

Cooke Point Caravan Park

Business plan for proposed lease

2020



Town of
Port Hedland

COOKE POINT CARAVAN PARK LEASE BUSINESS PLAN

Executive Summary

The Cooke Point Caravan Park (the Park) is currently leased by the Town of Port Hedland (the Town) to Aspen Parks Property Management Ltd (ACN 096 790 331) (Tenant)). The current lease expires in March 2022 and the Town is proposing to enter into a new lease (Proposed Lease) with an entity related to the Tenant, Discovery Holiday Parks Pty Ltd (ACN 111 782 846) (Discovery) subject to the requirements of the *Local Government Act 1995*.

The Park is located at 2 Taylor Street, Port Hedland and occupies 4 hectares of land. The location provides beach access and overlooks Pretty Pool Creek.

The Park includes 117 park homes owned by the Tenant and 73 powered caravan and camping sites. The Town is responsible for the permanent infrastructure including the administration office, ablution and laundry blocks, swimming pool and barbeque areas and roads and drainage. The oldest infrastructure has been in-situ for 50 years and overall the infrastructure is in a fairly rundown condition.

Under the Proposed Lease, Discovery will undertake an upgrade to the Park over a 3 year period that will cost \$2.8 million. The upgrades to the Park to be undertaken by Discovery include the construction of a new café that will be open to the general public, upgrades to the pool area, camp kitchen and barbeque areas, playground and landscaping. The Proposed Lease will also require Discovery to prepare, in consultation with the Town, a maintenance and renewal plan for various plant, equipment and infrastructure within the Park and undertake these works over the term of the lease. A rental arrangement based on a percentage of revenue is proposed.

Although not a significant part of the local economy, Port Hedland attracts 40,000 tourists per year which provides opportunity for local business. Park management and new investment and on-going maintenance by Discovery will provide Port Hedland with attractive tourist accommodation as well as a community meeting point in an attractive location.

Regulatory Requirement

Section 3.59 of the *Local Government Act 1995* requires a local government to prepare a business plan before it enters into a major land transaction.

Section 3.59(1) defines a major land transaction as a land transaction, other than an exempt land transaction, for which the total value of consideration under the transaction and anything done by the local government for achieving the purpose of the transaction exceeds the prescribed amount. Pursuant to Regulation 8A(1) of the *Local Government (Functions and General) Regulations 1996*, for Port Hedland the prescribed amount is \$2,000,000. The expected value of the transaction exceeds that amount.

Section 3.59(3) requires the business plan to include an overall assessment of the major land transaction and is to include details of:

- Its expected effect on the provision of facilities and services by the local government; and
- Its expected effect on other persons providing facilities and services in the district; and
- Its expected financial effect on the local government; and
- Its expected effect on matters referred to in the local government’s current plan prepared under section 5.56; and
- The ability of the local government to manage the undertaking or the performance of the transaction; and
- Any other matter prescribed for the purposes of this subsection.

Section 5.56(1) requires a local government to plan for the future of the district. This occurs by way of the Strategic Community Plan (SCP) which outlines how the vision for Port Hedland will be achieved and the Corporate Business Plan (CBP) which details how the SCP will be implemented. The current SCP was adopted by Council on 23 May 2018 and is for the ten year period 2018 to 2028 and the current CBP is for the four year period 2018 to 2022, adopted by Council on 24 October 2018.

Location, History and Features of the Park

The Park is located at 2 Taylor Street, Port Hedland and occupies 3.9532 hectares of land, being Lots 1382 and 5822 on Land Administration Plans 10911 and Diagram 89904 respectively. The land is Crown Land reserved for the purpose of a caravan park and equestrian activities. The Town is responsible for its care, control and management pursuant to Management Order N991616.



The ablutions were constructed in 1969 and the manager's residence in 1971. A major redevelopment of the Park occurred in 1996 with the construction of 50 park homes, initially to provide accommodation during a major resource construction project. Backpacker accommodation was added in 2000 and a swimming pool installed in 2001.

The Park currently contains 117 park homes and 73 powered caravan and camping sites. The park homes are owned by the Tenant.

Town infrastructure includes:

- Roads and kerbing
- Drainage, including a concrete sump
- Buildings
- Main office / reception / recreation room / backpacker accommodation
- Ablution blocks
- Campers' kitchen and barbeque areas
- Workshop
- Manager's residence
- Swimming pool and surrounds

Services infrastructure consists of below ground power distribution, an LPG bullet and reticulation and potable and wastewater pipework.

