

POWERHOUSE BUILDING – BREAKFAST POINT

SUPPLEMENTARY REPORT FOR CANADA BAY COUNCIL

- On the 21st January 2010, Breakfast Point issued a report on the Powerhouse Demolition and Redevelopment Proposal to Canada Bay Council offering council an amount of \$1.2M in lieu of dedication of half the Powerhouse building.
- In the above report, Breakfast Point advised that the cost of remediating the Powerhouse building was \$4.5M. This cost was estimated by WT Partnership and was based upon the full scope of works in the original Hughes Trueman Report dated 24th February 2004.
- Over the course of the last 12 months, there have been many meetings held with the General Manager and associates as well as with the Department of Planning to try and resolve the financial gap.
- At a meeting on the 1st December 2011, Breakfast Point produced a cost summary for the remediation of the Powerhouse building based upon the heritage engineers list of Essential and Recommended works as follows:
 - *On the 15th March 2004, a meeting was held with the relevant parties at the time to discuss the Hughes Trueman Report of 24th February 2004 and establish alternative methods for preserving the building as well as discussing if all the works included in the report were actually essential. Hughes Trueman noted in Item 2 of the minutes that they had marked up a copy of the full detailed estimate into items as follows:*
 - *E = Essential R = Recommended M = Maintenance*
 - *A = Alternatives F = Fit out Works O = Omitted*
 - *Based upon this, WT Partnership have produced an estimated based upon the works that are noted as being Essential and Recommended as this is more reflective of the condition of consent included in the Concept Plan.*
 - *The cost estimate produced by WT Partnership at the time was \$2,670,000 allowing for escalation to December 2005 but also allowing for site allowance which is not payable on Breakfast Point any longer. This is a reasonable estimate given that the works should have occurred within 12 months of the date of the approval of the Concept Plan which was in April 2006.*
 - *An updated cost estimate in today's dollars was produced for \$2,920,000.*
- Since the time of the initial report and offer, the top end housing market has fallen considerably. A recent house sale adjacent to the Powerhouse building has resulted in a sale price of \$3.7M. This property was sold 4 years ago for \$4.08M.
- Council had advised previously that their expectation for the value of the Community Benefit should be in the order of \$3.5M.
- Rose and CBUS are joint venture partners that make up Breakfast Point Pty Ltd. The board of Breakfast Point has set certain financial hurdles to allow a project to proceed. A payment for around \$3.5M would reduce the profit level below the required hurdle.
- Based upon this, Breakfast Point has increased the offer from \$1.2M to \$1.8M. This equates to \$300,000 per house payable on the issue of the Occupation Certificate for each house.