Code of Australia requirements, such as fire egress and disability access.

Act or Regulation	Purpose	Implications for Upper Floors
Building Act	A new Building Act is being developed to replace the Building Regulations 1989 and parts of the Local Government (Miscellaneous Provisions) Act 1960. An associated new Building Occupations Registration Act will register building surveyors and other specialist certifying practitioners for the purpose of certifying compliance under the Building Act provisions. The new legislation will take into consideration national regulatory reforms by confirming the Building Code of Australia as the primary building standard, formalising private sector participation in the building certification process, and providing a registration system for building surveyors and other building professionals who may be required to certify compliance.	The Building Act will provide for licensing and occupation of buildings. New buildings must comply with the Act provisions.
Local Government (Miscellaneous Provisions) Act 1960	This act governs building regulations and provisions applying to the construction of new buildings, as well as provisions for the control of streets, provisions for dangerous buildings as well as giving power for local laws to be created and enforced.	The act requires particular safety and risk minimisation measures to be enforced at the time of building licence application and inspection.

Act or Regulation	Purpose	Implications for Upper Floors
Building Code of Australia	The BCA in each state is adopted under State legislation. In Western Australia it is the Local Government Act of 1960 and the Building Regulations 1989.	<p>In WA, the Local Authority has the discretion as to how the requirements of the BCA are applied to existing buildings. The key words are “and does not adversely affect the safety of the persons” and probably infers compliance with all or part of the BCA as regards Fire Safety requirements.</p> <p>The BCA prescribes more costly accessibility and fire rating requirements for public buildings. Public buildings are places of assembly and may include nightclubs, theatres, schools, meeting rooms, taverns, small bars. Essentially, where there are large groups of people gathering at one time, egress, fire rating and access requirements increase to deal with that expected number of people.</p>
Disability Discrimination Act 1992	The Disability Discrimination Act 1992 is a Commonwealth law that makes it illegal for people or business to discriminate against others on the basis of physical or mental disabilities. In relation to buildings, the Act provides that equitable access be provided for people with disabilities to public buildings such as libraries, places of worship, government offices, hospitals, restaurants, shops, or other premises used by the public.	<p>The Act allows for complaints against places and buildings to be registered with the Australian Human Rights Commission. If a person or business is found to be able to make changes to rectify discrimination, the Commission can order that person or business to do so. Additionally, there may be financial implications/charges for people and business that are found to deliberately discriminate against people with disabilities.</p> <p>The Act does not require the provision of access to be made where there is significant hardship involved or excessive costs. This provision requires significant consultation to be undertaken with access groups and the relevant authorities, however. All avenues of access to buildings and places must be exhausted for significant hardship to be warranted.</p>

Act or Regulation	Purpose	Implications for Upper Floors
Occupational Safety and Health Act 1984	<p>Western Australia's Occupational Safety and Health Act 1984 sets out requirements including the duties of different groups of people who play a role in workplace health and safety and have a 'duty of care'. Safety in design therefore places a 'duty of care' requirement on the designer. The main implication is that the designer must consider the risks for each phase of the building's life cycle.</p>	<p>The implications of safety in design are particularly relevant to refurbishment of historic buildings. The designer, or architect, must ensure that the design of the refurbished building allows for its safe use over time. Where the building exhibits features that are no longer compliant with Building Codes, such as balustrade heights, stair landings or other features, modifications may be required, which increases costs for the building owner.</p> <p>Under section 23 (3a) of the Act, a person who designs or constructs any building or structure, including a temporary structure, for use at a workplace is required to ensure that as far as practicable, the design and construction of the building or structure must be such that: persons are not exposed to hazards when they properly: construct, maintain, repair or service the building or structure; or use the building or structure.</p>

Part B_

Architecture
Interior Design
Landscape Architecture
Planning
Urban Design

Australia
PR China
Hong Kong SAR
Singapore
Thailand

FORGOTTEN SPACES _UPPER FLOOR ACTIVATION CASE STUDIES PAPER B

Prepared for City of Perth
August 2010

HASSELL



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01 Introduction and Purpose

This report constitutes Part B of the Forgotten Spaces - Upper Floor Activation Feasibility Study for the City of Perth.

Part A of the study examined issues relating to upper floor activation to provide the City with an understanding of the matters that affect viability and hence likelihood of reactivating underutilised upper floor space in the city centre.

Part B reports on feasibility studies of selected buildings that examine under what circumstances activation of upper floors is financially viable for each building over a reasonable timeframe (five to ten years).

Financial models of the selected buildings have been completed, based on the estimated costs required for activation to a reasonable standard, estimated outgoings once activated, the likely net lettable area, and the estimated rental income.

A summary of the property owner's perceptions of the value and the constraints to upper floor activation is provided for each building.

1.1 Land Owners and Investment

Realistically, there are limited options that can be considered for vacant space within buildings, particularly when considering the land owner's perspective. Rather than provide for a particular use, the land owner will typically 'make good' a space. This involves ensuring a space is clean and has sufficient services for a future tenant to fit out as required. Land owners are unlikely to spend significant sums of money on untested tenants so will undertake minimal building improvements in order to make a space marketable. The extent of works a land owner will undertake for office, retail or restaurant uses is therefore ostensibly the same.

Land owners are relatively risk averse and for this reason, will generally not undertake speculative work. This is related to the nature of the city as a safe investment market and an unwillingness from financial institutions to fund speculative proposals. Work to upper floors is therefore not likely to be undertaken on a speculative basis; rather, a tenant will fund fit out works. Major works to ensure access to multiple upper floor tenancies is unlikely unless the risk is minimal.

01 _____ Introduction and Purpose

2 1.2 Original Uses of Upper Floors 1.3 Attractiveness of the City

The upper floors of Perth's old buildings were originally occupied mostly by service industries (e.g. tailors, manufacturing jewellers, small goods repairers), theatres and cinemas, small offices (e.g. lawyers, accountants, medical practitioners) and in some cases, residential flats. Over time, changes in technology, the market economy and business models resulted in the original uses becoming obsolete or moving to alternative, often cheaper and often suburban premises.

Demand for these smaller upper floor spaces once they were vacated was low as more desirable alternatives were available. As a result, the upper floors of many historic buildings were left vacant or used for storage, and sometimes the access from the street was removed and the more valuable ground floor space refurbished for retail tenancies.

The attraction of the city centre for visitors and locals has improved over the past few years, which has been complemented by a maturing of the market in that a higher quality businesses are tending to locate in the city centre. Factors affecting the attractiveness of Perth as an investment and business location are:

- _safe investment market;
- _prestige;
- _accessibility;
- _agglomeration of like uses;
- _demographic and attitudinal change;
- _improvements to the public realm; and
- _an expanded offer of services.

01 Introduction and Purpose

1.4 Area of Interest

The area of interest for this study is that area generally considered to be the central city, bounded by Wellington Street to the north, Irwin Street to the east, Mounts Bay Road to the south and the Mitchell Freeway to the west, as shown in Figure 1. Some of the principles discussed in this study may have a wider application beyond this area, however the focus is on the central city.

