

Bulgarra Apartments Development Funding

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Corporate Services

11 May 2026

Project Objectives

Addressing the shortfall of 2000 dwellings

- 116 dwellings being built, using external capital, asset owned by the City
- The developer assumes majority of the project risk, particularly construction costs, delivery risk, revenue risk over 20-year lease
- Developer pays for the first 4% of the external finance
- Using external financing to preserve City capital
- Becomes a revenue generating asset for the City after the 20-year lease term, with an estimated book value of \$46.6m

Loan Facility Overview

The City utilises the Westpac facility to fund Quantity Surveyor approved developer payments.

Loan terms:

- Facility limit: **\$56M**
- Current Interest Rate as at 29th April: **4.74%**
(variable)
- Interest: charged on drawn balance only
- Line fee: **1%** on facility limit



Developer Loan Overview

The City is providing a loan to the developer to fund construction

Loan terms:

- Interest rate: **4%**
- During construction: Interest is added to the loan
- Post construction: Principal and interest payments begin
- Repayment: **20 years**



Economic Outlook

Since the original financial modelling, economic conditions have changed.

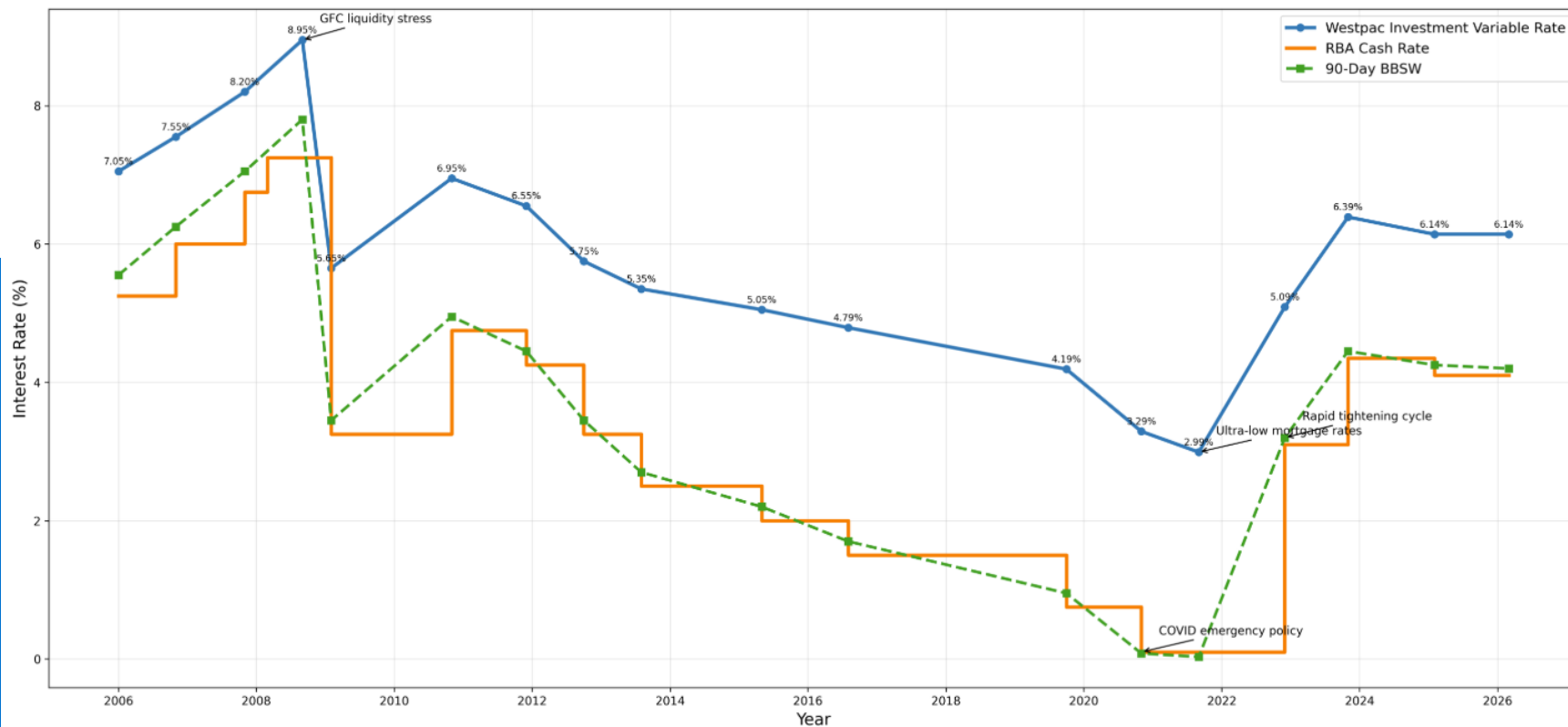
Since March 2025, inflation and interest rates have increased more than expected linked to disruption in global oil supply, while economic activity has remained strong.

