



Business Case

Proposal for the City of Karratha to Work Collaboratively with LandCorp to Develop Lot 8 at the Karratha Homemaker Centre.

Prepared under S3.59 of the Local Government Act (1995)

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1. Introduction

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

- The acquisition of developed Mixed Business zoned land within the Gap Ridge Homemaker Centre (Lot 8) from the West Australian Land Authority (LandCorp);
- Construction of approximately twelve (12) commercial tenancies on the land; and
- Leasing of the tenancies.

The proposed transaction would be developed over a period of approximately two (2) years and, if developed in its entirety, would involve the expenditure of approximately \$27 Million of City funds over that two-year period. This expenditure would be offset over time through sale and or rental returns from the developed property.

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

- Increasing large format retail offering and job prospects within the City.
- Further progressing the delivery of the City's Vision to be *Australia's Most Liveable Regional City*.
- Financial returns in the form of:
 - Generating a financial yield from a property investment that exceeds current bank interest available;
 - Possible capital growth over time; and
 - Additional rates revenue from the development.

While there may be a financial windfall from this proposed transaction, like all land transactions, it comes with a higher level of risk than more traditional local government investments which tend to be long term deposits with AAA rated banks.

City Officers have discussed this matter informally with Councillors at Council Briefing Sessions and a formal report on the matter was considered at the December 2016 Ordinary Council Meeting. At that meeting Council resolved to:

REQUEST that a Local Government Act Compliant Business Plan be prepared for Council's consideration at the January 2017 Council Meeting on the proposal for Council to buy land and develop property at Lot 8 within the Gap Ridge Homemaker Centre.

The key principles of the proposed transaction are:

- Both the City and LandCorp are eager to see the progression of built form development within the Gap Ridge Homemaker Centre.
- LandCorp seeks to build on the sound working relationship it has established with the City by exploring a collaborative approach to development of Lot 8 within Gap Ridge Homemaker Centre
- LandCorp will grant the City an Option to purchase Lot 8 at an agreed purchase price and on agreed terms.
- An investment decision to develop Lot 8 would only proceed following the completion of a Detailed Feasibility Study (Feasibility Phase) that is acceptable to both parties.
- The City is not bound to exercise the Option and proceed with development of Lot 8 unless it reaches a positive final investment decision to do so.
- The City will manage all statutory and compliance processes in relation to the Option and preparation of business cases.

- LandCorp will co-ordinate the Feasibility Phase to enable the City to make a final investment decision. The City will compensate LandCorp for this function on a time cost recovery basis.
- LandCorp will, on behalf of the City, manage, procure and prefund the Feasibility Phase involving property services such as planning, survey, architectural, concept, engineering, quantity survey, marketing, leasing and valuations all of which are project costs. The quantum of all these project costs is to be estimated, agreed by the City, and reimbursed to LandCorp at an agreed rate.
- In the event the City decides to exercise the Option and develop Lot 8 the City will manage or outsource the Construction Phase. Should the City, at its absolute discretion, request that LandCorp manage the Construction Phase then an appropriate fee will be negotiated.
- During the Detailed Feasibility Study, LandCorp and the City will discuss the potential payment of a Development Management Fee to LandCorp at a yet to be determined date.

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 Gap Ridge Homemaker Centre on Madigan Road, Karratha. The site is 6 km west of Karratha City Centre and is zoned Mixed Business under the City of Karratha Town Planning Scheme No 8. The intent of the site is to develop a large format 'big box' retail facility where new business could develop and existing, local business could expand to. The land is intended to complement other industrial development sites available within the Karratha Industrial Estate and the Gap Ridge Industrial Estate.

The overall site is 13.4436ha and when fully developed will provide 10 lots. In June 2016, the Western Australian Planning Commission approved Stage 1 of the site, comprising four (4) development lots, a local service road, drainage reserve and a balance Stage 2 title. One (1) Lot of 2.06ha has been sold to Pilbara Motor Group. Three (3) further lots are currently advertised for sale by LandCorp. The three advertised lots are:

Lot	Size (m2)	Advertised Land Sale Price
Lot 8	22,032	\$4,840,000
Lot 9	11,471	\$2,600,000
Lot 10	4,765	\$1,500,000

LandCorp has been marketing the sale of land at the Gap Ridge Homemaker Centre for approximately 18 months. LandCorp's promotional flyer for the land is include in Attachment 1.

LandCorp have advised that, while there has been some interest in leasing and/or developing land at this site, this interest is yet to translate into any further sales. LandCorp has indicated that the lack of sales is primarily due to:

- Significant downturn in the Pilbara property market affecting developer interest.
- Financial institutions being wary of lending to investors in this type of product in the Pilbara.
- A 'hot' property development market currently being experienced on the east coast of Australia, meaning that developer interest is focussed in that area where risk is seen to be lower, developer margins are strong and institutional finance for development projects is easier to obtain.

City officers have been in regular discussions with LandCorp over the development of the Homemaker Centre and the sales and marketing strategies. During these discussions, the concept of the City becoming more actively involved in the development of the estate has been canvassed. A proposal has been discussed whereby the City would work in partnership with LandCorp to develop Lot 8 at the Homemaker Centre with twelve tenancies totalling approximately 9,150m2.

2.2 Proposal

The proposal involves six (6) separate phases to the development and operation of the site. These phases, along with the proposed roles and responsibilities of the City and LandCorp in each Phase are outlined below:

2.2.1 Phase One: Detailed Feasibility

The City is proposing to engage LandCorp to undertake a Detailed Feasibility into this proposal on its behalf. The Detailed Feasibility will comprehensively canvas key issues including (but not limited to) valuation, legal matters, architectural design, quantity surveying, property advice services, project management and project financial viability.

The City's role will be to work closely with LandCorp and associated consultants that are engaged during this phase of the project to build greater clarity and certainty on all aspects of the project.

The estimated costs of Phase One are tabled below:

Item	\$
LandCorp: PM fees and reimbursements	91,125
City of Karratha Costs	\$20,000
Total	\$111,125

A more detailed breakdown of these costs is available within Section 6 of this report.

2.2.2 Phase Two: Land Purchase

Under the proposal, if the Detailed Feasibility were to demonstrate to the satisfaction of Council and LandCorp that it was acceptable to proceed, the City would purchase Lot 8 of the Gap Ridge Homemaker Centre. LandCorp is offering Lot 8 for \$4,400,000 (exc GST). This equates to \$199/m² (exc GST) which is at the lower end of LandCorp's advertised sale range of \$220 -315/m² (inc GST).

The consideration of the acquisition of Lot 8 will be subject to independent valuation as a component of the Phase One Detailed Feasibility.

