



Business Plan

Proposal for the City of Karratha to consider the potential purchase of Lot 7078 Sharpe Avenue, Karratha to facilitate the development of The Quarter Hotel.

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1. Introduction

The City of Karratha (City) is proposing to enter into a Major Land Transaction involving:

- acquisition from the West Australian Land Authority (LandCorp) of Freehold Lot 7078 on Deposited Plan 401615 being the whole of the land in Certificate of Title Volume 2831 Folio 953 comprising The Quarter Hotel site;
- acquisition from the West Australian Land Authority (LandCorp) of Strata Lot 47 on Strata Plan 67914 within Lot 7079 on Deposited Plan 401615 comprising 101 car bays; and
- Leasing of part of the land to Pacifica Developments Pty Ltd for the purpose of developing and operating a 100 room four-star Hotel.

The proposed transaction would be developed over a period of approximately 20 months and, if developed in its entirety, would involve investment of up to \$10M of City funds. These funds would be recovered over time through lease payments from the Hotel Owner/Operator.

Although this transaction may not appear to fit the perception of 'normal' local government operations, this proposal has very clear linkages to the City of Karratha's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the following extract relate to this matter:

Our Vision: Australia's Most Liveable Regional City.

Theme 2: Our Economy - Well Managed and Diversified

Our Goal: To attract diverse and sustainable businesses and employment

Our Outcomes: Good infrastructure to support business investment

Our Response: Public private partnerships are in place for the development of key infrastructure

In addition, Council's *Investment Policy: Property (CF4)* provides guidance on if and when Council will invest in Property. The adopted policy includes the following statement that are relevant to this matter:

When making decisions to invest in Property related investments one or more of the following criteria needs to be satisfied:

vi. Council may invest in property to achieve key strategic goals of the Council that will deliver a broad based benefit to the community without financial return being the key driver.

The City has the potential to gain from this project via:

- Further progressing the delivery of the City's Vision to be *Australia's Most Liveable Regional City*.
- Increasing quality short stay accommodation providing an accommodation product that is not currently available within the district.
- Supporting economic development and in particular tourism.
- Further activating the city centre and supporting nearby food and beverage businesses.
- Assist in attracting major events to the Red Earth Arts Precinct.
- Anticipated marketing spend on the Hotel and the City of Karratha of \$26.3m over the 30 year life of the proposal.
- Creation of 50+ employment opportunities during construction.
- Creation of approximately 40-50 full and part time local hospitality jobs as part of the hotel operations.

- Potential for indigenous engagement in the Hotel, including support for indigenous hospitality training, promoting indigenous tourism and showcasing local indigenous art.
- Ability to retain the popular grassed area on Sharpe Avenue for civic purposes.
- Financial returns in the form of:
 - Generating a financial yield from a property investment that exceeds current bank interest available; and
 - Additional rates revenue from the development.

While the returns from the proposal are potentially better than those available through term deposits, it does come with an elevated level of risk than more traditional local government investments, which tend to be long term deposits with AA rated banks, in that the City's capital is less secure than when in bank deposits and the capital investment reduces the City's liquidity limiting the potential for other capital projects and investments.

However the City does own approximately 100 properties within the district so investment in land and property is not an entirely new space for the City and The Quarter HQ and airport provide examples of where the City has invested in commercial/industrial property with the explicit aim of generating a commercial return.

City Officers have discussed this matter informally with Councillors at Council Briefing Sessions and a formal report on the matter was considered at the September 2017 Ordinary Council Meeting. At that meeting Council resolved in part to:

AUTHORISE the Chief Executive Officer to execute a non-binding Memorandum of Understanding with Pacifica Developments to progress negotiations regarding the hotel development at The Quarter.

The Memorandum of Understanding is included at Attachment 1.

This Business Plan:

1. Provides the details of the proposal;
2. Outlines and responds to the legislative framework for the proposal;
3. Provides an analysis of the risks associated with the proposal (and potential mitigation strategies for those risks); and
4. Outlines the projected process and timeframes that would be used to undertake the proposal.

The Business Plan has been prepared in accordance with the provisions of the *Local Government Act (1995)* and the *Local Government (Functions and General Regulations) 1996*. It is intended to seek public comment on the Business Plan for a period of at least six (6) weeks. Council will consider all public feedback that is received on the Business Plan prior to determining whether to proceed with the proposal or not.

2. Background

2.1 Land

In 2015/16 LandCorp developed The Quarter precinct at 20 Sharpe Avenue, Karratha. The site is in the Karratha City Centre and is zoned Town Centre under the City of Karratha Town Planning Scheme No 8. The site presents an impressive built form with quality public space and landscaping and has capacity to encompass further development to complement and enhance the existing precinct.

The overall site comprises The Quarter HQ, 46 residential apartments, a four level strata car park providing 286 car bays, the hotel site, and a 1,371sqm site for future office/retail development.

LandCorp has been marketing the sale of the hotel site for approximately five years. LandCorp's Request for Proposal (2015) is included at Attachment 2.

Despite interest in the site from a number of hotel developers over the past few years, LandCorp has been unable to agree terms with a developer in order for the project to proceed. Much of the difficulty experienced by LandCorp and potential developers relates to:

- the significant cost of project;
- the fact that the hotel valuation is likely to be approximately \$10 million less than the construction cost; and
- the consequential impact on Loan to Value Ratio (LVR) if a developer is required to borrow from a bank.

Notwithstanding the challenges, financial modelling indicates that the hotel has the capacity to generate significant financial returns after the first 5-10 years of establishment and into the long term.

City officers have been in regular discussions with LandCorp over the development of The Quarter Hotel. During these discussions, the concept of the City becoming more actively involved in the development of the Hotel was canvassed. A proposal was developed whereby the City could work to facilitate the hotel development by a private developer.

LandCorp confirmed its willingness to consider an Option to sell the land to the City (or any other suitable party) for the purposes of a hotel development where value for money is demonstrated in delivering the project objectives. To maintain probity, LandCorp requested proposals from parties interested in the site for a hotel development. The assessment criteria against which LandCorp assessed the most suitable proponent to move forward with an option to purchase were:

1. Capacity to deliver and operate a hotel
2. Financial capacity and access to funding to deliver the project
3. Design
4. Offer.

The submission date for proposals was close of business 30 November 2017.

2.2 Parties

In addition to the City of Karratha and LandCorp, the other major party to the transaction would be Pacifica Developments Pty Ltd (Pacifica). Pacifica is a privately owned, diversified property development and management company with over 30 years experience in the property sector. Pacifica has been involved in over \$1.5 billion worth of developments

throughout Australia, Papua New Guinea and the Pacific. Pacifica is currently involved in 14 hotel developments across Australia.

Pacifica's key personnel are Russell McCart (founder and Managing Director), John Zendler (Director) and Mark McDonald Smith (Financial Advisory), who between them have 80+ years experience in the property sector. Pacifica's projects have included the Sage Hotel - Fortitude Valley (Brisbane), The Bronte Apartments - Brisbane, Mariners Reach - Brisbane, Port Douglas Marina.

More information is available at www.pacifica.com.au

At the present time, it is anticipated that the hotel will be operated by Marriott International under the brand Courtyard by Marriott®. Marriott is the world's largest hospitality company with over 6,500 hotels and 1.16M rooms globally, including 29 hotels and resorts operating in Australia, New Zealand and the Pacific.

Courtyard is an upscale brand comparable with Marriott's Four Points and Aloft brands. Courtyard is the 7th largest lodging brand in the world with over 1,110 hotels.

2.3 Proposal

The proposal involves four (4) separate phases. These phases, along with the proposed roles and responsibilities of the City in each Phase are outlined below:

2.3.1 Phase One: Submit Proposal

Pacifica Developments Pty Ltd (as the lead proponent) submitted a proposal to LandCorp for the City to acquire the land, subject to Council approval, and Pacifica to develop and operate the hotel. On 27 April 2018 LandCorp offered Pacifica and the City an Exclusive Working Period (EWP) of six months to finalise a Hotel Development Agreement.

2.3.2 Phase Two: Land Purchase

Subject to public submissions on the Business Plan and if approved by Council, the City would purchase The Quarter Hotel site (Lot 7078) and 101 strata titled car bays (Strata Lot 47). The purchase price is expected to be a nominal amount reflecting the valuation of the property for development of a 4-star, four storey, 100 room hotel.

If the City were to proceed with the acquisition, this would become a standard private treaty land purchase with conditions. Appropriate steps would be undertaken to ensure that the purchase meets all legislative requirements of the *Local Government Act 1995* and the associated regulations.

2.3.3 Phase Three: Leasing

Subject to public submission on the proposed disposition of land, the City would lease part of the property to Pacifica Developments Pty Ltd for the purposes of developing and operating the hotel. As the land owner, it is proposed that the City would provide a fit out contribution of up to \$10 million which would be recovered through lease payments over 30 years based on a yield of 3.5% per annum. Pacifica Developments would have an option for transfer of title (for the amount paid by the City to LandCorp) at the earlier of:

- a) repayment of the fit out contribution (including accrued interest); or
- b) expiry of the lease term.

Full financial details of the project are included in Section 5: Project Financials.

2.3.4 Phase Four: Development and Operation

The City would have no direct role in phase four other than in terms of town planning and building approvals. Pacifica Developments and their partners, which would contribute approximately \$9.7 million, will be responsible for the development of the Hotel and for the engagement of the Hotel Operator to manage the Hotel on commercial terms.

The development proposal currently envisages the following for the hotel design:

- 4 - 4.5 star grading and specification;
- 100 rooms (gross floor area 4,730m²);
- four floors above ground level;
- 25 rooms per floor;
- two accessible rooms per floor;
- room size 26m²;
- amenity and services located at ground level.

(Preliminary Plans are included at Attachment 3)

3. Timeline

The indicative timeline for the project is tabled below.

Process	Timing
Consider draft Business Plan	May 2018
Community consultation	May - July 2018
Consider public submissions on Business Plan	July 2018
Execute Contract of Sale (if approved)	July 2018
Public notice regarding disposition (if approved)	July 2018
Consider public submissions regarding lease	August 2018
Execute lease (if approved)	August 2018
Submit Development Approval	August 2018
Construction commences	January 2019
Practical completion	December 2019
Opening	February 2020

Up to three STOP/GO points are proposed where Council can review the investment decision and elect to proceed or not proceed with the project. These are at:

1. Consideration of the Business Plan;
2. Consideration of public submissions on Business Plan;
3. Consideration of public submissions on disposition of property (if required).

