

Lease Stage - Former Quinns Rocks Caravan Park Site

(Lot 211 Quinns Road, Mindarie)

Questions and Answers
November 2023

Note: This document was prepared to address questions raised following the 1 August 2023 Special Council Meeting, including questions arising in the advertising of a local public notice in November 2023.

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1 Project context

1.1 What is the current stage of the project?

At the Special Council Meeting on 1 August 2023, the City of Wanneroo's Council voted to proceed with negotiations for a lease, to enable the development of an ecotourism, café and event space at the former Quinns Rocks Caravan Park site at Lot 211 Quinns Road, Mindarie, together with resolving for other actions on the adjoining land.

Under the lease, the proposed developer (described in this Questions and Answers document as the '**Proponent**') will be responsible for constructing, operating and maintaining the site under lease terms and specifications agreed with the City. The Proponent is funding the development.

Council's decision was not the final stage in City approvals for the development:

- **Lease approval:** Council will need to approve a proposed lease arrangement, expected to be under:
 - an agreement for lease (for the development and construction phase); and
 - a ground lease (for the operational phase);
- **Proceeding with a development application:** Council will be requested to provide comments on the Proponent's proposed development application, which would then be signed by the City as landowner and submitted to the Western Australian Planning Commission for assessment and approval.

1.2 Has the project progressed?

Since August 2023, the following steps have occurred:

- **Lease negotiations:** the City and the Proponent have negotiated lease terms;
- **Public notice:** The proposed lease terms have been advertised by a notice under section 3.58 of the **Local Government Act**. The notice can be found [here](#).
- **Development plans:** the Proponent has finalised the designs for the development for Council to consider.

As part of the recent progress, key elements of the project have been enhanced in the negotiations between the City and the Proponent.

This includes changes agreed by the Proponent to address feedback from the community and Council Members:

- Inclusion of designs which will be more resilient in a coastal environment with strong winds at some times;
- An agreed development of a 1,500m² lawn area, which will be accessible to the community;

- Removal of the reflection pool, which community members has suggested would present maintenance and safety challenges;
- Inclusion of picnic tables and bicycle racks within the development, to support community use;
- A commitment in the lease to maintain community access;
- A commitment in the lease to hold community events at the site;
- Inclusion of a kiosk space in the café and function area, to support community access;
- Inclusion of publicly accessible toilets within the development (access not limited to customers of the business);
- A lease obligation to provide financial security (in formal guarantees from company directors and separate bank guarantees), to reduce the risk for the City.

These changes are formalised in the lease as a contractual commitment from the Proponent. The Proponent has also updated the previous concept plans (with these changes being made solely at the Proponent's cost to address requests by the community and the City).

1.3 Why is the site being considered for tourism?

The former caravan park site has long been identified by the City as having potential for tourism accommodation.

The status has been consistent in Council's decisions in the time since deciding to close the former caravan park site in 2012, including:

- Council resolutions in relation to the site, such as to:
 - establish a Council Member Working Group (2015);
 - endorse a business case and authorise an expression of interest (**EOI**) (2020);
 - approve a preferred EOI candidate (now the Proponent) (2022); and
 - authorise lease negotiations (August 2023); and
- broader strategic decisions by the City in relation to economic and tourism planning, including:
 - identifying the former caravan park site in the City's [Economic Development Strategy & Action Plan 2016-2021](#); and
 - identifying the site in the City's [Tourism Plan 2019-2024](#).

1.4 Was there a petition?

At the same Special Council Meeting on 1 August 2023, Council considered a petition (PT01-06/23) requesting the City cease any further discussions with the Proponent in relation to the site and fully investigate the feasibility and costs to develop the site for active community use.

The outcome of Council's consideration at the Special Council Meeting was that the petition was noted and Council resolved to proceed in line with Council's overall decision in relation to the proposal. This will include progressing with the lease negotiations and the development application, as outlined above and explained in more detail later in this Questions and Answers document.

1.5 How can I find out more background information?

The project has been ongoing for more than 10 years since Council resolved in 2012 to close and decommission the former caravan park.

An earlier Questions and Answers document is available on the City's website ([here](#)). This document was prepared during the community engagement process (between December 2022 and March 2023) and updated in real-time as new questions were raised.