The estimated costs of Phase Two are tabled below:

Item	\$
LandCorp: PM fees and reimbursements	42,000
City of Karratha Costs	20,000
Land Purchase	4,840,000
Total	\$4,462,000

If the City were to proceed with the acquisition of Lot 8, this would become a standard private treaty land purchase. Appropriate steps will be undertaken to ensure that this potential purchase meets all legislative requirements of the Local Government Act (1995) and the associated regulations

2.2.3 Phase Three: Design

It is currently envisaged that the design of the project will be managed by LandCorp. This would be undertaken via LandCorp acting as Project Managers on behalf of the City. LandCorp would engage a suite of consultants to undertake concept design, schematic design and detailed design. The engagement of consultants would be undertaken in a manner whereby the sub-contractors could be assigned to the City during the construction and defects liability period of the project if determined necessary and appropriate.

Alternatively, the City may engage the consultants (in consultation with LandCorp) with LandCorp project managing the consultants on the City's behalf during the design Phase.

The estimated costs of Phase Three are tabled below:

Item	\$
LandCorp: PM fees and reimbursements	86,125
City of Karratha Costs	40,000
Total	126,125

2.2.4 Phase Four: Construction

It is currently anticipated that the City would manage the construction of the twelve (12) mixed business tenancies. The City has substantial resources and experience in managing building construction projects of this nature. The building is proposed to be a relatively simple structure, likely to be tilt panel concrete.

The order of magnitude cost of construction is **\$22,027,000**. Additional breakdown on the calculation of this figure is available in the item 5.4 of this report.

2.2.5 Phase Five: Leasing

During feasibility, design and construction phases, discussions will be held with potential tenants re leasing terms and conditions. Costs will be incurred to attract, 'sign up' and retain lessees in accordance with normal commercial circumstances experienced in similar projects.

The estimated costs of Phase Five are tabled below:

Item	\$
LandCorp: PM fees and reimbursements	71,125
City of Karratha Costs	\$30,000
Total	\$111,125

2.2.6 Phase Six: Development Management Fee

During the Detailed Feasibility phase discussions will be held between LandCorp and the City regarding the potential payment of a Development Management Fee by the City to LandCorp. If deemed appropriate and fair and reasonable by the parties, this fee would represent a fee payable to LandCorp that is commensurate with fees payable by private sector developers undertaking similar styles of development using third party support/advice. The development management fee would consider all other fees and charges paid to LandCorp by the City and the level of risk/reward taken by the respective parties.

As these discussions are in their infancy, the estimated costs of Phase Six are yet to be determined.

3. Timeline

The indicative timeline for the project is tabled below.

Phase	Start Date	Completion Date
Consideration of Business Plan	Jan 2017	April 2017
Phase 1: Detailed Feasibility	Apr 2017	Jun 2017
Phase 2: Land Acquisition	Jun 2017	Oct 2017
Phase 3: Design	June 2017	Feb 2018
Phase 4: Construction	Feb 2018	Jan 2019
Phase 5: Operation/Leasing	Jan 2019	Ongoing
Phase 6: Development Management Fee	TBD	TBD

This timeline will be further refined during the Detailed Feasibility.

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. Completion of the Detailed Feasibility Phase;
2. A point where primary anchor tenant/s has or has not been secured; and
3. A point when tenders for cost of construction have been received.

While the above timeline demonstrates distinct start and finish dates for each phase, there will be some overlap in phases. A more detailed GANTT Chart timeline for the project has been included in Attachment 2.

4. Legal Structures

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

LandCorp and City of Karratha: Project Management/Services Agreement

The City is proposing to enter into a services contract with LandCorp to undertake Project Management and Detailed Feasibility Services. The indicative terms of the services contract are that the City would:

- a) engage LandCorp to provide experienced personnel to undertake these services at a rate of \$200/hr.
- b) pay agreed external project consultants direct or pay LandCorp costs associated with engagement of agreed external consultants on reimbursement basis plus 5%.

Option to Purchase Land:

A six month Option Agreement between LandCorp and the City is proposed for the initial Phases of this project. The Option Agreement is a deed that grants the City the Option to purchase the Land subject to terms agreeable to it being met. A draft of the proposed Option to Purchase Land is included in Attachment 3.

Contract of Sale

If the Phase One: Detailed Feasibility proves to be favourable to the parties and Council resolves to exercise its Option to Purchase Lot 8, Council would subsequently enter into a sales contract with LandCorp for the purchase of the land. This contract is likely to be the standard LandCorp Sales contract for Industrial & Commercial /Mixed Use properties (See Attachment 4).

Building Construction Contract

After design and documentation is complete, the City would run a local government compliant, competitive tender process for the construction of the building/s and associated works. An Australian Standard contract would be entered into with the successful tenderer.

Commercial Leases

During all Phases of the project, LandCorp and the City would work collaboratively to attract commercial tenancies to the proposed Homemaker Centre. Prospective tenants would be offered commercial tenancy agreements. Each agreement would be subject to approval by the City of Karratha.

5. Project Financial Implications

5.1 Consultancy and Project Management: LandCorp

The Table below indicates the estimated external consultancy costs for the project (payable to LandCorp) and at which phase/s the costs are likely to be incurred.

	Phase 1: Detailed Feasibility	Phase 2: Land Acquisition	Phase 3: Design	Phase 4: Construct	Phase 5: Operation/ Leasing	Total Estimated Costs (\$)
Valuation	20,000	20,000			20,000	60,000
Legal	10,000	20,000			20,000	50,000
Architectural	10,000		20,000	20,000		50,000
Landscape Consultancy			5,000	5,000		10,000
Quantity Surveying	5,000		10,000			15,000
Property Advice Services	15,000					15,000
Survey			5,000	5,000		10,000
Engineering – Civil			5,000	5,000		10,000
Engineering – Structural			5,000	5,000		10,000
Engineering – Electrical			5,000	5,000		10,000
Project Management - LandCorp	29,125		29,125	29,125	29,125	116,500
Misc/Contingency	2,000	2,000	2,000	2,000	2,000	10,000
TOTAL	91,125	42,000	86,125	76,125	71,125	366,500

5.2 City of Karratha Costs: Direct Consultant and Administration Fees

While it is proposed that LandCorp will be engaged to undertake key project management roles in this project, the City will also incur costs at various phases of the project to ensure appropriate processes, probity, transparency and due diligence in the project. The table below provides an estimate of these costs.

	Total Estimated Costs (\$)
Phase 1: Detailed Feasibility	50,000
Phase 2: Land Acquisition	10,000
Phase 3: Design	40,000
Phase 4: Construction	0*
Phase 5: Operation/Leasing	30,000
Total	\$130,000

* City costs included in Construction Estimate.

Note: These costs exclude City officer time in project management, procurement, approvals and contract supervision.

5.3 Land Purchase

LandCorp is currently offering Lot 8 to the City for **\$4,840,000**. The sale price/purchase of land will be subject to independent valuation as a component of the Phase One Detailed Feasibility. Additional costs of **\$62,000** may be incurred at this time.

The potential sourcing of this funding is outlined in Section 6: Council Financial Implications.

5.4 Construction Cost

As outlined in 2.2.4 of this Business Case, the order of magnitude construction cost for this project is \$22,027,000. The components of this estimate are listed below.