Inflation (Annual CPI)

March 2025: 2.4%

March 2026: 4.6%

Australia Interest Rates (2006-2026) Westpac Investment Variable Rate vs RBA Cash Rate vs 90-Day BBSW



Potential Scenarios

Original

Business Case
assumptions

Peak Interest Rate: 4.31%

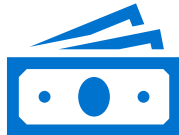


Scenario 1

Rates peak soon, then
stay restrictive

Peak Interest Rate: 5.5%

Possibility: High



Scenario 2

Higher for longer than
expected

Peak Interest Rate: 5.25%

Possibility: Medium



Financial Comparison at Construction Completion

Funding Requirement up until Construction Completion:

Original Model: \$0.75m

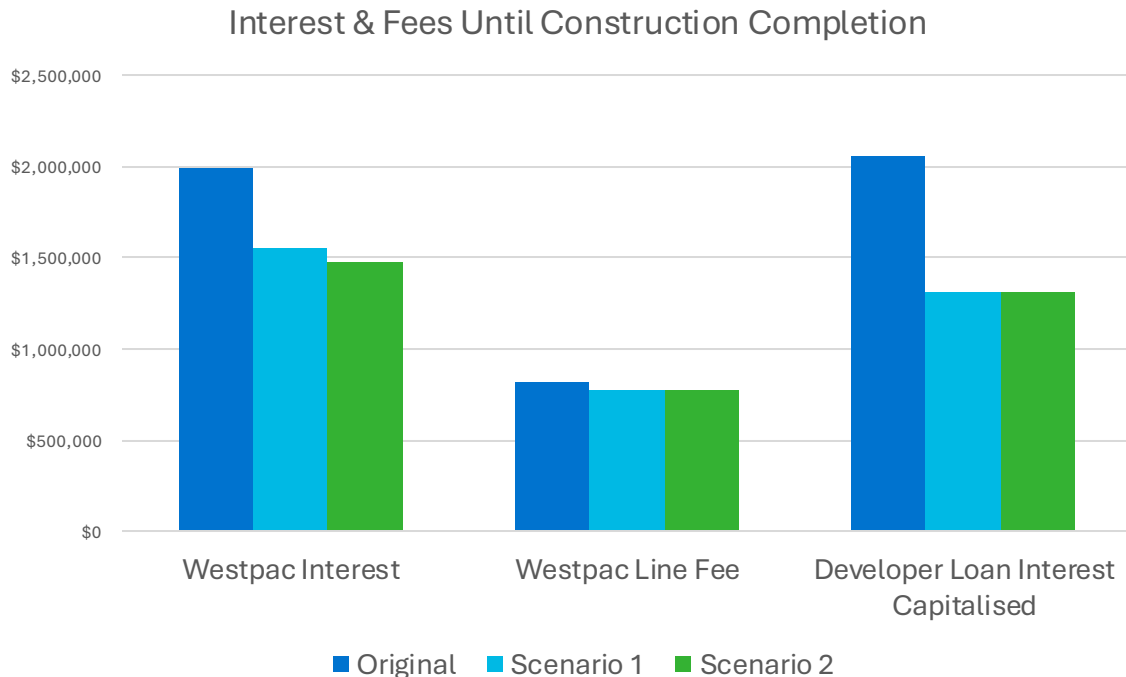
Scenario 1: \$1.01m

Scenario 2: \$0.94m

Additional Funding Required

Scenario 1: \$259k

Scenario 2: \$187k



Scenario Comparison Post Construction Completion

Repayment on Expected Loan Balances*

Westpac: \$54m

Developer Loan: \$55m

Funding Requirement:

Original Model: \$197k

Scenario 1: \$839K **12 mth view**

Scenario 2: \$888K **12 mth view**



* This is only for the first repayment post construction on full loan drawn down values

Actions we are taking

- Monitoring loan drawdowns and interest rate fluctuations to manage interest exposure
- 90 day rolling variable interest rate based on Bank Bill Swap Rate (BBSY)
- Independent verification of construction milestones before funding is released
- Move to Fixed Rate with CEO approval when WT rates fall between 4% & 4.3%
- Briefing ARIC on the project as an independent assurance advisory body

Community Communication

How we are communicating with the Community

- Monthly investment reporting to Council
- New Project Update being made available to on WWMI

What you can share with the Community

- Interest rates are actively monitored
- The project's financing is benchmarked against the bank bill rate
- Consideration given to fixing the interest rate during the next downward interest rate cycle
- The developer contributes 4% toward the project's interest costs
- Current interest rate is 4.74% *(as of 29/4)*
- Developer wears construction and delivery risk
- The City gains a revenue generating Asset of approx. \$46.6M at the end of the 20 year period

For more information:

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