3

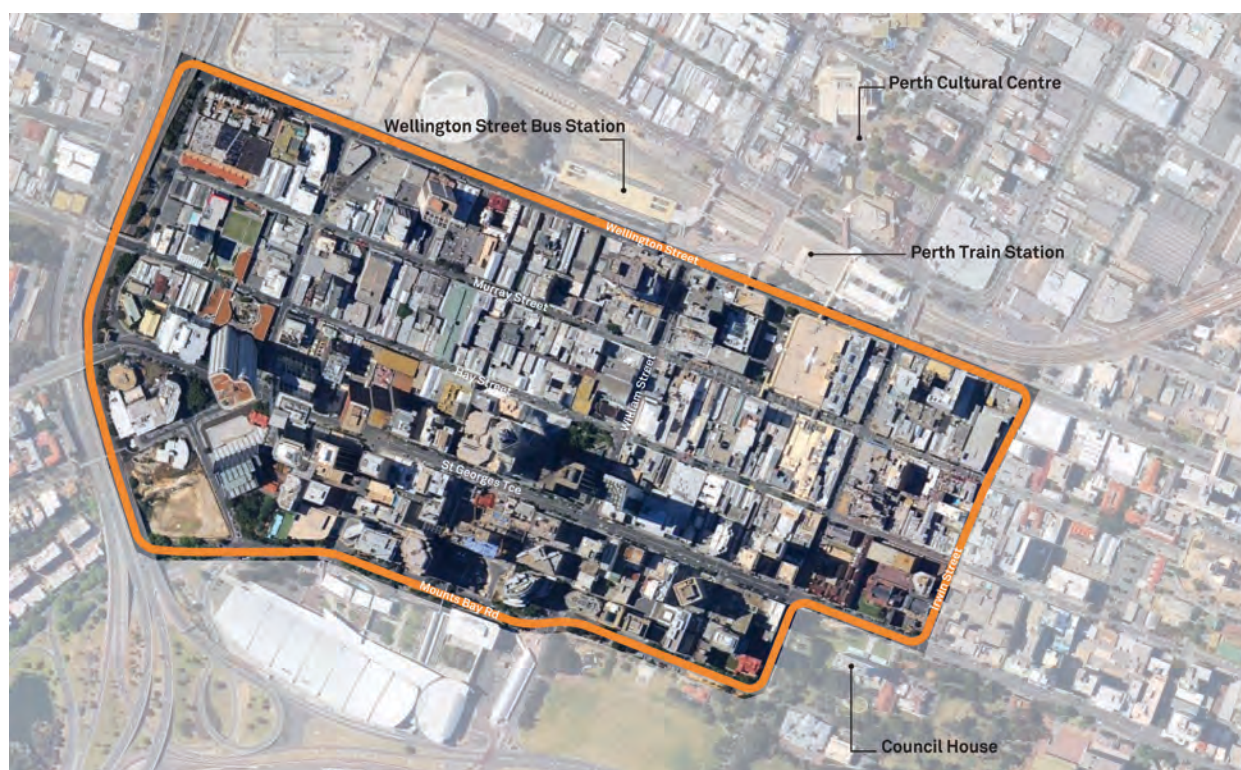


Figure 1_Area of Interest.

02 Case Study Buildings

4 In order to explore the issues affecting the activation of upper floors in more detail, six case studies were examined. Of these, two are existing upper floor spaces that have been reactivated after a period of underutilisation. Another is currently undergoing redevelopment, and three are still underutilised.

The six case studies are illustrated in Figure 2. They are:

1. Phineas Seeligson's City Loan Office (former) - 143 Barrack Street
2. Plaza Arcade and Theatre - 650-658 Hay Street Mall
3. Royal Theatre and Metropole Hotel (former) - 637-643 Hay Street Mall
4. 722-728 Hay Street Mall (corner William Street)
5. 772 Hay Street
6. Wolf Lane, rear 806 Hay Street

These case studies were chosen based on ease of access, willingness of the owner to take part in the study, their relationship to underutilised space and the desire to consider a cross section of building types from small to large.

To prepare the case studies, each building was inspected to assess its current condition. For each of the four buildings not currently occupied on upper floors, the owner or owner's representative was interviewed to ascertain their aspirations for the building. Based on the location, form and condition of each building, suitable uses were identified. There are limited uses appropriate to upper floors within the city, due to the price of land and the limited amount of passing trade. These are office, residential, destination retail and speciality food and beverage businesses. Other uses will generally not provide a sufficient return on investment for the land owner.



Figure 2. Case study buildings

02 Case Study Buildings

Indicative options for adaptation of the building were developed where they did not already exist, from which issues and challenges could be identified and indicative costs estimated by Ralph Beattie Bosworth. These details are elaborated upon in the body of the report.

Basic financial models were developed based on the likely costs and income for each option. These models were used to assist in analysis of the development potential of the case studies.

The case studies are indicative only. It proved extremely difficult to obtain the required information from property owners, as much of it is considered to be commercially sensitive and confidential. Therefore best estimates had to be made. It should be noted however, that all financial modelling has been prepared using inputs provided or sourced from professional experts.

The results of the case studies are presented individually. A brief synopsis is provided initially for each case, with further elaboration of pertinent issues provided in table form. The findings from the case studies are summarised within the conclusion of this report.

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- 01_ 143 Barrack Street
- 02_ 650-658 Hay Street
Mall
- 03_ 637-641 Hay Street
Mall
- 04_ 722-728 Hay Street
- 05_ 772 Hay Street
- 06_ Wolf Lane, rear 806
Hay Street

03_____Case Study 1

6

3.1 _Site

The former Phineas Seeligson's City Loan Office at 143 Barrack Street, Perth. The building is a narrow, three storey rendered brick building constructed in 1890. It is listed in the City of Perth Municipal Inventory and is on the Heritage Council's programme for assessment.

3.2 Current Condition

Upper levels were previously a residence and later, offices. The upper floors have been vacant for about 5 years.

The site has side and rear laneway access (Grand Lane). There is a small rear service yard.

City of Perth plans to upgrade Grand Lane would enhance the options for this building by providing improved security and lighting.

Basement: Vacant, in poor condition

Ground Floor: Barber Shop in good condition with storage to rear

First Floor: Vacant and needs refurbishment

Loft: Vacant and needs

refurbishment - uninhabitable.

3.3 Possible Uses

Option 1

Basement: Bar

Ground Floor: Retail at front and bar at rear

First Floor: Office Space

Loft: Office Space

Option 2

Basement: Bar

Ground Floor: Retail at front and bar at rear

First Floor: Residential

Loft: Residential

3.4 Implications

BCA Issues

Fire separation between uses will require an alternative solution to be engineered and approved.

DDA Issues

No disabled toilets or vertical access for the disabled.

Approvals Required

Heritage: Required

Development Approval: Required

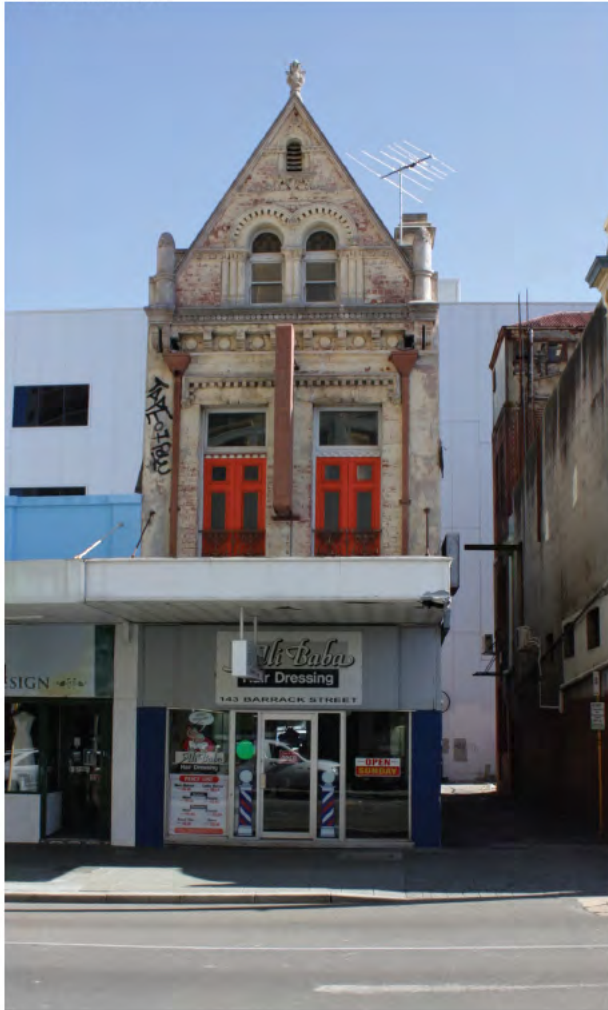
Building Licence: Required

Liquor: Required - by tenant

03_____Case Study 1

7

04_143 Barrack Street



05_143 Barrack Street - rear and lane



03 Case Study 1

8

PARAMETERS FOR CONSIDERATION		SITE 1 143 Barrack Street	SOLUTION AND/OR FINANCIAL IMPLICATION
Total Area (sqm)		348	
Most Likely Land Uses	Office	Suitable for small boutique office, travel, advertising, law, fashion, management, design office.	The market for small and historic floor space is niche and tends to be suited for the creative industries where access to other services and benefits is available, or businesses of a service nature. Creative industries tend to be unfettered by the standard solutions espoused for commercial office space.
	Residential Dwellings	Suitable for a single residence. Too small for two dwellings. Ideally suited for bar operator below given potential noise impacts.	
	Gallery Space	Too small - upper floor walls are mansard type and slope with the roof.	
	Bar/Tavern	Rear of ground floor, ground level courtyard and basement would make a viable tenancy for a small bar.	
	Restaurant	Small bar licence with tapas style food would work. Separate licenced restaurant would be appropriate for the future once the area is gentrified.	
	Theatre	Too small.	
	Shop	Current men's barbershop could be upgraded or closed to use space for restaurant/ bar.	
Building Condition		The building exterior has undergone refurbishment to make it weather proof. The ground floor contains a barber's salon with rear office and ablutions. The basement level is in poor condition, whilst the first level and loft need refurbishment to make them habitable. The building retains many turn of the century features, such as narrow/steep stairs, low balustrades and few bathrooms, which are not consistent with contemporary standards or market expectations.	Any change of use will require compliance with the BCA and DDA, meaning alterations to the building fabric will be required. This can be costly, particularly for public uses.

