

Risk Assessment

Wave Park Recreational
Facility
Tompkins Park
Alfred Cove

Private and Confidential

Commercial in Confidence

City of Melville

Risk Assessment

*Private and
Confidential*

*Draft issued 27 October
2016*

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2016*

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1 *Executive Summary*

There are a number of issues relating to the Proponent and Proposal that present risk generally, including (but not limited to):

- The Proposal is subject to the relocation of the existing tenant – Melville Bowling Club and amalgamation with Mt Pleasant Bowling Club;
- The current Offer includes Crown Lot land which will need to be assembled against potential resistance from Department of Lands;
- The Proponent is relatively unknown;
- [REDACTED]
- The Proposal in itself is a new concept to Australia (this has both positive and negative aspects);
- [REDACTED]
- The Proponent has exclusive rights to the technology required to operate the Park (this has both positive and negative aspects);
- [REDACTED]
- The current Offer incorporates Conditions Precedent which are the responsibility of City of Melville and present risk and financial exposure;
- The proposed Rent Guarantee in its current form presents risk relating to access to the Guarantee and timing of cover e.g. from site possession and construction. In addition the proposed amount of the Rent Guarantee may need to be renegotiated to provide additional comfort to the City;
- The current Offer may not maximise the revenue generation potential to the City; and
- There are potential environmental issues associated with the adjacent Swan River, Alfred Cove A-Class Nature Reserve and Bush Forever site are yet to be investigated in detail.

A number of the Financial Risks which are rated highly on the Risk Matrix can be mitigated through negotiations with the Proponent. Similarly, the highly rated risks associated with Conditions Precedent, Representations and Warranties can be mitigated through rejection or negotiation of the clauses.

Risk associated with the Proponent and the Proposal generally arising from the lack of previous experience and existing development, uncertainty of the Business Model and appetite for the development will require further investigation.

Identified risks and suggested mitigation actions at a high level are outlined further over the following pages.



2 *Limitations and Exclusions*

While our Services may involve the analysis of financial information and accounting records, it does not constitute an audit or an audit-related service in accordance with Australian Accounting Standards and accordingly no such assurance will be provided in our report.

This is not to be considered in any way a legal review of the documentation provided, and has not been undertaken by legal professionals.

Similarly we will not be providing tax advice, nor any real estate valuations.

Disclaimer:

This report is not intended to be read or used by anyone other than City of Melville ('City'). This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

We prepared this report solely for City's use and benefit in accordance with and for the purpose set out in our engagement scope with the City confirmed on 20 October 2016. In doing so, we acted exclusively for City of Melville and considered no-one else's interests.

We accept no responsibility, duty or liability:

- to anyone other than the City in connection with this report
- to the City for the consequences of using or relying on it for a purpose other than that referred to above.

We make no representation concerning the appropriateness of this report for anyone other than the City. If anyone other than the City chooses to use or rely on it they do so at their own risk.

This disclaimer applies:

- to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute; and
- even if we consent to anyone other than the City receiving or using this report.

3 Risk Overview – Non-binding indicative offer

PwC understand that the non-binding indicative offer (Offer) has been prepared and issued to the City by Wave Park Group Pty Ltd (WPG). The document has undergone a preliminary review by the City. PwC has reviewed the Offer to identify, at high level, terms and clauses that may introduce or transfer risk to the City. The risks identified are not intended to be exhaustive, but rather identify areas where the City may seek to modify the Offer and/or seek legal counsel as to their acceptability or otherwise. This document has not been reviewed from a legal or tax perspective.

It is strongly recommended that the Offer and subsequent Heads of Terms / Heads of Agreement and Lease documentation is reviewed thoroughly by an appropriately qualified legal advisor with experience in land development and local government legislation to ensure all potential legal risks are captured and addressed.

General risks arising from existing Offer

3.1 Crown Lot

Risk: Treatment of the Crown Lot

- The Offer currently has a Condition Precedent relating to the conveyance of the Crown Lot from the Department of Lands
- The City of Melville cannot guarantee the conveyance of the Crown Lot
- Furthermore, the City may not wish to accommodate the conveyance of the Crown Lot as suggested in the comments noted by McLeods (McLeods Review of Proposal 59_40048_001.docx)
- In any case, the City are potentially exposed should they acquire the Crown Lot in advance of the other Conditions Precedent that are beyond the control of City of Melville
- Should the land remain as a Crown Lot and under the control of the Department of Lands, we note comments from McLeods suggesting the Department may adopt any of the following positions:
 - May not grant consent under Section 18 of the Land Administration Act due to the commercial nature of the development
 - May grant consent however may seek a share of the revenue generated by the ground lease
- In addition, ████████ have flagged the Minister's position that they may not permit any buildings 'to straddle lot boundaries'
- The current high level concept appears to show infrastructure crossing the lot boundaries

Mitigation:

- Suggest the City seeks advice on likely cost to acquire the Crown Land

- Suggest the City seeks feedback from Department of Lands on the likelihood of support for the acquisition – noting comments above
- Given the Crown Land comprises a relatively small portion of the proposed development, and in light of commentary surrounding the straddling of boundaries, work with WPG to assess the importance of the inclusion of the Crown Lot parcel within the development



Image above: Crown Lot outlined in red – taken from intramaps

3.2 Lessor Works

Risk: Current Lessor Works requested and potential financial exposure

- The Proponent has provided a list of requirements they have allocated as Lessor Works
- The completion of the Lessor Works forms part of the Conditions Precedent. This presents exposure to the City as the works must be completed in advance of the Commencement Date
- WPG have offered to undertake the works on behalf of the Lessor which if accepted, make create additional risks such as cost control, and potentially conflicts with the City's supplier register and procurement policies

Mitigation:

- There are a number of Conditions Precedent which are beyond the control of the City. As such it is not advisable for the City to undertake any works until all other conditions are satisfied
- Risk would be further mitigated if the property was provided on an 'as is' basis

3.3 Other Lessor Representations and Warranties

Risk: Representations and Warranties are unreasonable and / or undeliverable

- There are a number of 'Representations and Warranties' against the Lessor that could be considered unreasonable and for which the City may not be in a position to deliver
- Zoning, legislative and regulatory compliance is addressed in Section 4.6.
- Soil and Ground water is dealt with in section 4.8

Mitigation:

- Suggest rejecting and removing Lessor Warranties and Representations
- Land should be provided for lease on an 'as is' basis

