



Bulgarra Apartments Business Plan Review

Prepared for the City of Karratha

Friday 27th June 2025



The APP Group

A Bureau Veritas Company

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Document Control	
Document Name	Business Plan Review
Project Name	Bulgarra Apartments Proposal
Prepared By	Steve Egger, Project Director, The APP Group Michael Hart, Senior Development Manager, The APP Group
Prepared For	Adrian D'Cunha, Housing Financial Analyst, City of Karratha
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Introduction

- ▶ This report has been prepared by The APP Group in response to the City of Karratha's request for an independent review of the Bulgarra Apartments Business Plan, with a focus on assessing financial projections, sensitivity analysis, and risk mitigation strategies.
- ▶ The review covers the proposed development of approximately 119 apartments across three City-owned sites in Bulgarra:
 - 30 Nairn Street, Bulgarra WA 6714.
 - Lot 751 Gregory Way, Bulgarra WA 6714.
 - 17 Ridley Street, Bulgarra WA 6714.
- ▶ These apartments are intended to address critical rental housing shortages for key workers in the region.
- ▶ The proposed development structure involves a 20-year peppercorn lease arrangement, whereby a private partner will fund, build, and operate the apartments on City land, returning the assets to the City at lease expiry. The project will be debt-financed, with commercial viability hinging on accurate financial assumptions and risk allocation.
- ▶ APP's review focuses on the reasonableness and robustness of the financial model, the validity of sensitivity testing, and the appropriateness of risk controls. This includes limited analysis of construction and operating cost assumptions, revenue forecasts, performance measures, debt funding structure and risk exposure.
- ▶ The general scope of this report includes:
 - Review of financial model assumptions and outputs.
 - Assessment of the sensitivity analysis framework and stress testing.
 - Review of the project's risk matrix and mitigation measures.
 - Identification of gaps or weaknesses in financial or risk management.
 - Practical recommendations to strengthen the overall delivery model.
- ▶ The intent of this review is to support the City in ensuring the Business Plan is well-founded, risk-aware, and commercially realistic – providing confidence to decision-makers and potential partners ahead of market engagement.
- ▶ This report is based on the *City of Karratha Housing Development Business Plan – Bulgarra Apartments* and associated material provided by the City. It does not include independent valuation or cost advice. Revenue and cost assumptions have been reviewed in the context of available information and supporting analysis provided by the City.
- ▶ APP has not conducted any review on the developer and their partners
- ▶ APP has not undertaken any due diligence on the sites, development concept and method of construction.

Financial Modelling & Sensitivity Analysis Review

General Comments

- ▶ GST treatment has not been included in the model. APP can not provide taxation advice, however suggest that the City consider how GST is treated in finalising any financial modelling.
- ▶ The nature of the development being off site manufacturing and delivered and assembled on site is not an element that has been assessed within this review and therefore may have implications on the advice and conclusions provided. The nature of how the developer intends to deliver the project may also impact allocation of costs into particular headings that are not typical. An example of this may be the Development Management fee which on its own looks extremely high at \$7,500,000 - and would warrant further examination.
- ▶ Modelling results are indicative only to serve as a high level check on project performance. As APP has only had access to summary information detailed cashflow modelling could not be undertaken.
- ▶ The review is based upon evaluation from a commercial property transaction perspective and does not take into account any economic or social benefits that may be realised through completion of the project.

Program

- ▶ A detailed program is a key element in any development and will influence the model. Insufficient information was provided to fully evaluate the program in terms of risk. A few comments on what could be extrapolated from the cashflow are as follows;
 - Depending on where the project is in regard to approvals, the start of civils and infrastructure works appears to be both very early (i.e. commencing July 2025) and over a long period of time (16 months).
 - The start of construction appears to be ambitious with minimal or no allowance for a period of planning, design, approvals and procurement preceding construction.