The document was last updated in advance of the Special Council Meeting on 1 August 2023. It provides more detail on aspects such as:

- the Expression of Interest process and selection of a preferred candidate;
- the recent community engagement process; and
- the broader context of the site, including the environmental and heritage condition.

A higher level of detail on the project background is available in previous reports to Council, including the report to the Special Council Meeting on [1 August 2023](#).

Note: When reviewing the previous Questions and Answers document and previous reports to Council, please remember that the information was correct at the time of preparation, and that particularly in the context of the recent lease negotiations and updated concept design (discussed in more detail later in this new Questions and Answers document) there may be updated information.

2 Lease

2.1 How has the lease progressed?

Council's resolution in the Special Council Meeting on 1 August 2023 was the first approval for the City to engage in lease negotiations. The previous resolution in July 2022 had only referred to 'discussions' with the Proponent, which meant that some details for the lease arrangement could not be determined.

Since August 2023, the City has been able to negotiate on draft lease documents, which are an Agreement for Lease (to provide for the approvals and development phase of the project) and a Ground Lease (to provide for the operation of the site). This means that now more information is known on the lease arrangement.

Draft documents (prepared by the City's lawyers) have recently been approved by the Proponent. The City anticipates providing a report to an upcoming Council meeting for Council to consider whether to proceed with the lease arrangement.

As a result of the lease negotiations, some of the issues identified by the community in the engagement process and during the Special Council Meetings in June and August 2023 have been addressed. Key considerations (such as how community amenity will be provided at the site) are addressed below.

2.2 What is a ground lease?

A 'ground' lease is where a tenant leases vacant land and is responsible for constructing its own premises. The tenant then owns the structure, but the landlord retains ownership of the land (and receives the structure at end of lease).

The alternative to a ground lease is a 'building' lease, where the landlord provides / builds the structure (at its cost) and is occupied by the tenant.

Ground leases are typically long-term leases, lasting 20-50 years, to enable the tenant to get the return on its investment.

2.3 Who is the tenant?

The original EOI proposal was submitted by Heritage W.A. Investments Pty Ltd and its director, Russell Percival. The proposed leasing entity was subsequently confirmed as Eco Tourism Pty Ltd (ACN 669 182 709) as trustee for the Dunes Unit Trust (formerly known as the Quinns Resort Unit Trust).

The Proponent had delayed incurring the cost of establishing the company structure due to uncertainty regarding's Council's position on the proposed development until the Special Council Meeting on 1 August 2023. It is common in property and commercial development and leasing to establish an operating company once the

proposed venture is likely to proceed, and the Proponent had delayed until Council's commitment was more definite.

However, in advance of that Special Council Meeting, the Proponent took into consideration interest from Council Members and the community in seeking a tangible entity, which prompted the creation of the current structure.

2.4 Will the tenant change?

The tenant cannot be changed or assigned without the City's prior consent.

The tenant would need to demonstrate that any proposed assignee has experience in operating a similar business, maintaining a landmark hospitality venue and is of equal or greater financial standing before the assignment may be considered.

Similarly, changes in the ownership of shares or in units in the unit trust cannot result in a change in control of the tenant (controlling interest of 50% or more). If this was proposed, the tenant would need to request the City's prior consent.

2.5 When will the development start?

If Council decides to proceed with the proposed development, the approvals and construction phases of the project will be covered by the Agreement for Lease.

The first stage under the Agreement for Lease is securing all approvals for the development. The approvals stage has a 12 month timeframe (starting from when the Agreement for Lease is signed).

Development approval would be applied for during this stage. The development application will be assessed by the Western Australian Planning Commission.

Either party can terminate if approvals are not met.

Following the approvals being secured, the Proponent will need to construct the development in accordance with all approvals. The Proponent would be responsible for all costs.

2.6 When must the development be completed?

The commencement of the lease is linked to 'practical completion'.

Practical completion occurs when the City as landlord, gives the tenant notice that the City is satisfied that the tenant's works have been completed in accordance with the Agreement for Lease and is compliant with the relevant approvals. This arrangement is common in commercial leasing of this nature.