03_____Case Study 1

9

PARAMETERS FOR CONSIDERATION	SITE 1 143 Barrack Street	SOLUTION AND/OR FINANCIAL IMPLICATION
Existing Building Materials	Masonry and wood floors	Existing wood floors will not comply with fire separation requirements for different uses under the BCA
Site Dimensions	The lot is narrow, being just over 5 metres in width and about 24 metres in depth. This is a typical lot size for this section of Barrack Street, having been developed early in Perth's history. The small lot size and subsequent floor area is a limiting factor in that the building is only suitable for small businesses (with few staff) or small to medium residential dwelling(s). This affects the earning potential of the building as larger businesses with higher turnovers will not consider properties of this size.	Lot dimensions cannot be altered unless amalgamation with the adjacent site occurs, which is unlikely.
Site Access	The site has road frontage to Barrack Street, a busy distributor road. Grand Lane, to the rear and northern side of the building, allows vehicle access. There is no on-street parking along this section of Barrack Street.	The existing site access provisions are good.
Private Vehicle Access	Unlike many adjacent buildings, the subject building contains one car parking bay. Access is gained via Grand Lane. This is a comparative advantage for the site to attract tenants.	No alternatives required unless the rear bay is used for a courtyard bar.

03_____Case Study 1

10

PARAMETERS FOR CONSIDERATION	SITE 1 143 Barrack Street	SOLUTION AND/OR FINANCIAL IMPLICATION
Lack of Prominent Entry to Upper Floors	The building was constructed as a ground floor office (loans office) and upper floor residence. As such, separate formal entries were not part of the original building fabric. Side/rear access to the upper floors is provided either through the ground floor tenancy or via an entry from Grand Lane. As there is no entry to the upper floors from Barrack Street, the street presence and therefore attractiveness of the space for tenants is lessened. The current condition of Grand Lane does not promote its use as a formal entry to upper floors, particularly having regard to the notion of security and personal safety.	Grand Lane is understood to be the focus of the City's Laneway activation programme. Its refurbishment would assist in promoting the use of the building's upper floors through a more attractive entry area.

03_____Case Study 1

PARAMETERS FOR CONSIDERATION	SITE 1 143 Barrack Street	SOLUTION AND/OR FINANCIAL IMPLICATION
Location	The subject site is located on Barrack Street, close to Wellington Street. This part of the central city is less desirable in the sense that it is away from the main office district of St Georges Tce, and close to Wellington Street and the railway line which are barriers to pedestrian movement. The quality of tenants in the immediate area is relatively low and this diminishes the desirability of the subject site to accommodate new businesses. However, this area of Barrack Street is known for its collection of cheap restaurants and this nature of business could be promoted and built upon to create a defined and appreciated precinct.	The City could promote Barrack Street as a destination for food and culinary experience. This would increase its exposure as a precinct and attract businesses to the area, including upper floors.
Area Safety and Perception of Character	Grand Lane's current condition has the potential to attract antisocial behaviour due to a lack of lighting and being out of general sight. Perception of safety is also severely diminished due to the forbidding appearance of the lane. The actual and perceived insecurity around Grand Lane impacts on the ability to use the upper floors, particularly as the lane is required for pedestrian access.	Upgrading and lighting Grand Lane would assist in improving safety.
Adaptability (the building's propensity for change)	The upper floors were previously used as a residence and later as office space. Services need to be upgraded, however the building fabric could be altered relatively easily to suit a new use.	The major implication will be costs involved in complying with the BCA and/or the DDA, in particular in providing lifts, adequate fire services and appropriate escape routes..

03_____Case Study 1

12



Grand Lane should be upgraded to provide a more attractive entry area for the upper floors to properties on Barrack Street, including 143 Barrack Street.

03_____Case Study 1

PARAMETERS FOR CONSIDERATION	SITE 1 143 Barrack Street	SOLUTION AND/OR FINANCIAL IMPLICATION
Serviceability	As the building has lane access on two sides, this presents excellent opportunities to service the building, particularly for any construction or redevelopment. There are no known limits to normal city centre uses in terms of power supply.	Servicing can be achieved via Grand Lane.
Heritage Act	The building is on the Heritage Council's programme for assessment.	Heritage listing is not necessarily an impediment to redevelopment, other than following the Burra Charter in modifying the building fabric. Heritage grant was secured for conservation of the building exterior.
Planning and Development Act	No implications for activation	Not applicable.
Building Code of Australia	Refer to above comments. Generally fire separation and access requirements can affect the viability of business start up and upper floor activation.	Compliance required or where variations are granted. No certainty as to whether variations will be approved.
Disability Discrimination Act	As above.	There may be requirements for wider entry doors and vertical access requirements to public tenancies in basement'
Retail Tenancy Act	Allocation of all variable outgoings in accordance with area - meaning that occupiers of less valuable space (ie office in upper floors) will effectively subsidise some of the costs of higher value space (eg retail).	

04_____Case Study 2

14

4.1 Site

The Plaza Arcade and former Plaza Theatre at 650-658 Hay Street Mall is classified by the National Trust and on the Heritage Council's assessment programme. It is part of the Hay Street Mall Precinct.

The building was built in 1937 in the Art Deco style and modified periodically over the years. The Art Deco upper Hay Street facade remains relatively intact.

The arcade runs centrally through the site between Hay and Murray Street Malls.

4.2 Current Condition

Basement: Retail (connected to ground floor retail tenancy)

Ground Floor: Retail

First Floor: North end, poor quality office and storage. South end, vacant former cinema - sloping timber floor. Poor condition. No electricity except for emergency lighting.

The main access to the theatre from the arcade close to Hay Street was closed and converted to retail long ago; the only access to this space is now via a fire stair from a spur off the main arcade.

Commentary

The arcade has traded successfully for many years and has a series of refurbishments. The basement is used by a retail outlet that also has mall frontage.

4.3 Possible Uses

Option 1

Theatre: Convert existing theatre to open air theatre and performance venue by removal of roof sheeting and installation of special turf flooring.

Option 2

Offices: Reconstruct offices to the North end of the building as single open plan tenancy.

4.4 Implications

BCA Issues

Theatre: lack of fire services, lack of compliant fire exits and no smoke detectors. Fire separation between uses will require an alternative solution to be engineered and approved.

