

**Supplementary
Submission
No 148e**

INQUIRY INTO MUSEUMS AND GALLERIES

Name: Dr Lindsay Sharp

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Submission VI: Commercial aspects driving the Ultimo site divestment/sale by Government to facilitate the failed, unaffordable, destructive and impractical concept of 'moving' the Powerhouse Museum to Parramatta.

Submission to the Upper House Inquiry into museums and galleries in NSW, August 8, 2016.

[Relevant terms of reference: (a) (b) (d) (e) (h)]

[Founding Director, Powerhouse Museum, 1978-1988.](#)

[PLEASE CALL ME AS A WITNESS FOR THIS AND OTHER SUBMISSIONS;](#)

Key words: The prime reason for destruction of this world-class group of heritage buildings and displays is the unbridled profit-motive and sponsoring of developers by Government; massive margins likely for developers from a sale price at \$250 million (maximum- Government figures); no fiscal justification for the sale since likely moving costs for MAAS/Powerhouse Museum certainly in excess of \$600 million, possibly up to \$1 billion; Infrastructure NSW's case for this heritage destruction entirely flawed (see submission by Andrew Grant); swapping a huge, fit-for-purpose site in Ultimo for a much smaller, flood-prone site in Parramatta is irrational and irresponsible; this debacle requires an independent assessment to assist Government in avoiding a catastrophic mistake. See my submission I for detailed background to this submission.

Commentary: inside the belly of the beast:

This issue lies at the heart of the matter. The Inquiry needs to uncover the facts.

Nonetheless, calculating the profits from any single development is notoriously difficult. Variables include the prevailing interest rates at time of construction and units sale; land acquisition and carrying costs; market buoyancy or otherwise; units mix and size ratios; materials costs including compound inflation; marketing costs; maximising density of development; avoidance of tax on profits; discounted cash flow calculations; efficiency of contracting and sub-contracting; effectiveness and cost control by project managers; quality, schedule and materials supply and control; marketing comparability; sourcing of unit purchasers; legal manipulation of taxation liabilities and contractual obligations to maximise profits; heritage issues; overall compliance; Government interference both negative and positive. That said the 8.2 + acre Ultimo site offers the successful purchaser/developer massive potential profits under present market conditions.

From this Government's position this project is all about the development potential of the Ultimo site, not cultural equity, and hiding the true costs of the 'move'- to be worried about by another Government much later on. The ministers concerned are brutal destroyers of cultural heritage apparently interested only in short term profits at the expense of our shared history. This dishonest and irresponsible attitude has been revealed so many times since 2014 that it is commonplace: look at Government's recent decision regarding the Sirius building in the Rocks; the proposed gargantuan development in the Cumberland Hospital/Parramatta Female Factory site; WestConnex; destruction of (over 120) 100 year-old fig trees on Anzac Parade; the profitable, ultimate sale of over twenty greyhound stadia sites for redevelopment; this Ultimo site and many others.

If Government disagrees with the following then let them reveal their own range of valuations.

Accurate calculations will have been done by Infrastructure NSW- as revealed in the FOI documents released to Sydney Morning Herald- and these suppressed documents should be required to be tabled by this Inquiry. Any unofficial RFPs and their responses, plus any unasked for proposals should also be required along with related and relevant e-mails. With this in mind let's do the (very rough) maths.

There are 8.2 acres, approximately, available on the Ultimo site which can facilitate a density of development of about 8 to 10 tower blocks up to 50 stories. We know densities are being increased in the massive development arc from the back of Central to Alexandria- as dense as Hong Kong's densest (Elizabeth Farrelly) - and any project over a relatively low figure is taken out of Sydney City Council's hands and given to a Government- selected Commission for approvals processing.

In the Ultimo site currently occupied by the Powerhouse Museum we can envisage an average of 6 units per floor, less ground floor commercial, and thus you have maximum, $49 \times 6 \times 10 = 2940$ units, plus value of commercial ground floor. The profits could be upwards of \$400 million maybe even around \$700 million- after a maximum purchase price of (Government provided, FOI figures) \$250 million. Even at a minimum- $49 \times 6 \times 8 = 2352$ unit we are looking at an extravagant windfall private profit. Developers, lawyers and financiers are converting public land into development profits and massive yields.

The upper 25 floors are especially valuable. With nearly 250 degrees of unencumbered views from SSW to NNE, there could be a commercial decision to reduce density to two units per floor, plus top level penthouse units with balconies (upwards of \$12 million each on current market rates- often more) in these upper floors; if so the figures for their net sale profits are astronomical. Present site value for the Sirius Rocks site with its much smaller footprint is put at approximately \$100 million. Sale of the Ultimo site at \$250 million would be a gift to a developer. If an unasked-for proposal was submitted even this figure might be reduced (see Barangaroo).

As noted above, exact figures depend on conditions at the time of approval, which developers can vary upwards almost at will (e.g. Barangaroo) and which Government's developer-friendly, Commission- approval process can give the nod to. This is a cunning, four years-established system which takes control from Sydney City Council and makes the process which maximises scale and density almost automatic.