Item	\$
LandCorp: PM fees and Consultant Reimbursements	76,125
Construction	
Build Only Est Supplied by LandCorp	17,800,000
Allowance for External Works	1,000,000
<i>Subtotal</i>	18,800,000
Construction Contingencies	
Design Contingency (2%)	376,000
Construction Contingency (2%)	376,000
Escalation to Construction Date (1.5%)	282,000
<i>Subtotal</i>	1,034,000
Other Construction Costs	
Headworks Allowance	300,000
Public Art (2%)	376,000
Administration (Advertising, Communications, Opening Function)	25,000
Direct Project Expenses (Insurances, Application Fees)	120,000
Legal	10,000
Contingency	20,000
<i>Subtotal</i>	851,000
Fitout	
Allowance for Fitout	500,000
Fees & Charges	
Architect (3%)	752,000
Cost Manager	30,000
Consultant (BCA and other specialists)	20,000
Travel & Accommodation (Consultants)	40,000
<i>Subtotal</i>	842,000
TOTAL	\$22,027,000

The above costs exclude allowances for the internal cost of City officer time in contract administration, design approval, tender processes/evaluation and construction supervision.

The potential sourcing of this funding is outlined in Section 6: Council Financial Implications.

5.5 Total Expenditure

While expenditure profiles will be refined and modified during the various phases of the project, the current estimated total project cost (assuming that all phases of the project are undertaken) are tabled below.

Item	Total (\$)
Phase 1: Detailed Feasibility	141,125
Phase 2: Land Acquisition	4,902,000
Phase 3: Design	126,125
Phase 4: Construction	22,027,000
Phase 5: Operation/Leasing	106,125
Total	\$27,302,375

5.6 Leasing Rates/Return on Investment

The Council's Return on Investment for the project is dependent on three variables:

- The costs incurred to deliver the project.
- The rental rates achieved for the estimated 9,150m² of lettable space that is proposed to be developed
- The percentage of the lettable space that is tenanted out.

The table below illustrates the rate of return that would be generated from the project at various average rental rates (\$ per m²) and various occupancy rates. The table assumes that a total project cost of \$27 Million with no finance costs. These rates exclude management costs and outgoings and exclude revenue that would be made through Local Government rates. Rates marked **green** indicate those parameters that achieve greater than 3% ROI which is the average return currently being generated from Council's cash investments.

		% of Property Let								
		20%	30%	40%	50%	60%	70%	80%	90%	100%
Rate/M2	\$150	1.02	1.53	2.03	2.54	3.05	3.56	4.07	4.58	5.08
	\$200	1.36	2.03	2.71	3.39	4.07	4.74	5.42	6.10	6.78
	\$250	1.69	2.54	3.39	4.24	5.08	5.93	6.78	7.63	8.47
	\$300	2.03	3.05	4.07	5.08	6.10	7.12	8.13	9.15	10.17
	\$350	2.37	3.56	4.74	5.93	7.12	8.30	9.49	10.68	11.86
	\$400	2.71	4.07	5.42	6.78	8.13	9.49	10.84	12.20	13.56
	\$450	3.05	4.58	6.10	7.63	9.15	10.68	12.20	13.73	15.25
	\$500	3.39	5.08	6.78	8.47	10.17	11.86	13.56	15.25	16.94
	\$550	3.73	5.59	7.46	9.32	11.18	13.05	14.91	16.78	18.64

The table illustrates that, based on 9150m² of lettable space, the rate of return varies between 1.02% and 18.64% depending on the rental rates and the occupancy rates.

While the rate of return shown is higher on 68 occasions (84%) as opposed to 13 occasions (16%) where the rate of return is lower, 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;

- Council would forego interest on its investment funds (\$27M) during the two-year development period. This could total \$500,000-\$800,000 in lost interest earnings, dependent on project cash flows; and
- The rate of returns change depending on the total project cost. If the project cost 'blew out' to \$32M (an 18.5% increase in price), the range of rate of returns reduces to between 0.86% - 15.73% with 20 scenarios (25%) where the return on investment is at or below 3%.

6. Council Financial Implications

6.1 Funding Source

This proposal is currently not included within the City's 2016/17 Annual 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, as at 31 December 2016 the City's Infrastructure Reserve had a balance of \$41Million.

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 development of the proposed Homemaker Centre is consistent with the reserve purpose

In the past, the Infrastructure Reserve has contributed to funding significant community related capital works projects including:

- Karratha Leisureplex
- Dampier Community Hub
- Karratha Effluent Reuse Scheme
- Red Earth Arts Precinct (projected in 2016/17, 2017/18 and 2018/19)
- Wickham Hub (projected in 2017/18 and 2018/19)

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 p.a 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 2016/17 and 2017/18, 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 rapidly due to a diminishing number of operating TWA's.

The nett impact of the above is that the Council's Infrastructure Reserve balance is projected to decrease over the next two years and increase post 2018/19. As the majority of expenditure associated with this potential project would not be incurred until 2018/19, it is projected that there will be sufficient funds available within the City's Infrastructure Reserve to fund this project.

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, it is anticipated that this project 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 facility is built and in operation, the City will incur operational costs. These may include:

- Insurances
- Building and Grounds Maintenance expenditure
- Rates, Levy's & Charges
- Lease management costs

Many of these costs will be defrayed by passing the costs on to the lessee through standard commercial lease terms.

Quantifying the operational costs at this early stage of project development is difficult. The City's traditional approach to this situation is to use a 'Consequential Operational Expenditure' ratio to establish an allowance for operational costs and capital improvements over time to the capital investment. For investments that are labour and maintenance intensive (i.e. community facilities), a consequential operational expenditure of 7.5% of the building costs is used. For less labour intensive capital spend the ratio is lowered to 2.5%.

Given the nature and type of this development and the ability to defray some of the operational costs to lessees, at this time, it is recommended that a consequential operational expenditure of 2.5% of the Building Costs is used for the purpose of budgeting. This figure equates to \$550,000 p.a. and will be built into the financial modelling for the project during the Detailed Feasibility Stage.

6.3 Depreciation

Once constructed, the building assets will depreciate at a rate of 2% p.a. meaning that this facility will incur an annual depreciation cost of \$440,530. To ensure that the City's Asset Renewal Ratio is not adversely affected, the City will need to expend an additional \$400,000 p.a. (90% of Depreciation) on asset renewal activities. This issue will be considered in the Detailed Feasibility phase and during the City's current review of the Long Term Financial Plan.

7. Council Policy Implications

Council's recently introduced a new policy entitled *Investment Policy: Property (CF4)*. The intent of this policy is to provide 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 this policy provision.

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 prescribed amount for a transaction to be considered a major land transaction is \$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 buildings by the City at the Homemaker Centre 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 plan than the prescribed minimum requirements.

8.2 Legislative Provisions

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

There is currently limited Mixed Used development within the City of Karratha. The development of this proposal is expected to deliver a greater variety of retail and commercial offerings to the district, improve local job opportunities and improve the financial position of the City.

At this stage, 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 short, medium or longer term. This premise will be further tested during the Detailed Feasibility Phase.