DDA Issues

No vertical access for disabled or disabled toilets

Other

- _ Sloped timber floor limits uses without reconstruction of floor
- _ Owner advised that prior consideration of alternatives for theatre space revealed issues relating to load bearing capacity of existing structure
- _ Work would have to take place after hours due to restricted vehicle access to both malls

Approvals Required

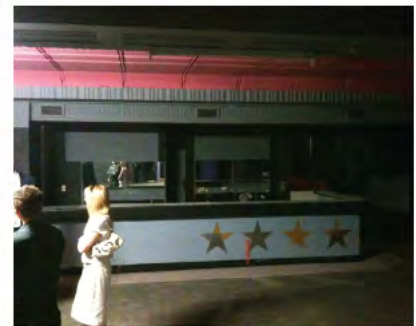
Heritage: Required
Development Approval: Required
Building Licence: Required
Liquor: Required by tenant

04_____Case Study 2

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- 01_ Raked floor of former Plaza Cinema
- 02_ Former cinema candy bar
- 03_ Plaza Arcade from Murray Street Mall

04 Case Study 2

16

PARAMETERS FOR CONSIDERATION		SITE 2 Plaza Arcade	SOLUTION AND/OR FINANCIAL IMPLICATION
Total Area (sqm)		2,030	
Most Likely Land Uses	Office	Suitable for northern upper floors. Conversion of theatre to office would require significant and costly structural works.	Would need to find alternative storage space. Alternative fire engineered solution required to take into account wooden floors.
	Residential Dwellings	Probably unsuitable or only for a very small segment of the market given the likely need to enter through the arcade and not having vehicle access.	Location not suited for residential - lack of outlook and access to natural light, given lot dimensions.
	Gallery Space	Gallery space does not tend to return significant rent, so unlikely.	A gallery would not provide sufficient rental income.
	Bar/Tavern	Upper level may be suitable for a bar or tavern, however fire separation issues and disability access would need to be overcome, requiring conversion to the building services and fabric.	The space is too large for a bar or tavern.
	Restaurant	Not appropriate given circuitous entry requirements and away from passing trade.	The space is too large for a restaurant.
	Theatre	Potential re-use of Plaza Theatre.	Relatively low return.
	Shop	Space would need to be subdivided or a large destination/showroom retailer secured. Structural works most likely required.	Alternative fire engineered solution to take into account existing building construction. Vertical access required for public uses, which is costly. Likely need to remove a ground floor tenant.
Building Condition		The building is generally in good condition, having undergone recent refurbishment of the ground level arcade and facades. The theatre is not fit for occupation and the Murray Street offices are low grade.	The theatre, having been purpose built, will be expensive to convert to another use, particularly as fire separation and structural issues need to be overcome. The owners would need to risk the capital cost or find a suitable tenant to fund construction.
Existing Building Materials		Masonry and wood floors	Masonry and wood floors mean fire separation issues are present

04 Case Study 2

PARAMETERS FOR CONSIDERATION	SITE 2 Plaza Arcade	SOLUTION AND/OR FINANCIAL IMPLICATION
Site Dimensions	The site benefits from two frontages and access to an adjacent right-of-way. An encumbrance on the title requires adjacent land owners to have legal access through the site.	Any new development on the upper floors would need to maintain existing access requirements for affected land owners. This is not a major impediment to redevelopment.
Site Access	The site is within the Hay/Murray street Malls. General vehicle and service access is limited.	Large residential development for the mass market is not viable.
Private Vehicle Access	Hay Street and Murray Street Malls restrict private vehicle access.	As above
Lack of Prominent Entry to Upper Floors	Theatre entry has been blocked for many years and is now a retail tenancy. Upper floor access to Murray Street offices is via stairs from the arcade.	Existing tenant commitments inhibit redevelopment. Return on retail at ground floor provides a very good return so incentive to develop upper floors at significant cost is limited.
Location	The malls are the most visited destination in the city. They are recognisable and a significant attraction for retail shopping.	The retail nature of Hay Street means rents for ground floor tenancies are unaffordable for alternative uses. The high rents have also led to the removal of upper level stair access. The financial benefit of redeveloping upper floors needs to be higher than the return for ground floor retail.
Area Safety and Perception of Character	The area is safe given the high pedestrian flow during the day. At night, the lack of activity means the perception of safety is significantly diminished.	Activation of upper floor uses, particularly out of normal retail hours, would help to address this problem.
Adaptability (the building's propensity for change)	The sloped floor of the theatre and its column free construction mean adaptation for alternative uses is costly.	Least costly option would be to re-use the space for a theatre though this would not provide a significant return.
Serviceability	Service of the site is restricted by the Hay and Murray Street malls as being pedestrian in nature.	This aspect does not inhibit redevelopment.

04 Case Study 2

18



The former theatre, behind the upper level facade facing Hay Street Mall, is no longer used due to a lack of demand for speciality cinema or theatre spaces within the central city. Its sloped floor and column free construction means adaptation for alternative uses will be costly.

04_____Case Study 2

19

PARAMETERS FOR CONSIDERATION	SITE 2 Plaza Arcade	SOLUTION AND/OR FINANCIAL IMPLICATION
Heritage Act	Classified on National Trust. On Heritage Council's Register for Assessment. Part of the Hay Street Mall precinct.	Heritage grant was secured for conservation of the building exterior.
Planning and Development Act	No implications for activation	Not applicable.
Building Code of Australia	Refer to above comments. Generally fire separation and access requirements can affect the viability of business start up and upper floor activation.	Compliance required or where variations are granted. No certainty as to whether variations will be approved.
Disability Discrimination Act	As above.	Improve lift access to upper levels. Ensure access is dignified.
Retail Tenancy Act	Allocation of all variable outgoings in accordance with area - meaning that occupiers of less valuable space (ie theatre space) will effectively subsidise some of the costs of higher value space (eg retail in arcade).	

05_____Case Study 3

20

5.1 Site

The former Metropole Hotel and Royal Theatre is located at 637-641 Hay Street Mall, Perth. This building is permanently entered on the State Register of Heritage Places.

The Hotel Metropole was built in 1894 and the Theatre Royal between 1895 and 1897. It is a three-storey rendered brick Federation Free Classical style building, with a basement.

The building has side lane access and a rear service yard, however vehicle access is restricted as the only egress is from Hay Street Mall.

5.2 Current Condition

Basement: Storage Only

Ground Floor: Retail outlets and storage at rear good condition

First Floor: Semi derelict and junk store

Second Floor: Semi derelict and junk store. Former Hoyts cinema in Royal Theatre is in reasonable condition but access, which was previously from the adjacent building (to the east) has been closed and the adjoining building redeveloped (Border's book store). Hoyts lease expired mid-1990s and the space has been vacant since.

Although built as two separate buildings, the only way to access the upper levels of the former Theatre Royal is out through a first floor door from the Metropole, across the roof of the awning, and in through a first floor door. The former ground floor of the theatre including entrance has been converted to three retail tenancies which have been strata titled and each have separate owners.

5.3 Possible Uses

Ground Floor: Retail retained . Bar and Restaurant to laneway

First Floor: Open Plan office

Second Floor: Residential

Third Floor: Residential

5.4 Implications

BCA Issues

No fire service in Metropole Hotel section. Fire service in Royal Theatre section 1980s compliant - because it is now vacant, this is no longer considered compliant.

No isolated stairs

No smoke detectors

No fire compartmentalisation

DDA Issues

No vertical access for disabled or disabled toilets

Other

_ Currently the ground floor retail tenant holds a lease over the entire Metropole Hotel

_ Ground floor retail of Royal Theatre is in separate ownerships (strata titled)

Approval Process

Heritage: Required

Development Approval: Required

Building Licence: Required

Liquor: Required by tenant

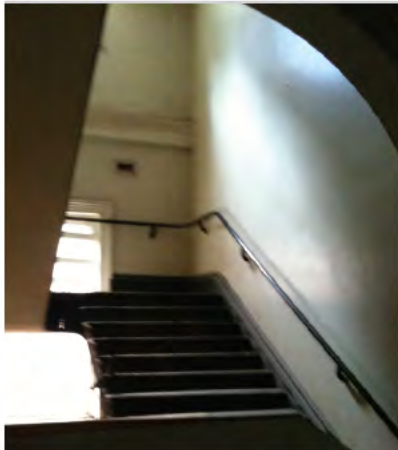
05_____Case Study 3



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- 01_ Poor condition of interior Metropole Hotel
- 02_ Interior Metropole Hotel
- 03_ Balustrades missing from stairs
- 04_ Rooms used for storage for ground floor retail
- 05_ Rear of Royal Theatre and Metropole Hotel used for car parking
- 06_ The only access between former Metropole Hotel and Royal Theatre is now across the awning roof

