Hotels as Civic Landmarks, Hotels as Assets: the Case of Sydney’s Hilton

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Abstract: In this paper, we suggest that hotels play a very important part in the urban economies of central business districts. To illustrate this, we explore the biography of the Sydney Hilton, opened in 1974 and recently totally refurbished and re-opened. We argue that hotels can be understood as civic landmarks, where localized business elites and the local state coalesce to ensure their successful construction, where commercial activity is understood within an ideology of civic pride. Within this context, however, the design and appearance of hotels is driven by both their use value and exchange value. We trace a biography of the Sydney Hilton through three phases of its operation, considering its place within the backdrop of the reconstitution of Sydney's CBD, and the broader urban economy. We conclude that the refurbishment of the Hilton can thus only be understood by considering wider issues of corporate brand, asset ownership and the requirements of the local state.

Introduction

The dominant landmarks in Sydney in 1950, and even in 1960, included the Macquarie Light House, the water towers of Vaucluse and Bankstown, the power stations at Bunnerong, Pyrmont and Balmain, the Central Station clock tower, the AWA tower and the Harbour Bridge…With the exception of the bridge and the Opera House, all of Sydney's landmarks have long been overshadowed by skyscrapers financed by American junk bonds, Japanese insurance companies and Australian superannuation funds. (Spearritt 2000: p.262).

The 1970s and 1980s were a period of great change in Australian cities, and the established vernacular landmarks of the industrial city were, as Peter Spearritt captures, being literally and metaphorically overshadowed by high-rise commercial structures. The vast majority of these were office towers, but a number were occupied by hotels. These were not the grand old hotels that serviced Australia’s colonial economy, and nor were they the staid but trusty structures that served the country’s agricultural elites when they came to town on business. Instead, they were buildings designed according to a new ‘international standard’ of hotel accommodation, furnished with up-to-the-minute telecommunication devices and employing modern materials to plug in business travelers to a new standard of comfort. Unsurprisingly, these new high-rise structures became instant landmarks, their neon logos dominating the skylines of major cities.

Hotels have always been central to the development of central business districts (Fogelson 2001; Frieden and Sagalyn 1989). For the chambers of commerce that boosted downtown development in early 20th century United States, for example, they were regarded as essential service components of a booming urban economy. As Annabel Wharton (2001: 170-1) notes:

The Depression ended the era of civic hotels produced by stock companies of local shareholders. During the boom years of the 1920s a large number of such hotels had been constructed in cities with a population of around 50,000 as an appropriate status symbol of the town and as an appropriate space for civic events of the middle-class elite – coming out parties, local balls, and political gatherings…When significant hotel building began again in the 1950s, ownership was neither individual nor communal, but rather corporate. Profit, rather than civic pride, determined construction.

They had a clear use value, therefore, and major investments in hotels came from elites with a significant stake in other sectors of the urban economy. With railway companies and then airlines
particularly interested in providing locations for clients for their other services to stay and relax, major hotel chains were a cog in the wider CBD wheel. Local politicians usually moved quickly to vary zoning ordinances and even provide generous tax breaks to allow for their construction. However, by the 1970s hotels were increasingly seen as a powerful player in what Marxist economists called the secondary circuit of capital, where “investment in built environment is undertaken not only for the obvious use-value reasons – more office space for large corporations – but also for financial reasons, that is, as part of the question for the highest rate of return on investment in excess capital” (Feagin 2002, p.61). Hotels thus moved from being primarily civic landmarks – if one accepts the boosterist mantra that civic pride is based upon commercial virility - to being financial assets, as envelopes understood in terms of their provision of revenue streams (nightly room fees) and possible capital growth in booming post-industrial urban economies.

In Sydney, hotel construction followed a similar path, and this paper explores the contradictions between use value and exchange value, civic pride and corporate profit, through the exploration of the construction of the Sydney Hilton. The paper deals with these issues over three periods: between the first site planning applications in 1968 and its opening in 1974, tracing the emergence of the ‘boom and bust’ conditions that dictated the hotel’s immediate development; between 1975 and 1998, a period characterized by regular changes of ownership, as the property was passed among investors; and 1998 to present, where the refurbished hotel is expressive of a broader set of branding issues, but where ‘civic’ status makes a return, discursively at least.