3.4 Option to Acquire

Risk: Potentially contravenes the provisions of the Local Government Act

- The current Offer requests a right of first refusal to WPG to acquire the site in the event the City is to offer the site for sale
- The provisions of the Local Government Act have specific guidelines in relation to disposing of property which do not favour, and limit the ability, to guarantee exclusivity rights

Mitigation:

Suggest rejecting and removing this term

3.5 Proposed lease terms

See Section 5 – Risk Overview - Financial

3.6 Exclusivity of Trade

Risk: Prohibits or discourages competition within City of Melville

- The Proponent has requested Exclusivity of Trade, being that the Lessee will possess exclusivity of trade with respect to its type of operations on land owned or managed by the Lessor within the City of Melville
- There is ambiguity around the inclusions and exclusions under 'type of operations'
- Whereas the significant investment by WPG is recognised, this level of exclusivity is highly restrictive and anti-competitive
- Given the length of the lease term and further options requested, exclusivity throughout the full term seems unreasonable and may prohibit the City from generating revenue through other parties / developments

Mitigation:

- Suggest refining the definition of 'type of operations'
- Suggest negotiating a reduced time period for exclusivity of trade, if any exclusivity is to be provided

4 Risk Overview – Project Delivery and Operation

4.1 Melville Bowls Club

Risk: Issues and conditions with relocation

- It is believed the relocation of Melville Bowls Club has a number of potential challenges that must be overcome to accommodate WPG
- Media reports at June 2016 suggested initial resistance by both Melville Bowls Club and Mt Pleasant Bowls Club to a relocation and amalgamation at Tompkins Park
- More recent reports from September 2016 suggest both clubs have provided 'in-principle' support.
- The City will need to factor in the costs associated with the relocation, both in terms of infrastructure at the new Facility which is reported to be 'world class' in order to attract the amalgamated clubs, and additional requests relating to the relocation such as media reports of a waiver of a \$200,000 loan before Mt Pleasant will agree to the relocation
- In addition, under the current Offer, WPG expects the City to cover demolition of the existing buildings on site, removal of demolition waste from site, removal of existing bowling greens, and grading and levelling of the site
- The current lease arrangements with both Melville and Mt Pleasant have not been reviewed. It is therefore unknown if the parties have options to extend leases or holdover provisions which may impact timeframes if exercised

Mitigation:

- Suggest City of Melville factor in all costs associated with the relocation in consideration of the financial benefits attributed to the rental revenue from WPG
- City of Melville should review timeframe of construction of the new facilities and factor into any agreement with WPG
- City of Melville should review any rights of Melville and Mt Pleasant Bowls Club to extend their leases and evaluate potential consequences if exercised such as preparation of alternative options
- City of Melville should continue to have open discussions with both clubs
- Any agreement with WPG should be subject to successful resolution of the relocation

4.2 Capacity and Capability of Operator

Risk: Project completion and execution uncertainty

- It is noted that the Lessee is Wave Park Developments (Perth) Pty Ltd are a wholly owned subsidiary of Wave Park Group Pty Ltd (WPG)



- Wave Park Group (WPG) is a privately owned Perth based group of companies. We note from a Dunn and Bradstreet company extract, Wave Park Group was registered 22 September 2012. The ABN number is 64160471572.
- WPG are a relatively unknown entity without a demonstrable track record of delivering projects. Therefore in order for the City to get comfortable with WPG as a Proponent, further insight into the company and shareholders will be required.
- Whereas WPG are undertaking two other projects in Australia at Melbourne Airport and Sydney Olympic Park, these two projects are at various stages of construction or planning and will not be operational for a number of years. This means the success of the operations is untested
- [REDACTED]
- It is noted that one of the conditions precedent requests *'the securing of unconditional project finance on terms satisfactory to WPG'*. This is a condition beyond control of City of Melville and should be addressed in advance of any conditions placing obligations to the City

PwC has undertaken the following high level research on WPG:

- WPG currently has three Directors, Andrew Ross, Adam Lamond and Ian Lusted
- The ultimate holding company is noted as R11 Capital Pty Ltd.
- Dunn and Bradstreet note 21 parties as shareholders
- The major shareholder is R11 Capital Pty Ltd. Andrew Ross and Samantha Ross are listed as both Directors and the Shareholders of R11 Capital Pty Ltd. R11 Capital Pty Ltd was registered on 08 Jul 2004
- The second largest shareholders are Adam Lamond and Tonya Lamond. The top two shareholders hold approximately 61% of the total shares

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- The following information is available on the three Directors from publicly available bios and is provided as a general overview only to gain a further understanding of the Director's backgrounds:

Mr Andrew Ross (taken from Elixir Petroleum Limited - Company Annual Report 2012 – Note Mr Ross resigned in 2013)



Mr Ross was appointed Managing Director of the Company on 12 November 2007 following the successful completion of the merger between Elixir and Gawler Resources Limited. From 2003 to 2007, Mr. Ross was Managing Director and co-founder of the privately owned oil and gas group, Cape Energy.

Prior to establishing Cape, Mr. Ross spent several years as a Director - Corporate Finance of a private merchant banking group based in London where he worked on a range of M&A transactions, public listings and fundraisings for clients in the upstream oil and gas industry as well as other industry sectors. Mr. Ross also acted as In-house Counsel for Sibir Energy Plc, working in the UK and Russia.

Mr Ross is a qualified lawyer as well as holding a Bachelor of Commerce. Mr. Ross is a graduate of the Australian Institute of Company Directors and a member of the Society of Petroleum Engineers.

Mr Adam Lamond (from OTOC website)

Mr Lamond founded his own electrical contracting business in 2003 which evolved into OTOC Contracting in 2008 and was subsequently listed on ASX in 2011 to become, OTOC Limited.

Mr Lamond has over 20 years' experience in the mining industry with particular expertise in construction and electrical activities in remote Western Australia.

Mr Lamond held the position of Chief Executive Officer of OTOC Limited from its listing in October 2011 to January 2014 and during this time, led the Company into a new strategic direction and diversification. Mr Lamond stepped down from his role as Chief Executive Officer in January 2014 with the appointment of Simon Thomas and he now maintains a role as Executive Director – Business Development.

Mr Ian Lusted (from Australis Oil and Gas website)

Mr Lusted was appointed a Director on 12 November 2015 and on 1 December 2015 was appointed Managing Director and CEO of Australis. Previously Mr Lusted was technical director of Aurora from 14 April 2008 until August 2013. As well as being responsible for all technical activities carried out by Aurora, Mr Lusted played an active role in investor and stakeholder relations. He has extensive international oil & gas experience, having begun his career in the industry in 1992 with Shell International after serving for several years as an officer in the Royal Navy. At Shell, Mr Lusted gained upstream operations experience in a variety of locations including the North Sea, South East Asia and onshore Europe.