Cost

- ▶ APP cannot provide any opinion on accuracy of costs. It is recommended that a qualified cost consultant provides this advice.
- ▶ Professional fees as a percentage of development costs appear to be misaligned with typical market rates. Some of this discrepancy may be due to how the project costs have been categorised and the project delivered. The total professional fees as a percentage of the Construction costs (incl Contingencies) is exceptionally high at 22.27%. This figure is heavily influenced by the particularly high development management fee of \$7,500,000 representing 16.5% of the construction cost and the project management fee of \$1,600,595 representing 3.52% of the construction cost. Other consultant fees look particularly low. The breakdown of these costs warrant closer examination to determine why development and project management fees are so high and whether the other technical consultant fees are adequate.
- ▶ As with construction capital costs, APP is not able to evaluate accuracy of asset renewal costs nor frequency of such works and recommend a qualified cost consultant provides this advice. What is notable is that although there is an increase in nominal allowance it appears that the real allowance (which takes inflation into account) is showing an actual reduction in allowance as the asset ages. A greater understanding of the plans for asset renewal is required including a WOL (Whole of Life) schedule that clearly demonstrates the program for replacement/refurbishment of assets. This schedule should cover all plant, equipment, materials, painting, floor and window treatments, furniture etc.
- ▶ No holding costs are specifically included in the model. Rates, taxes, land taxes insurances etc will need to be clearly assigned to either sit with the City or the developer. Some of these costs may already be included within the 15% management fee.
- ▶ No marketing/advertising fees are specifically included in the model and may have been included within the 15% management fee or 4% letting fee. The 4% lettings fees are only included twice over the full 20 year operating period as further discussed under Revenue below..

Financial Modelling & Sensitivity Analysis Review

Revenue

- ▶ The City's cash flow forecast assumes a starting average rental rate of \$967 per week per apartment. To assess this assumption, research was undertaken utilising CoreLogic's RP Data system, Realestate.com and a review of publicly available average rental information (REIWA etc.).
- ▶ Based on development concepts and the average rental rate assumption provided in the Business Plan, an analysis was undertaken on the apartment yield breakdown and associated rent per week. This breakdown, along with the estimated current market rental rate (based on APP's market research in June 2025) is provided in *Table 1 - Assumed Rental Rate Analysis*.

Table 1 – Assumed Rental Rate Analysis

	City Assumption			APP Market Research	
	Yield	Rent/week	Total Revenue/week	Rent/week	Total Revenue/week
1x1	35	\$845	\$29,575	\$860	\$30,100
2x2	65	\$995	\$64,675	\$1,100	\$71,500
3x2	16	\$1,125	\$18,000	\$1,300	\$20,800
Average		\$967.65		\$1,055.15	

- ▶ The City's assumed average starting rental rate is considered conservative and appropriate for financial modelling purposes. It should be noted that a range of factors – including broader economic conditions, local market fluctuations and the final quality/specification of the completed product – may influence future rental outcomes.

- ▶ The cashflow assumes all units are tenanted upon construction completion. A lease up period of 6 to 12 months should be allowed dependant upon confidence in any pre-commitments able to be secured.
- ▶ Escalation of Gross rent is 0% after 12 months and then 2.75% thereafter with a small correction of -3.48% in Dec 2031 which is only in effect for two months before escalating up again at 2.75% in Feb 2032. This doesn't appear to be appropriate and should be reviewed. We assume this correction should be applied in Feb 2032 and be in place for 12 months before escalating again at 2.75%. This is the only rent correction in the cashflow. Based on the logic applied, the City may want to consider additional corrections. The typical annual escalation rate of 2.75% appears reasonable.
- ▶ It is not clear what the lease strategy is and what the lease terms will be, so it is difficult to provide any meaningful commentary in this regard. The vacancy rate will be dependant upon not only the lease terms but also the market. In a strong market and long lease terms (2 years plus) the adopted vacancy rate of 5% is reasonable. In a weaker market and lease periods of say 6-12 months, a higher vacancy rate should be considered (10%+). The model doesn't make any specific vacancy allowance during the periods of refurbishment. Due to disruption in those periods an adjustment to vacancy should be applied. Given the market would experience highs and lows over 20 years a higher average vacancy rate should be adopted beyond what can reasonably foreseen. The City may consider leaving 5% as the vacancy up to year 5 and then perhaps adopting a 7.5% - 10% vacancy thereafter.
- ▶ Letting fees are only included twice in Feb 2027 and Dec 2031. These will be applied at each tenant turnover. A letting fee at 4% of annual rent is considered reasonable.
- ▶ Management fees of 15% appear high however it will depend upon what is included in that fee. A detailed management agreement including clear allocation of cost responsibility should be reviewed and acceptable to the City as a condition precedent.