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

While there are currently no specific Homemaker Centre style developments within the City of Karratha, Homemaker style activities do operate from a range of commercial,

industrial and town centre facilities. The intent of the major land transaction is to compliment rather than compete with these operations.

As the land is currently open for purchase/development by any other proponent, the City currently has limited control over the type and nature of tenancies that could/would go within a development of this nature. If developed by others, there is a higher likelihood that this facility would be actively competing in the commercial rental market than is the case with a Council/LandCorp style development. Having said that, there is clearly still some prospect that this development may have detrimental effect on commercial, industrial and town centre properties that are seeking tenants for their properties. Conversely, it may have a positive effect for existing businesses seeking to have lower occupancy costs

Conversely, the development of the homemaker centre has the potential to relocate some 'big box' type outlets from the City centre and provide an opportunity for an increase in the retail and commercial offerings in the CBD. This may bring increased competition to the CBD for existing retail and commercial businesses.

(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. If the major land transaction is developed in its entirety, the total development cost (including feasibility, design, land acquisition, development and commissioning) is expected to total \$27Million.

On a 50% occupancy at a \$300 per m² rental rate, the return on investment (excluding outgoings) would be 5.08% (excluding outgoings). These parameters are considered conservative yet achieve a higher rate of return than current investment strategies.

The financial risk to the City has been somewhat mitigated in the project by breaking it into various project phases. This approach gives the Council the ability to elect to not proceed (and therefore not incur further costs) at various milestone dates.

(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 extracts 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;

The City of Karratha does not have experience in developing detailed planning and leasing strategies for Homemaker Centre style developments. It is for this reason that the City is proposing to engage LandCorp to undertake significant functions, including design, valuation and leasing negotiations during the early stages of the project.

The City is very experienced and capable of managing the construction of a project of this nature having managed the construction of several larger, more complex

construction projects over the past five (5) years. The proposed timing of construction comes at a time when existing internal resources that are allocated to projects are 'freeing up' leaving sufficient capacity to divert qualified staff resources to this project.

(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

(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 Lot 8 on Deposited Plan 408287 being the whole of the land in Certificate of Title Volume 2901 Folio 295 and known as Lot 8 Madigan Road, corner Dampier Road, Gap Ridge, Karratha, Western Australia. This land is proposed to be acquired from LandCorp at a yet to be agreed market price, but likely to be at or around \$4,840,000.

During the course of the Detailed Feasibility Phase of the project, intellectual property in the form of design and financial information specific to the development proposal will be acquired by LandCorp on behalf of the City using City funds. This intellectual property will remain the property of the City of Karratha.

(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;

In addition to receiving funds from the sale of land, LandCorp is also proposed to receive the following benefits from the transaction:

- Payment for Project Management services during the development of the project (Estimated at \$116,500).
- Reimbursement for costs incurred in engaging pre-agreed consultants, plus 5%. (Estimated to be \$250,000)
- Potential Development Management Fee at some time after the conclusion of the project (subject to negotiation)

(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 and buildings in the Gap Ridge Homemaker Site. While it is anticipated that this asset will generate a return to Council, there are operational costs, depreciation expense and insurances that would need to be maintained.

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 ten (10) potential risks have been identified with three (3) risks being rated as low risk six (6) risks being rated as moderate risk and one (1) risk has been rated as high risk. 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				
Detailed Feasibility proves that project is not financially viable.	3	3	9	<ul style="list-style-type: none"> Project would not proceed past Feasibility Phase. Council costs/risks limited to Phase One costs only.
Cost of Feasibility exceed expectations.	3	2	6	<ul style="list-style-type: none"> Feasibility costs are relatively minor and can be accommodated within existing budget resources
City pays too much for the purchase of the Land	1	3	3	<ul style="list-style-type: none"> Under Proposed Option Agreement, Council would not purchase the land until such time that the Detailed Feasibility proves that the project is viable. Independent Valuation of the land would be undertaken by a licensed valuer prior to purchase.
Investment in this project means that other Community projects cannot proceed.	1	4	4	<ul style="list-style-type: none"> Project will not proceed past Feasibility Stage if it was determined that project funding negatively impacted on Council's ability to fund it's 10 year Long Term Capital Works programs.
Construction Risks				
Build cost exceeds preliminary order of magnitude costings	2	3	6	<ul style="list-style-type: none"> Construction contract would not be let if construction costs negatively impact on financial modelling.
Project is not delivered on time	3	2	6	<ul style="list-style-type: none"> Project is not particularly time sensitive. Delay would impact on rental revenues but no additional finance costs as no borrowing is proposed.
Operational Risks				
Inability to attract commercial lessee to facility	4	3	12	<ul style="list-style-type: none"> Project would not proceed to construction without tenancies in place. Fitout allowance of \$500K included within construction budget to attract appropriate businesses.
Facility maintenance impacts on City's ability to undertake 'core functions' of the Local Government	1	4	4	<ul style="list-style-type: none"> Majority of maintenance responsibilities likely to be tenant responsibility. Likelihood is minimal as Council already owns, operates and maintains many facilities.

Item	Likelihood	Consequence	Rating	Mitigation Strategies
Other Risks				
Insufficient internal resources/experience to facilitate the proposal.	2	3	6	<ul style="list-style-type: none"> • Project plan includes engaging experienced external resources to support project development.
Reputational issues: City seen to be unfairly competing in private sector/commercial market	3	3	9	<p>Council can consider whether to proceed with the project or not after feedback on the draft business plan. As the facility would be Council owned/operated, Council would have control over the nature and type of tenants. There would be less control over this with a private sector development.</p>

10. Summary

Initial estimates indicate that total (rental) revenues will exceed total expenses including opportunity cost of utilising reserve capital, lost interest on cash reserves, rates and charges, insurance and maintenance costs and depreciation and asset renewal provisions. If this is proven in the detailed feasibility study, this project becomes a cash flow positive undertaking for the Council whilst at the same time developing community amenity and enhancing liveability

Attachment 1: LandCorp Sales Flyer



Artist impression for illustrative purposes only.

A NEW HOMEMAKER CENTRE IN KARRATHA

The Gap Ridge Homemaker Centre will accommodate for the growing demand of household goods and services in Karratha, resulting from the continued increase in permanent residents moving to the City of the North.

Ideally positioned at the intersection of Dampier Highway and Madigan Road, the Gap Ridge Homemaker Centre site has an estimated 11,500 vehicles passing each day.

The total homemaker goods trade market in Karratha is currently estimated at \$178 million and is expected to increase to \$249 million by 2026.

Homemaker goods broadly include DIY/hardware, furniture, electrical appliances, white goods, floor coverings and other retail services requiring large floor areas or warehousing capacity.