I THE HOTEL AND CIVIC BOOSTERISM: SYDNEY’S BOOM

In February 1968, the *Sydney Morning Herald* ran a profile of a Mr Loyal Francis McInnes, the chairman and managing director of Lanray Industries. “A crew-cut ‘new breed’ type of businessman,” noted the *Herald*, “he is evidently something of a rebel, with little time for unadventurous financiers and even less for the stock-broking fraternity, which still regards Lanray shares as doubtful.” The story marked the redevelopment and demolition of the Royal Arcade, one of Sydney’s Victorian arcades, a haunt of philatelists and secondhand bookshops. McInnes was bullish in discussing his plans: “We’re trying to develop along the lines of what is known in the U.S. as a conglomerate, a company with interests in many fields, usually on a joint venture basis with the company supplying the management wherever possible. By holding just 50 per cent you can spend a lot of money building something without having to consolidate the development costs in your accounts” (McDougall 1968). Along with property developers Crown Estates, Lanray would acquire and demolish both the Royal Arcade and the Adams Hotel, a popular site within Sydney.

There was little public debate over the structure that would replace the hotel and arcade, with the only controversy over the new site being focused on increased traffic flow and parking access, reflecting “the pace and scope of change in the city” (Golder 2004: 147). The Adams Hotel and Royal Arcade thus went the same way of many of Sydney’s other Victorian and Edwardian hotels and shopping spaces, a moment evoked by John Birmingham in *Leviathan*:

> Sometimes much more valuable swatches of the old town’s fabric were torn apart and discarded. The old Theatre Royal was buried under Harry Seidler’s sixty-five story MLC Centre, while thirty small sites and a quiet world of back lanes were disappeared when he sent the stunning circular tower of Australia Square soaring fifty storeys over George and Pitt Streets. The Royal Exchange and both the Royal and Imperial arcades were leveled and excavated. Wrecking balls crashed through the elegant Italianate façade of the Hotel Australia, atomizing polished marble and sculpted plaster and silencing a few ghosts of the city’s café society which had been drawn to the specialist booksellers and tea rooms gathered around the hotel in Rowe streets along with a collection of high-class jewelers, florists and quality restaurants (Birmingham 2000: 233)
This was perhaps a condition of Sydney’s property boom between 1968-1974, “a frenzy of buying, selling and building which reshaped the central business district, greatly increased the supply of industrial and retailing space, [and] accelerated the expansion of the city's fringe” (Daly 1982: 1).

Sydney powerbrokers had attempted to lure the Hilton to the city for some time. Hilton International had originally proposed the adjacent Queen Victoria Building as the site for a 400 room hotel. Liberal Party Alderman C. L. Kyle criticized the Lord Mayor’s proposal at the time, saying: “The council should not be in the hotel business. There are many other things crying out for attention, such parking and expressways.” (Sydney Morning Herald 1958) In 1955 the Sydney Morning Herald reported that “a Sydney group, acting for Hilton interests, was planning a luxury hotel…overlooking Sydney Harbour” (Sydney Morning Herald 1955a: 13). The site was also contested by the seaside resort of Manly, whose Mayor at the time made an enthusiastic bid for the hotel, claiming “Manly has everything to offer as a world tourist resort…It overlooks the harbour and the ocean, has one of Australia’s finest public beaches, and is the focal point of the northern coastal area.” (Sydney Morning Herald 1955b: 4)

Eventually, the arrival of Hilton from overseas came neither to the CBD nor to Manly, but to the Chevron, in Potts Point, in the early 1960s. When this enterprise failed to prosper, Lanray and Crown Estates lured Hilton to their development with a generous forty year lease on the hotel component. Lanray’s block development – the Capital Centre – would consist of the 600 room hotel, eight floors of office space, a 60 unit retail outlet in the reconstructed Royal Arcade, and a 500 space car park (Le Gras 1987). Designed by Frank Kolos and J.H. Bryant, the hotel was constructed around the tower, following the footprint of the car parking.

Lanray were able to take advantage of a period of political stasis in Sydney, with the existing Council being dismissed, replaced by Commissioners. Lanray found that “the Commission and the post-1969 City Council took a new approach to city traffic, producing a parking control code that was designed to discourage bringing cars into the city. The commissioners had been extremely car-friendly, which is not surprising as one of them was an ex-Commissioner of main roads.” (Golder 2004: 146). Lanray were thus able to construct “parking ramps that took over part of the Pitt street pavement in return for a new footpath inside the project boundaries”, an introversion of public space away from the street (Golder 2004: 146). With design standards weakly regulated at that point, the finished building was thus a rather brutalist statement with little articulation to the surrounding streetscape.