He was responsible for field operations including drilling and well operations on semi-submersibles, platform, jack-up and land facilities. In 1998 Mr Lusted established Leading Edge Advantage (LEA), an advanced drilling project management consultancy based in Aberdeen and subsequently in Perth, Australia. Mr Lusted led a number of multi-discipline project teams that implemented world first technology applications often in complex jurisdictions. In 2005, Mr Lusted assumed the technical director position for Cape Energy, a private oil and gas company. The company held acreage in Australia and the Philippines where Cape Energy was a key participant in moving the offshore Galoc field to development status. Mr Lusted acted in this capacity until August



2007 when he joined Aurora and in 2008 he was appointed technical director.

Starting with a very small technical team and drawing on the services of 3rd party contractors, Mr Lusted managed the Aurora contribution to the early evaluation and operational activity within the Sugarkane Field. As activity levels increased, staff were sourced and recruited to provide increasing in house resource and expertise, Mr Lusted continued to participate at a decision making level but took on additional supervisory and management roles.

Mr Lusted holds a B.Sc (Hons.) from York University in the United Kingdom and is a member of the Society of Petroleum Engineers.

Mitigation:

- Suggest the City undertakes further due diligence on the entities. Dunn and Bradstreet for example, can produce more detailed reports up to a Comprehensive Report at a cost of \$396 including GST. This report assesses financial stability and produces payment predictors
- Suggest the City makes enquiries to WPG, where appropriate, on the ability of WPG to finance (debt or equity) all three projects, including requesting detailed financial projections, peak debt exposure and bank financing agreements and approvals
- Suggest the City make enquiries as to the planned measures to ensure all three projects are appropriately staffed by senior members of the WPG team
- Suggest the City requests resumes as noted as being available to the City in the Detailed Proposal
- Suggest reference checks are taken from Melbourne Airport and Sydney Olympic Park Authority. It is noted however that these projects are still under construction. Therefore reference checks will relate to the process thus far and should also seek advice on measures undertaken by the landowners to become comfortable with the capabilities of the Proponent
- Suggest referee contact details are obtained from other projects or business ventures WPG or the Directors of WPG may have been involved in

4.3 Exclusive Rights

Risk: Exclusive rights are non-transferable therefore technology and infrastructure is redundant in the event of termination

- We note WPG holds the exclusive rights in Australia to the Wavegarden wave generating technology
- The timeframe applied to exclusive right is unknown
- WPG have suggested the City could have an option to acquire the infrastructure should the lease agreement be terminated. The infrastructure however would appear to be largely redundant without access to the exclusive rights of the technology required to operate the Park
- Given the specialty nature of the Park, infrastructure and the technology, the City may have difficulty in finding a new Lessee for the park in the event of termination

- Although WPG have suggested the built works would represent significant improvements to the site, the suggestion that these could be used for a variety of purposes is questionable
- The make-good obligations therefore become important, particularly in the context of early termination

Mitigation:

- It is recommended the City request copies of and reviews the exclusivity rights if provided
- It is recommended the City explores options to gain access to the technology in the event of termination
- It is suggested the City obtains concept and detailed designs and considers the viability of a conversion to other uses in the event of a termination

4.4 Conflict of Interest

Risk: Conflicts of Interest exist or are created and are unmanaged

- The City may be exposed to potential conflicts of interest as both the Landlord / Lessor and the agency responsible for approving planning and development approvals
- The current Proposed Project Organisation Structure does not show sufficient delineation of the separate roles of the City of Melville as Landlord and as Consenting Authority.
- Clarification should be provided around expectations of WPG with regards to City of Melville's involvement in The Project Working Group
- The current Proposed Project Organisation Structure suggests the Project Working Group will be formed to *'ensure the delivery of the Proposal and its adherence to the agreed governance and management arrangements'*
- The appropriateness of the City's involvement in ensuring delivery of a private commercial Proposal is questionable. This does not infer the Proponent should not make enquiries to the City as Planning and Development Authority in the normal way available to the public. Furthermore as Landlord, the City should not be responsible for ensuring the Proponent's adherence to the agreed governance and management arrangements

Mitigation:

- Appropriate measures are implemented internally at City of Melville to demonstrate that the potential conflict of interest will be managed through due process
- Further, the distinction between the role of Landlord and Consenting Authority for planning and development approval should be clearly communicated to the Proponent and reflected in any future project charters

4.5 Organisational Resources

Risk: Unplanned resourcing requirements

- The current Proposed Project Organisational Structure suggests City of Melville will be invited or requested to be part of a Project Working Group
- If the City agrees to participate, the City will need to consider how they will resource the Project Working Group



Mitigation:

- Suggest seeking clarifications over WPG's expectations with regards to the City's participation
- Once clarifications have been received, and if the City agrees to participate, suggest reviewing suitability of resources available and budgeting accordingly

4.6 Zoning and Permitted Use

Risk: Compliance with Zoning and Permitted Use

- Under the current offer, the Lessee is seeking warranties from the Lessor *'That the proposed land use is not inconsistent with the current zoning of the Site and other legislative and regulatory instruments that govern activities on the Site'*
- This warranty creates risk to the City both in terms of accountability over compliance with zoning which should not be the responsibility of the City as Landlord, and also in terms of the creation of a potential 'grey area' between the roles of the City as Landlord and planning and development authority
- There are potential environmental issues associated with the proximity of the development to the Alfred Cove A-class reserve (water body) and Swan River which must be addressed in a future Environmental Impact Assessment, and it is unknown whether the Proponent has engaged with environmental approval agencies (e.g. DPaW) to gauge potential compliance of the proposal ahead of the DA referral process
- There is a further risk associated with the Environmental Improvements clause which states that *"the Lessee will fund up to \$50,000 for rehabilitation works to the wetland area adjacent to the stormwater drain."* This exposes the City to potential additional costs should the currently 'un-scoped' wetland rehabilitation works exceed this amount. There should not be a cap on the amount payable by the Lessee for the rehabilitation program
- The warranty requested by the Lessee creates a grey area that potentially requires the City to facilitate approvals out of its control

Mitigation:

- Suggest rejecting this warranty and instructing WPG to make their own enquiries as to the proposed land use compliances
- Suggest removing "up to \$50,000" from the Environmental Improvements Clause. The Lessee is responsible for all costs associated with any required rehabilitation works associated with the Development
- The Bicton Baths water polo pool, also located in the City of Melville's jurisdiction, is a relevant example of precedence for construction of swimming pool adjacent to the river. Reviewing the approvals process for this development could assist in mitigating potential approvals risks associated with this Development