Financial Modelling & Sensitivity Analysis Review

Performance

- ▶ The Project IRR is calculated to be 7.3%. For a Build to Rent project such as this a developer would seek a much higher IRR and may potentially seek a return on development of between 15-20% and then a lower return over the operating period of around 10% (possibly lower depending on perceived market risk and mitigation). Strong long term government leases could potentially push the operating return lower.
- ▶ It is recommended that the City seek an upon completion valuation of the project to determine its financial exposure upon completion of development.
- ▶ The value upon completion of the project referred to in the City reports, appears to be based upon book value/cost based value and does not necessarily equate to market value. This is also true throughout the operating period and therefore should the City take possession either during the 20 year operating period or upon termination, there may be a disparity between book value, market value and loan balance. It is possible that given the low level of equity (discussed further below) that the loan value will be higher than the asset value.
- ▶ The discount rate of 5.22% for Net Present Value has been provided by the City and is considered appropriate in reflecting the balance between long term risk and public benefit through housing provision.
- ▶ APP has selectively modelled Project IRR sensitivity as this is a good indicator of project risk. The results are detailed in *Table 2 - Project IRR Sensitivity Assessment (Revenue and Cost)*.

Table 2 – Project IRR Sensitivity Assessment (Revenue and Cost)

		Revenue		
		Baseline	-10%	-20%
Costs	Baseline	7.3%	6.3%	5.3%
	+10%	6.2%	5.3%	4.3%
	+20%	5.2%	4.3%	3.4%

Note: Residual Asset Value after 20 years has been kept at \$46,600,000 for all scenarios.

Loan and Funding

- ▶ The developer's level of equity is considered exceptionally low. \$2,500,000 represents just 4.48% of the capital cost of \$55.75 million. A commercial loan would seek a much higher equity contribution to mitigate risk and would also take into consideration the location and the non-traditional building approach. We would expect an equity contribution to be around 35% of cost which would equate to around \$19.5 million. For lower equity contributions a structured loan may be considered which would include higher interest rates for loan balances above 65% of the construction cost. This would incentivise reduction of loan balance to a more palatable level.
- ▶ The repayment of equity in the cashflow shown in the "Developer Cashflow" tab differs to repayment of equity in the "IRR" tab. In the former all repayment occurs in the final month, while in the latter repayment is spread over the last three years. Our calculations in comparison with the City show the following IRR on equity values;
 - IRR on Equity based on lump sum repayment: 7.7%
 - IRR on Equity based on staged repayment: 7.9%
 - IRR on Equity (City of Karratha calculation): 8.2%
- ▶ As is the case for IRR, the discrepancy in repayment of equity between results in slightly different NPV calculations. Our calculations in comparison with the City show the following NPV (@5.22%) on equity values;
 - Equity NPV based on lump sum repayment: \$ 1,511,383
 - Equity NPV based on staged repayments: \$1,650,770
 - Equity NPV (City of Karratha calculation): \$1,783,783

Financial Modelling & Sensitivity Analysis Review

Loan and Funding (cont.)

- ▶ Should the project not perform in accordance with the baseline model due to cost increases or reduction in revenue (lower rents and/or high vacancy), and the developer is not able to cover the shortfall leading to a default whereby the City takes control, the financial exposure to the City increases as the loan being serviced by the City will be greater. For example, if costs increased by 20% and revenues reduced by 20% the peak debt could increase to \$67 million. Based on serviceability this would result in a residual debt of circa \$54.5 million at the end of 20 years which the City would still need to service. (Note the Project IRR is lower than the Debt Service %)
- ▶ Under the base case, the City's loan is fully repaid in Mid 2044. The ability to achieve this date will be subject to the maximum debt exposure and the project performance. Using the sensitivity assessment parameters as above, Table 3 provides a summary of potential loan balance at the end of the 20 year operating period.
- ▶ It is important that the City does not expose itself to any further debt risk as the project is already well beyond commercial debt/equity ratios. The City should seek further security to that provided by the project and ensure that the developer has the capacity to make up any shortfall.
- ▶ The City is fixing a long term interest rate with the developer while initially paying a higher interest rate to borrow funds. Although indications are that future interest rate movements are down, should this not be the case or the cost to borrow remains above 4% the arrangement will cost the City. In addition the loan will sit on the City's balance sheet and may impact future borrowing. This could be mitigated by structuring the financing in such a way as a commercial lender takes a portion of the loan and the City provides mezzanine funding.
- ▶ The debt coverage for interest repayment of 2.1x upon commencement is considered in excess of acceptable limits based on the revenue assumptions. For a project such as this we would expect a range of between 1.5x to 1.75x to be the target range. To reach the lower limit of debt coverage of 1.5x, revenues could drop by about 28% from the baseline. This would equate to average weekly rent being able to drop from \$968 per week to \$697 per week with all other variables in the baseline staying the same.
- ▶ It is not clear what the developer receives in the way of fees and therefore keeps them incentivised over the full project period. It would be useful to understand the incentive the developer has to remain committed to the project. We would assume that a portion of the 15% management fee goes to the developer. This should be more transparent to determine if there is sufficient incentive to remain committed to the project over 20 years to extract any potential residual funds upon completion. Should the developer be required to increase equity through a shortfall in funding (i.e. increased costs or reduced revenues) this will only serve to diminish their return further and disincentivise them remaining committed to the project.