Yet the early 1970s was a poor time to be developing speculative property. In August 1974, Lanray sold their 50 per cent stake in the building to the Abbey Orchard Group, part of the UK-based Crown Estates, a further subsidiary of which – Millbank Nominees - owned the other 50%. McInnes stated that “his company’s sale was dictated by the state of the economy, not by liquidity problems” (Sydney Morning Herald 1974). The new hotel would finally open in early 1975, a victim of the collapsing value of the oil crisis-hit US dollar, labour shortages, and supply problems for the room fittings (Crouch 1974). As the Hilton’s project manager, Gerald Green, wryly told the Herald, “I'll bet my last dollar there won't be another major hotel construction in Sydney for at least the next 10 years” (in Crouch 1975).

II NEGLECT AND COMPETITION

As assets, hotels are subject to a number of threats to their successful operation. Cyclical change in regional economies is one, whether this be in tourism markets or generalized business downturns. However, the arrival of competing hotels is a major challenge. While for a long time, Hilton’s only competitors were the Wentworth and Menzies hotels, things began to change from the 1980s onwards. With the construction of the Regent Hotel in 1983 (subsequently the Four Seasons), visitors were able to access water views of Sydney Harbour, enjoy larger room sizes, and use new accommodation standards such as swimming pools and improved conference facilities.
The troubled inception of the Hilton meant that it would be quickly surpassed in standards by the other hotels. Matters were hardly helped by the explosion of the Commonwealth Heads of Government (CHOG) conference in 1978, a murky affair which became known simply as 'the Hilton bombing', further hampering the building's attempt to raise its profile. However, the Hilton's favourable lease conditions would make the property marginal for investors, reflected in a rapid series of changes in ownership, as table 1 (below) charts.

Table 1 Hilton Sydney ownership

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1975</td>
<td>Hilton signs a 40 year lease</td>
</tr>
<tr>
<td>1978</td>
<td>CHOG bombing</td>
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<tr>
<td>1981</td>
<td>AMP buys British Crown Agents portfolio, including hotel, for $300m</td>
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<tr>
<td>1987</td>
<td>Iwak Pty (a subsidiary of Bond Corp) buys hotel from AMP for $160m</td>
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<tr>
<td>1988</td>
<td>Ong Beng Seng's Noble Choice buys hotel for $273m</td>
</tr>
<tr>
<td>1993</td>
<td>Ma buys Hilton from Bond's receivers for $130m</td>
</tr>
<tr>
<td>1999</td>
<td>Legal battle over rental agreement, $0.75m a year rent agreed in court.</td>
</tr>
<tr>
<td>2000</td>
<td>Hilton buy hotel from CK Ma for $200m</td>
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<tr>
<td>2002-5</td>
<td>Hotel closed for refurbishment</td>
</tr>
<tr>
<td>2005</td>
<td>Hotel re-opens. Office tower and car park sold to Industry Superannuation Property Trust for $184m.</td>
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After a period under ownership of the major insurance firm AMP, the Capital Centre was bought by the Bond Corporation in 1987 for $160 million. The company announced their intention to redevelop a whole city block between George and Pitt streets, running from the Hilton towards the Woolworth's building nearby. The possibility of linking up with a proposed 88 storey 'Sky Tower' added to the site's attractiveness. The much-maligned pedestrian ramps were targeted for removal, with an estimated cost of AU$40 million. (Abbott 1987).

In March 1989, ABC television’s Four Corners programme made a detailed set of claims against Bond’s activities, causing the then Treasurer Paul Keating to note that he was ‘prima facie’ concerned about the accusations that Bond Corporation had sought to both artificially boost its profits by re-declaring sales made in the previous year, and by sluicing funds through off-shore subsidiaries in the Cook Islands (Hurst 1988; Hurst and Dodd 1989). The programme asserted that the huge sale made to the Singaporean Ong Beng Seng for $273 million included a $119.37 million deferred payment, which would only be made if the building was then on-sold (House 1993).

Following the implosion of Bond, the firm’s receivers put the property on the market. When C.K. Ma negotiated to buy the property, he was faced with three potential problems: first, with the Hilton’s 40-year lease intact, the likely first stage rental increase remained difficult to predict, being slated for 1995; second, the costs of refurbishment of the building were also difficult to predict, particularly given the unsuccessful vehicular ramp; third, the retail component in the Royal Arcade was struggling, a generalized recession leading to 30% vacancy rates in 1992, its income having dropped from $2.37 million in 1990 to $967,000 in 1992 (House 1993; Walkley 124
1993). In the early 1990s, the hotel company’s lease was thought to be less than 20% of its total revenue, requiring only a 25-30% occupancy rate to balance their books. For this reason, Hilton had no incentive to actually buy the property (Walkley 1993).