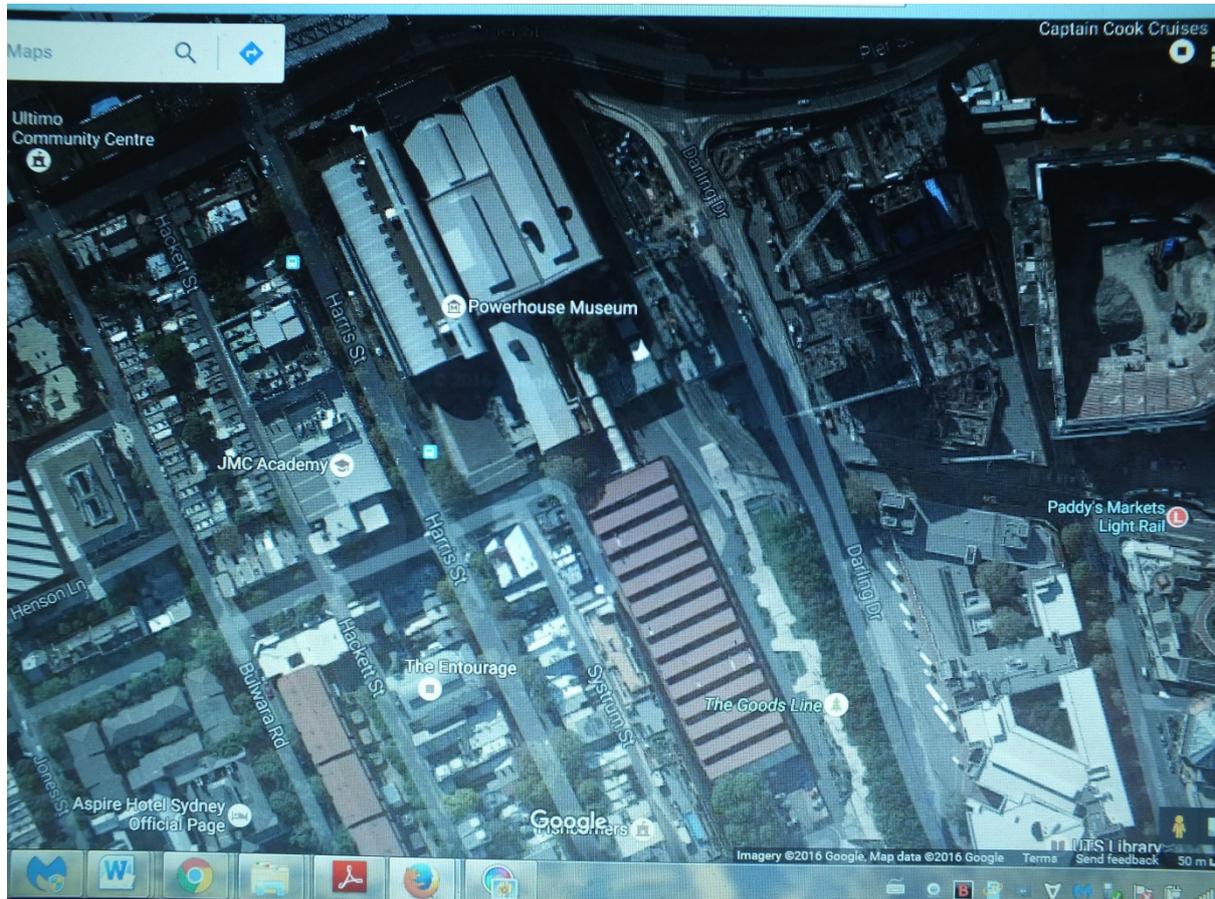
We should also not forget that there is great potential for fraudulent planning and financial interaction and 'trade-offs' with other large city development sites where a PHM site developer may negotiate planning relief or advantage – for example Darling Harbour, Barangaroo, or Circular Quay.

If Government decides not to completely destroy the heritage Power House Museum buildings but to adopt a 'facadism' (fascism?) approach, like the old Treasury building/Intercontinental hotel building in the CBD or the Flour Mill in Ultimo, this will slightly reduce the Ultimo site's developable value but not by that much. It will also trash the heritage qualities of these superb historic structures.



Known as the “Harbour Mill”, the old Edwin Davey Flour Mill has been bowdlerised into a hideous visual abortion at the end of Jones Street.

Infrastructure NSW has probably carried out such facadist calculations- we should know what they are. If they are somewhat, or are greatly less than a cleared site value this simply reduces the amount of money available for the museum's 'move' to Parramatta.



Powerhouse Museum site, GOOGLE maps, approx. 8.2 acres, very close to CBD and adjacent to the massive Darling Harbour redevelopment project. Site is immensely valuable.

Conclusion and Recommendation:

This submission is clearly speculative simply because critical documentation from within Premier's Department and Infrastructure NSW is unavailable. It is recommended that appropriate public servants with carriage of this matter be required to appear as witnesses before this Inquiry and that all relevant documentation be required for tabling well prior to their appearance. The parameters of value are critical to understanding Government's motivation in this disastrous proposed sale; and also Government's relationship with developers.