05 Case Study 3

22

PARAMETERS FOR CONSIDERATION		SITE 3 Theatre Royal and Metropole Hotel	SOLUTION AND/OR FINANCIAL IMPLICATION
Total Area (sqm)		2,365	
Most Likely Land Uses	Office	Open plan office suitable for first floor.	Significant upgrades required to the building to make it habitable. Alternative fire engineered solution required along with vertical access.
	Residential Dwellings	Suitable for second and third floor, but note: small market segment.	Adjacent laneway allows light for residential dwellings. Extensive building refurbishment required to make it habitable; vertical access; alternative fire engineered solution.
	Gallery Space	Not suitable	A gallery would not provide a suitable return.
	Bar/Tavern	Possible for laneway	Liquor licence required. Significant refurbishment of the laneway and ground floor space. Alternative fire engineered solution.
	Restaurant	Only suitable if linked to the bar.	As above
	Theatre	Not suitable	Operator for single screen not available.
	Shop	Potential for ground level to lane. Potential link through to London Court.	Requires third party agreement and refurbishment of lane. Refurbishment of ground floor to make habitable. Compliance with BCA, particularly fire engineered solution.
Building Condition		Whilst the ground level is in good condition, the upper levels are in poor condition. The facade was refurbished in 2008.	Significant investment is required to refurbish the upper floors for re-use. This is a massive burden to overcome and may not be justifiable over a 15 year investment time frame.
Existing Building Materials		Masonry and wood floors	BCA issues to overcome

05 Case Study 3

23

PARAMETERS FOR CONSIDERATION	SITE 3 Theatre Royal and Metropole Hotel	SOLUTION AND/OR FINANCIAL IMPLICATION
Site Dimensions	The site is relatively large and wide compared to many Hay Street Mall properties, being 13.5 metres for the Hotel Metropole and approximately 16.5 metres for the Theatre Royal.	Use of both the upper floors of the Hotel Metropole and Theatre Royal may be more conducive for contemporary office space given the potential size of office floor plates. However this would require significant modification to the building, and its historic fabric would need sensitive treatment.
Site Access	Hay Street Mall pedestrianisation limits vehicle access.	Limiting factor on residential - a very small market for residential dwellings in this building.
Private Vehicle Access	As above	As above
Lack of Prominent Entry to Upper Floors	Former entry from Hay Street Mall removed.	Entry required to upper floors from side lane. Refurbishment thus required to the 'lane', which is in private ownership.
Location	The malls are the most visited destination in the city. They are recognisable and a significant attraction for retail shopping.	The retail nature of Hay Street means rents for ground floor tenancies are unaffordable for alternative uses. The high rents have also led to the removal of upper level stair access. The financial benefit of redeveloping upper floors needs to be higher than the return for ground floor retail.
Area Safety and Perception of Character	No major issues have been raised for this location.	Upper floor activation would help to passive surveillance of the Hay Street Mall.
Adaptability (the building's propensity for change)	Existing wooden construction and lack of refurbishment over time means significant cost involved in making building compliant with the BCA.	Not applicable.
Serviceability	Notwithstanding the Hay Street Mall restrictions, the side lane offers ability to park vehicles and service the property. Lane also provides bin storage area for some London Court tenants.	No impact on development. Any easements or access agreements to be renegotiated or maintained for new development.

05 Case Study 3

24



The Hotel Metropole and Theatre Royale may benefit from the upgrade of its private laneway and connection to London Court. The upper floors are dilapidated and require significant reconstruction to make habitable for use. The ground level tenancies provide a good income, however strata titling may burden future development.

05 Case Study 3

25

PARAMETERS FOR CONSIDERATION	SITE 3 Theatre Royal and Metropole Hotel	SOLUTION AND/OR FINANCIAL IMPLICATION
Heritage Act	This building is permanently entered on the State Register of Heritage Places.	Heritage grant was secured for conservation of the building exterior. Approval required for modifications to historic fabric. Burra Charter.
Planning and Development Act	Ground level strata titling of the retail tenancies fronting Hay Street Mall may inhibit development and access to upper floors.	Appropriate land owners will need to consent to redevelopment.
Building Code of Australia	Refer to above comments. Generally fire separation and access requirements can affect the viability of business start up and upper floor activation.	Compliance required or where variations are granted. No certainty as to whether variations will be approved.
Disability Discrimination Act	As above.	Lift access required, ensure access is dignified - implications for laneway quality.
Retail Tenancy Act	Allocation of all variable outgoings in accordance with area - meaning that occupiers of less valuable space (ie office in upper floors) will effectively subsidise some of the costs of higher value space (eg retail).	Hard to change Retail Tenancy Act, but State could initiate a zone to change the rules applying to the central city or to historic zones.

06 Case Study 4

26

6.1 Site

The former Economic Stores or Walsh's Building is located at 722-728 Hay Street on the corner of Hay Street Mall and William Street.

Built in 1922, it is listed in the City of Perth Municipal Inventory.

The building is five storeys plus a basement.

6.2 Development

Approval has been obtained and development is currently taking place to convert the first floor to retail and the other upper floors to office accommodation.

6.3 Current Condition

Basement: Semi derelict and in the process of refurbishment. Formerly used for retail (food hall, markets).

Ground Floor: Retail

First Floor: Semi derelict condition in the process of refurbishment

Second Floor: Vacant and needs refurbishment

Third Floor: Vacant and needs refurbishment

Fourth Floor: Vacant and needs refurbishment

6.4 Possible Uses

Option 1

Basement: Retail Tenancy, car parking and delivery area

Ground Floor: Retail tenancy

First Floor: Office or retail tenancy

Second Floor: Office or retail tenancy

Third Floor: Office or retail tenancy

Fourth Floor: Office or retail tenancy

6.5 Implications

BCA Issues

Fire compliance for approved uses being achieved

DDA Issues

Compliance for approved uses being achieved

Approval Process

Heritage: Required

Development Approval: Required

Building Licence: Required

Liquor: Required by tenant

06 Case Study 4

27



01_



02_

01_ Exterior 722-728 Hay Street

02_ Rear 722-728 Hay Street

06 Case Study 4

28

PARAMETERS FOR CONSIDERATION		SITE 4 Economic Stores – 722-728 Hay Street Mall	SOLUTION AND/OR FINANCIAL IMPLICATION
Total Area (sqm)		8,676	
Most Likely Land Uses	Office	Suitable for upper levels. Corner location provides good exposure.	Vertical access requirements and compliance with BCA regarding fire hazards
	Residential Dwellings	Not suitable	Building footprint too large for light penetration to dwellings. Light well would be required.
	Gallery Space	Not suitable	Not a sufficient return.
	Bar/Tavern	Not suitable	Space is too large.
	Restaurant	Not suitable	Space is too large.
	Theatre	Not suitable	Not appropriate - not a sufficient return.
	Shop	Suitable for basement level and upper levels	Major chain/drawcard retailer required. Lift required to upper levels. Compliance with BCA provisions.
Building Condition		The building is currently being refurbished after a long period of vacancy at upper levels.	Building alterations are being undertaken in preparedness for tenants.
Existing Building Materials		Masonry and wood floors	BCA issues overcome given approval for works. Tenancy commitment confirmed ability to finance works.
Site Dimensions		The site dimensions and corner location make this a prominent building attractive for office and retail uses.	Building works underway.
Site Access		Access from William Street and via side lane.	The lane could be upgraded to improve lighting and its potential for use by pedestrians.
Private Vehicle Access		Access available via William Street and side lane.	
Location		The prominent corner site on a key pedestrian access route from the Perth Underground Station makes redevelopment of the site attractive, particularly as potential tenants have been found.	Not applicable.

06 Case Study 4

PARAMETERS FOR CONSIDERATION	SITE 4 Economic Stores – 722-728 Hay Street Mall	SOLUTION AND/OR FINANCIAL IMPLICATION
Area Safety and Perception of Character	William Street/Hay Street intersection is relatively well activated. No concerns raised by the land owner.	Activation of upper floors will increase passive surveillance.
Adaptability (the building's propensity for change)	Refurbishment works ongoing. Large floor plates are suited to current market demands.	Not applicable.
Serviceability	No implications for the site.	Not applicable.
Heritage Act	Listed on municipal inventory.	No major barrier to development.
Planning and Development Act	No implications for activation	Not applicable.
Building Code of Australia	Refer to above comments. Generally fire separation and access requirements can affect the viability of business start up and upper floor activation.	Compliance required or where variations are granted. No certainty as to whether variations will be approved.
Disability Discrimination Act	As above.	Improve lift access to upper levels. Ensure access is dignified.
Retail Tenancy Act	Allocation of all variable outgoings in accordance with area - meaning that occupiers of less valuable space (ie office in upper floors) will effectively subsidise some of the costs of higher value space (eg retail).	Not applicable.