The protracted legal battle over the rent review between Ma and Hilton was settled in late 1998, with Hilton agreeing to pay a reported $5.75 million, a rise of $1.25 million from 1993 when Ma bought the property (Ooi 1999). This meant that there was added incentive for Hilton to upgrade the hotel, bearing in mind the higher rent that had to be met from increased room charges. Ma had refused to pay for upgrades to the hotel due to the insufficient return from the investment. By 2000, Hilton International, partnering with Chicago finance firm Walton Street Capital (co-owners of the Regent Hotel with Four Seasons), bought the hotel from Ma for a figure in the region of AU$170-180 million (Kermode 2000a, b), and quickly announced its refurbishment. The combined purchase-renovation would be the largest single investment made by Hilton International, a symbol of the building’s status within the eye of the company’s executives (Kermode 2000b; Weirick 2006). The question remained, therefore, of what services, and what product, would allow a refurbished Hilton to compete with its Harbourfront or Hyde Park rivals.

III RETROFITTING AND REBRANDING

By the late 1990s, Sydney’s CBD was being transformed with the increasing global city functions of its office space (O’Neill and McGuirk 2003). The need for international standards in business space provision also extended to hotel stock. For the Hilton, the 1960s Kolos and Bryant design had long been seen as a weakness as the Hilton was surpassed by newly built hotels offering larger room sizes and more modern facilities. Critics could be harsh, one reviewer recalling “an ugly, lumpen chunk of pebbledash beige and brown design conceit…a cigarette packet plonked east-west on top of a squashed lamington between two north-south city streets. Once you found the way in, via a narrow escalator, it was a place of distinction and certain style – but in diminuendo, eclipsed by other, smarter, hotels in taller, more elegant buildings with better views. It was also dark, with pokey public spaces.” (Smith 2005). The Hilton’s original fortress-like structure resembled “an introverted box” with no evidence of what was happening inside the hotel, no outside point of reference to the city for the guests, and no point of identity for the hotel. It was comprised of “a concrete labyrinth of ramps, shops, bars restaurants and low ceilinged reception spaces, encased at podium level by windowless precast panels and serviced by elevated concrete walkways.” (Weirick 2006).

The fundamental flaws in its design complicated the project from the outset. Initially, plans were to demolish the whole building, a move that was considered by both the structural and interior architects at the time to be more cost-effective than a ‘tart-up’. However, Hilton’s brief to the architects was to keep the original building and revamp it accordingly. It would however, rest upon an entirely new-look base, which would have its concrete underbelly stripped and replaced by a high-ceilinged glass-rich lobby, opening up the hotel’s façade to Pitt and George Streets so that the front of house would be visible to the public, and vice versa.

The redesign was undertaken by Johnson Pilton Walker (JPW), which won the commission in a design excellence competition. Many of the firms involved had a strong reputation for major civic commissions, such as PTW Architects (responsible for the South Australian Art Gallery) and Tonkin Zulaikha Greer (whose work included cultural buildings such as The Australian War Memorial in London, Hastings Cultural Centre, and the Old Treasury Buildings, Perth) (Weirick 2006) For JPW, the Hilton was another refurbishment in a line of “distinguished Sydney CBD buildings over the past 15 years” (Weirick 2006) such as Governor Phillip Tower, Governor Macquarie Tower and 363 George Street.

The winning scheme rested upon three basic ideas. Firstly, the concrete driveway below the tower, a “dark, cavernous space” with “no sense of entrance” (hotel designer 2006) which was the connection between the street and the lobby, was to be replaced with an open lobby encased in
The success in the design “resides in its urbanism...in the remaking of Pitt and George Streets with new street walls and activities that...are almost seamless extensions of the urban scene” (Weirick 2006).

Secondly, this move was an attempt to anchor the hotel in the city, providing it with a sense of belonging— both from a heritage and a retail point of view. The site’s “good address”, its outlook onto the architecturally striking Queen Victoria Building, and strongly expressed use of sandstone and glass became features of the hotel’s new life as a rejuvenated city landmark. In addition, the Hilton’s previous connection with surrounding retail had been limited, if not degraded, as it sat “in the middle of a multi-level warren of down-market shops” (Weirick 2006). The new glass casing would not only serve to announce the presence of the hotel onto street level, but also funnel guests and visitors out into the surrounding shops such as Pitt Street Mall and George Street. The new plan resolved the problematic pedestrian ramp. The new driveway into the hotel for dropping guests off also enabled pedestrians to pass through from George to Pitt Streets, further activating the entrance space, and opening up the façade of the hotel.

Thirdly, in terms of office and conference space within the building itself, the Hilton’s retail component had become neglected, and its conference rooms were introverted and dark. The new plan would provide conference rooms with a view over Pitt Street, a move that would facilitate both natural light and again, a more visual connection with the city outside. Along with the remodeled convention facilities, the upgrade of the Capital Centre more generally enticed a new set of clients to the office space, with Apple and Challenger (an investment group) having moved in since the refurbishment.