4.7 Servicing

Risk: Potential servicing impact on Tompkins Park facilities

- WPG notes that an application for multiple points of supply must be made to Western Power to facilitate power to the wave park. Western Power only allow one point of electrical supply per lot. There is a risk that Western Power will not permit an additional point of supply, which would require either the subdivision of the crown lot, or a shared connection with current supply point, which services the remainder of Tompkins Park. This could cause capacity and/or metering issues for the City. If a multiple points of supply application is approved, the City will also be required to comply with the conditions of this approval relating to the initial point of supply
- The Lessee proposes to upgrade the existing stormwater drain into the river (subject to detailed drainage design). There is an approvals risk associated with this undertaking

Mitigation:

- Suggest the City further investigate potential cost and resourcing implications associated with a multiple points of supply approval
- Suggest the City clarify that the Lessee is responsible for all works, inclusive of servicing, associated with their development, and that servicing must not impact on the existing supply to Tompkins Park

4.8 Soil and Groundwater Quality

Risk: Contamination and potential groundwater issues

- Under the current offer, the Lessee is seeking warranties from the Lessor *“That to the best of its knowledge and belief, the soil and groundwater quality of the Site are suitable for the proposed use (to be confirmed through a baseline environmental investigation prior to the signing of the AFL with costs to be borne WPG)”*
- This warranty creates risk to the City both in terms of accountability over potential remediation costs if any contamination is found during the environmental investigation, and in potential treatment costs if the groundwater quality is not of an adequate standard
- Lot 39 has a classification of “Potentially Contaminated- Investigation required” which indicates that there is a significant likelihood of contamination
- The Lessee’s early research has also shown a potential presence of Acid Sulphate Soils
- Groundwater quality requirements for public aquatic facilities are potentially more stringent than for the current use of the site. Department of Health should be consulted regarding treatment requirements

Mitigation:

- Suggest rejecting this warranty and instructing WPG to make their own enquiries as to the proposed groundwater quality and potential contamination of the site

4.9 Design Outcomes

Risk: The finished design and development may not align to the City's strategic objectives or future objectives for Tompkins Park

- The City as Landlord currently does not have any involvement in the development of the design of the Wave Park and ancillary buildings

Mitigation:

- The City may wish to exert some control over the design concept and development as a Landlord of the Facility to protect the future investment value of the site
- The City may wish to consider how attractive the completed development may be to another investor

4.10 Project Delivery Timing

Risk: Uncertain approval timeframes resulting in delays to commencement of rental income

- The Lessee has proposed a 12 month rent free period from Practical Completion. The current delivery timeframe shown in the WPG Detailed Proposal shows site works commencing in January 2018 and construction completion in December 2018, with rental income commencing in December 2019. This allows approximately 12 months for Business Case, DA Approval, Detailed design and Building Licence and tendering for construction works.
- The above process timeline is outside the City's control, and there are substantial risks of delays due to the unique nature of the development and the fact that it is the first time referral agencies will have seen a proposal of this nature in WA
- Currently there is no provision for termination or exit for the City in the event the development of the Park is delayed, extended for an unacceptable period of time, or placed on hold.

Mitigation:

- Suggest the City discuss the proposed program with an appropriate expert to gauge whether adequate time has been allowed for design and construction
- Alternatively, the City could discuss program with the Proponent involved in the US Wavegardens where works are now complete. The Melbourne LGA may also be a potential source of approval timing information as DA approval has been obtained
- The City may wish to consider the linkage between construction completion and commencement of rental income
- The City may wish to incorporate a development timeframe clause and provision for exits from the agreement in the event of non-compliance with this clause

5 Risk Overview – Financial

5.1 Revenue Generation

Risk: The current Offer does not maximise the opportunity for the City to generate revenue

- The current Offer is for a ground lease over the land with the Proponent permitted to undertake commercial activity on site
- The ground lease is a flat per annum payment, currently proposed to escalate annually by CPI. This lease arrangement is relatively straight forward and should not require the attention of extensive City resources
- The current Offer however does not provide any additional opportunity for the City to generate revenue
- There are other, arguably more complex, leasing models that provide an avenue for additional revenue generation. Other commercial lease models used include Percentage of Gross Sales, where a tenant pays an agreed percentage of Gross Sales (typically using a specified formula as prescribed in the lease) in excess of the amount of Gross Sales set as the threshold rent. In these scenarios, the tenant may also pay a base ground rent per sqm in addition to percentage rent
- The current Offer requests 12 months' rent free from Practical Completion. As noted by McLeods, it could be a number of years before the City receives revenue from the Proposal. Furthermore, under the current Offer the City may be liable for ongoing operating costs until Practical Completion
- It is acknowledged however the Proponent is intending to invest \$28million in the project according to the Detailed Proposal, and may resist any profit sharing model

Mitigation:

- The City should verify the value of the investment by WPG
- The City should consider other leasehold models in advance of committing to the ground lease Offer
- The City should consider if the site could generate higher revenue through other permitted uses
- The City should consider requesting WPG covers all operating costs and outgoings from handover of the site, or at least from lease commencement and not Practical Completion to limit financial exposure to the City
- The City should consider requesting that outgoings and operating costs continue to be covered by the Lessor during the 12 months' rent free with rent free applying to ground lease net rent only

5.2 Lease Term

Risk: Inability of the City to accommodate the required lease term

- The current Offer requests a lease term of 30 years with two options to extend for a further term of 10 years' each

- We note the City currently holds the part of the land by way of a Management Order (note PwC have not reviewed the Management Order)
- The current Management Order permits a lease of 21 years only without prior approval from the Department
- This approval cannot be guaranteed by the City

Mitigation:

- The City should open discussions with the Department to determine the likely support for the extension of the permitted lease term
- As above, enter into discussions with WPG to revise the concept design to omit the Crown Land parcel
- The City should discuss alternative lease terms with WPG in the event the Department is unwilling to agree to longer than 21 years. It is noted from the FAQs released for the Sydney Wave Park that the lease term is 25 years