07 Case Study 5

30

7.1 Site

772 Hay Street is a heritage building on the north side of Hay Street, opposite Central Park. It has rear access from Wolf Lane.

A rear yard is used for servicing and car and bicycle parking.

7.2 Redevelopment

HASSELL required additional studio space and in late 2006 identified this space and commenced negotiations with the owners.

The space was vacant, used for casual storage by the duty free store on the ground floor. It is understood to have previously been used in association with a travel agency that had previously occupied the ground floor. The space was partitioned and included space previously used as a theatrette. It was run down and not suitable for reoccupation.

Improvements were undertaken to the base building to allow occupation.

7.3 Current Condition

Ground Floor: Retail in good condition

First Floor: Used as storage for ground floor duty free shop prior to conversion to design studio

Commentary

The building upper floor was generally in poor condition and required refurbishment to be used for other than storage purposes.

7.4 Possible Uses

Option 1

Currently converted to design studio

Option 2

Storage warehouse or other office/studio type uses

7.5 Implications

BCA Issues

There was a lack of fire services. Fire separation between uses required an alternative solution to be engineered and approved.

DDA Issues

No disabled access or disabled toilets. A lift between the floors is understood to have been permanently closed (now used for IT on upper floor) and would have had no access other than through the ground floor tenancy. The main HASSELL studio provides disabled access and facilities.

Other

Security for the ground floor tenancy was a consideration as it stores valuable commodities including liquor.

Approvals Required

Development Approval: Required

Building Licence: Required

07 Case Study 5

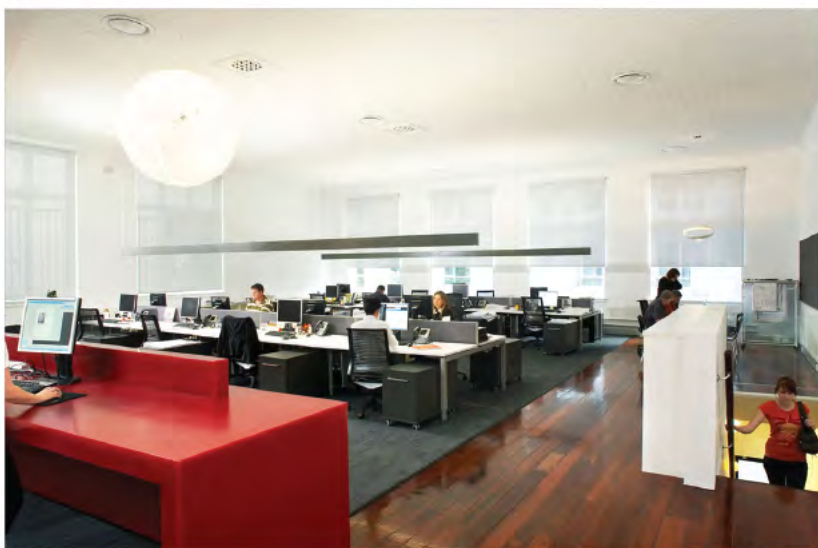
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02_



03_



04_

01_ Interior 772 Hay Street during renovation

02_ Exterior before renovation

03_ Interior after renovation

04_ 772 Hay Street rear before renovation

07 Case Study 5

32

PARAMETERS FOR CONSIDERATION		SITE 5 772 Hay Street	REASON FOR CONVERSION
Total Area (sqm)		386	
Most Likely Land Uses	Office	Converted to office/studio space	Close to primary studio which allowed ease of access and ability to vary DDA requirements. Line of sight was required for I.T. Access.
	Residential Dwellings	Not applicable.	Not applicable.
	Gallery Space	Space would be suitable for a gallery.	Good light and volume. Lift required to upper level - implications for ground level tenant.
	Bar/Tavern	Possible future use	Appropriate tenant would be required, however bar could work in this location.
	Restaurant	Not applicable.	As above
	Theatre	Not applicable.	Space is not of sufficient size.
	Shop	Not applicable.	Only if linked to lower level tenancy because of access and exposure requirements.
Building Condition		Good. Refurbishment to upper floor required prior to occupancy. The owner was prepared to commit to refurbishment following a tenant being secured.	Refurbishment work undertaken.
Existing Building Materials		Masonry and wood floors	BCA issues overcome given approval for works. Tenancy commitment confirmed ability to finance works.
Site Dimensions		No impediments to development	N/a
Site Access		Entry via stairs from May Street. Service access is via Wolf Lane to the rear of the site.	Site access, other than being close to the parent studio, was not a consideration in leasing the upper floor.
Private Vehicle Access		Limited access from Wolf Lane out of hours	Limited parking opportunities.
Lack of Prominent Entry to Upper Floors		Entry from Hay Street retained.	Traditional access retained. Main office proximity allowed variation to the DDA.

07 Case Study 5

PARAMETERS FOR CONSIDERATION	SITE 5 772 Hay Street	REASON FOR CONVERSION
Location	The west end of the city is becoming more desirable and streetscape enhancements and reputable businesses locate within the area. The west end benefits from the intensity of the nearby business district.	The site suited the tenant for ease of access to the parent studio.
Area Safety and Perception of Character	The area is considered safe during the day and night as activation starts to extend beyond normal business hours.	
Adaptability (the building's propensity for change)	Not applicable.	Not applicable.
Serviceability	No implications for the site.	Not applicable.
Heritage Act	Not listed.	No major barrier to development. Historic fabric retained in refurbishment.
Planning and Development Act	No implications for activation	Not applicable.
Building Code of Australia	Refer to above comments. Generally fire separation and access requirements can affect the viability of business start up and upper floor activation.	Compliance required or where variations are granted. No certainty as to whether variations will be approved.
Disability Discrimination Act	As above.	Access for the disabled via the parent studio. New uses would likely require a lift to be installed, which is costly.
Retail Tenancy Act	Not applicable.	Not applicable.

08 Case Study 6

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8.1 Site

The HASSELL Wolf Lane Studio is situated at the rear of 806 Hay Street, which is part of the heritage listed King Street precinct.

Access is gained via a subsidiary of Wolf Lane.

8.2 Redevelopment

In this case the space was vacant and the owner was approached by the current tenant.

HASSELL required additional studio space at a time when office accommodation in the CBD was in very short supply. Space was required as close as possible to the main studio located in the podium level of Central Park on Hay Street, to minimise inconvenience to the business and staff having to travel between studios. Line of sight to the Central Park studio was highly desirable, in order that a laser connection to the computer network could be achieved.

8.3 Current Condition

The space was dilapidated, with suspended ceilings, damaged wall plaster, water damage to some windows, and considerable movement in high traffic areas such as the entry stairs and in doorways.

Ground Floor: Hay Street Occupied by tanning salon and undercroft car parking. Hay Street frontage ground and upper floors occupied by niche book store.

First Floor: Semi derelict condition prior to refurbishment, used for storage.

Commentary

The building upper floor was semi derelict, fronting onto Wolf Lane and therefore had limited potential uses because of the lack of private access and public exposure

BCA Issues

Smoke detectors required

DDA Uses

No access for disabled or disabled toilets. Main studio provides these facilities.

Other

Significant delays and additional costs were encountered in supplying electricity to the tenancy. As a result of the delays, HASSELL was not able to run air conditioning or large items of equipment for several months after occupying the building in early June 2008 for fear of overloading the system and causing a power outage (and possible fire).

After hours security is an issue for staff working late.

8.4 Possible Uses

Option 1

Currently converted to design studio

Option 2

Storage, warehouse or other studio type uses

8.5 Implications

Approvals Required

Heritage: Permission to undertake the work had to be cleared through environmental and heritage agencies.