4. Legal Structures

To prepare for and undertake this proposed transaction there are three proposed legal agreements that will need to be entered into including:

Memorandum of Understanding

Executed with Pacifica Developments to outline the understanding of the Parties in relation to the proposed lease and development of The Quarter Hotel. The MOU contains a number of conditions precedent that must be satisfied prior to leasing of the property to Pacifica and development of the Hotel, including:

- a) the transfer of Lot 7078 and Strata Lot 47 on Strata Plan 67914 to the City in freehold;
- b) the Council considering any submissions in response to this business plan and resolving to proceed with the proposed lease and development of the Hotel Site in accordance with section 3.59 of the *Local Government Act 1995*;
- c) the City giving local public notice of the Lease, considering any submissions in response to that notice and the City resolving to proceed with the Lease in accordance with section 3.58 *Local Government Act 1995*;
- d) Pacifica obtaining development approval for the Development;
- e) Pacifica obtaining a building permit for the Development; and
- f) execution of the Lease by the parties.

Contract of Sale

If Council resolves to Purchase The Quarter Hotel site, Council would enter into a sales contract with LandCorp for the purchase of the land and 101 strata titled car bays. The contract would be a standard contract for sale of land or strata title by offer and acceptance, with a nominal purchase price and subject to conditions including:

- hotel construction to commence within 24 months and be completed within 36 months;
- hotel deliverables include a first stage being a 4-star, four storey, 100 room hotel with an optional second stage;
- preserve existing grassed area until commencement of stage 2;
- develop and implement an indigenous engagement, training and employment strategy for construction and operation of the hotel; and
- LandCorp caveat over title with repurchase option to enforce development conditions.

Commercial Lease

If Council resolves to proceed with the project, and subject to consideration of any public submissions regarding the proposed disposition, a lease would be executed with Pacifica Developments on the following terms:

Term: The period from Commencement Date to Practical completion plus 30 years.

Rent Yield: Principal plus 3.5% yield - Post payment of Fit Out Contribution the Rent Yield is capitalised into the outstanding balance until payments commence at the start of the 4th year post Practical Completion.

Permitted Use:	Hotel and associated facilities.
Rates:	Payable by Pacifica from Commencement Date.
Maintenance:	Pacifica solely responsible. The City has no maintenance responsibilities.
Ownership of Development:	If the Lease is determined prior to expiry of the Term ownership of the Development shall revert to the City as registered proprietor of the Hotel Site.
Option to Purchase:	The Lease shall incorporate an option to purchase the Hotel Site for the same purchase price paid by the City to LandCorp. The option shall only be exercisable after the outstanding balance owed to the City is paid in full.
Default:	In the event of a default on the part of Pacifica, that is not remedied within 60 days of written notification by City, ownership of the Development would revert to the City.

5. Project Financials

5.1 Purchase

The purchase price is expected to be a nominal amount only reflecting the valuation of the property for development of a 4-star, four storey, 100 room hotel.

If the sale of the property was subject to GST based on the full commercial value, the City would be entitled to claim this amount as an input tax credit. Stamp duty would not apply as local government is exempt from stamp duty.

5.2 Constructions Costs

The estimated construction cost of Stage 1 of the hotel is \$19.7M. This cost would be funded by a contribution of owner/shareholder funds (up to \$9.7M) and the City fit out contribution (up to \$10M). The City's fit out contribution would only be made when all other contributions are spent. This is unlikely to be required until the 2019/20 financial year.

5.3 Hotel Operations

Pacifica Developments would be responsible for the engagement of the Hotel Operator to manage the Hotel on commercial terms. The City would have no role in the operation of the Hotel beyond the role of Lessor.

At the present time, it is anticipated that the hotel will be operated by Marriott International under the brand Courtyard by Marriott®.

PricewaterhouseCoopers (PwC) has provided the following estimates of operating costs, revenue and EBITDA for the first five years:

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$5.43m	\$6.44m	\$7.45m	\$8.07m	\$9.35m
Operating Expenses	\$4.54m	\$5.09m	\$5.63m	\$5.98m	\$6.59m
EBITDA	\$0.89m	\$1.35m	\$1.82m	\$2.09m	\$2.76m

A more detailed forecast for the first five years is included at Attachment 4.

5.4 Local Engagement

The City and Pacifica held discussions with two Aboriginal organisations, Ngarluma Aboriginal Corporation (NAC) and Gumala Investments Pty Ltd (GIPL), regarding the option of investing in the Hotel development. Whilst NAC and GIPL have declined to be involved at this time, Gumala Enterprises Pty Ltd (which operates Karijini Eco Retreat) has expressed interest in being a partner in providing services to the construction and operation of the hotel.

It is anticipated that local companies will be engaged through the construction phase of the development and in the operations of the hotel after construction is finalised.

5.5 Fit Out Contribution

The potential sourcing of funding for the fit out contribution of \$10m is outlined in Section 6: Council Financial Implications.

5.6 Lease Payments

The City's fit out contribution would be recovered through lease payments over the term of the lease based on a 3.5% yield. Assuming the lease runs the full 30 year term, the City would recover approximately \$20M over 30 years.

Compared with current term deposit rates, which average 2.5%, the purchase has the capacity to realise \$0.1m per annum more than term deposit interest at current rates. By comparison, Council would need to increase rates by 0.25% to generate an additional \$0.1m from rates.

While the rate of return shown is higher than current term deposit rates it should be noted that:

- Investing with cash investment in banks present a very low capital risk. There is a higher capital risk associated with a property investment of this nature; and
- The rate of return will only be positive if term deposit rates remain below 3.5%.

The financial risks associated with this development need to be weighed against other financial and non-financial benefits associated with additional rates income, marketing of the City, economic development, city centre activation, tourism and local employment.

6. Council Financial Implications

6.1 Funding Source

This proposal is currently not included within the City's 2017/18 Annual Budget, the draft 2018/19 Budget and is not currently included within the City's Long Term Financial Plan.

While there is currently no specific budget for this project, the City currently has healthy financial reserves. In particular, the balance of the City's Infrastructure Reserve is forecast to be \$11.25M at 30 June 2018.

The stated purpose of the Infrastructure Reserve is to:

“Allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City of Karratha inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this Reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha”

The fit out contribution to The Quarter Hotel is consistent with the reserve purpose.

In addition to the recent purchase of The Quarter HQ, the Infrastructure Reserve has contributed to funding significant community related capital works projects over the past few years including:

- Karratha Leisureplex (\$7.59M)
- Red Earth Arts Precinct (\$24.1M)
- Wickham Hub (\$5.75M)

NB. Airport, Waste and Major Plant items are not funded through the Infrastructure Reserve as Council has separate Reserve Accounts for these items.

A long standing financial practice for the City is to place additional revenue annually into the Infrastructure reserve. This revenue comes from:

- Airport: An annual return on asset value from the Karratha Airport is transferred to the Infrastructure Reserve. This amount is currently \$10.6M pa. Financial planning at the airport indicates a likely ability for this figure to be retained for the foreseeable future.
- Transient Workforce Accommodation (TWA Rates): Traditionally between 50-100% of the difference in the City's TWA Rate in the Dollar compared to the City's Commercial rate in the Dollar on TWA rated properties has been transferred to the Infrastructure Reserve. This amount has varied from year to year but has averaged out at \$2.96M pa over the past four years.
- Budget Surplus: On occasion, surpluses that have been identified in Council's quarterly budget reviews have been allocated to the Infrastructure Reserve.
- Interest: Interest generated from the Infrastructure Reserve is re-invested within the reserve.

While the City's capital expenditure program is projected to remain relatively high throughout 2018/19, the City's Long Term Capital Works program shows a decreasing level of capital works expenditure being anticipated over following financial years. Over the same period, the annual return on asset from the Karratha Airport is proposed to remain stable whilst revenue from TWA rates differentials is likely to fall due to a diminishing number of operating TWAs.

The net impact of the above is that the Council's Infrastructure Reserve balance is projected to increase at a decreasing rate post 2018/19.

While sufficient funds are likely to be available within the Reserve, there is an opportunity cost in this investment in that, if funds are spent on this proposal, there will be a lesser amount of Council funds available for other projects (including other investment opportunities). Having said that, financial modelling indicates that the Reserve would return to current levels within four years and it is anticipated that this purchase can be afforded without damaging the City's ability to deliver its current adopted 10-year capital works program.

The Long Term Financial Plan (including the long term Capital Works plan) is currently being revised and updated. If Council supports the public advertising of this Business Plan, the updated Long Term Financial Plan will include the expenditure and income projections included within this report. These detailed, updated financial projections will be considered in conjunction with community submissions that are received during the public comment period.

6.2 Operational Costs

Once the Hotel is built and in operation, the City will not incur operational costs related to the running of the Hotel.

In the event that the developer experiences financial difficulties resulting in default on its obligations under the agreement with the City, ownership of the development would revert to the City. This means that the City's \$10M investment is guaranteed by potential ownership of a \$20M hotel development.

7. Council Policy Implications

Council's *Investment Policy: Property (CF4)* provides guidance on if and when Council will invest in Property. The adopted policy includes the following statements that are relevant to this matter:

When making decisions to invest in Property related investments one or more of the following criteria needs to be satisfied:

ii. Council may invest in Commercial/Industrial Property which gives continuous source of ongoing returns and also have capital growth potential.

vi. Council may invest in property to achieve key strategic goals of the Council that will deliver a broad based benefit to the community without financial return being the key driver.

This proposal is consistent with these policy provisions.

8. Legislative Compliance

8.1 Legislative Provisions

Section 3.59 (3)(b) &(c) of the *Local Government Act 1995* (The Act) states:

Before it —

- (b) enters into a major land transaction; or*
 - (c) enters into a land transaction that is preparatory to entry into a major land transaction,*
- a local government is to prepare a business plan.*

The Act defines a major land transaction as:

A land transaction other than an exempt land transaction if the total value of —

- (a) the consideration under the transaction; and*
 - (b) anything done by the local government for achieving the purpose of the transaction,*
- is more, or is worth more, than the amount prescribed for the purposes of this definition.*

In the City of Karratha's circumstances, the amount prescribed for a transaction to be considered a major land transaction is the lesser of \$10,000,000 or 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year. If progressed, the purchase of land and development of The Quarter Hotel would constitute a major land transaction.

The Act further stipulates key matters that must be addressed in the business plan. These matters are addressed in 8.2 below. The manner and length of public advertising and notice is also prescribed in the legislation. If adopted by Council, it is proposed to significantly exceed the minimum public notification requirement by doing a more comprehensive community consultation than the prescribed minimum requirements, including:

- public advertising for at least six weeks;
- social media engagement; and
- development of frequently asked questions.