The Agreement for Lease specifies that practical completion must be achieved 24 months after the last approvals have been secured by the Proponent. If this does not occur, the City will be able to terminate the Agreement for Lease.

3 Local public notice

3.1 Why has the notice been advertised?

The public notice is required under the Local Government Act, to provide the public with an opportunity to respond to a proposed disposal of land (whether by lease or sale).

In the current proposal, the notice advertised the proposed lease. The notice period commenced on 2 November 2023 and closed on 16 November 2023.

3.2 What was included in the notice?

The Act requires that the notice includes:

- the names of all other parties concerned: In the current proposal, the Proponent (as the tenant) and the guarantors have been named;
- the consideration to be received by the local government: In the current proposal, the rent has been stated in the notice; and
- the market value of the disposition (by lease): This is also stated in the notice, with the market value determined by valuation, as explained elsewhere in this document.

3.3 How has the notice been advertised?

The notice has been published in accordance with the requirements of the Act, which involves advertising on the City's website and by three other methods specified in the legislation.

As is standard practice for advertising the proposed lease of City property, the three further methods involved publication in the West Australian and Perth Now (Wanneroo /Joondalup Edition) and by a notice on noticeboards at City libraries and the Civic Centre.

Due to the high community interest in the project, an additional, supplementary method was also used, by email notification to persons registered to be kept up to date on this project.

The notice was also shared with relevant stakeholders, including tourism industry bodies, consistent with the site previously being identified in strategic tourism and economic development documents.

3.4 Were responses to the public notice restricted by a word limit?

No. The format specified in the public notice, was for submissions in writing and addressed to the Chief Executive Officer at the City's postal address. Submissions were also accepted if hand delivered to the Civic Centre or provided by email (PropertyServicesMailbox@wanneroo.wa.gov.au). There was no word limit for submissions in this manner.

In some instances, a community member submitted comments through the project Your Say page ([here](#)), rather than in the process outlined in the local public notice ([here](#)). Your Say is a community portal to share views and comments and a word limit applies to comments submitted in this format.

Where an enquiry or comment was submitted to Your Say or another means where it is unclear whether the intent was to make a formal submission, the City checked if the community member intends that their enquiry or comment is received as a formal submission and if they confirmed that it was, it will be included in the report.

4 Financial considerations

4.1 Who is funding the development?

The proponent is responsible for the development of the site at its own cost, including the design, securing approvals and construction (including buildings and other improvements, landscaping and connecting utility services).

The City is not contributing to the cost of the proposed development.

The Proponent's estimated cost for the development is \$8 million.

The City has no financial interest in the tenant or development other than as landlord (receiving the proposed rental income of \$50,000 per annum). The City is not an investor in the development, with all costs (and development risk) borne by the proponent.

There is no evidence to suggest that any Council Members have a financial interest in the proposed development.

4.2 Why is the rent \$50,000 per annum?

As a ground lease, rent is calculated on a land rate only, with the tenant being responsible for all development costs.

A ground lease rent is comparably lower than a building lease rental, but under a building lease the landlord (i.e. the City in this case) would have had to construct the development and would also usually be responsible for structural maintenance.

The initial rent of \$50,000 per annum (plus GST) is subject to CPI increases annually and to updated market reviews every 5 years.

4.3 How was the rent determined?

The rent was determined by negotiation with the Proponent and a market valuation, conducted by a licensed valuer (Australian Property Consultants) engaged by the City.

The valuation rate was based on a review of comparable rentals, having regard to the ground lease format (i.e. building rents were less relevant) and the permitted land use under the 'Regional Parks & Recreation' reservation under the Metropolitan Region Scheme (which limited the types of uses included for comparison).

The valuation assessed a range of \$38,000 to \$60,000 per annum, with an adopted midpoint of \$50,000 per annum.

This means that the negotiated rental of \$50,000 per annum is the same as the market valuation.

4.4 Why is the Proponent not paying rent from the start of the Agreement for Lease?

Rent is not payable until the development achieves practical completion.

Practical completion occurs when the City as landlord gives the tenant notice that the City is satisfied that the tenant's works have been completed in accordance with the agreement for lease and is compliant with the relevant approvals. This arrangement is common in commercial leasing of this nature.