Development Approval: Required

Building Licence: Required

08 Case Study 6

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01_



02_



03_



04_

- 01_ Interior prior to renovation
- 02_ Interior prior to renovation
- 03_ Access off Wolf Lane
- 04_ Interior after renovation retains some 'rustic' reminders of the past

08 Case Study 6

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PARAMETERS FOR CONSIDERATION		SITE 6 806 Hay Street (Wolf Lane)	REASON FOR CONVERSION
Total Area (sqm)		314	
Most Likely Land Uses	Office	Converted to office/studio space	Close to primary studio which allowed ease of access and ability to vary DDA requirements. Line of sight was required for I.T. Access.
	Residential Dwellings	Not applicable.	Not applicable.
	Gallery Space	Not applicable.	Not applicable.
	Bar/Tavern	Possible future use.	Appropriate tenant would be required, however bar could work in this location.
	Restaurant	Not applicable.	Not applicable.
	Theatre	Not applicable.	Not applicable.
	Shop	Not applicable.	Can only be used as shop if linked to ground floor tenancy - exposure to Wolf Lane is not sufficient for a retail business.
Building Condition		Good. Refurbishment to the upper floor was required prior to occupancy as prior condition was not habitable. Lengthy delay to full commissioning of the building due to delays from Western Power.	Refurbishment work undertaken.
Existing Building Materials		Masonry and wood floors	BCA issues overcome given approval for works. Tenancy commitment confirmed ability to finance works.
Site Dimensions		No impediment to development.	Not applicable.
Site Access		Entry via stairs from a spur off Wolf Lane.	Site access, other than being close to the parent studio, was not a consideration in leasing the upper floor.
Private Vehicle Access		Limited access from Wolf Lane out of hours	Limited parking opportunities.
Lack of Prominent Entry to Upper Floors		Access is not from a main street or thoroughfare.	Suits only a destination business with little need for third party access.
Location		The west end of the city is becoming more desirable and streetscape enhancements and reputable businesses locate within the area. The west end benefits from the intensity of the nearby business district.	The site suited the tenant for ease of access to the parent studio.

08 Case Study 6

PARAMETERS FOR CONSIDERATION	SITE 6 806 Hay Street (Wolf Lane)	REASON FOR CONVERSION
Area Safety and Perception of Character	The area is considered safe during the day and night as activation starts to extend beyond normal business hours.	
Adaptability (the building's propensity for change)	Not applicable.	Not applicable.
Serviceability	Initially, there were concerns that the use would overload the electricity supply to the building and a transformer would be required. This would have made the change of use and occupation of the upper floor not be viable.	After significant delay, Western Power advised that a transformer would not be required. Upgrades to the power board in the building occurred to improve safety.
Heritage Act	Part of the heritage listed King Street precinct.	No major barrier to development. Historic fabric retained in refurbishment.
Planning and Development Act	No implications for activation	Not applicable.
Building Code of Australia	Refer to above comments. Generally fire separation and access requirements can affect the viability of business start up and upper floor activation.	Compliance required or where variations are granted. No certainty as to whether variations will be approved.
Disability Discrimination Act	As above.	Access for the disabled via the parent studio. New uses would likely require a lift to be installed, which is costly.
Retail Tenancy Act	Not applicable.	Not applicable.

09 _____ Cost Benefit Analysis and Model

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9.1 General

All case study properties are likely to be developed to include some of the following:

- _Food and beverage use – probably considering the establishment of a small bar and/or food outlet;
- _Office – B Grade accommodation
- _Retail
- _Residential

The modelling assumes that all owners will maintain ownership of these properties, and will derive benefit of the gentrification of their upper floors by renting out these areas. The following rentals have been used in the base case:

Food and Beverage	\$300 per square metre per annum
Office	\$450 per square metre per annum
Retail	\$1,500 per square metre per annum
Residential	\$350 per unit per week for small apartments/studios \$1,400 per unit per week for substantial inner city apartments and penthouses

In some cases, the owners provided a detailed analysis of the costs of ownership (ie: variable outgoings). This information has been incorporated into the modelling where available. Where this information is not available, a rate of \$150 per square metre has been assumed.

Rental income and costs are both assumed to increase in line with inflation, which is assumed to average 3.5% per annum over the 15 year period of assessment.

All modifications and improvements are assumed to take place prior to the first year of rental income.

The base case for all analysis assumes:

1. A discount rate of 15% per annum
2. 100% tenancy rate
3. No incentives

Where possible, only additional spaces have been considered.

143 Barrack Street

Two options were modelled for this site:

_Option 1

- Basement: Small Bar
- Ground Floor: Retail at front and bar/small food outlet at rear
- First Floor: Office
- Loft: Office

_Option 2

- Basement: Small Bar
- Ground Floor: Retail at front and bar at rear
- First Floor: Residential Unit (one bedroom apartment)
- Loft: Residential (studio apartment)

Net Present Value (NPV)

The sum of the discounted income less the sum of the discounted expenditure over the life of the analysis. Discount of income and expenditure is achieved by applying an agreed discount rate to the cash flows. This discount rate usually represents the expected return for a comparable asset with equal risk. Note that a positive NPV is only an indication that a project may be feasible when compared to an investor's minimum return requirement (or "hurdle rate"). The value of the NPV should not be considered as an indicator of any future expected return.

Internal Rate of Return (IRR)

The discount rate for which the Net Present Value of a series of cash flows over a period of analysis equals zero. This can also be considered to be the percentage periodic return (usually annual) that would be achieved from a given set of net cash flows from a given investment.

Variable Outgoings (VO)

These refer to costs such as water rates, council rates, strata levies, promotional levies and so on.

09 _____ Cost Benefit Analysis and Model

Plaza Arcade

Two sections of Plaza Arcade, being the Plaza Theatre, on the western side of the Arcade, and the vacant offices to the east were examined for potential gentrification.

The future uses identified for these spaces are consistent with their previous uses.

722-728 Hay Street (corner William Street)

The gentrification of the entire building is analysed, being a substantial building of 6 floors, each of between 1,100 and over 1,500 square metres.

The building is in the process of being refurbished to provide useable floor space for future tenants.

804 Hay Street (Wolf Lane)

This is the refurbishment of the upper floor of a building accessed via Wolf Lane, to provide 314 square metres of office accommodation. The offices are utilised by HASSELL - a planning and design firm - as a creative studio.

772 Hay Street

This is also a refurbishment of an upper floor to create 386 square metres of creative studio space for HASSELL.

643 Hay Street (Royal Theatre and Hotel Metropole)

The financial modelling considered the development of these adjacent buildings as follows:

- _Basement and rear courtyard – Food and beverage, both indoors and alfresco, with related toilets and services
- _Ground floor retail tenancies fronting Hay Street Mall, and food and beverage facilities accessible via the side laneway
- _First floor office accommodation – entire floor
- _Second and third floor premium apartments of 100-142 square metres each, all with substantial balconies

9.2 Results

Due to the confidential nature of the base information provided by property owners of the case study buildings, the detailed financial results cannot be shown. However, the outcome of the modelling shows the refurbishment of upper floors in the Perth CBD represents a potential financial windfall for most property owners, provided the properties are refurbished to a high standard and sufficient marketing takes place in order to achieve strong tenancy levels. An increase in the vacancy level has a double-pronged detrimental financial impact, in that less gross rental revenue is achieved, while a lesser amount of variable outgoings are recovered.

010___Conclusions and Recommendations

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The study has found that issues are common across building types notwithstanding their different locations and refurbishment constraints in terms of activating upper floors. The commercial nature of redeveloping individual buildings has been difficult to ascertain given the understandable reluctance of land owners to diverge commercial and in-confidence information. In this regard, often only general conclusions could be drawn.

The city is not only the safest commercial property market within Western Australia, but it is one of the strongest, most stable property markets in the world, which means properties are generally bought by locals, national and international high net worth individuals and institutions for investment purposes. In most cases, the activation of the city is a secondary or tertiary matter for risk averse property owners, in so far as it complements their investment. Activation of the city, and upper floors, is of more importance to traders. Activation can attract people, which bring more passing trade and therefore more sales. In this regard, the effect of activation has a more immediate benefit for traders, and a lagging, yet positive effect for land owners.

The relative safety of the city's commercial building market is in itself an impediment to the activation of empty upper floors. Particularly in high traffic areas, such as the Hay and Murray Street Malls, the return received from ground floor tenancies is sufficient to justify the value of the building. Refurbishment of upper floors can be costly and the risk of not finding a tenant is high. Therefore, the conservative land owners have less incentive to invest in refurbishing and activating upper floors. Oftentimes, the central city and in particular the Malls are the 'golden handcuffs' – their high value impedes upper floor activation.