The Park is located in area identified as at risk of being impacted or threatened by rising sea levels or coastal erosion in the Town's Coastal Hazard Risk Management and Adaptation Plan prepared by consultants for the Town in March 2019.

Proposal

The Park is currently leased to and operated by Aspen Parks Property Management Ltd (Tenant), a national caravan park operator, as a tourist park. The lease expires in March 2022 and at the request of the Tenant the Town is proposing to enter into a new lease with a Tenant related entity, Discovery Holiday Parks Pty Ltd (ACN 111 782 846) (Discovery) for a 21-year term with a further 21-year option to renew (Proposed Lease). The objective of the Proposed Lease is to secure for the Town attractive tourist accommodation to support tourism in Port Hedland. The Proposed Lease will seek to ensure that the Park continues to operate as a tourist park, Park facilities are upgraded and maintained to a high standard and that it has a flexible rental mechanism.

Key financial terms of the Proposed Lease include:

- Annual rental income equal to the greater of a commencing base rent of \$200,000 plus GST (which will be subject to annual CPI review) and 8 percent of the gross revenue received by Discovery through its operation of the Park in the preceding financial year;
- Completion of a \$2.8 million investment program by Discovery to upgrade Park facilities within the first 3 years of the Proposed Lease term;
- \$7.2 million of maintenance and renewal expenditure on Park facilities and infrastructure over the term of the Proposed Lease; and

The Town expects the Park to be operated and maintained equivalent to the standards of a four star caravan park.

Under the Proposed Lease, Discovery will complete a substantial upgrade of the Park's infrastructure within the first three years of the term. This includes converting the existing administration and backpacker accommodation building into a combined administration building and street front café. Other proposed infrastructure upgrades include redevelopment of the pool area and upgrades to the camp kitchen and barbeque areas and playgrounds. Improvements would also be made to landscaping and the layout of the Park.

It will be a term of the Proposed Lease that maintenance and renewal of the Town's infrastructure at the Park will be Discovery's responsibility. To ensure the Park is maintained to an acceptable standard, the Proposed Lease will include provisions for on-going asset management planning and inspections and minimum maintenance and renewal expenditure.

Impact on Facilities and Services Provided by the Town

The capital and maintenance works contained in the Proposed Lease provide the Town with upgraded tourist accommodation and a new café for residents.

Economic Benefit

Although tourism is a minor part of the Port Hedland economy, the Town receives approximately 40,000 holiday makers per annum who contribute to the local economy by their expenditure on accommodation, dining, grocery and fuel purchases. A much greater number of people travel to Port Hedland for work, the majority of whom stay at dedicated workforce accommodation establishments. The planned improvements to the Park will improve its attraction and any increase in accommodation nights will provide additional benefit to the wider Port Hedland economy.

The Park will create additional business and employment opportunities. The improvement works and on-going maintenance requirements will provide opportunities for local contractors and suppliers. A successful café will create additional employment opportunities.

The Park will provide the Town with an on-going stream of rental and rate income. The proposed investment, maintenance and renewal commitments from Discovery will avoid the need for substantial investment and on-going expenditure by the Town.

Social Benefit

Discovery will invest in a café that will be accessible by the community from Taylor Street. This will introduce retail food and beverage to the east end of Port Hedland which will benefit both residents and tourists. This will add to the appeal of existing and the proposed Pretty Pool Creek pathway, boardwalk and pedestrian bridge that was been approved to proceed to detail design by Council on 27 May 2020.

Environmental Impact

The Park's location on a point between coastal dunes and the mouth of the Pretty Pool Creek ecosystem gives visitors the opportunity to experience a stay close to nature and also provides perfect views of the phenomenon known as the 'staircase to the moon'.

The Park provides a black waste disposal point for the safe disposal of human effluent. An oily water separator will be installed at the wash bay to ensure safe disposal of waste water.

Impact on Other Businesses in Port Hedland

Port Hedland has limited competing options to the Cooke Point Caravan Park. The redevelopment should attract more visitors and encourage visitors to stay longer which will benefit other businesses in the town.