8.2 Specific Requirements

Section 3.59(3) of the Act specifies explicit information that must be included in a Local Government Business Plan (as a minimum). While many items are addressed elsewhere within this Business Plan, for completeness, each legislated item is addressed specifically below:

(a) The expected effect on the provision of facilities and services by the local government

It is not anticipated that the development of the proposal will have any detrimental effect on the ability of the City to continue to fund City infrastructure and/or services in the short, medium or longer term.

(b) The expected effect on other persons providing facilities and services in the district.

Following is a list of current accommodation providers in the district:

ACCOMMODATION VENUE	RATING
Best Western Karratha	4 stars
Comfort Inn & Suites Karratha	4 stars
Karratha International	4 stars
The Ranges Karratha	4 stars
Discovery Parks Karratha	3.5 stars
Ibis Styles Karratha	3.5 stars
Cattrall Park Serviced Apartment	3 stars
Dampier Mermaid Hotel	3 stars
Whim Creek Guesthouse	3 stars
Morse Court Apartments	No rating
Aspen Karratha Village Motel	No rating
Econo Lodge Karratha	No rating
Karratha Backpackers	No rating

Source: Star rating - Booking.com

Independent research commissioned by LandCorp and Pacifica confirms that currently the majority of casual accommodation providers in the City of Karratha are motels. Existing hotels/motels are dated and there is a lack of quality product capable of servicing corporate demand and international tourism.

Occupancy rates currently range from 30% to 60% and existing room stock is considered a barrier to the decisions of some people not to stay overnight. The proposed hotel would be a step up from the existing stock and would potential encourage more overnight stays. Progress with any of the major resource projects currently in the pipeline would create an immediate under supply of casual accommodation.

Although The Quarter Hotel would likely impact occupancy and pricing of existing accommodation providers, this is expected to be offset in part by increased demand for accommodation associated with tourism (particularly with the introduction of international flights) and the conference market currently being pursued by the City as part of the development of the Red Earth Arts Precinct.

By limiting the provision of on-site food and beverage, the proposed hotel would support existing hospitality providers in and around The Quarter precinct including:

- Blanche Bar
- Vita Café Dining
- Bollywood Lounge Restaurant
- Yo-get-it
- Soul Café
- Empire 6714
- Lo's Café
- Fiorita Deli and Restaurant
- Bushlolly Café

Pacifica has indicated that 50+ employment opportunities would be created during construction and 40-50 full and part time hospitality jobs would be created on an ongoing basis. Local employment content would be approximately 90%.

In addition, approximately \$26.3M would be spent over the term of the lease on marketing the Hotel, the City and the region which would provide a significant economic boost to businesses operating in the City of Karratha.

The proposed design of the hotel retains the existing grassed area on Sharpe Avenue.

(c) The expected financial effect on the local government.

The financial projections of the project are detailed in Items 5 and 6 of this Business Plan.

In addition to repaying the City's fit out contribution in full, the Hotel would provide rent based on a 3.5% yield, which is 1% above average current term deposit rates. In addition, the Hotel will pay approximately \$8.8M in rates over the term of the lease.

It is expected that lease payment would be reinvested in the Infrastructure Reserve for further capital projects, however Council could choose to include some or all of the return as operating income, thereby offering an alternative source of income to rates.

(d) The expected effect on matters referred to in the local government's current plan prepared under Section 5.56 of the Local Government Act (Plan for the Future)

This proposal has very clear Linkages to the City of Karratha's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021.

In particular, the following extract relate to this matter:

*Our Vision: Australia's Most Liveable Regional City.
Theme 2: Our Economy - Well Managed and Diversified
Our Goal: To attract diverse and sustainable businesses and employment
Our Outcomes: Good infrastructure to support business investment
Our Response: Public private partnerships are in place for the development of key infrastructure*

(e) The ability of the local government to manage the undertaking or the performance of the transaction;

As the transaction is a property purchase and subsequent disposition by lease, the City has sufficient experience and skills in-house to manage the transaction.

(F&G Reg 10) Joint venturer details

(b)(i) the identity of each joint venturer other than the local government.

WESTERN AUSTRALIAN LAND AUTHORITY (trading as LandCorp)
ABN: 34 868 192 835
Address:
Level 6, 40 The Esplanade
Perth, Western Australia

PACIFICA DEVELOPMENTS PTY LTD
ACN: 154 388 860
Address:
PO Box 2546
New Farm, QLD 4005

(b) (ii) the ownership of, and any other interests in, property that is involved in, or acquired in the course of, the joint venture.

The proposed Major Land Transaction involves the City acquiring from LandCorp Freehold Lot 7078 on Deposited Plan 401615 being the whole of the land in Certificate of Title Volume 2831 Folio 953 comprising The Quarter Hotel site; Strata Lot 47 on Strata Plan 67914 within Lot 7079 on Deposited Plan 401615 comprising 101 car bays; located on Sharpe Avenue, Karratha, Western Australia. This land is proposed to be acquired from LandCorp at a nominal price reflecting the valuation of the property for development of a 4-star, four storey, 100 room hotel.

Part of the land would then be leased to Pacifica Developments Pty Ltd for the purpose of developing and operating a 100 room four-star hotel. Neither the City nor LandCorp would have any role in the operation of the Hotel.

(b) (iii) Any benefit to which a joint venturer other than the local government may become entitled under or as a result of the joint venture;

There is no joint venture relationship associated with the transaction.

(b) (iv) Anything to which the local government may become liable under or as a result of the joint venture.

Once complete, the City would own an asset in the form of land. While it is anticipated that this asset will generate a return to Council, in the form of lease payments, there are no operational costs attributable to the City from the development and operation of the Hotel.

9. Risk Analysis

A risk analysis for the proposal has been undertaken. The analysis has been undertaken using the risk matrix approach. A total of seven (7) potential risks have been identified with three (3) risks rated as low risk, three (3) risks rated as moderate risk and one (1) risk rated high. No extreme risks have been identified. Mitigation strategies for all identified risks have been listed.

The tables below indicate the rating scales that were used in the risk analysis.

RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5

RISK ACCEPTANCE CRITERIA

LEVEL OF RISK	DESCRIPTOR	DESCRIPTION	CRITERIA FOR RISK ACCEPTANCE	RESPONSIBILITY
1 – 4	LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring.	Operational Manager
5 – 9	MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring.	Operational Manager
10 – 16	HIGH	Urgent Attention Required	Management attention is required. Risk treatment plan is required to reduce risk exposure to an acceptable level. Regular reporting is required.	CEO / Director
17 - 25	EXTREME	Unacceptable	Urgent and active management required. Risk treatment plan must be implemented immediately to reduce risk exposure to an acceptable level. Regular reporting required.	CEO

PROJECT RISK MATRIX

Item	Likelihood	Consequence	Rating	Mitigation Strategies
Financial Risks				
Term deposit interest rates exceed the 3.5% rate of return for the lease, thereby reducing the direct financial return on investment.	3	4	12	Long term forecasts indicate that interest rates are likely to remain low. The investment provides other significant financial and non-financial benefits (rates, marketing, economic development, tourism, local employment, etc).
The City cannot recover its fit out contribution from the Hotel Operator.	3	3	9	The MOU between the City and Pacifica provides that if the lease is determined prior to expiry, ownership of the development would revert to the City (i.e. the City would own a \$20M hotel for a \$10M investment).
Investment in this project means that other Community projects cannot proceed.	2	3	6	The purchase will not proceed if it was determined that project funding negatively impacted on Council's ability to fund it's 10 year Long Term Capital Works programs.
Development costs exceed budget.	3	1	3	The City fit out contribution would be capped at \$10M.
Operational Risks				
Developer has cash flow issues during construction.	2	2	4	<ul style="list-style-type: none"> • The City's fit out contribution would only be made when all other funds contributions are spent. • If, owing to default, the lease is determined prior to expiry, ownership of the Development would revert to the City. • Options for insurance and bank guarantee are being explored.
Hotel does not generate predicted returns.	2	1	2	<ul style="list-style-type: none"> • Financial modelling indicates that Hotel will be profitable • The City is not an equity partner and therefore not dependent on profitability of the Hotel.
Other Risks				
Reputational issues: Lack of community support identified through public consultation regarding the Business Plan.	3	3	9	Council can consider whether to proceed with the project or not after feedback on the draft business plan.

10. Summary

The development of a four-star Hotel at The Quarter is consistent with Council's Strategic and long term land use plans. Given the City's healthy balance sheet, the strategic value of the development and potential for economic and community return, there is value in in the City seeking community feedback regarding the Business Plan for this development.

Attachment 1: Memorandum of Understanding between the City and Pacifica



MEMORANDUM OF UNDERSTANDING

CITY OF KARRATHA AND PACIFICA DEVELOPMENTS PTY LTD

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Parties

City of Karratha

of PO Box 219, Karratha, Western Australia (**City**)

Pacifica Developments Pty Ltd (ACN 154 388 860)

of PO Box 2546, New Farm, Queensland 4005 (**Pacifica**)

Recitals

- a) LandCorp is the registered proprietor of Lot 7078 Sharpe Avenue, Karratha.
- b) The City is negotiating with LandCorp to execute an option to buy Lot 7078 Sharpe Avenue, Karratha.
- c) The City wishes to lease The Quarter Hotel Site to Pacifica for the purpose of developing and operating The Quarter Hotel.
- d) This Memorandum outlines the understanding of the Parties in relation to the proposed lease and development of The Quarter Hotel.

Terms

1. Definitions and Interpretation

1.1 Definitions

Commencement Date means the commencement date of the Lease;

Conditions Precedent means the conditions specified in clause 3;

Conditions Precedent Satisfaction Date means 30 June 2018;

Construction Period means the period from issuance of the Building Permit until Practical Completion;

Development means the construction of The Quarter Hotel on the Hotel Site;

Development Completion Date means 14 months from the Conditions Precedent Satisfaction Date;

Fit Out Contribution means the sum described in Item 2 of the Schedule;

Hotel Car Parking means 125 car bays within Strata Lot 47 on Strata Plan 67914;

Hotel Operator means the Mantra Group or such other operator as agreed by the City and Pacifica;

Hotel Site means part Lot 7078 Sharpe Avenue, Karratha as set out in Item 1 of the Schedule;

Lease means a lease of The Quarter Hotel Site within Lot 7079 on Deposited Plan 401615, exclusive use of 125 car bays within Strata Lot 47 on Strata Plan 67914 and common use of the public realm within Strata Plan 67914 to Pacifica on the terms and conditions set out in Item 1 of the Schedule and such other terms and conditions as agreed by the Parties;

Memorandum means this Memorandum of Understanding;

Practical Completion means the date of practical completion of the Development;

Preliminary Plans means the plans set out in Item 3 of the Schedule;

Term means the term of the Lease;

The Quarter comprises The Quarter HQ, The Quarter Apartments, The Quarter Hotel and the car park located on lots 7080, 7079, 7081 and 7078;

The Quarter Hotel means at least a four star graded hotel development (to be graded and maintained to this standard according to the STAR rating system operated by the Australian Tourism Industry Council) for short term accommodation, food and beverage, tourism and hospitality to be constructed on the Hotel Site.