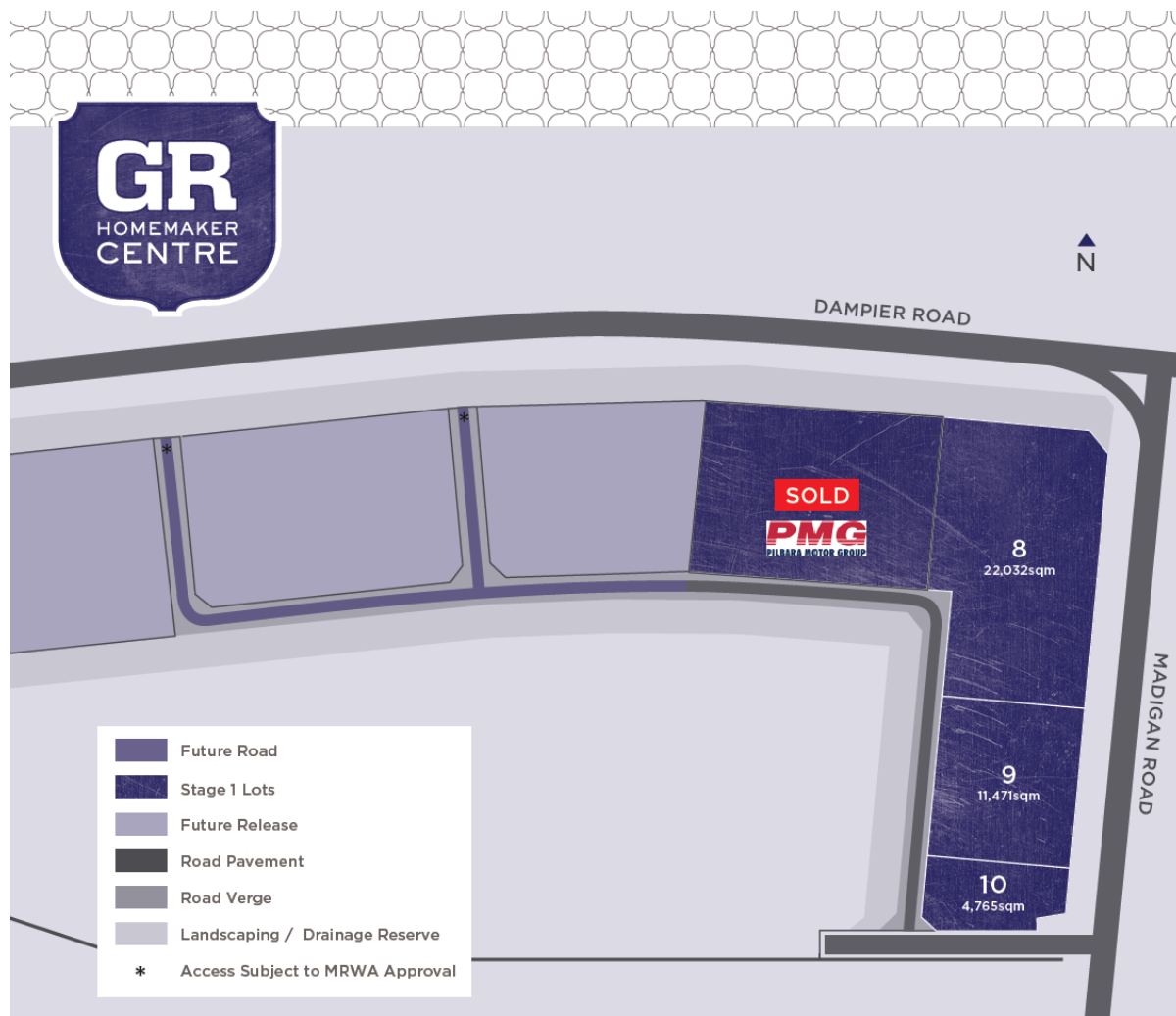
KEY FEATURES

- Lots ranging from 4,765sqm - 22,032sqm
- Prices starting from \$220 - \$315 per sqm incl GST
- Only 6 km west of Karratha City Centre
- Close to the airport, established Gap Ridge Industrial estate and access to Dampier
- Lot size can be tailored to suit business needs



For more information, contact the LandCorp sales team on 1300 730 435 or visit landcorp.com.au/gapridgehomemaker





LOT	AREA (M ²)	LIST PRICE (INCL GST)
8	22,032	\$4,840,000
9	11,471	\$2,600,000
10	4,765	\$1,500,000

For more information, contact the LandCorp sales team on 1300 730 435

Disclaimer: The information contained in this sales flyer 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 result of a reliance upon the information, advice, statement or opinion contained in this sales flyer. EcoStar is an environmentally responsible 100% recycled paper made from 100% postconsumer waste that is FSC CoC certified and bleached chlorine free (PCF). This disclaimer is subject to any contrary legislative provisions. © LandCorp 2016. LC 2939 12/16

LANDCORP.COM.AU/GAPRIDGEHOMEMAKER



Attachment 2: Draft Project GANTT Chart

ID	Task Mode	Task Name	Duration	Start	Finish	Predecessors
1		Gap Ridge Homemaker Centre - Lot 8	1262 days	Wed 04/01/17	Thu 04/11/21	
2		Phase 1 - Detailed Feasibility	180 days	Wed 04/01/17	Tue 12/09/17	
3		LC & Agent negotiations with prospective tenants	9 mons	Wed 04/01/17	Tue 12/09/17	
4		Draft business case	14 days	Wed 04/01/17	Mon 23/01/17	
5		Council consideration	0 days	Mon 23/01/17	Mon 23/01/17	4
6		Review business case	4 wks	Tue 24/01/17	Mon 20/02/17	5
7		Public Advertising	6 wks	Tue 21/02/17	Mon 03/04/17	6
8		Assessment of public coments	4 wks	Tue 04/04/17	Mon 01/05/17	7
9		Finalise business case	2 wks	Tue 02/05/17	Mon 15/05/17	8
10		Council consideration	4 wks	Tue 16/05/17	Mon 12/06/17	9
11		Not Supported - Stop	0 days	Mon 12/06/17	Mon 12/06/17	10
12		Supported - Proceed with Phase 2 & 3	0 days	Mon 12/06/17	Mon 12/06/17	10
13		Phase 2 - Land Acquisition	210 days	Tue 13/06/17	Mon 02/04/18	
14		Draft contract of sale	6 wks	Tue 13/06/17	Mon 24/07/17	12
15		Draft LC services agreement	6 wks	Tue 13/06/17	Mon 24/07/17	12
16		Council consideration	4 wks	Tue 25/07/17	Mon 21/08/17	14,15
17		Finalise contract of sale & services agreement	4 wks	Tue 22/08/17	Mon 18/09/17	16
18		Execute contract of sale & services agreement	4 wks	Tue 19/09/17	Mon 16/10/17	17
19		Secure primary anchor tenant	3 mons	Tue 17/10/17	Mon 08/01/18	18,3
20		Primary anchor tenant not secured - Stop & Review	0 days	Mon 08/01/18	Mon 08/01/18	19
21		Primary anchor tenant secured - Proceed with Phase 4	0 days	Mon 08/01/18	Mon 08/01/18	19
22		Secure secondary tenancies	3 mons	Tue 09/01/18	Mon 02/04/18	19
23		Phase 3 - Design	170 days	Tue 13/06/17	Mon 05/02/18	
24		Engage consultants	4 wks	Tue 13/06/17	Mon 10/07/17	12
25		Conceptual design	4 wks	Tue 11/07/17	Mon 07/08/17	24
26		Iterative design development	6 mons	Tue 08/08/17	Mon 22/01/18	25
27		Finalise conceptual design	2 wks	Tue 23/01/18	Mon 05/02/18	21,26
28		Phase 4 - Construction	258 days	Tue 06/02/18	Thu 31/01/19	
29		Detailed design	6 wks	Tue 06/02/18	Mon 19/03/18	27
30		Approvals	4 wks	Tue 20/03/18	Mon 16/04/18	29
31		Tender documentation	2 wks	Tue 17/04/18	Mon 30/04/18	30
32		Tender Period	4 wks	Tue 01/05/18	Mon 28/05/18	31
33		Tender Assessment	2 wks	Tue 29/05/18	Mon 11/06/18	32
34		Council consideration	4 wks	Tue 12/06/18	Mon 09/07/18	33
35		Not Supported - Stop	0 days	Mon 09/07/18	Mon 09/07/18	34
36		Supported - Proceed with Phase 4 construction	0 days	Mon 09/07/18	Mon 09/07/18	34
37		Tender Award	3 days	Tue 10/07/18	Thu 12/07/18	36
38		Construction	6 mons	Fri 13/07/18	Thu 27/12/18	37
39		Fit Out	4 wks	Fri 28/12/18	Thu 24/01/19	38
40		Hand Over	1 wk	Fri 25/01/19	Thu 31/01/19	39
41		Phase 5 - Operation / Leasing	720 days	Fri 01/02/19	Thu 04/11/21	
42		Leasing Year 1	12 mons	Fri 01/02/19	Thu 02/01/20	40
43		Leasing Year 2	12 mons	Fri 03/01/20	Thu 03/12/20	42
44		Leasing Year 3	12 mons	Fri 04/12/20	Thu 04/11/21	43