5.3 Termination

Risk: Termination without sufficient notice leading to financial exposure

- The current Offer provides the Lessee the 'right to terminate the lease at any time by providing written notice to the Lessor'
- There is no minimum notice period stipulated at present
- The City could become responsible for the Wave Park at short notice if no minimum notice period is enforced. The City could be liable for operating costs at short notice which may be unbudgeted costs
- In addition to loss of income due to the termination, and responsibility over operating costs, the City may incur other costs such marketing and legal fees in respect of a new lease to a replacement operator
- As stated in section 4.3 the uniqueness of the Facility together with the exclusive rights held over the technology licence by WPG may present the City with difficulties in sourcing an alternative Lessee
- Although the termination provides for a make-good, the provisions of make-good under the current offer will return the site as the cleared unimproved site. Under the terms of the current Offer, there would be no requirement for the Lessee to deliver the land with the previous revenue generating infrastructure such as the bowls club and greens

Mitigation:

- Suggest incorporating a minimum notice period required from WPG to exercise termination
- Suggest the City reviews if there are potential alternative uses for the Park and likely costs involved to adapt the Park to these uses

5.4 Ground Lease – Rent Payable

Risk: Actual net revenue generated from Proposal is unclear and may be, and continue to be, below market rates

- The Proposal offers an annual ground lease payment of \$700,000 (Gross). This ground rent is to be escalated annually at CPI
- Based on the approximate area of 4.4 hectare, this results in a rate per sqm of \$15.91 Gross

- The inclusions under ‘Gross’ have not been defined. A Gross lease is defined by the Property Council as:

‘One in which all operating costs on the property are included in the rental charged rather than charged as a separate amount. The landlord generally pays for all base year repairs, taxes and operating expenses incurred through ownership. It is the opposite of a net lease in which these costs are borne by the Lessee’.

- The potential exclusions under a Gross Lease could have a significant impact on the actual net revenue received by the City
- Furthermore, under the current arrangement, Gross Rent is escalated at CPI annually. Under the current economic conditions, CPI increases are likely to be minimal and are likely to result in minimal. If these operating costs escalate at greater than CPI, these payments could absorb more and more of the ‘revenue’ received each year

Mitigation:

It is noted that City of Melville have obtained an independent valuation in relation to the proposed ground lease payable.

- It is recommended the City seeks clarification on the proposed inclusions under Gross and negotiates accordingly
- It is recommended that City of Melville refer to the market rates suggested by the valuer in the independent valuation
- It is suggested that the City rejects the CPI increases due to the current economic conditions and instead suggests a fixed increase by included
- Market reviews at regular intervals should also be included, suggest every 5th year, if a Ratchet Clause if permissible under this lease
- The Ratchet Clause will provide surety over the minimum revenue if permitted, however Ratchet Clauses are now void in retail leases under the Commercial Tenancy (Retail Shops) Agreement Act 2005 (WA). The City should seek legal advice whether the lease would be considered a retail lease

5.5 Rent Guarantee

Risk: Ambiguity over the reference and potential access to guarantee

- WPG have offered a Rent Guarantee via a bank guarantee or insurance bond in the amount of \$700,000
- The Rent Guarantee in this context might only cover payment in the event of default on rental payment or late payment or in respect of make-good obligations
- If the Lessee defaults or terminates, the amount of \$700,000 will then potentially have to cover loss of revenue, payment of operational charges, and make-good on site, in addition to funds to attract a new Lessee and associated legal fees. The City appears to be financially exposed under this scenario at the current proposed level of cover

Mitigation:

- [REDACTED] If the Lessee does not comply with any of its obligations under the lease, then the City should be able to call on the Bank Guarantee without notice to the Lessee

- We note and agree that bank guarantee is likely to provide a more secure Facility and should commence at Lease Commencement and not Rent Commencement
- It is suggested the payment amount be reviewed and negotiated, particularly in light that the annual rent is based on a gross amount and in the event of a default, the operating costs will need to be paid out and may need to also cover make-good
- The City could allow for a review of the bank guarantee held subject to performance under the lease over a set period
- Given the unique nature of the operations, it is likely that full-make good will be required in the event of termination or default. We suggest obtaining independent estimates of the cost of a full make-good to help inform the guarantee or bond amount. The value of the Bank Guarantee or Bond should be able to cover the full-make good in addition to the loss of income and costs to secure another tenant
- Alternatively, the City could request and negotiate various levels of guarantees or bonds, to coincide with the different stages of the project, which is strongly encouraged, particularly at possession of site through to the construction phases

5.6 Business Model

Risk: Uncertainty of ongoing revenue

- The proposed Wave Park will be just the second or third of its kind in Australia (order dependent on planning and development timeframe)
- Although it is understood that WPG have undertaken preliminary research on the target user profile, the actual attendance levels are undetermined and will be unknown until the Facility is operational
- Whilst it is common for companies to prepare business models and feasibilities as a means to test viability, the lack of comparable evidence in this case introduces risk to any modelling
- The lack of surety over projected cash flows presents uncertainty over ongoing operations and the ability to meet rental payments owing to the City
- The City have not yet been presented with any detailed modelling or feasibility study
- The component of revenue expected to be generated through bar sales should also be reviewed if WPG are willing to disclose feasibility studies. If the liquor licence is refused or delayed, this may have an impact on the cash flow projections which should be assessed

Mitigation:

- In order for the City to get more comfortable with the business model, suggest requesting copies of the detailed modelling forecast, or feasibility studies
- Alternatively, if WPG can provide a letter of support and financial approval from a bank source, this might provide some comfort. Note any letter provided should be reviewed for support that is 'overly' conditional

6 Risk Overview – Reputational

6.1 Community Expectations

Risk: Delivered project does not meet with community expectations

- We understand that some informal community consultation has already taken place and there are a number of community groups that are generally in support of the development. The Facebook page for Wave Park Group notes a petition in support for the Tompkins Park development had received over 1,000 signatures. It is noted however that canvassers for signatures were paid per signature collected
- The Detailed Proposal document cross references several aspects of the Strategic Community Plan with the development. Whereas the Facility will provide a new amenity for the community, this will be a privately controlled commercial venture with fees payable. Media reports of fees between \$20 to \$40 an hour, depending on the time of day
- It is reasonable to expect resistance from some members of the community for commercial ventures on Council owned land
- Furthermore, there may be some resistance from community members as parts of the land previously available as public open space may now be private access only
- The proposal refers to ‘anticipated’ improvements to areas adjacent to the facility, including Kiosk amenities, an “Activity node”, and installation of a mountain bike pump track. The opportunity to work with the City on an upgraded park with landscaping and possibility of including outdoor fitness and adventure play equipment. No undertaking has been provided by WPG to contribute towards or fund this work. There is a risk that WPG may not fund this work, and the City may subsequently be required to undertake the work in order to comply with the City’s strategic objectives
- WPG state that *‘it is understood that there are no particular values held by the community over the site’*. It is noted that there is a website for Swan Estuary Reserves Action Group Inc. who appear to actively support the ongoing conservation of the river reserve, the subject of this proposal. There is a risk that community action groups such as this may oppose the project, causing reputational issues for the City