1.2 Interpretation

In this Memorandum, unless expressed to the contrary:

- a) words importing:
 - i) the singular includes the plural;
 - ii) the plural includes the singular; and
 - iii) any gender includes each gender;
- b) a reference to:
 - i) a professional body includes a successor to or substitute for that body;
 - ii) a party includes its legal personal representatives, successors and assigns and if a party comprises two or more persons, the legal personal representatives, successors and assigns of each of those persons;
 - iii) a statute, includes an ordinance, code, regulation, award, town planning scheme, regulation, local law, requisition, order or other statutory instrument made under it and a reference to any of them, whether or not by name, includes any amendments to, re-enactments of or replacements of any of them from time to time in force;
 - iv) a right includes a benefit, remedy, discretion, authority or power;
 - v) an obligation includes a warranty or representation and a reference to a failure to observe or perform an obligation includes a breach of warranty or representation;
 - vi) this Memorandum or provisions of this Memorandum or any other deed, agreement, instrument or contract includes a reference to:
 - A. both express and implied provisions; and
 - B. that other deed, agreement, instrument or contract as varied, supplemented, replaced or amended;
 - ix) writing includes any mode of representing or reproducing words in tangible and permanently visible form and includes facsimile transmissions;
 - x) anything (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them; and
 - xi) a subparagraph, paragraph, subclause, clause, Item, Schedule or Annexure is a reference to, respectively, a subparagraph, paragraph, subclause, clause, Item, Schedule or Annexure of this Memorandum.
- c) Except in the Schedule, headings do not affect the interpretation of this Agreement.

2. Expression of in-principle support

The parties acknowledge it is their mutual intention in entering into this Memorandum, to explore opportunities for the development and operation of The Quarter Hotel on the Hotel Site, consistent with the City's long term strategy to stimulate tourism, employment and economic growth in the district.

3. Conditions Precedent

3.1 Conditions Precedent

The parties acknowledge and agree that the Lease of Hotel Site to Pacifica is conditional upon:

- a) the transfer of Lot 7078 and Strata Lot 47 on Strata Plan 67914 to the City in freehold;
- b) the City preparing a business plan for the proposed lease and development of the Hotel Site, giving Statewide public notice of the business plan, considering any submissions in response to the business plan and the Council of the City resolving to proceed with the proposed lease and development of the Hotel Site in accordance with section 3.59 of the *Local Government Act 1995*;
- c) the City giving local public notice of the Lease, considering any submissions in response to that notice and the City resolving to proceed with the Lease in accordance with section 3.58 *Local Government Act 1995*;
- d) Pacifica obtaining development approval for the Development;
- e) Pacifica obtaining a building permit for the Development; and
- f) execution of the Lease by the parties.

3.2 Satisfaction of Conditions Precedent

The parties will use their best endeavours to satisfy the Conditions Precedent by the Conditions Precedent Satisfaction Date.

3.3 If Conditions Precedent Unsatisfied

- 1) If the Conditions Precedent will not be satisfied by the Conditions Precedent Satisfaction Date, then the parties will meet as soon as reasonably practicable prior to the expiration of such time limit to consider agreeing on a new date for satisfying any remaining Conditions Precedent.
- 2) If the Conditions Precedent are not satisfied by the Conditions Precedent Satisfaction Date or within any agreed extended time period, then either party may terminate this Memorandum by giving at least 14 days written notice to that effect to the other party.

4. City's obligations

4.1 Grant of Lease

Subject to:

- a) satisfaction of the Conditions Precedent; and
- b) the terms and conditions of this Memorandum,

the City will grant the Lease of the Hotel Site and Hotel Car Parking to Pacifica.

4.2 Payment of Fit Out Contribution

On the Commencement Date, the City shall commence payment of the Fit Out Contribution to Pacifica by instalments as specified in the Lease.

5. Pacifica's Obligations

5.1 Preparation of Development Plans

- 1) Prior to commencement of the Development, Pacifica must prepare and obtain the City's written consent to detailed building plans for the Development and any specifications (**Agreed Development Plans**).
- 2) The Agreed Development Plans must be in accordance with the requirements of the law, include a list of the materials, colour list, colour selections and a Hotel Site Plan.
- 3) The City shall not unreasonably delay or withhold its approval of the Agreed Development Plans.
- 4) It is acknowledged that part of the Development could be staged. The Quarter Hotel will provide food and beverage facilities. It may be possible to add extra rooms, further food and beverage offerings and some retail in a second stage.

5.2 Obtain statutory approvals

- 1) Pacifica covenants and agrees to obtain at its expense all necessary statutory approvals for the Development prior to commencing construction.
- 2) Without limiting the generality of subclause (1), Pacifica must prior to the commencement of works on the Hotel Site in relation to the Development:
 - a) apply for and secure development approval for the Development that is consistent with the Agreed Development Plans (Development Approval); and
 - b) apply for and secure a building permit for the Development that is consistent with the Agreed Development Plans (Building Permit).

5.3 Construction of Development

- 1) Pacifica must construct the Development by the Development Completion Date or such other date agreed by the parties.
- 2) Subject to **clause 4.2** and any further agreement between the Parties, Pacifica shall construct the Development at its sole cost and expense.

5.4 Standard of construction

- 1) Pacifica must in carrying out the Development use materials and standards of workmanship that comply with the requirements of the Agreed Development Plans, the Development Approval, the Building Permit and any applicable Australian Standard.
- 2) The Development must be of high standard, use high quality materials, contain high quality finishes and be constructed in a manner sympathetic to other developments at The Quarter.

5.5 Further terms in relation to construction

- 1) Except as otherwise expressly provided in this Memorandum, Pacifica accepts all risks associated with the Development, including:
 - a) all risks associated with the costs of financing, designing, constructing and maintaining, without any right of reimbursement or refund from the City; and
 - b) the risk that any Authority may exercise their statutory functions and powers in such a way as to disrupt, interfere with or otherwise affect the Development, including by imposing conditions on approvals.
- 2) Further terms and conditions for construction of the Development will be specified in the Lease or other form of agreement agreed by the Parties.

5.6 Operation of The Quarter Hotel

- 1) Pacifica must operate and maintain The Quarter Hotel on terms to be further detailed in the Lease.
- 2) Pacifica will be solely responsible for maintenance of The Quarter Hotel including maintenance of fair wear and tear and structural maintenance on terms to be specified in more detail in the Lease.
- 3) To facilitate the operation and maintenance of The Quarter Hotel, Pacifica will enter into a management agreement with the Hotel Operator which provides for the Hotel Operator to manage The Quarter Hotel on commercial terms.

6. No fetter of statutory discretion

Pacifica acknowledges and agrees:

- a) the City is a local government established by the *Local Government Act 1995* (WA);
- b) the City is obliged to comply with statutory obligations in its capacity as a local government;

-
- c) no provision of this Memorandum may unlawfully restrict or otherwise fetter the discretion of the City in the lawful exercise of any of its functions and powers as a local government;
 - d) the City will not be taken to be in default under this Memorandum by performing any statutory obligation or exercising any statutory discretion, nor shall any provision of this Memorandum fetter the City in performing its statutory obligations or exercising any discretion under any law, including but not limited to its discretion to grant or withhold planning approval to the proposed Development under the *Planning and Development Act 2005*; and
 - e) this clause will not serve to relieve the City from responsibility for performance of its obligations arising pursuant to this Memorandum, except to the extent necessary to avoid any unlawful restriction or fetter of the City's discretion.

7. Further assurance

Each party shall promptly execute all documents and do all things that any other party from time to time reasonably requires of it to effect, perfect or complete under the provisions of this Memorandum and any transaction contemplated by it.

8. Variation of Memorandum

This Memorandum can be modified, amended or varied only by a document in writing signed by or on behalf of each of the Parties.

9. Severability

If any provision of this Memorandum is void or unenforceable, that provision is void and unenforceable only to the extent of that voidness or unenforceability, without invalidating the remaining provisions which will remain in full force and effect.

10. Laws of Western Australia apply

This Memorandum is to be construed and interpreted in accordance with the laws of the State of Western Australia and the parties agree to submit to the jurisdiction of the courts of that State and of courts competent to hear appeals from those courts.