Project: KARBG 2017-01-04 Draft
Date: Mon 09/01/17

Task Split

Milestone Summary

◆ Project Summary

External Milestone

◆ Inactive Milestone

◇ Manual Task

Manual Summary Rollup

Start-only

Deadline

Progress

Summary

External Tasks

Inactive Task

Inactive Summary

Duration-only

Manual Summary

Finish-only

Page 1

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Attachment 3: Draft Option to Purchase Document

OPTION TO PURCHASE LAND

Lot 8 Madigan Road corner Dampier Road, Gap Ridge, Karratha

CONTENTS

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2	GRANT OF OPTION	4
3	TERM OF OPTION, ASSISTANCE BY LANDCORP & AGREEMENT(S) FOR LEASE	4
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OPTION TO PURCHASE LAND

PARTIES

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

Name	CITY OF KARRATHA	Option Holder
Address	Lot 1083 Welcome Road Karratha Western Australia	

BACKGROUND

- (A) LandCorp is the registered proprietor of land in Karratha including the Property which is suitable for development as a homemakers centre.
- (B) The Option Holder is considering purchasing the Property and LandCorp has agreed to grant to the Option Holder the option to purchase the Property upon and subject to the terms and conditions set out in this deed.

OPERATIVE PART

The parties COVENANT AND AGREE as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this deed unless the contrary intention appears:-

Commencement Date means the last date of execution by both parties of this deed.

Exercise Notice means the notice to be given by the Option Holder to LandCorp to exercise the Option in the form annexed as Annexure A.

Option means the option to purchase the Property as provided in this deed.

Option Term means the period or periods mentioned in clause 3.

Property means Lot 8 on Deposited Plan 408287 being the whole of the land in Certificate of Title Volume 2901 Folio 295 and known as Lot 8 Madigan Road corner Dampier Road, Gap Ridge, Karratha, Western Australia.

Purchase Price means the sum of \$4,840,000 (inclusive of GST).

Sale Contract means the "Contract of Sale" annexed to this deed and marked "B".

1.2 Interpretation

In this deed unless the contrary intention appears:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing any gender include the other genders;
- (c) references to persons include corporations and bodies politic;
- (d) references to a person include the legal personal representatives successors and assigns of that person;
- (e) a reference to a Statute Ordinance Code or other Law includes regulations and other statutory instruments under it and consolidations amendments re-enactments or replacements of any of them (whether of the same or any other legislative authority having jurisdiction);
- (f) references to this or any other document include the document as varied or replaced and notwithstanding any change in the identity of the parties;
- (g) references to writing include any mode of representing or reproducing words in tangible and permanently visible form and includes telex and facsimile transmissions;
- (h) an obligation of two or more parties binds them jointly and severally;
- (i) if a word or expression is defined cognate words and expressions have corresponding definitions;
- (j) references to an association body or authority which is reconstituted amalgamated reconstructed or merged or the functions of which have become exercisable by any other person association body or authority in its place shall be taken to refer to the person association body or authority established or constituted in its place or by which its functions have become exercisable;
- (k) reference to any thing (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;
- (l) reference to a month and cognate terms means a period commencing on any day of a calendar month and ending on the corresponding day in the next succeeding calendar month but if a corresponding day does not occur in the next succeeding calendar month the period shall end on the first day of the next succeeding calendar month;
- (m) references to this deed includes its schedules and annexures;
- (n) headings are inserted for ease of reference only and shall be ignored in construing this contract;
- (o) references to time are to local time in Perth Western Australia;
- (p) where time is to be reckoned from a day or event that day or the day of that event shall be excluded; and

- (q) a reference to a business day is a reference to a day other than a Saturday Sunday or gazetted public holiday.

2 GRANT OF OPTION

In consideration of the mutual promises contained in this deed, LandCorp hereby grants to the Option Holder an Option to purchase the Property upon the terms and conditions of this deed and for the Purchase Price and upon the terms and conditions of the Sale Contract.

3 TERM OF OPTION, ASSISTANCE BY LANDCORP & AGREEMENT(S) FOR LEASE

- 3.1 The Option to purchase the Property is for a term commencing on the Commencement Date and expiring at 5.00pm Western Standard Time on the date being 6 months from the Commencement Date.
- 3.2 LandCorp agrees to provide reasonable advisory assistance to the Option Holder as may be reasonably required by the Option Holder during the Option Term to assist the Option Holder in determining whether or not to:
- (a) proceed with the purchase and development of the Property; and
 - (b) undertake the proposed development of the Property as a homemakers centre,
- including assisting the Option Holder with the preparation of a business plan, marketing assistance and recommending consultants for the proposed development. For the avoidance of doubt, LandCorp will not be required to provide any legal, financial or taxation assistance unless otherwise agreed in writing between the parties.
- 3.3 LandCorp consents to the Option Holder entering into agreement(s) for lease in respect of the Property as may be reasonably required by the Option Holder provided that such agreement(s) for lease contain provisions providing that:
- (a) the agreement(s) for lease is subject to and conditional upon the Option Holder exercising its Option pursuant to this deed and effecting settlement in accordance with the Sale Contract; and
 - (b) if for any reason during the term of the agreement(s) for lease (or during the term of any lease(s) arising from the agreement(s) for lease) LandCorp exercises its option to repurchase the Property in accordance with the provisions of the Sale Contract, then at LandCorp's election by written notice to the Option Holder, the agreement(s) for lease and/or lease(s) (as the case may be) will immediately terminate.