Mitigation:

- Suggest community engagement as and when deemed appropriate
- Request details of identified community summary of likely key project community issues
- Suggest the City obtains copies of any formal project endorsements noted by WPG in the Detailed Proposal
- Suggest requesting further clarifications from WPG on any proposed incentives or discounts to be provided to Community groups
- Suggest clarification on funding allocation for anticipated improvements to adjacent areas, or alternatively require all initiatives detailed in the proposal to be fully funded by WPG

- Suggest clarification on closure of current public access ways

6.2 Noise Management

Risk: Proximity to residential areas

- The Facility is located is relatively close proximity to residential housing
- The noise levels expected to be generated by the infrastructure and patrons is unknown
- Noise management does not appear to be addressed in the Detailed Proposal
- The proposed operating hours currently suggest 6am opening time to 9pm on Sunday to Thursday and open until 10pm on Friday and Saturday with reduced hours during the winter period
- It is reasonable to assume nearby residents may have concern over the noise impact
- The City as Landlord is likely to receive complaints if noise levels are to the extent they disturb residents

Mitigation:

- Request details of any Noise Management Plan or Noise Impact Assessment to determine if there is may be cause for resistance from residents or complaints which the City may need to manage

6.3 Traffic Management and Car Parking

Risk: Community and local business are concerned over increased traffic flow and car parking provisions

- The Facility is likely to increase traffic volumes in the local area, current estimates are an additional 300 to 820 trips per day by WPG
- The proposed morning operating hours will introduce additional traffic at peak travel times along Canning Hwy, which may cause perceived delays to commuters
- If the proposed relocation of the Melville Bowling Club to another location within Tompkins Park occurs, all traffic associated with the Wave Park would be in addition to current demand
- Parking calculations should be checked for accuracy
- The community could hold concerns over the replacement of public green space with car parking

Mitigation:

- It is understood from the Detailed Proposal that WPG intends to undertake a traffic management plan to support their Development Application
- The City should request a copy of this plan as Landlord
- The City should investigate methods of protecting parking for surrounding businesses and recreational users of the Tompkins Park area. Options could include signage or marked bays
- The City should consider whether proposed car parking land requirements are an acceptable use of the reserve. If so, consideration should be given to

the inclusion of this as a potential community issue within the Communications Strategy

6.4 Future Use of Land

Risk: Public opinion is that the lot(s) could have been or should be allocated for future community or similar uses

- It is noted that the Proponent has suggested the development aligns with the Strategic Community Plan
- The Proponent further suggests the Facility is complementary to the existing sporting uses of Tompkins Park
- It is noted the City's Lawn Bowls Strategy was presented at the June 2016 Ordinary Meeting of the Council, resulting in the adoption of the following recommendation:

That the Council;

Directs the Chief Executive Officer to investigate and report to the Council suitable future recreational uses of the existing Melville Bowling Club site for a possible financial contribution towards the redeveloped facilities at Tompkins Park and development of community sporting hubs'

Mitigation:

- Ensure other suitable uses have been explored as per Council resolution above and are now eliminated
- Appropriate documentation of all other uses considered on the site and the decision making process in favour of progressing with the Wave Park Group unsolicited proposal

6.5 Licenced Facility

Risk: Anti-social behaviour

- The Proposal incorporates a number of ancillary facilities including a licensed café which will be accessible to the general public
- Whilst it is appreciated that ancillary facilities are relatively standard at most recreational facilities, the inclusion of a licenced café might introduce risk to the development
- The City will need to consider if they are in support of the issuing of a liquor licence at the Facility
- Whilst it acknowledges that Melville Bowling Club currently has a liquor licence, the licence is a Club Licence. According to the Department of Racing, Gaming and Liquor

'A club licence under section 48 of the Act, authorises the sale and supply of liquor to members of the club. In essence, the supply of liquor is secondary to the primary objects of the club'

- It is noted however the current trading hours for Melville Bowling Club extend longer on Friday and Saturday than the operating house proposed by the Facility

Mitigation:

- The City should make enquiries as to the type of liquor licence to be applied for

- The City may wish to incorporate consenting rights to approve or reject any sub-lease offered to operators of the ancillary facilities – approvals should not be unreasonably withheld or delayed
- Suggest as and when appropriate, the City requests a copy of the liquor licence application and measure to be incorporated to ensure the presence of a licensed café does not encourage anti-social behaviour

6.6 Impact on Existing Recreational facilities

Risk: Impact on existing businesses

- Potential for reduced patrons at other recreational facilities such as LeisureFit Booragoon due to the new Facility

Mitigation:

- Request details from WPG on the Gross Economic contribution estimates of \$300m

6.7 Impact on Local Environment

Risk: Community are concerned over perceived impact on sensitive local environment

- The facility's proximity to the A class Alfred Cove Nature Reserve may cause community concern during construction activities that reflects negatively on the City

Mitigation:

- Ensure a comprehensive community engagement strategy is prepared and implemented by WPG in consultation with the City

6.8 Political Change

Risk: Local Council election and changes to the Local Council Members

- Elections may delay progress
- Newly elected members may not continue to be supportive of the

Mitigation:

- Suggest identifying all upcoming elections and assessing against proposed project timeframe
- Suggest incorporating an action plan in the event of elections within the Business Plan



Appendices

Appendix A Risk Matrix

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Appendix A Risk Matrix

Ratings Guide

Consequence	Rating		Likelihood	Rating
Major Impact	5		Almost Certain	5
High Impact	4		Likely	4
Moderate Impact	3		Probable	3
Minor Impact	2		Unlikely	2
Immaterial	1		Rare	1