Schedule

Item 1 Lease

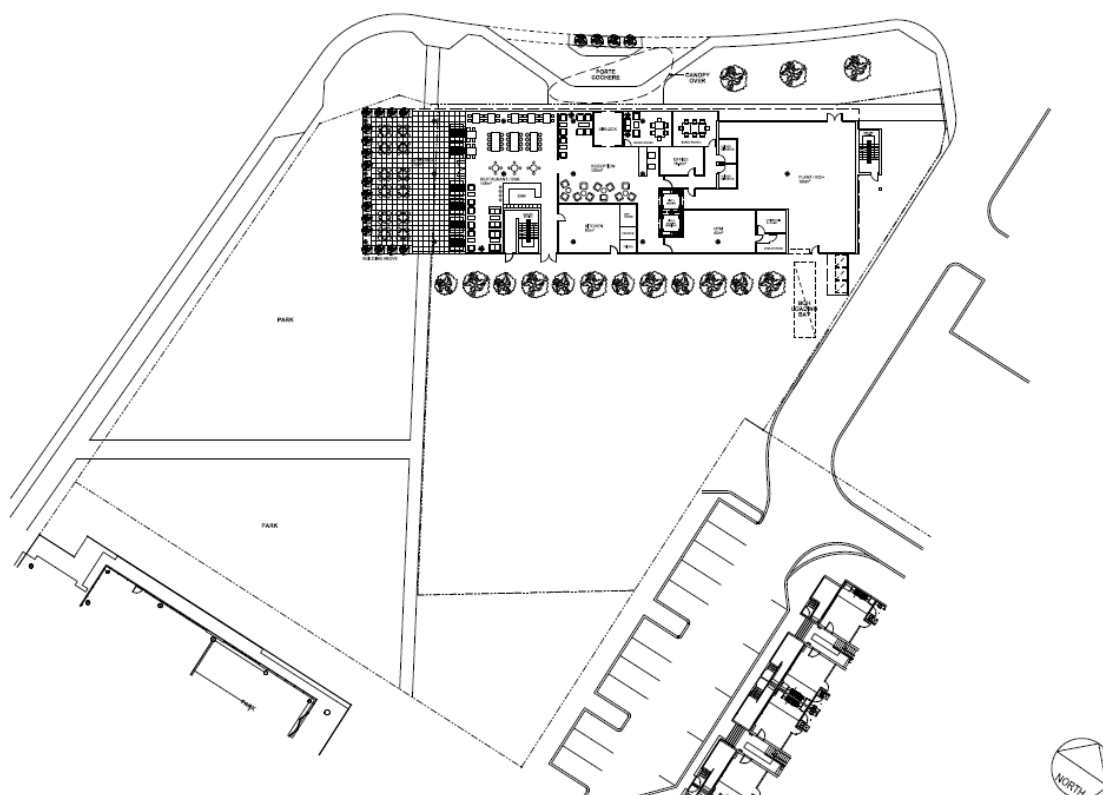
Term:	The period from the Commencement Date to Practical Completion plus 30 years
Rent:	Principal plus 3.5% yield - Post payment of Fit Out Contribution the Rent Yield is capitalised into the outstanding balance until payments commence at the start of the 4 th year post Practical Completion.
Permitted Use:	Hotel and associated facilities
Rates:	Payable by Pacifica from Commencement Date
Maintenance:	Pacifica solely responsible. The City has no maintenance responsibilities.
Ownership of Development:	If the Lease is determined prior to expiry of the Term or expires by natural effluxion of time, ownership of the Development shall revert to the City as registered proprietor of the Hotel Site.
Option to Purchase:	The Lease shall incorporate an option to purchase the Hotel Site for the same purchase price paid by the City to LandCorp. The option shall only be exercisable after the outstanding balance owed to the City is paid in full.

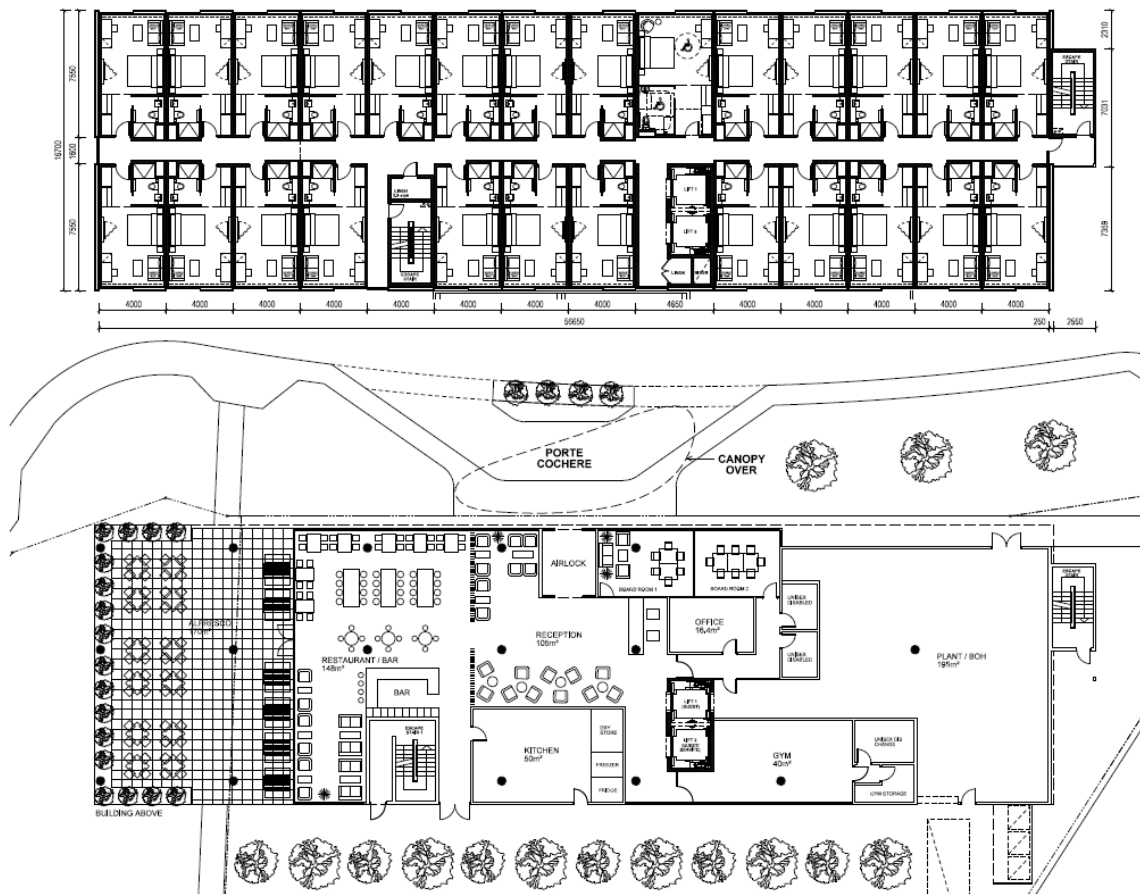


Item 2 Fit Out Contribution

Up to \$10 million payable by instalments for the duration of the Construction Period as agreed by the parties and specified in the Lease.

Item 3 Preliminary Plans





Signing page

EXECUTED by the Parties on

20th December 2017.

EXECUTED by PACIFICA DEVELOPMENTS
PTY LTD (ACN 154 388 860) pursuant to
Section 127 of the Corporations Act:



Signature

Russell McCart
Name



Witness Signature

John ZENDER
Witness Name

EXECUTED on behalf of the CITY OF
KARRATHA in the presence of:



Signature

CHRIS ADAMS
Name



Witness Signature

TISHKA HANLON
Witness Name

Attachment 2: LandCorp Request for Proposal



THE QUARTER

REQUEST FOR PROPOSAL

KARRATHA, THE QUARTER – HOTEL Lot 7078 Sharpe Avenue

Submissions close 2.00pm WST Friday 23 October 2015

Contract Number: RFP No.2015/01



Artist impression for illustrative purposes only.



LANDCORP

REFER ENQUIRIES TO:

Name Oscar Westerlund
Email Oscar.westerlund@cbre.com.au
Mobile 0408 668 856

SUBMISSION AND LODGEMENT DETAILS

Tender Manager

Name and title Katie Andrews
Address for correspondence by post Level 6, 40 The Esplanade
Email katie.andrews@landcorp.com.au
Telephone (08) 9482 7831

LODGEMENT OF TENDERS

Tender Closing Closing Date: Friday 23 October 2015
Closing Time: 2.00pm (WST)

Submission Requirements Three (3) hard copies and an electronic copy must be submitted via the electronic Tenderlink tender box, located at:
<https://www.tenderlink.com/landcorpau/>

Respondents will receive a Successful Submission Receipt timed and dated upon completion. Should assistance be required please use the online manual on the portal under Support/Online Manuals/ Making a Submission or contact Tenderlink Customer Support on 1800 233 533. Any brochures or technical data sheets must be provided in Adobe Portable Document File (PDF) format.

IMPORTANT: Please ensure ALL files are uploaded to the Electronic Tenders Box PRIOR to the tender closing time and date. As a guide, Respondents should begin file transfer at least 1 hour prior to the closing time as file transfers still in progress at the closing time (e.g. 2pm) may not be accepted. The Electronic Tender Box closes automatically at the closing time.

Hard copies are to be delivered to:
Karratha Quarter RFP
LandCorp
6th Floor,
40 The Esplanade
PERTH WA 6000

Queries or Questions: Contact: Oscar Westerlund
Mobile: 0408 668 856

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Artist impression for illustrative purposes only.

PART A – THE OPPORTUNITY

1. INTRODUCTION

LandCorp is seeking, via a Request for Proposal (RFP), an appropriately qualified and experienced developer (“proponent”) to acquire Lot 7078 (“the site”), and to develop and operate a minimum 4 Star hotel within The Quarter development, Karratha.

The intent of the RFP process is to enable the negotiation of a formal contract to provide for the development and transfer of the site on a freehold basis to a successful proponent based on criteria outlined later in this document. The contract of sale will include a car parking purchase contract, which provides for the exclusive use of 125 parking bays within the car park adjacent to the site.

The process will require interested parties to submit proposals for the purchase and subsequent development of the subject land, and to demonstrate the achievement of the development objectives. Development objectives, physical details of the site, the RFP process and submission requirements are further outlined within this document.

2. LOCATION AND CONTEXT

2.1 The Quarter

With the support of the State Government through Royalties for Regions funding, LandCorp is set to deliver a new city centre precinct that will redefine Karratha as a major regional city. The precinct – branded ‘The Quarter’ – will be the centrepiece of this transformation. It will provide a significant boost to the overall level of amenity in Karratha, aiming at becoming the primary meeting place for social, business, recreational and community activities. The area will host events, accommodate a broad mix of uses and will be activated from early morning to late at night.

The first stage of construction has commenced and is due for completion mid-2016. Included in stage one is a four storey commercial/retail building, a decked car park, Public Square and 46 service worker apartments. A leasing campaign began in February this year for the commercial/retail building, and to date 40% of the building is leased.



Artist impression for illustrative purposes only.



The Quarter Staging Plan

2.2 Site Details

The site is located in the heart of the Karratha town centre bounded by Sharpe Avenue, Karratha Terrace and Warambie Road, and located adjacent to the Karratha City Shopping Centre.



The Quarter Location Plan

3. PROJECT OBJECTIVES

The over-arching objectives of the project are:

Primary Use

LandCorp is seeking a quality hotel developer and operator with experience in developing and managing similar facilities in Australia or internationally. It is LandCorp's primary objective to seek a hotel use on this site, and hotel submissions will be considered first. If however a suitable hotel proposal is not received alternate uses for this site will be considered.

Hotel Design

The site is located in the heart of the Karratha town centre with frontage to the City's main street, Sharpe Avenue, the Pelago development, main shopping centre and the new town-centre square. It is therefore imperative that the project delivers amenity and continues the benchmark in quality set by the surrounding buildings within The Quarter.

Targeted design outcomes include:

- A design which adequately addresses the two main street frontages and the adjacent commercial building, town square and apartments.
- A development which achieves a high quality of architectural and urban design.
- A design which preferably achieves a minimum 4 Star rating, and can accommodate ~100 rooms.
- A design that demonstrates permeability and activity at ground level
- Food and beverage facilities and business facilities should be included in the design for hotel guests and business groups, as well as the general public.