4 EXERCISE OF OPTION

The Option to purchase the Property shall be exercisable only during the Option Term by the Option Holder giving notice to LandCorp in accordance with clause 7 in the form of the Exercise Notice.

5 SALE CONTRACT

- (a) Upon the exercise of the Option to purchase the Property, the parties shall enter into the Sale Contract.
- (b) The Option Holder shall provide to LandCorp 2 engrossed copies of the Sale Contract executed by the Option Holder within 5 business days of the date of the exercise of the Option to purchase.
- (c) Within 5 business days of the receipt of the documents mentioned in clause 5(b), LandCorp shall execute each copy of the Sale Contract and return one copy of the Sale Contract to the Option Holder.

6 OPTION HOLDER COSTS

Each party shall bear its own costs and other expenses in respect of this deed and in respect of the Sales Contract arising upon the exercise of the Option. The Option Holder shall pay all duty assessed on this deed and on the Sale Contract.

7 NOTICES

Any notice or other communication (including but not limited to any notice of exercise of the Option) request demand consent or approval to or by a Party:-

- (a) must be in writing addressed as shown below:-

- (i) *LandCorp:*

- Address: Level 6
40 The Esplanade
Perth WA 6000

- Facsimile: (08) 9481 0861

- Option Holder:*

- Attention: _____

- Address: Lot 1083 Welcome Road
Karratha WA 6714

- Facsimile: _____

or to any other address facsimile number or person most recently specified in writing by a party to the sender;

- (b) must be signed by the sender or its solicitors or agents or if a company by an officer of the company or under the common seal of the company or signed by its solicitors or agents;
- (c) is deemed to be given by the sender and received by the addressee:-
 - (i) if given by delivery in person, when delivered to the addressee;

- (ii) if sent by security post and if posted from an address within Australia to an address within Australia, on the third (3rd) business day from and including the date of posting but if posted by security post from outside Australia or posted to an address outside Australia then on the sixth (6th) business day from and including the date of posting; or
 - (iii) if sent by facsimile transmission, on production of a transmission report by the facsimile machine by which the facsimile message was transmitted which indicates that the facsimile message was transmitted in its entirety to the facsimile number of the recipient;
- but if the delivery receipt or transmission is or is deemed to be by clauses 7(b) or 7(c) on a day which is not a business day it is deemed to be given on the next succeeding business day; and
- (d) can be relied upon by the addressee and the addressee is not liable to any other person for any consequence of that reliance if the addressee reasonably believes it to be genuine correct and authorised by the sender

8 SALE OR ASSIGNMENT BY LANDCORP

During the period from the date of execution of this deed until the expiration of the Option Term, LandCorp covenants with the Option Holder not to sell, agree to sell, transfer, mortgage, charge, assign, lease or licence or otherwise dispose of or encumber the Property or any interest in the Property or any of the rights of LandCorp in the Property without first procuring the execution by the person to whom any such right or interest to or in the Property is to be granted (**the transferee**) a deed of covenant whereby that person covenants to observe and perform all the covenants, conditions and stipulations contained in this deed (including this present covenant) in like manner as if it had been a party to this deed.

9 ASSIGNMENT

- (a) The Option Holder cannot assign or novate the benefit of this deed or nominate another party as purchaser under the Sale Contract without the consent of LandCorp (not to be unreasonably withheld)
- (b) If the Option Holder does not exercise the Option then if required by LandCorp the Option Holder shall assign to LandCorp the benefit of any agreement to lease entered into pursuant to clause 3.3

10 GOODS AND SERVICES TAX

- (a) For the purposes of this clause, the following terms shall apply:

GST has the meaning given in Section 195-1 of the GST Act.

GST Act means A New Tax System (Goods and Services Tax) Act 1999 and any legislation substituting or amending that Act.

GST Law has the meaning given in Section 195-1 of the GST Act.

Tax Invoice has the meaning given in Section 195-1 of the GST Act.

Taxable Supply has the meaning given in Section 195-1 of the GST Act.

- (b) The Option Fee and any other amounts payable by the Option Holder to LandCorp under this Option are exclusive of GST.
- (c) The Option Holder agrees to pay additional to the value of payments set out in this Option (including the Option Fee) any GST payable in respect of such payments. Where GST has been applied LandCorp shall provide a Tax Invoice prior to the Option Holder being required to pay any GST.
- (d) A written statement given to the Option Holder by LandCorp of the amount of GST that LandCorp is liable to pay on a Taxable Supply made or to be made under this Option is conclusive between the parties except in the case of an obvious error.
- (e) Subject to clause 10(c), the Option Holder must pay to LandCorp the amount of the GST that the Option Holder is liable to pay under this Option:
 - (i) at the same time; and
 - (ii) in the same manneras the Option Holder is obliged to pay for the Taxable Supply.
- (f) Where a Taxable Supply is not separately supplied to the Option Holder, the liability of the Option Holder for any amount for GST, in relation to that Taxable Supply, is determined on the same basis as the Option Holder's proportion of that Taxable Supply is determined.

11 MISCELLANEOUS

- (a) This deed is to be governed by, and construed according to the laws of Western Australia.
- (b) Unless application is mandatory by law, a statute, proclamation, order, regulation or moratorium, present or future, is not to apply to this deed so as to abrogate, extinguish, impair, diminish, fetter, delay or otherwise affect prejudicially rights, powers, privileges, remedies or discretions given or accruing to a party.
- (c) If a condition, covenant or stipulation of this deed or the application of them to a person or circumstances is, or becomes, invalid or unenforceable the remaining covenants, conditions and stipulations are not to be affected by the invalidity or enforceability, and each covenant, condition and stipulation of this deed will be valid and enforceable to the fullest extent permitted by law.
- (d) A provision of, or a right created under, this deed may not be:
 - (i) waived except in writing signed by the party granting the waiver; or
 - (ii) varied except in writing signed by all parties.
- (e) The failure on LandCorp's part at any time to enforce any of its rights or to exercise any option or discretion in accordance with this deed will not be construed as a waiver of the provisions of this deed or prejudice LandCorp exercising such rights or the exercise of any such option or discretion.

- (f) LandCorp and the Option Holder agree to sign, execute and complete all further assurances and deeds and to do all things reasonably required to complete the matters set out in, or contemplated by, this deed.
- (g) This deed comprises the whole agreement between the parties and subject only to any provision expressly to the contrary supersedes all prior agreements and understandings between the parties.
- (h) Time is of the essence of this deed in all respects.