Table 3 – Loan Balance at Dev 2046 Sensitivity Assessment (Revenue and Cost)

		Revenue		
		Baseline	-10%	-20%
Costs	Baseline	\$0	\$5 M	\$21.9 M
	+10%	\$4.3 M	\$21.3 M	\$38.2 M
	+20%	\$20.7 M	\$37.6 M	\$54.5 M

Notes:

- I. Residual Asset Value is not included.
- II. Assumes City funds additional costs and/or revenue shortfall.

Risk Analysis & Mitigation Strategy Review

- ▶ The City's general approach to Risk Analysis, i.e. the Risk Assessment Framework in accordance with *Council Policy CG01 Risk Management* is considered sound, however the inherent risk of the Business Plan/project is not considered appropriately documented.
- ▶ Provided in Table 4 is commentary/recommendation associated with each risk identified by the City, while additional risks have been documented in Table 5 for the City's consideration.

Table 4 – APP Comment on City Documented Risks

#	Item	Mitigation Strategies	APP Comment/Recommendation
Financial Risks			
1	Development costs exceed budget	Module construction pricing will be fixed at commencement of the project. The project budget has \$9.8m contingency built in which represents 17.5% of the total construction cost. The Development Agreement will be structured so that any construction cost overruns are the Proponent's responsibility.	<ul style="list-style-type: none"> Given the structure of the deal, the debt facility from the City, and the developer's relatively low equity contribution – allocation, ownership, responsibility and management of both risks 1 and 2 should fall solely on the Developer. While risk 1 and 2 are important considerations and are linked to risk 3, the focus of the City should be mitigating against the risk of Developer defaulting on the loan and walking away from the project, during construction or operation. Costs to be fixed and leasing pre-commitments should be conditions precedent for the loan commencement. The City should seek additional security from the developer.
2	Development does not generate forecast returns	Significant pre-leasing will be secured with corporate tenants prior to commencement of construction.	<ul style="list-style-type: none"> Noting the significant Development Management fee, it is unclear to the extent of which the developer is otherwise incentivised to remain committed to the project throughout construction and over the operational period. It is recommended that the City ensure any Development Agreement/Loan Agreement has stringent measures built in to protect its interests should the Developer default on loan payments. While the mitigation measure returns ownership of the land and dwellings to the City, it does not sufficiently cover financial or program implications of the Developer exiting the project.
3	Developer defaults during construction period	As the modules are being pre-fabricated off site Council will have the ability to take receipt of the modules and engage local contractors to complete site works and installation.	<ul style="list-style-type: none"> APP cannot comment on the borrowing capacity of the City, however we recommend the significant scale of the loan should be considered as compared to the City's annual operating revenue so that debt servicing ratios are kept within sustainable thresholds.
4	City capacity for future borrowing limited	The City currently has no plans for future borrowing in its Long Term Financial Plan. There will be remaining borrowing capacity after funding of this proposal, providing a contingency for delivery of the LTFP if required.	<ul style="list-style-type: none"> As above.
5	Investment in this project means that other community projects cannot proceed	The City has sufficient Reserves to fund all community projects in its LTFP after committing to this project. The City also has minimal current debt and therefore significant available borrowing capacity to fund future community projects should the need arise.	

Risk Analysis & Mitigation Strategy Review

Table 4 – APP Comment on City Documented Risks Cont.