4. INDICATIVE PROGRAM

The indicative program for this RFP process is outlined below:

RFP Released – Friday 18 September 2015

RFP Closing Date – 2pm WST Friday 23 October 2015

Preferred proponent(s) announced –
Mid December 2015

5. ONGOING RELATIONSHIP AND APPROVALS

LandCorp seeks to work with the successful proponent to ensure that a high quality development is delivered. LandCorp may negotiate with the preferred proponent to make modifications to the proposal to achieve the desired outcome. To ensure consistency between the initial proposal and the final product, the development application and building plans must be submitted to LandCorp for approval prior to them being lodged with the City of Karratha.

6. ENQUIRIES AND CLARIFICATIONS

6.1 General Enquiries

All general enquiries in relation to this RFP should be directed to Oscar Westerlund by e-mail. Answers which assist any proponent with the content of their submission, will be provided (together with the question) to all other proponents, unless the enquiry is declared at the time of submission as being a commercial-in-confidence item. If LandCorp is in agreement that the query is of a commercial-in-confidence nature, the response will be issued to the proponent only. If LandCorp does not agree that the query is of a commercial-in-confidence nature, the proponent will be offered the choice to withdraw the query or have the query and response communicated to all interested parties

Prior to any answer being released a probity check will occur and therefore the answer may take up to three working days to provide. Every endeavour will be made to provide answers as quickly as possible. Enquiries and/or questions received later than 5 working days before the closing date may not be answered.

Proponents must not attempt to contact any other LandCorp representative regarding this RFP. Enquiries and/or questions received within five (5) business days before the closing date may not be answered.

Contact details are:

Oscar Westerlund

M: 0408 668 856

E: Oscar.westerlund@cbre.com.au

6.2 Probity

Mr Kevin Donnelly from Stanton's International has been appointed to provide probity oversight of the RFP process. His role will include, but not be restricted to:

- Participation in the development and review of the procurement documentation,
- Development of the evaluation plan and attendance at evaluation panel meetings,
- Monitoring of clarification questions and requests for additional information,
- Management of ad-hoc enquiries from proponents relating to the conduct of the process;
- Attendance at any briefings or presentations that may be conducted during the overall process, and
- Advising the LandCorp Board and government on the fair and equitable conduct of the evaluation process.

Kevin Donnelly should be contacted if a question arises as to process or probity. Contact may be made with Mr Donnelly on a confidential basis if required.

Contact details are:

Kevin Donnelly

Principal

Stantons International

Level 2, 1 Walker Avenue, West Perth,
Western Australia

P: 08 9481 3188

E: kdonnelly@stantons.com.au

PART B – SITE AND PLANNING REQUIREMENTS

1. SITE DETAILS

Street Address:	22 Sharpe Avenue, Karratha
Lot Area:	4,402m ²
Land description:	Lot 7078 on Deposited Plan 401615 (Refer Appendix A)
Land tenure:	Freehold- Certificate of Title Volume No. 2831, Folio 954 (Refer Appendix B)

2. PLANNING CONTEXT

The development is required to be consistent (and comply) with all State and Local Planning Schemes and Policies. The site is zoned 'City Centre' under the City of Karratha Town Planning Scheme No. 8.

The site is part of The Quarter's Masterplan, which received Development Application approval on 27 March 2013. Stage one is being constructed under this approval, however as it has now expired the successful proponent will be required to obtain a new Development Application approval for this development.

2.1 Parking

The exclusive use of 125 parking bays in the adjacent lot within The Quarter's Masterplan is included in this RFP offer. Additional bays may need to be secured off site or contained within Lot 7078 if a larger hotel or mixed use development is proposed.

2.2 Engineering

Lot 7078 has been cleared and remediated, and connections to water, sewer, power and NBN have been provided. The lot is provided on a where-is-as-is- basis. Proponents should make their own enquiries with regards to servicing considerations.



PART C – EVALUATION

1. EVALUATION CRITERIA

Submissions will be assessed by the assessment panel using the following Criteria. Proponents are required to address each of the Criteria either by submitting concept plans and / or in written form.

A. Compliance and Disclosure Requirements

Heads of Terms

The Proponent must confirm whether it will comply with the Heads of Terms, as noted in Annexure B. If the Respondent will not comply with any clause of the Heads of Terms, the Proponent must set out:

- a. The clause it will not comply with;
- b. The extent of non-compliance – including the alternative clause, if any, or a description of any changes it requires to the Heads of Terms; and
- c. The reason for non-compliance.

B. Weighted Criteria

Capacity to Deliver and Operate a Hotel (Weighting 30%)

- Evidence that the respondent has a clear understanding of the hotel market within the Pilbara Region of Western Australia.
- Demonstrated performance in developing and operating similar developments.
- Demonstrated experience and understanding of building within regional Western Australia.
- The involvement of a well credentialed operator will be a primary requirement of the development.
- Outline of the approach to ensuring the long term sustainability of the proposed development.

Financial Capacity and Access to Funding to Deliver the Project (Weighting 30%)

- Details of the financial capacity of the proponent to deliver the project must be provided.
- Evidence of access to equity and/or debt funding to facilitate the purchase and development of this project.

Design (Weighting 30%)

Proponents should provide schematic or conceptual design drawings that address the following:

- Overall site plan outlining principles for built form approach, site and context, including; surrounding

street connection and relationship (egress and exits – pedestrians and vehicular), identification of service areas including refuse, identification of spatial relationships and spatial quality, use-type location and extent, active frontages and legibility in planning.

- Schematic or conceptual elevation and sections showing height and vertical massing, along with some typical sections.
- The proposed design detail should specify the approximate number of rooms/dwellings/ retail/commercial spaces to be constructed in the development.

Offer (Weighting 10%)

- Value of cash offer.
- Any conditions on the offer.
- Contribution to public amenity (e.g. public art, landscaping).

2. SELECTION AND NOTIFICATION

Proposals will be assessed by a panel consisting of representatives from the City of Karratha, Tourism WA and LandCorp. At the conclusion of the assessment process all proponents will be notified in writing of the outcome.

Notwithstanding a proponent being advised of their success in being selected, this selection in no way obligates LandCorp to proceed in entering into a form of agreement. The finalisation of such agreement will be the subject of further discussion and negotiation and may require amendments to the development proposal.

3. SUBMISSION CHECKLIST

The following attached forms and items are to be provided with the RFP submission:

- Company Details and Authority signatory – **Annexure A**
- Signed and dated copy of Heads of Terms – **Annexure B**
- A document (concept plan and / or written) addressing each of the evaluation criteria.
- A summary of any other matters that LandCorp should be aware of in assessing the capacity of the partners, including for each entity current and/or future projects that have any associated resourcing commitments.

PART D - FURTHER INFORMATION FOR PROPONENTS

1. CONFIDENTIALITY

Subject to the provisions of relevant legislation, confidential technical and financial detail received from Proponents will be treated in confidence.

Proponents should recognise information which one Proponent submitted in confidence, may also be submitted in confidence by other Proponents.

A Proponent should clearly indicate if any part of its proposal constitutes intellectual property or information which it claims is confidential. Global claims of confidentiality over entire submissions from Proponents will be disregarded. Confidential information will be kept confidential, but LandCorp reserves the right to determine if a claim of confidentiality is justified. LandCorp will respect Proponents' intellectual property rights but LandCorp may require a Proponent to substantiate any claim of intellectual property.

2. DISCLAIMER

No legal or other obligations will arise between a proponent and LandCorp unless or until a contract has been executed by LandCorp. In this regard, LandCorp is not obliged to proceed with any submission. LandCorp may elect not to proceed with the RFP process.

LandCorp reserves the right to amend the process set out in this RFP by notice in writing to all proponents who have not withdrawn.

This document does not constitute an offer to sell all or any part of the Land.

Costs and expenses incurred by Proponents or in any way associated with the preparation and submission of their RFP submission (including any Offer submitted) will be entirely borne by the Proponents.

Proponents must rely on their own investigations and satisfy themselves in relation to all aspects of their Offer. LandCorp and its employees, officers, consultants and advisers give no warranty as to the accuracy of information provided. To the maximum extent permitted by law, LandCorp and its employees, officers, consultants and advisers exclude all liability for any incorrect or misleading information or failure to disclose information whether in connection with this document or any document attached or related to it. This document or any document attached or related to it may be subject to review or change at any time without notice.

Subject to relevant legislation, matters raised and that are agreed by LandCorp and/or the Probity Advisors to be confidential will be treated as confidential. However, LandCorp reserves the right to determine if any written questions or response to such questions will be made available to other Proponents.

In the event of a claimed confidential enquiry, Proponents will be advised by LandCorp if its intention to distribute general enquiries and response, thereby enabling proponents to withdraw any enquiries.

LandCorp (and its respective employees, officers, consultants and professional advisers) is not liable for any information provided or failure to disclose information whether in connection with this document or any document attached or related to this document.



APPENDIX 1 | 22

PRELIMINARY ONLY UNDOGGED VERSION
SUBJECT TO LANDGATE AUDIT!

This ident is
-Current as of 26.6.2014
-Subject to change without notice
-Not intended for design use. © LANDGATE CERTIFIED
CORRECT copy should be obtained for such purposes.

[illegible]

SHEET 1 OF 1
(PLUS SURVEY SHEET(S))

LOTS 7078-7081 &
ROADS (LOTS 562 & 563)

(SAM 486)

~~Licensed Surveyor~~

1000



DEPOSITED PLAN

401615

SHEET 1 OF 1
(PLUS SURVEY SHEET(S))

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TIP Check: 6/08/2014 7:04:43 AM

Retrieved: 6/08/2014 7:04 AM Page: 1

98C

WESTERN



AUSTRALIA

REGISTER NUMBER	
7078/DP401615	
DUPLICATE EDITION	DATE DUPLICATE ISSUED
1	5/8/2014

RECORD OF CERTIFICATE OF TITLE UNDER THE TRANSFER OF LAND ACT 1893

VOLUME
2831

FOLIO
953

The person described in the first schedule is the registered proprietor of an estate in fee simple in the land described below subject to the reservations, conditions and depth limit contained in the original grant (if a grant issued) and to the limitations, interests, encumbrances and notifications shown in the second schedule.