The F + B (food and beverage) sections of the hotel are always a significant aspect of successful urban hotels (Berens 1997), and were key to the Hilton’s revivification. Glass, the hotel’s main restaurant, is owned by and run by celebrity chef Luke Mangan (his restaurant Salt has gained significant recognition in the Sydney food scene. Mangan also acts as a consultant for food on the Virgin Atlantic flights from Sydney to London). Similarly, the Zeta Bar, connected to Glass, is run by established bar owners Grant Collins and Mike Enright, from the UK, and has sister bars in Hiltons in London, Kuala Lumpur, Beijing and Bangkok. The Glass and Zeta Bar interiors were both designed by New York-based designer Tony Chi and Associates, who has also designed for Mandarin Oriental Hotel Group and Four Seasons Hotel Group.

In contrast to these contemporary spaces, Hilton also houses one of Sydney’s most historic bars, The Marble Bar. Originally the George Adams Bar, connected to the Adams Hotel, the Marble Bar’s National Trust status meant that the architects, JPW, had to build around it. The public space of the lobby was designed to connect the hotel back to the street, and “involves a remarkable engagement with the physicality of the tower” (Weirick 2006). The new design would concentrate on a feeling of arrival and expectation— a stark contrast to the old design, where the lobby had no connection with the streetscape, being hidden behind and above the concrete entry ramp.

In terms of the branding of Hilton, the brand name was at the time of the refurbishment owned and run by two separate companies: US-based Hilton Hotels Corporation and Hilton International, part of the UK Ladbroke Group (Pettafor 1998). In 1998 the company changed its logo after almost 80 years, revamping the brand aesthetics, in the hope of putting “the chain back on the track for growth” (Pettafor 1998) and integrating it on a global level. Sydney Hilton’s refurbishment could be seen as a flagship example of this new approach to branding.

Having made a huge investment in the refurbishment, rumours soon began to circulate that Hilton were interested in selling the building, while retaining a long-term management lease on the property (Wilmot 2003). Such ‘sale and leaseback’ schemes are increasingly common in the hotel industry, allowing the hotel firm to have a strong input on the physical state and appearance of the building that they then market and manage. Some leasing agents pointed again to the building’s key weakness – its relatively small room sizes, which at 28m2 were less competitive to
their major rivals in hotels such as the Four Seasons or Marriott. Ultimately, the Hilton Group would divest the car park and office tower components to Industry Superannuation Property Trust, owners of the Brisbane Hilton, for $184m, and would retain ownership of the hotel.

CONCLUSIONS

In this paper we have argued that hotels have a fundamental role in the economies of central business districts, which can be understood partially through both their use values for the city (housing and facilitating business travelers, hosting social networking events) and through their exchange values (as an asset to be traded and as a revenue generator). The biography of the Hilton Sydney reveals the tensions that arise between this dichotomy. To conclude, we want to make three points.

First, the design and service qualities of hotels are driven by the sometimes tense relationship between ownership and management. The type of lease arrangement undertaken between hotel operator and building owner is fundamental in maintaining the appearance and quality of a hotel. The Sydney Hilton is a good example of where – through repeated asset trading – this can break down. A further factor of significance here is that of inter-hotel competition. When Hilton opened in Sydney, they were the first international five-star chain to arrive in the city, and competed only with the 1960s-built Wentworth and Menzies hotels. By the mid-1990s, there were more than 16 four and five star hotels in the CBD, including most of the major global operators such as Marriott, Hyatt, Ramada, Inter-continental, Sheraton and Nikko (Smith 1996).

The second issue concerns the role of hotels as civic institutions. Interestingly, recent years have seen a shift back towards – in architectural discourse at least – a civic vocation. The designs of the refurbished Hilton focused upon notions of permeability, opening up to the surrounding facades, and in many ways recreating older ideas of hotels as “spaces in which people might meet, strike up or finalize deals, get married – all, of course, at a price” (Leach 1993: p.135). As in Leach’s study of early 20th century America, so a discourse of service returns to centre stage.

Third, the array of services that are located in hotels as part of the overall ‘revenue envelope’ is of interest. In the case of the Hilton, the overall Capital Centre site included the interlinked structures of the office towers and the car parks, which could then be disaggregated and sold on. The hotel itself is anchored as much by its restaurant and convention facilities as by the relatively small bedrooms. Here, the civic status of the hotel – located adjacent to the Queen Victoria Building centerpiece – is leveraged to add to the institution’s popularity.

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