#	Item	Mitigation Strategies	APP Comment / Recommendation
Operational Risks			
6	Failure to meet delivery timeline	The Proponent has provided the delivery timeline. They have scheduled their other projects around providing adequate capacity to complete this project including scheduling the production run in the factory. Any delays would result in additional interest being capitalised on the loan to the proponent but would not render the proposal unviable.	<ul style="list-style-type: none"> On the limited program information provided, the start of construction appears to be ambitious with minimal or no allowance for a period of planning, design, approvals and procurement preceding construction. As identified in risks 1 and 2, responsibility of program delay risks should fall on the developer. The focus of the City should be mitigating against the risk of Developer defaulting on the loan and walking away from the project, during construction or operation. The City will need to ensure additional security is in place such that the developer can cover any shortfalls.
7	Developer defaults during operating period	It will be a condition of the agreement with the Developer that in the event of default control of the asset will revert to the City.	<ul style="list-style-type: none"> It is unclear to the extent of which the developer is incentivised to remain committed to the project throughout the operational period. It is recommended that the City ensure any Loan Agreement has stringent measures built in to protect its interests should the Developer default on loan payments. While the mitigation measure returns ownership of the land and dwellings to the City, it does not sufficiently cover financial or program implications of the Developer exiting the project.
Reputational Risks			
8	Council is perceived to be misusing ratepayers funds	The net cash outflows for the project are proposed to be funded from the City's Infrastructure Reserve, which is not comprised of residential, commercial or industrial rates. The asset reverted to the City at the conclusion of the lease term is forecast to have a significantly higher value than the total cash outflow, resulting in an overall positive return to Ratepayers.	<ul style="list-style-type: none"> The mitigation strategy notes the forecasted value of the asset following conclusion of the lease term as being the driver of an overall positive return to Ratepayers. The approach to estimating the value of the asset on the conclusion of the lease term, i.e 'cost-based' or 'replacement cost' value, is considered an inherent risk. The value of the asset will be determined by the market and what a purchaser is willing to pay at the time of divestment. Further information on divestment risk has been detailed in Table 5.
9	Housing is not a local government function	Council has widely publicised its Housing EOI including supporting data demonstrating the shortage of housing and lack of viable commercial activity to address this shortage. Increasing housing supply is vital to achieving Council's vision. For this project Council will not be owning or operating the housing assets, merely leasing land and providing a debt facility.	<ul style="list-style-type: none"> Given the well documented and widely understood market failure in the region, the reputational risk associated with the City actively pursuing and intervening in projects to increase housing supply is considered low.

Risk Analysis & Mitigation Strategy Review

Table 5 – APP Additional Risks

#	Additional Item	APP Mitigation Strategies	Cost and Time Impacts
Divestment Risks			
1	No apparent allowance for strata titling of the units, limiting future divestment flexibility.	<ul style="list-style-type: none"> Ensure the development is designed to be strata-ready (e.g. fire separations, metering, access etc.). Commission early legal and planning advice to assess the practical feasibility of individually strata titling the units during the operational period of the project. 	<ul style="list-style-type: none"> Costs associated with obtaining surveying advice and design costs to enable future titling is considered low. High costs could be expected if retrofitting or strata titling is pursued once the development is complete.
2	End-of-term asset value falls short of forecast.	<ul style="list-style-type: none"> Apply prudent, scenario-based valuation forecasts (including expert advice where appropriate) during the planning and negotiation phase. Undertake regular, ongoing asset value reviews over the operational period. 	<ul style="list-style-type: none"> Lower than expected end-of-term asset value is a high cost risk to the City given the overall project returns are based on the asset value being the driver of positive returns.
3	Quality of product from offshore modular construction partner may result in lower end-of-term asset value.	<ul style="list-style-type: none"> Conduct detailed technical, financial and legal due diligence on the manufacturer, including reference checks. Establish third part quality assurance/compliance protocols during construction. Identify alternate suppliers or contingency plans in case of failure or delays. 	<ul style="list-style-type: none"> Rectification of non-compliant or poor quality dwellings may result in high cost of replacement/rework. Manufacturing or shipping delays could result in program delays to the developer.
4	Developer fails to reinvest into refurbishment of the dwellings as proposed, resulting in lower value end-of-term asset value.	<ul style="list-style-type: none"> Incorporate a binding refurbishment schedule into the Loan Agreement including minimum standards, scope and timeframes. Apply an end-of-term condition requirement into the Loan Agreement, stipulating that the asset must meet a minimum condition at handover. Any surplus funds following loan repayment should be directed into a sinking fund (trust account) to cover forecast asset renewal costs. 	<ul style="list-style-type: none"> Inadequate refurbishment may result in significant cost to uplift the dwellings on completion of the lease term. Poor condition may also affect rental yield and tenant retention.
Operational Risks			
5	Poor property management or maintenance by Developer.	<ul style="list-style-type: none"> Include performance standards in the Loan Agreement (e.g. maintenance response times, tenant satisfaction benchmarks etc.) Conduct scheduled audits and inspections with rights to intervene or trigger corrective action. Include step-in rights in the Loan Agreement if performance material fails. 	<ul style="list-style-type: none"> Poor preventative maintenance may lead to high cost of reactive repairs (e.g. water ingress etc.). Poor property management service may lead to increased tenant turnover and lower retention.