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>General Terms of Offer – Crown Lot</i>	Treatment of the Crown Lot presents timing and financial risk	Existing comments provided by the Minister for Lands via McLeods suggest potential reluctance towards the Proposal, and / or may introduce financial implications to the City	4	4	16	<p>Consequence is highly dependent on the importance placed by WPG in the Crown Lot proportion</p> <p>Suggest discussing alternative designs that exclude the Crown Lot portion</p> <p>If this is not possible, open discussions with the Department of Lands to confirm likely conditions to be imposed</p>
<i>General Terms of Offer – Lessor Works</i>	Current Lessor works requested are unreasonable and present potential financial exposure	Completion of the Lessor Works forms part of the current Conditions Precedent. This presents exposure to the City as the works must be completed in advance of the Commencement Date	4	5	20	<p>Rating based on current Offer</p> <p>The risk rating will be significantly downgraded if the Lessor provides the site ‘as is’ and rejects these conditions</p>
<i>General Terms of Offer - Other Lessor Representations and Warranties</i>	Representations and Warranties are unreasonable and / or undeliverable	Existing Representations and Warranties contain a number of provisions that the City may not reasonably be able to deliver or commit to	4	5	20	<p>Rating based on current Offer</p> <p>The risk rating will be significantly downgraded if the Lessor provides the site ‘as is’ and rejects these conditions</p>
<i>General Terms of Offer - Option to Acquire</i>	Potentially contravenes the provisions of the Local Government Act	The provision of a right of first refusal or option to acquire could be in breach of obligations relating to disposals of property as contained within the Act	4	4	16	<p>Rating based on current Offer position</p> <p>Suggest rejecting and removing this condition to remove risk</p>
<i>General Terms of Offer - Proposed lease terms</i>		See Section 5				

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>General Terms of Offer - Exclusivity of Trade</i>	Prohibits or discourages competition within City of Melville	This level of exclusivity is highly restrictive and anti-competitive	4	3	12	<p>Suggest refining the definition of 'type of operations'.</p> <p>Suggest negotiating a reduced time period for exclusivity of trade, if any exclusivity is to be provided</p>
<i>Project Delivery and Operation – Melville Bowls Club</i>	Issues and conditions with relocation	may present risks to the timeframe and financial exposure	5	2	10	<p>City of Melville should:</p> <ul style="list-style-type: none"> Factor in all costs associated with the relocation Review timeframe of construction of the new facilities Review lease extension existing rights of Melville and Mt Pleasant Bowls Club Continue to have open discussions with both clubs <p>State that any agreement with WPG should be subject to successful resolution of the relocation</p>
<i>Project Delivery and Operation – Conflict of Interest</i>	Conflicts of Interest exist or are created and are unmanaged	<p>The City may also be exposed to potential conflicts of interest as both the Landlord / Lessor and the agency responsible for approving planning and development approvals</p> <p>Current structures proposed by WPG suggest there are 'grey areas'</p>	3	3	9	<p>Appropriate measures are implemented internally at City of Melville to demonstrate that the potential conflict of interest will be managed through due process</p> <p>The distinction between the role of landlord and authority for planning and development approval should be clearly communicated to the Proponent and reflected in any future project charters</p>

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Project Delivery and Operation – Organisational Resources</i>	Unplanned resourcing requirements	The current Proposed Project Organisational Structure suggests City of Melville will be invited or requested to be part of a Project Working Group	2	3	6	Suggest seeking clarifications over WPG's expectations with regards to the City's participation Suggest reviewing suitability of resources available and budgeting accordingly
<i>Project Delivery and Operation – Zoning and Permitted Use</i>	Compliance with Zoning and Permitted Use	Existing warranty creates risk to the City both in terms of accountability over compliance, and in terms of the creation of a potential 'grey area' between the roles of the City as Landlord and planning and development authority	5	4	20	Rating based on current Offer Suggest rejecting this warranty The risk will be removed if the warranty is rejected
<i>Project Delivery and Operation - Servicing</i>	Potential Servicing impact on Tompkins Park facilities	Potential multiple points of supply issue which may have repercussions for the City's power access to the site Potential approval issues with upgrading existing stormwater drain into river	4	4	16	Suggest the City investigate potential implications associated with multiple points of supply approval. Suggest the City clarify that the Lessee is responsible for all drainage works associated with their development
<i>Project Delivery and Operation – Soil and Groundwater Quality</i>	Contamination and potential groundwater issues	Existing warranty creates risk to the City both in terms of accountability over potential remediation costs if any contamination is found during the environmental investigation, and in potential treatment costs if the groundwater quality is not of an adequate standard	4	4	16	Rating based on current Offer Suggest rejecting this warranty The risk will be removed if the warranty is rejected or if the City's accountability is reduced
<i>Project Delivery and Operation – Design Outcomes</i>	The finished design and development may not align to the City's strategic objectives for Tompkins Park	The current Proposed Project Organisational Structure suggests City of Melville will be invited or requested to be part of a Project Working Group	2	3	6	Suggest seeking clarifications over WPG's expectations with regards to the City's participation Suggest reviewing suitability of resources available and budgeting accordingly

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Project Delivery and Operation - Project Delivery Timing</i>	Uncertain approval timeframes resulting in delays to commencement of rental income	The process timeline is outside the City's control, and there are substantial risks of delays due to the unique nature of the development and the fact that it is the first time referral agencies will have seen a proposal of this nature in WA	4	5	20	<p>Discuss the proposed program with an appropriate expert to gauge whether adequate time has been allowed for design and construction</p> <p>Alternatively, the City could discuss program with the Proponent involved in the US or other Australian Wavegardens</p> <p>The City may wish to consider the linkage between construction completion and commencement of rental income</p> <p>The City may wish to incorporate a development timeframe clause and provision for exits from the agreement in the event of non-compliance with this clause</p>
<i>Financial – Revenue Generation</i>	The current Offer does not maximise the opportunity for the City to generate revenue	<p>The current Offer however does not provide any additional opportunity for the City to generate revenue</p> <p>There are other arguably more complex leasing models that provide an avenue for additional revenue generation</p>	4	4	16	<p>The City should:</p> <ul style="list-style-type: none"> • Consider other leasehold models • Consider if the site could generate higher revenue through other permitted uses • Consider requesting WPG covers all operating costs and outgoings from handover of the site <p>Consider requesting that outgoings and operating costs continue to be covered by the Lessor during the 12 month rent free</p>

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Financial – Lease Term</i>	Inability of the City to accommodate the required lease term	<p>The current Management Order permits a lease of 21 years only without prior approval from the Department</p> <p>This approval cannot be guaranteed by the City</p>	4	4	16	<p>The City should:</p> <ul style="list-style-type: none"> • Open discussions with the Department to determine the likely support for the extension of the permitted lease term • Enter into discussions with WPG to revise the concept design to omit the Crown Land parcel <p>Discuss alternative lease terms with WPG</p>
<i>Financial – Termination</i>	Termination without sufficient notice leading to financial exposure	<p>The current Offer provides the Lessee the 'right to terminate the lease at any time by providing written notice to the Lessor'</p> <p>There is no minimum notice period stipulated at present</p> <p>The uniqueness of the Facility together with the exclusive rights may present the City with difficulties in sourcing an alternative Lessee</p> <p>The City could become responsible and liable for operating costs at short notice which may be unbudgeted costs</p>	4	4	16	<p>Rating based on current Offer</p> <p>Suggest incorporating a minimum notice period required from WPG to exercise termination</p> <p>Suggest the City reviews if there are potential alternative uses for the Park and likely costs involved to adapt the Park to these uses</p>