The lease specifies that practical completion must be complete 24 months after the last approvals have been gained to the Proponent. If this does not occur, the City will be able to terminate the Agreement for Lease.

4.5 Is the Proponent receiving any financial incentives or inducements under the lease?

No. Aside from the timing for the commencement of rent (which is a market-appropriate position), none of the incentives which are often provided to attract a tenant (such as a reduced rent or contribution to development costs) are being provided for the proposed lease.

4.6 Will the City receive rates for the development?

Rates are determined based on the Gross Rental Value (GRV) assessed by the State Valuer General's Office, which will occur after the lease documents are signed. The actual rates cannot be known until the GRV is calculated.

Based on comparable sites, the City estimates rates in the region of \$20,000 to \$30,000 per annum, but this is a preliminary estimate only.

5 Community access and amenity

5.1 Can a lease give 'open' public or community access?

Yes. Commercial and community leases will often include an openly accessible or public area, such as for a lawn area or al fresco seating. Typically, the open area is available when the overall site is open to the public, but there may be some restrictions on access outside of operating hours.

5.2 Can the community use the site?

Yes. The proposed development includes a lawn area of 1,500m², which approximately doubles the area available in front of the Quinns-Mindarie Surf Life Saving Club and Quinns-Mindarie Community Centre.

The lawn area will be developed and maintained by the Proponent at its own cost. The specifications for the lawn are consistent with the requirements for City-managed open space in a coastal location.

Access to the lawn is open to the wider community, even if they are not paying customers of the glamping and café areas of the site. The City's previous [Questions and Answers](#) had noted that the lawn area, café and facilities would be available to the general public during daylight hours and when not booked for a private event. This remains the case and has now been reflected in the lease, which requires that the lawn area is open to the public during daytime, **starting at 7am and ending 30 minutes after sunset.**

The only limitation is that access may be restricted if needed for a large function. Smaller functions will be limited to the dedicated function rooms located in the café / function building or to parts of the lawn. It is important to note that large functions will not occur frequently. The lease also provides that community access should be maintained whenever possible.

5.3 Will the site be open to community events?

The Proponent has also committed in the lease to hold a number of community events each year.

The minimum commitment is 9 per year, though there is a target of 22 events if they prove viable (3 events monthly during November to March, 1 event monthly during April to October).

A program of events will be developed by the Proponent, with input from the City. The lease requires that the Proponent provides an outline of planned events and invites feedback from the City at least twice per year.

The Proponent must promote (on social media, its website and a notice board) when access is restricted and when community events are planned.

5.4 Will the kiosk be open if the café is closed for a function?

Yes. The kiosk was included within the design to ensure that if the indoor café space is being used for a private function, the kiosk can remain open to serve the public.

6 Site use

6.1 What is the proposed use?

The permitted use specified in the lease is 'Hotel (restricted licence), restaurant and café, function centre and short stay accommodation'.

The lease also includes a specific requirement that the site must be used throughout the lease term for short stay accommodation.

6.2 Why is the proposed use shown in the public notice as 'hotel (restricted licence)'?

The "hotel (restricted licence)" use is in relation to the anticipated liquor license that the Proponent will need to obtain for the development. The term "hotel" refers to a use where the sale and supply of liquor for consumption on the premises only (i.e. no takeaway) and on a site that provides accommodation.

The reference to the type of liquor licence is the only clarification added to the use described in the report to the Special Council Meeting on 1 August 2023, noting also that the use at that time still clearly incorporated a licensed premises.

6.3 Can the scale or character of the development be changed or expanded?

The lease includes a requirement that the Proponent must not make alterations or additions (such as to build extensions or other improvements not shown in the original development plans) without submitting new plans to the City and obtaining the City's consent. This means that the Proponent cannot change the scale or character of the development without the City's approval.

6.4 Is it possible for the Proponent to expand outside of the leased area?

The lease area will be contained to the Former Caravan Park Footprint. The Proponent will have no ability to extend the lease area without approval from Council.

This means the Proponent has no right to use the beach or the adjacent bushland, aside from the same use enjoyed by any member of the community.

In addition to the above, Council's resolution at the August Special Council Meeting (SCS01-08/23) requested that the City begin the process of vesting the remaining bushland on the site in the State as Crown land for the purpose of 'Conservation'.