Conclusion

- ▶ Based on the information provided and the assumptions made, the project structure carries a number of risks to the City that can be mitigated to a certain extent through the levelopment and loan agreements negotiated with the Developer.
- ▶ It is recommended that the City seek specialist advice to assist in structuring these agreements to ensure risk is allocated appropriately and mechanisms are included to protect the City's interests throughout the construction and operating period.
- ▶ The financial model includes a variety of assumptions with regard to program, costs and revenues that should be further verified before making any commercial decisions. In particular, independent advice should be sought on all costs, including Whole of Life costs. Although the amount of construction contingency appears reasonable as a % of costs, it is only reasonable if the baseline cost is accurate. Once all key assumptions are verified, it is recommended that the financial model is re-run to re-evaluate project performance.
- ▶ Given the importance of the asset value in determining the viability, independent advice should be sought by a licensed valuer to determine on-completion valuation and terminal value.
- ▶ The developer has very little equity in the project and it is not clear how the developer is incentivised to remain committed to the project over the long term or what their capacity is to cover any shortfall through lower than forecast project performance. This is of particular concern given the high Development Management fee which presumably is being paid to the Developer.



The APP Group

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APPENDIX A: (TERMS OF REFERENCE) APP PROPOSAL EXTRACT - SCOPE OF WORKS

REF: # A02093

Thursday 19 June 2025

Adrian D'Cunha

Housing Financial Analyst
City of Karratha
Lot 1083 Welcome Road
Karratha
Western Australia 6714

Bulgarra Apartments Financial projections and Risk analysis Review Services Proposal

Adrian,

Thank you for the opportunity to offer our services to review the financial projections and risk analysis which form part of the City of Karratha's Business Plan for the Bulgarra Apartments.

This proposal is based upon our understanding of your requirements as set-out in the brief provided by email on 18th June 2025.

1. Scope of Services

1. Financial Modelling Review

- APP will review the City's financial model and associated assumptions , including:
 - Revenue forecasts (rental income, occupancy rates, escalation assumptions)
 - Cost assumptions (construction, operating, maintenance, refurbishment)
 - Loan structure and funding costs
 - Net funding cost to the City and projected return on investment
- Assess the sensitivity analysis provided by the City, including:
 - Impact of changes in interest rates, rental yields, and vacancy rates
 - Breakeven scenarios and downside risk modelling
- APP will provide commentary on the reasonableness of assumptions and identify any gaps or areas requiring further clarification.
- General Liaison with the City

2. Risk Analysis Review

- APP will review the risk matrix and mitigation strategies outlined in the Business Plan, with a focus on:
 - Developer default risk during both construction and operating periods
 - Structural safeguards (e.g., security over assets and income streams)
 - Legal and contractual risk allocation under the Development Agreement and Lease Agreements
 - Financial exposure to the City in various default or underperformance scenarios
- Assess the adequacy of proposed mitigation strategies and recommend enhancements where appropriate.
- General Liaison with the City

Deliverable: Report summarising review including;

- Findings of the financial model and sensitivity analysis review
- Assessment of risk analysis and mitigation strategies
- Recommendations for strengthening financial and risk management frameworks

Note: APP does not provide valuation or cost advice and therefore review of model inputs in regard to revenues and costs will be limited to available information and advice from the City. Similarly APP will not provide advice on the proposed design scheme and its appropriateness in regard to site planning requirements or the City's objectives.

3. Presentation to Council and/or Executive (Optional)

- APP can present outcomes of review to the Council and/or Executive should it be necessary as an optional service.