However, upper floor refurbishment can be a financial windfall for owners, provided the right tenant can be found (land owners do not want, or in most cases are financially unable to invest significant sums on building refurbishment on untested or unknown tenants due to general limitations on the availability of speculative development finance). This requires marketing of the available floor space and a good understanding of central city floor space demands. The key to upper floor refurbishment is finding a suitable and safe tenant and then obtaining finance for the works. This can be difficult for small spaces with low exposure. If a tenant is not available, refurbishment is generally not viable.

There is a perception from land owners that the Retail Tenancy Act is a significant barrier to the refurbishment and activation of upper floors. However, the case studies show that the Retail Tenancy Act, while it has the tendency to perpetuate an unfair distribution of variable outgoings relative to the value of the space, is not a 'deal-breaker' as far as upper floor activation is concerned. The major impediment is the ability to find a tenant that will justify the cost of redevelopment.

010___Conclusions and Recommendations

There are limited uses appropriate to upper floors within the city, due to the price of land and the limited amount of passing trade. These are office, residential, destination retail and speciality food and beverage businesses. Other uses will generally not provide a sufficient return on investment for the land owner. Additionally, the different uses have more or less ability to provide for a return on the value of land, which is linked to the number of people drawn to a place. This is described in the following table:

Location	Value	Land Use Type	Tenant Requirement
Centre	High	Retail, large commercial office space, limited demand for high end/niche residential	Large foot traffic volume, known destination, prestige and brand protection
Middle areas away from major draw card attractions	Average	Bars, restaurants, middle grade office space, speciality retail, residential	Sufficient foot traffic to survive on passing trade, office tenants not needing prestige location, amenity for residential development
Periphery	Low	Destination retail, residential, cultural activities, food and beverage in selected locations	Large spaces with lower rents, car parking access, small nodes of activity

010___Conclusions and Recommendations

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The market for small and historic spaces is niche and tends to be focused towards the creative industries or 'boutique' businesses for office accommodation or studio space. Only in limited circumstances would retail or food and beverage be viable on upper floors – where the business model of the tenant suits that location and foot traffic is not as critical.

Business cycles were found to have a significant impact on a land owner's propensity to refurbish and activate buildings in general, let alone upper floors. This is the classic issue of supply and demand, evident in the construction of new office towers in Perth in recent years. As the business cycle reached its peak, demand for office space grew, which decreased available floor space and forced smaller, less attractive spaces to be considered for accommodation. The recent business cycle saw the refurbishment of several upper floor spaces throughout Perth. However, the softening of demand would have an immediate impact on the demand for smaller, upper floor spaces. Small floor spaces and buildings are therefore more susceptible to high vacancy rates, which affect the viability of projects. In many respects, redevelopment of upper floors can be risky, especially when central city vacancy rates are increasing.

It is imperative to encourage good maintenance of historic buildings. Redevelopment of dilapidated upper floors is a very significant financial burden that is not palatable to many land owners and developers. Financial assistance would be required to refurbish such spaces. Furthermore, the City of Perth should develop a policy that relates to the central city and conversion of historic buildings or changes of use under the Building Code of Australia. The policy should detail what variations can be considered and the circumstances in which they will be approved. It is envisaged that where large numbers of the public are likely to be drawn to a building, full compliance with the Building Code of Australia will be required; however where few members of the public are likely, such as an office tenancy, variations can be given to the Building Code of Australia as risks are lower.

Refurbishing spaces that were constructed for a specific purpose, such as cinemas or theatres, is particularly expensive as they tend not to have easily interchangeable features. Such buildings are at a higher risk of becoming vacant for long periods of time. Initiatives to encourage redevelopment or re-use of these spaces need to be developed. This would be best undertaken in partnership with community and economic focused organisations such as FORM and the Chamber of Commerce.

Public realm improvements can positively affect the propensity for tenants to be attracted to an area, thereby improving the viability of redevelopment. On the other hand, where the public realm is perceived to promote anti-social behaviour, building redevelopment is even less likely. In this same regard, the City needs to better understand the emerging precincts throughout Perth that small businesses recognise and use to positive effect. The restaurants along Barrack Street are a case in point. Promotion of these precincts will allow the public to better understand the city and feel more inclined to use them.

010___ Conclusions and Recommendations

Although ultimately any development of a CBD property should be the owner's prerogative, the redevelopment of CBD buildings to maximise their 'super rental' spaces such as mid-mall retail have created an almost insurmountable barrier when considering the financial viability of upper floor development relative to the risks of doing so. If the City of Perth wants to promote the development of upper floor 'forgotten spaces', they should consider regulating so as not to allow the removal of public access to upper floors and replacement of those access ways with tenancy spaces. The cost of providing new access and the opportunity cost involved in removing 'super-tenants' is not financially attractive to investors who are motivated by the return on their investment – which is almost everyone.

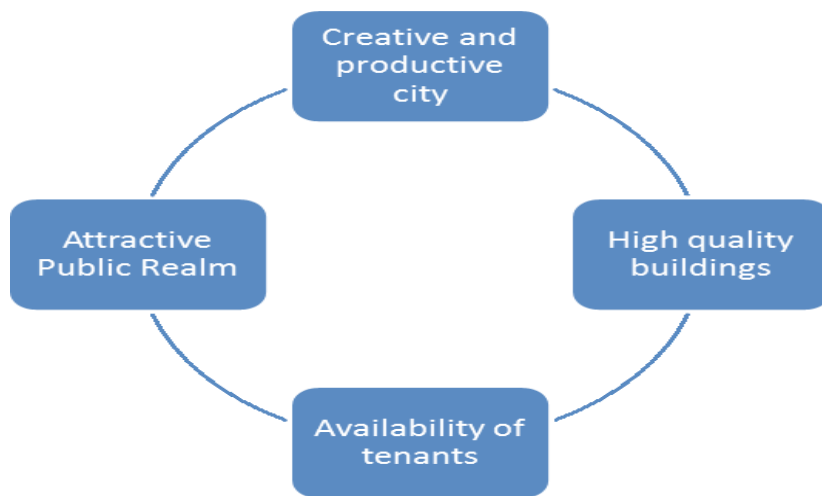
In addition, we strongly recommend a full legislative review of not only the relevant State legislation and regulation (Retail Tenancies Act, Disability Discrimination Act, Building Code of Australia) but also the local regulatory and rating environment, to consider the opportunity for these to support, as opposed to restrict, development of upper floors.

Legislation or Tax	Review
City Planning Scheme No. 2	Ensure clear provisions that prohibit the removal of access to upper floor spaces.
Retail Tenancies Act	Lobby State Government to consider establishing a 'central city zone' where variations may be considered for historic buildings in order to provide for the activation of upper levels.
Perth Parking Policy	The Perth Parking Policy does not allow off site tenant parking, even for small, historic buildings that cannot accommodate parking on their own sites. The Policy should be reviewed having regard to establishing criteria whereby off site tenant bays can be approved for particular building types. This may go someway to securing tenants for vacant upper floors.
Building Code of Australia	Establish a policy that considers the types of buildings eligible for variations to the Code, what variations are appropriate (private or public building considerations) and when full compliance is necessary.
Disability Discrimination Act	Review the legislation having regard to Federal law and historic building fabric. Consider when and if variations would be appropriate. Consultation with appropriate advocacy groups will be required.
Local Rates	Establish a policy that allows for 'rates holidays' for buildings where upper floors have been successfully re-opened.

010___Conclusions and Recommendations

44 Redevelopment can be equated to the chicken and egg scenario. Does redevelopment promote tenants or do tenants promote redevelopment of upper floors? The City should investigate promoting a pilot redevelopment, involving an offer of financial and technical assistance to an interested property owner. This would serve well as a demonstration project and assist in educating the market as to the potential of upper floors.

Activation of upper floors throughout the city is a positive move that can contribute to its ongoing economic development. Use of these spaces is a more sustainable form of development and reflects the overall health of the city's economy. Encouraging the use of upper floors will have positive benefits for Perth and its citizens.



The activation of upper floors is related to the quality of buildings, the availability of tenants, the surrounding public realm and the overall economic vibrancy of the city.