REGISTRAR OF TITLES



LAND DESCRIPTION:

LOT 7078 ON DEPOSITED PLAN 401615

REGISTERED PROPRIETOR: (FIRST SCHEDULE)

WESTERN AUSTRALIAN LAND AUTHORITY OF LEVEL 6, WESFARMERS HOUSE, 40 THE ESPLANADE, PERTH
(TF M721492) REGISTERED 30 JULY 2014

LIMITATIONS, INTERESTS, ENCUMBRANCES AND NOTIFICATIONS: (SECOND SCHEDULE)

Warning: A current search of the sketch of the land should be obtained where detail of position, dimensions or area of the lot is required.
* Any entries preceded by an asterisk may not appear on the current edition of the duplicate certificate of title.
Lot as described in the land description may be a lot or location.

-----END OF CERTIFICATE OF TITLE-----

STATEMENTS:

The statements set out below are not intended to be nor should they be relied on as substitutes for inspection of the land and the relevant documents or for local government, legal, surveying or other professional advice.

SKETCH OF LAND: DP401615.
PREVIOUS TITLE: LR3120-829.
PROPERTY STREET ADDRESS: NO STREET ADDRESS INFORMATION AVAILABLE.
LOCAL GOVERNMENT AREA: CITY OF KARRATHA.
RESPONSIBLE AGENCY: WESTERN AUSTRALIAN LAND AUTHORITY.



THE QUARTER

WESTERN AUSTRALIAN LAND AUTHORITY

Level 6 Wesfarmers House,
40 The Esplanade Perth,
Western Australia 6000
T (08) 9482 7499
F (08) 9481 0861
landcorp.com.au

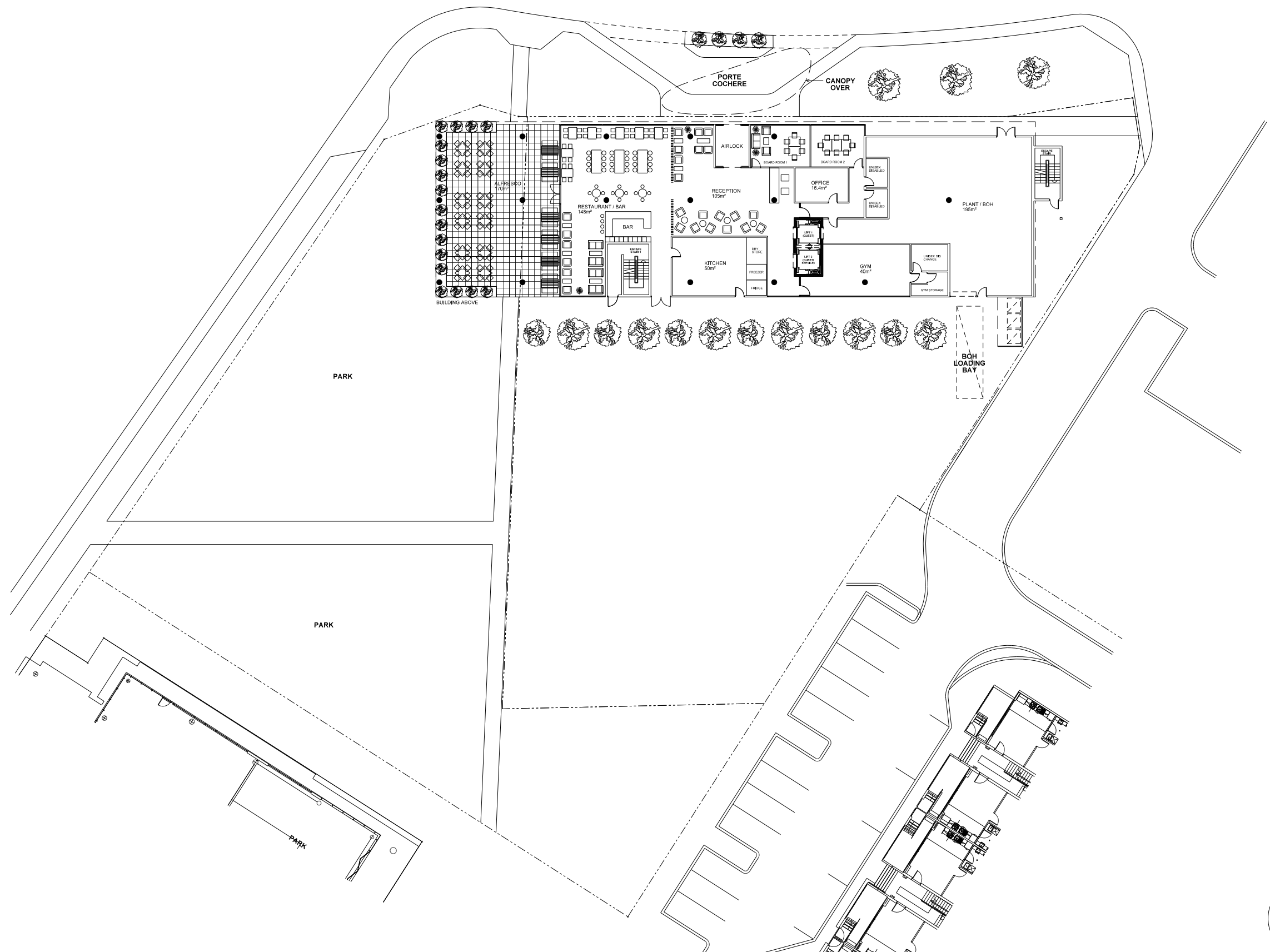
Disclaimer: This Request for Proposal is published by LandCorp to provide information on The Quarter Hotel. The information contained in this document is in good faith, however neither LandCorp nor any of its directors, agents or employees give any warranty of accuracy nor accepts any liability as a result of a reliance upon the information, advice, statements or opinion contained in this document. This disclaimer is subject to any contrary legislative provisions. © 2015 LandCorp. LAND5419



LANDCORP

Attachment 3: Preliminary Plans

REVISION		
No.	DATE	REVISION



NOTES:

1. DO NOT SCALE FROM DRAWINGS. WRITTEN DIMENSIONS GOVERN
2. ALL DIMENSIONS SHALL BE VERIFIED ON SITE BEFORE PROCEEDING WITH WORKS CDG SHALL BE NOTIFIED IN WRITING OF ANY DISCREPANCIES.
3. THIS DRAWING MUST BE READ IN CONJUNCTION WITH ALL RELEVANT CONTRACTS SPECIFICATIONS AND DRAWINGS.

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IN CAMPION DESIGN GROUP

CONCEPT

CAMPION
DESIGN GROUP

65 HAY STREET, SUBIACO
WESTERN AUSTRALIA 6008
www.campiondesign.com.au

tel: + 618 9489 7066
fax: + 618 9489 7060
andrew@campiondesign.com.au

PROJECT

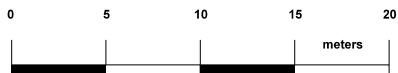
KARRATHA
HOTEL DEVELOPMENT
STAGE 1


DRAWING

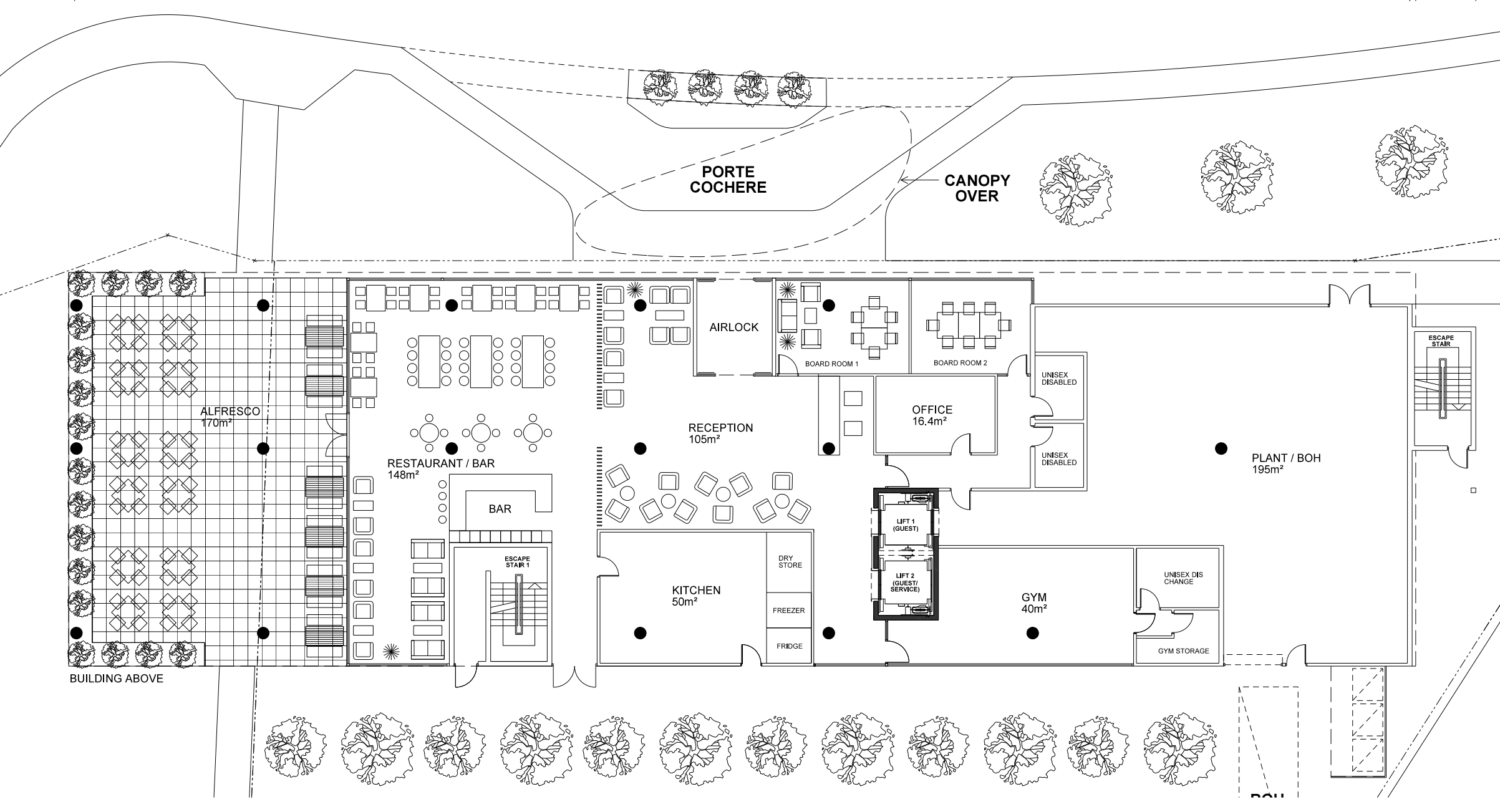
GROUND FLOOR

PLOT DATE \$DATE\$	DRAWN CDG	CHECKED	DESIGNED CDG	DWG No. SK-02	REV
CADD No. \$FILEABBREV\$	DATE	PROJECT No. 1624	SCALE 400 @ A3		