The majority of Port Hedland accommodation is workforce accommodation. Excluding homestay and workforce accommodation, alternative accommodation consists of:

- Two caravan parks in South Hedland
- Two overflow caravan parking sites

- Six motels / hotels

Financial Impact on the Town

The Proposed Lease will provide rental and rate income to the Town. The financial obligations of Discovery under the Proposed Lease will also alleviate the Town from an obligation to expend its own funds on upgrading existing Park infrastructure and in relation to on-going maintenance and renewal expenditure of plant, equipment and infrastructure owned by the Town.

Alignment with the Strategic Community Plan

The primary objective of the Proposed Lease is to secure for the Town attractive tourist accommodation to support tourism in Port Hedland. This aligns with the adopted 2018-2022 SCP:

Our Community

- 1.d Well utilised and valued community facilities and services
 - 1.d.1 The present and future facilities and requirements of the Town are planned for and developed in-line with relevant facility standards and community needs
 - 1.d.2 Facilities and community infrastructure are revitalised across the Town
 - 1.d.3 Facilities and community infrastructure are well maintained, managed and fit for purpose to provide a range of lifestyle opportunities
 - 1.d.4 Community services and facilities are well promoted

Our Economy

- 2.c A thriving, resilient, sustainable and diverse economy
 - 2.c.1 Business and government agencies and other relevant stakeholders are engaged to:
 - Identify strategic employment and economic development priorities
 - Assess and address market failures affecting the cost of living
 - Assess and address cost of doing business challenges
 - 2.c.2 Opportunities for social enterprise, innovators, and small and medium sized businesses are identified, and strategies to attract and support them are implemented

Town's Management of the Transaction

The management of the Proposed Lease is within the resources and capacity of the Town. The Town has sought appropriate expert advice to manage the transaction. It is seeking a lease arrangement that is readily manageable and will continue to deliver the objectives for the Park for future generations of stakeholders.

After the Proposed Lease has been executed the Town will need to:

- On execution and at each anniversary calculate the rent amount for the following year (noting that the rent payable will be the greater of 8% of the gross revenue received by Discovery in its operation of the Park for the previous financial year and the base rent of \$200,000 plus GST);
- Review annually Discovery's progress and expenditure report on upgrades to the Park specified in the lease agreement;
- Agree with Discovery a maintenance and renewal plan for the Park;
- Review annually Discovery's progress and expenditure report on maintenance and renewal works in accordance with the maintenance and renewal plan; and
- Every five years conduct an infrastructure asset audit.

Requirements of Reg. 30(2a)(c) of the *Local Government (Functions and General) Regulations*.

In order to satisfy the requirements of Reg. 30(2a)(c) of the *Local Government (Functions and General) Regulations* and avoid the need to prepare a separate public notice under s. 3.58(3) of the Local Government Act, this Business Plan includes the following details about the Proposed Lease.

Property Details	Lot 1382 on Deposited Plan 29206 and being the whole of the land comprised in Certificate of Crown Land Title Volume LR3123 Folio 592 Lot 5822 on Deposited Plan 189904 and being the whole of the land comprised in Certificate of Crown Land Title Volume LR3123 Folio 593
Names of the other parties concerned	
Lessee	Discovery Holiday Parks Pty Ltd (ACN 111 782 846)
Consideration to be received by the Town for the disposition	
Annual Rent	The greater of: (a) 8% of the gross revenue received by the Lessee in the operation of the Park for the previous financial year; and (b) the base rent being \$200,000 plus GST as at the commencement date (increased by changes to CPI since the

	commencement of the Proposed Lease).
New Investment	\$2.8 million expenditure by the Tenant to upgrade Town facilities and infrastructure on the Park
Asset Maintenance and Renewal	\$7.2 million expenditure by the Tenant to maintain and renew Town facilities and infrastructure on the Park over the first term
The market value of the disposition as ascertained by a valuation carried out not more than 12 months before the proposed disposition	
Reasonable annual market rent (as ascertained by a valuation)	\$510,000 excluding GST

Public Consultation

A copy of this Business Plan may be inspected at, or obtained from, the Town's Civic Centre, all of the Town's libraries and the Town's website www.porthedland.wa.gov.au.

Submissions must be made in writing to:

Town of Port Hedland
 PO Box 41
 PORT HEDLAND WA 6721

Or by email to council@porthedland.wa.gov.au

For further information, contact Manager Planning and Analysis on (08) 9158 9300

Submissions close 4PM Tuesday 13 October 2020