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Financial – Ground Lease Rent Payable</i>	Actual net revenue generated from Proposal is unclear and may be, and continue to be, below market rates	<p>The potential exclusions under a Gross Lease could have a significant impact on the actual net revenue received by the City</p> <p>Furthermore, under the current arrangement, Gross Rent is escalated at CPI annually. Under the current economic conditions, CPI increases are likely to be minimal are likely to result in minimal.</p>	3	5	15	<p>It is recommended the City:</p> <ul style="list-style-type: none"> • Seeks clarification on the proposed inclusions under Gross and negotiates accordingly • refers to the market rates suggested by the valuer in the independent valuation • rejects the CPI increases due to the current economic conditions • investigates the provision of a ratchet clause in a market rent review

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Financial – Rent Guarantee</i>	Ambiguity over the reference and potential access to guarantee	If the Lessee defaults or terminates, the amount of \$700,000 will then potentially have to cover loss of revenue, payment of operational charges, and make-good on site, in addition to funds to attract a new Lessee. The City appears to be financially exposed under this scenario at the current proposed level of cover	5	4	20	<p>Confirm if the Lessee does not comply with any of its obligations under the lease, the City is able to call on the Bank Guarantee without notice to the Lessee</p> <p>It is suggested the payment amount be reviewed, particularly in light that the annual rent is based on a gross amount and in the event of a default, the operating costs will need to be paid out and may need to also cover make-good</p> <p>Given the unique nature of the operations, it is likely that full-make good will be required in the event of termination or default. Suggest obtaining independent estimates of the cost of a full make-good. The value of the Bank Guarantee or Bond should be able to cover the full-make good in addition to the loss of income and costs to secure another tenant</p> <p>Alternatively, the City could request various levels of guarantees or bonds, to coincide with the different stages of the project, which is strongly encourage particularly at possession of site through to the construction phases</p>

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Financial – Business Model</i>	Uncertainty of ongoing revenue	The lack of surety over projected cash flows presents uncertainty over ongoing operations and the ability to meet rental payments owing to the City	5	4	20	<p>Rating based on current detail provided</p> <p>In order for the City to get more comfortable with the business model, suggest requesting copies of the detailed modelling forecast, or feasibility studies</p> <p>Alternatively, if WPG can provide a letter of support and financial approval from a bank source, this might provide some comfort. Note any letter provided should be reviewed for support that is overly conditional</p>

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Reputational – Community Expectations</i>	Delivered project does not meet with community expectations	<p>Whereas the Facility will provide a new amenity for the community, this will be a privately controlled commercial venture with fees payable. Media reports of fees between \$20 to \$40 an hour, depending on the time of day</p> <p>It is reasonable to expect resistance from some members of the community for commercial ventures on council owned land</p> <p>Undertakings provided by WPG to include public works to park and cycle infrastructure are not definite</p> <p>There are community action groups active in the area (eg. Swan Estuaries Reserve Action Group) which may oppose the development.</p>	4	3	12	<p>Rating based on current Offer and Detailed Proposal and notes consultation is planned</p> <p>Suggest community engagement as and when deemed appropriate</p> <p>Request details of identified community summary of likely key project community issues</p> <p>Suggest the City obtains copies of any formal project endorsements as noted</p> <p>Suggest requesting further clarifications from WPG on any proposed incentives or discounts to be provided to Community groups</p> <p>Suggest clarification on closure of current public access ways</p> <p>Suggest clarification on funding allocation for anticipated improvements to adjacent areas, or alternatively require all initiatives detailed in the proposal to be fully funded by WPG</p>
<i>Reputational - Noise Management</i>	Proximity to residential areas	<p>The Facility is located is relatively close proximity to residential housing</p> <p>The noise levels expected to be generated by the infrastructure and patrons is unknown</p>	3	5	15	Request details of Noise Management Plan or Noise Impact Assessment to determine if there is may be cause for resistance from residents or complaints which the City may need to manage

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Reputational – Traffic Management and Car Parking</i>	Community and local business are concerned over increased traffic flow and car parking provisions	The Facility is likely to increase traffic volumes in the area The proposed morning operating hours will introduce additional traffic at peak travel times.	3	4	12	It is understood from the Detailed Proposal that WPG intends to undertake a traffic management plan The City should request a copy of this plan as Landlord and assess impact of additional traffic
<i>Reputational – Future Use of Land</i>	Public opinion is that the lot(s) could have been or should be allocated for future community or similar uses	Council's adopted directions are not adhered to	3	5	15	Ensure other suitable uses have been explored as per Council resolution above and are now eliminated Ensure appropriate documentation of all other uses considered on the site and the decision making process
<i>Reputational – Licenced Facility</i>	Anti-social behaviour	The Proposal incorporates a number of ancillary facilities including a licensed café which will be accessible to the general public	4	3	12	The City should make enquiries as to the type of liquor licence to be applied for The City may wish to incorporate consenting rights to approve or reject any sub-lease offered to operators of the ancillary facilities Suggest as and when appropriate, the City requests a copy of the liquor licence application
<i>Reputational – Impact on Existing Recreational Facilities</i>	Impact on existing businesses	Potential for reduced patrons at other recreational facilities such as LeisureFit Booragoon due to the new Facility	4	4	16	Request details from WPG on the Gross Economic contribution estimates of \$300m

Risk	Description	Cause	Consequence	Likelihood	Rating	Risk Mitigation Strategy
<i>Reputational – Impact on Local Environment</i>	Community are concerned over perceived impact on sensitive local environment	The facility's proximity to the A class Alfred Cove Nature Reserve may cause community concern during construction activities that reflects negatively on the City	4	4	16	Ensure a comprehensive community engagement strategy is prepared and implemented by WPG in consultation with the City
<i>Reputational - Political Change</i>	Local Council election and changes to the Local Council Members	Elections may delay progress Newly elected members may not support the project	4	3	12	Suggest identifying all upcoming elections and assessing against project timeframe Incorporate action plan in the event of elections within the Business Plan

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