12 NO CAVEAT

- (a) The Option Holder must not lodge any caveat over the Certificate of Title to the Property or any other property to protect the interest of the Option Holder under this Deed.
- (b) By its execution of this Deed, the Option Holder irrevocably appoints LandCorp to be the true and lawful attorney for the Option Holder in its name or on its behalf to sign and lodge a withdrawal of any caveat at any time if the Option Holder does not comply with clause 12(a).
- (c) The Option Holder ratifies and confirms and agrees to ratify and confirm all that the attorney must do or cause to be done under this clause and must indemnify the attorney or LandCorp in respect of any loss arising from any act, matter or thing lawfully and validly done or attempted to be done under or by virtue of this clause.

Executed as a deed:

Signed on or behalf of the **WESTERN AUSTRALIAN LAND AUTHORITY (ABN 34 868 192 835)** by person(s) authorised by its Board in accordance with Section 45(2)(b) of the Western Australian Land Authority Act 1992.

Authorised Officer

Authorised Officer

Full Name of Authorised Officer (Print)

Full Name of Authorised Officer (Print)

Date

THE COMMON SEAL of
THE CITY OF KARRATHA
was hereunto affixed by authority
of a resolution of the Council in the
presence of:

MAYOR

CHIEF EXECUTIVE OFFICER

Date

EXERCISE NOTICE

THE CITY OF KARRATHA hereby exercises the option granted under the deed dated [redacted] and made between the City of Karratha as Option Holder and you as grantor (**the Option Deed**) to purchase the Property being Lot 8 on Deposited Plan 408287 being the whole of the land in Certificate of Title Volume 2901 Folio 295 upon and subject to the terms of the Option Deed.

THE COMMON SEAL of
THE CITY OF KARRATHA
was hereunto affixed by authority
of a resolution of the Council in the
presence of:

CHIEF EXECUTIVE OFFICER

ANNEXURE “B”

SALE CONTRACT

Attachment 4: Draft Sales Contract

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LANDCORP

CONTRACT OF SALE

INDUSTRIAL AND COMMERCIAL/MIXED-USE

**Lot 8 Madigan Road corner Dampier Road, Gap Ridge,
Karratha**

CONTRACT OF SALE

- INDUSTRIAL & COMMERCIAL/MIXED-USE LAND -

BETWEEN **WESTERN AUSTRALIAN LAND AUTHORITY** trading as LandCorp of Level 6, 40 The Esplanade, Perth, Western Australia (**LandCorp**).

AND **CITY OF KARRATHA**
(Print Full Name of Buyer)

(Contact Telephone Number)

(Facsimile Number)

(Email)

Lot 1083 Welcome Road, Karratha, Western Australia (**Buyer**)
(Address)

LandCorp agrees to sell and the Buyer agrees to purchase the Land specified in the Schedule for an estate in fee simple for the Purchase Price and on the terms specified in the Schedule and subject to the LandCorp Standard Industrial and Commercial/Mixed-Use Conditions (**the Conditions**) attached as Annexure A.

SCHEDULE

Description of Land

Lot 8 on Deposited Plan 408287 and being the whole of the land in Certificate of Title Volume 2901 Folio 295 and known as Lot 8 Madigan Road corner Dampier Road, Gap Ridge, Karratha, Western Australia

Settlement Date

14 days from the date upon which the Buyer exercises its option to purchase the Land pursuant to the provisions of an option to purchase the Land entered into between the Parties.

Purchase Price (inclusive of GST)

\$4,400,000 (exclusive of GST) being \$4,840,000 (inclusive of GST)

Deposit

Nil.

Development/Design Guidelines

Gap Ridge Homemaker Centre Design Guidelines (December 2015), a copy of which is annexed as Annexure B.

Approved Purpose

A use which is:

- (a) in accordance with the Development/Design Guidelines; and
- (b) permitted by the Local Authority and any other relevant Authority.

Latest Date for Commencement of Construction of Development

Within 12 months of the Settlement Date.

Latest Date for Practical Completion of Development

Within 36 months of the Settlement Date.

Latest Date for Issue of Title

Not applicable.

Latest Date for Finance Approval

Not applicable.

Maximum Amount of Loan

Not applicable.

Special Conditions

Encumbrances

1. The Buyer acknowledges and agrees that the Certificate of Title to the Land is encumbered by and is sold subject to, the following registered encumbrances:
 - (a) easement burden created under Section 167 P. & D. Act for sewerage purposes to Water Corporation – see Deposited Plan 408287 as created on Deposited Plan 406068; and
 - (b) easement burden created under Section 136C T.L.A. for right of carriageway purposes – see Deposited Plan 408287 and Instrument N335186.

Agreement(s) for Lease

2. LandCorp consents to the Buyer entering into agreement(s) for lease in respect of the Land prior to Practical Completion as may be reasonably required by the Buyer provided that such agreement(s) for lease contain provisions providing that:
 - (a) the agreement(s) for lease is subject to and conditional upon the Buyer causing Practical Completion in accordance with this Contract; and
 - (b) if for any reason during the term of the agreement(s) for lease (or during the term of any lease(s) arising from the agreement(s) for lease) LandCorp exercises its option to repurchase the Land in accordance with Condition 22 (Option to Repurchase) of the Conditions, then at LandCorp's election by written notice to the Option Holder, the agreement(s) for lease and/or lease(s) (as the case may be) will immediately terminate.

Assistance

3. LandCorp agrees to provide reasonable advisory assistance to the Buyer as may be reasonably required by the Buyer for the Development including assisting the Buyer with the preparation of a business plan, marketing assistance and recommending consultants for the proposed Development. For the avoidance of doubt, LandCorp will not be required to provide any legal, financial or taxation assistance unless otherwise agreed in writing between the Parties.

The Buyer acknowledges that:

- (a) it has read and understood this Contract and the Conditions and agrees to be bound by all of these terms; and
- (b) the Conditions are necessary and desirable to enhance and create the subdivision of which the Land is part.

THE COMMON SEAL of
THE CITY OF KARRATHA
was hereunto affixed by authority
of a resolution of the Council in the
presence of:

MAYOR

CHIEF EXECUTIVE OFFICER

Date

SIGNED on behalf of the **WESTERN AUSTRALIAN LAND AUTHORITY** by person(s) authorised by its Board in accordance with Section 45(2)(b) of the Western Australian Land Authority Act 1992.

Authorised Officer

Authorised Officer

Full Name of Authorised Officer

Full Name of Authorised Officer

Date

LandCorp's solicitor/settlement agent: LandCorp – Conveyancing

Phone: 9482 7499

Fax: 9482 7401

Email: conveyancing@landcorp.com.au

The Buyer appoints the solicitor or settlement agent named below to act on their behalf in relation to this transaction.

Buyer(s) solicitor/settlement agent:

Phone: _____

Fax: _____

Email: _____

Signed by the Buyer(s): _____

A true copy of this document has been received by each of the signatories to this document.

Annexures:

1. Annexure A: LandCorp Standard Industrial and Commercial/Mixed-Use Conditions; and
2. Annexure B: Gap Ridge Homemaker Centre Design Guidelines (December 2015).