BUILDER MUST CHECK ALL DIMENSIONS ON THE SITE BEFORE COMMENCING ANY WORK
THIS DRAWING IS THE PROPERTY OF CAMPION DESIGN AND IS SUBJECT TO RETURN ON REQUEST



<div style="text-align: center; margin-bottom: 20px;"></div> <div style="margin-bottom: 20px;">NOTES:</div> <div><div>1. DO NOT SCALE FROM DRAWINGS. WRITTEN DIMENSIONS GOVERN</div><div>2. ALL DIMENSIONS SHALL BE VERIFIED ON SITE BEFORE PROCEEDING WITH WORKS. CDG SHALL BE NOTIFIED IN WRITING OF ANY DISCREPANCIES.</div><div>3. THIS DRAWING MUST BE READ IN CONJUNCTION WITH ALL RELEVANT CONTRACTS' SPECIFICATIONS AND DRAWINGS.</div></div> <div>© COPYRIGHT OF THIS DRAWING IS VESTED IN CAMPION DESIGN GROUP</div>																	
<h2 style="margin: 0;">CONCEPT</h2>																	
<div style="font-size: 48px; font-weight: bold; margin: 0;">CAMPION</div> <div style="border-top: 2px solid black; width: 100%; height: 5px; margin: 5px 0;"></div> <div style="font-size: 36px; font-weight: bold; margin: 0;">DESIGN GROUP</div>																	
<div style="display: flex; justify-content: space-between;"><div>65 HAY STREET, SUBIACO WESTERN AUSTRALIA 6008 www.campiondesign.com.au</div><div style="text-align: right;">tel: + 618 9489 7066 fax: + 618 9489 7060 andrew@campiondesign.com.au</div></div>																	
<div style="display: flex; justify-content: space-between;"><div>CLIENT</div><div>PACIFICA</div></div>																	
<div style="display: flex; justify-content: space-between;"><div>PROJECT</div><div>KARRATHA HOTEL DEVELOPMENT STAGE 1</div></div>																	
<div style="display: flex; justify-content: space-between;"><div>DRAWING</div><div>GROUND FLOOR & UPPER FLOORS</div></div>																	
<table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 25%;">PLT DATE SDATES</td><td style="width: 25%;">DRAWN CDG</td><td style="width: 25%;">CHECKED</td><td style="width: 25%;">DESIGNED CDG</td><td style="width: 20%;">DWG NL.</td><td style="width: 20%;">REV</td></tr><tr><td>COORDIN FILEABREVVS</td><td>DATE</td><td>PROJECT NL. 1624</td><td>SCALE 200 @ A3</td><td style="text-align: center; font-size: 24px; font-weight: bold;">SK-02</td><td></td></tr></table>						PLT DATE SDATES	DRAWN CDG	CHECKED	DESIGNED CDG	DWG NL.	REV	COORDIN FILEABREVVS	DATE	PROJECT NL. 1624	SCALE 200 @ A3	SK-02	
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COORDIN FILEABREVVS	DATE	PROJECT NL. 1624	SCALE 200 @ A3	SK-02													
<div style="display: flex; justify-content: space-between;"><div>BUILDER MUST CHECK ALL DIMENSIONS ON THE SITE BEFORE COMMENCING ANY WORK</div><div>THIS DRAWING IS THE PROPERTY OF CAMPION DESIGN AND IS SUBJECT TO RETURN ON REQUEST</div></div>																	



<h1 style="margin: 0;">CONCEPT</h1>					
<h1 style="margin: 0;">CAMPION</h1>					
<h2 style="margin: 0;">DESIGN GROUP</h2>					
5 HAY STREET, SUBIACO PERTH WESTERN AUSTRALIA 6008 www.campiondesign.com.au			tel: + 618 9489 7066 fax: + 618 9489 7060 andrew@campiondesign.com.au		
CLIENT					
<h2 style="margin: 0;">PACIFICA</h2>					
PROJECT					
<h2 style="margin: 0;">KARRATHA</h2> <h3 style="margin: 0;">HOTEL DEVELOPMENT</h3> <h3 style="margin: 0;">STAGE 1</h3>					
DRAWING					
<h2 style="margin: 0;">GROUND FLOOR & UPPER FLOORS</h2>					
DATE NO./N. FILE/REV	DRAWN CDG DATE	CHECKED PROJECT NO. 1624	REVISION CDG SCALE 200 @ A3	DRG. NO. <div style="font-size: 24pt; font-weight: bold;">SK-02</div>	REV

USER MUST CHECK ALL DIMENSIONS ON THE SITE BEFORE COMMENCING ANY WORK
 THIS DRAWING IS THE PROPERTY OF CAMPION DESIGN AND IS SUBJECT TO RETURN ON REQUEST

Attachment 4: Preliminary Financial Forecast

ROOMS DIV STATISTICS			Year 1		Year 2		Year 3		Year 4		Year 5	
Total Available Keys			100		100		100		100		100	
Days In Year			365		365		366		365		365	
Annual Rooms Available			36,500		36,500		36,600		36,500		36,500	
Occupancy			55%		62%		67%		70%		78%	
Annual Rooms Sold			20,075		22,630		24,522		25,550		28,470	
Average Daily Rate			\$170		\$180		\$195		\$203		\$211	
Average Yield (RevPAR)			\$93.50		\$111.60		\$130.65		\$141.96		\$164.51	
Annual Yield \$ Growth					\$18.10		\$19.05		\$11.31		\$22.55	
Annual Yield % Growth					19%		17%		9%		16%	
OPERATING DEPARTMENTS			Year 1		Year 2		Year 3		Year 4		Year 5	
Revenue												
Rooms Revenue			\$3,412,750	62.8%	\$4,073,400	63.3%	\$4,781,790	64.2%	\$5,181,540	64.2%	\$6,004,665	64.2%
F&B Income			\$1,663,723	30.6%	\$1,950,489	30.3%	\$2,198,104	29.5%	\$2,381,861	29.5%	\$2,760,237	29.5%
Other Income			\$180,965	3.3%	\$212,156	3.3%	\$239,090	3.2%	\$259,077	3.2%	\$300,233	3.2%
Total Revenue			\$5,430,229	100.0%	\$6,438,619	100.0%	\$7,447,274	100.0%	\$8,069,854	100.0%	\$9,351,808	100.0%
Operating Department Expenses												
Rooms Servicing Costs			\$1,003,531	29.4%	\$1,115,531	27.4%	\$1,215,494	25.4%	\$1,295,385	25.0%	\$1,439,580	24.0%
F&B Costs			\$1,512,476	90.9%	\$1,661,061	85.2%	\$1,795,342	81.7%	\$1,905,489	80.0%	\$2,094,949	75.9%
Other Income Costs			\$108,579	60.0%	\$127,294	60.0%	\$143,454	60.0%	\$155,446	60.0%	\$170,902	56.9%
Total Expenses			\$2,710,981	49.9%	\$3,005,174	46.7%	\$3,268,435	43.9%	\$3,480,008	43.1%	\$3,841,417	41.1%
Departmental GOP												
Rooms Revenue			\$2,409,219	70.6%	\$2,957,869	72.6%	\$3,566,297	74.6%	\$3,886,155	75.0%	\$4,565,085	76.0%
F&B Income			\$151,248	9.1%	\$289,427	14.8%	\$402,762	18.3%	\$476,372	20.0%	\$665,288	24.1%
Other Income			\$72,386	40.0%	\$84,863	40.0%	\$95,636	40.0%	\$103,631	40.0%	\$129,331	43.1%
Total Gross Income			\$2,719,248	50.1%	\$3,433,446	53.3%	\$4,178,839	56.1%	\$4,589,846	56.9%	\$5,510,391	58.9%
Undistributed Expenses												
Admin & General Costs			\$399,055	7.3%	\$429,259	6.7%	\$459,949	6.2%	\$484,191	6.0%	\$520,824	5.6%
Sales & Marketing Costs			\$419,981	7.7%	\$441,528	6.9%	\$463,695	6.2%	\$484,191	6.0%	\$509,314	5.4%
Marketing Fee			\$68,255	1.3%	\$81,468	1.3%	\$95,636	1.3%	\$103,631	1.3%	\$120,093	1.3%
Repairs & Maintenance Costs			\$341,265	6.3%	\$362,828	5.6%	\$384,852	5.2%	\$403,493	5.0%	\$429,224	4.6%
Utilities			\$349,984	6.4%	\$367,940	5.7%	\$386,413	5.2%	\$403,493	5.0%	\$424,428	4.5%
Total Undistributed Expenses			\$1,578,541	29.1%	\$1,683,021	26.1%	\$1,790,545	24.0%	\$1,878,999	23.3%	\$2,003,883	21.4%
Total Expenses			\$4,289,522	79.0%	\$4,688,195	72.8%	\$5,058,979	67.9%	\$5,359,007	66.4%	\$5,845,300	62.5%
GOP			\$1,140,708	21.0%	\$1,750,424	27.2%	\$2,388,295	32.1%	\$2,710,847	33.6%	\$3,506,508	37.5%
Management Fees												
Base Fee			\$108,605	2.0%	\$128,772	2.0%	\$148,945	2.0%	\$161,397	2.0%	\$187,036	2.0%
Incentive Fee			\$91,257	1.7%	\$140,034	2.2%	\$191,064	2.6%	\$216,868	2.7%	\$280,521	3.0%
Total Rent Expense			\$199,861	3.7%	\$268,806	4.2%	\$340,009	4.6%	\$378,265	4.7%	\$467,557	5.0%
Other Owner Expenses												
Rates & Taxes			\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Insurance			\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
FF&E Reserve			\$54,302	1.0%	\$128,772	2.0%	\$223,418	3.0%	\$242,096	3.0%	\$280,554	3.0%
Total Other Owner Expenses			\$54,302	1.0%	\$128,772	2.0%	\$223,418	3.0%	\$242,096	3.0%	\$280,554	3.0%
EBITDA			\$886,544	16.3%	\$1,352,846	21.0%	\$1,824,868	24.5%	\$2,090,487	25.9%	\$2,758,397	29.5%
EBITDA Per Key			\$8,865		\$13,528		\$18,249		\$20,905		\$27,584	