Once this has been complete, the surrounding bushland will have a higher level of protection.

6.5 Does the development restrict the Quinns-Mindarie Surf Life Saving Club from expanding?

No. There is no change to the space currently (or previously) allocated to the Quinns-Mindarie Surf Life Saving Club, and there will be other ways to support the Club (if a need is established).

The proposed café and function areas within the Proposal are now located in proximity to the Club, however, this was a design adjustment arising from community and stakeholder feedback during the engagement period, which had highlighted that accommodation close to the Club's premises may not be the most compatible layout, and accordingly the accommodation was moved further away and the café and function area was moved into that space.

Another outcome of moving the café and function area to its current proposed location is that it is further from residences and closer to the other similar uses on the overall land parcel.

As further context on the Quinns-Mindarie Surf Life Saving Club, the Club is an important part of the local community and provides significant benefits. This includes contributing to beach safety (such as through patrols and safety awareness training), community health and well-being and social connection.

The City has provided support to the Club for a considerable period of time, together with other surf life saving clubs in within the City of Wanneroo's district, and this will continue into the future.

Support for the Club includes an annual financial contribution by the City to the Club's surf lifesaving services and a lease of portions of the Quinns-Mindarie Community Centre building (ground lease and upper floor office area) and external areas. The lease has been renewed on multiple occasions, with the current term (including an option period) expiring in October 2031.

Council's resolution at the Special Council Meeting required that the City continues to work with the Club in relation to supporting the Club's current and future needs (including developing a facilities plan). This process is ongoing and will involve close collaboration between the Club and City staff. Should further needs be identified, there will be ways to support the Club other than via expansion into the former caravan park site.

6.6 Will the car park have dedicated bays for resort guests?

There will be no dedicated marked bays for resort guests. From time to time, resort management may need to specify parking spaces for resort guests should the car park be highly utilised.

6.7 Can large parties (beach parties or new year's events) be held at the site?

Any large public event would be subject to the conditions specified in the associated liquor license and would need to be in accordance with the lease. Liquor licenses consider the capacity of the associated building, so large events on site will be limited to the capacity of the building on site. The beach does not form part of the lease area. If an event was intended to be held on the beach, all required approvals would need to be sort from the relevant authority.

The Proponent has indicated that functions such as these will be held at the site:

- Corporate events
- Company meetings and presentations
- Community events, such as business functions, club meetings, or family gatherings
- Weddings and other celebrations
- Health and well-being retreats
- Sports presentations
- School-based activities.

7 Updated concept designs

7.1 Why has the design changed?

Following community feedback during the engagement process and at the recent Special Council Meetings, the Proponent has reviewed the concept design and where possible, updated the design to incorporate community feedback and planning requirements.

The most recent designs can be viewed [here](#).

Since the Special Council Meeting, the Proponent has made the following changes in response to community feedback:

- A beach access footpath has been incorporated from the café and kiosk area.
- To further enhance the community's use of the site, public picnic tables and shading have been provided in close proximity to the café and kiosk.
- Bicycle racks have been incorporated into the design to allow for active transport options for locals attending the lawn area, café and kiosk.
- To better cater for the community, the Proponent provided both a kiosk and café. The intention is that should the community be utilising the lawn area, they will be able to purchase food or beverages from the kiosk without having to sit down in the café.
- The lounge bar area has been provided with rear access via the car park. It is intended that this area will be open fully to the public and provide an additional area for the community.
- 80 bay carpark that is open to the public and guests.

7.2 Can the community use the toilet facilities in the café / function area without buying something?

The Proponent is required to keep toilets in the café site open to the public when the site is open for trade. The public will be able to access the toilets without making a purchase as a customer.

7.3 What is happening next?

The next stage in the project will be for Council to consider whether to proceed with the proposed Agreement for Lease and Ground Lease, including information on submissions during local public notice period.

Council will also comment on the development application, in advance of the City signing the application as landowner (not as decision making authority).

The development application will be assessed by the Western Australian Planning Commission.

For more information visit www.wanneroo.wa.gov/quinnsrockscaravanpark
or call the City's Property Services team on 08 9405 5000