

Bulgarra Apartments Housing Development

Risk Scenario Workshop
City Projects and Engineering

29 April 2026 (Rev B)

Project Background

Bulgarra Apartment Development | What we make it Karratha

Finance Structure

City secured a \$56M loan facility from Westpac

Developer drawing down on loan as works are certified

Peppercorn lease during construction phase reverting to commercial lease of land during operational phase

Developer pay back loan over 20-year term during operational phase

Contract Structure

Developer – Karratha Development

Bespoke contracts consisting of:

- Development Agreement (DA)
- Loan Facility Agreement (LFA)
- General Service Agreement (GSA)

Builder – TLC Modular

- AS 4902 – Design, Novate, Construct (DNC)

Development

- Ridley St – 32 Apartments
- Nairn St – 48 Apartments
- Gregory Wy – 36 Apartments

Variety of 1x1, 2x2, and 3x2 across all 3 developments

Key Risks

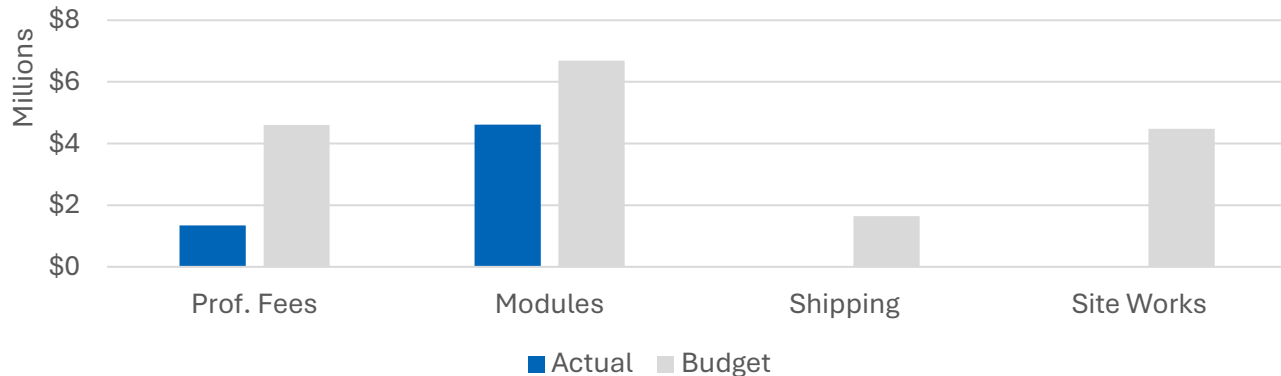
1. Cost exceeds \$56M loan facility
2. Developer defaults:
 - a) during construction
 - b) during operation
3. Builder cannot secure statutory approvals and cannot complete on-site works

RIDLEY ST



Perspective artist impression of complex street frontage from Ridley Street

TOTAL EXPENDITURE



- Not started
- In progress
- Completed



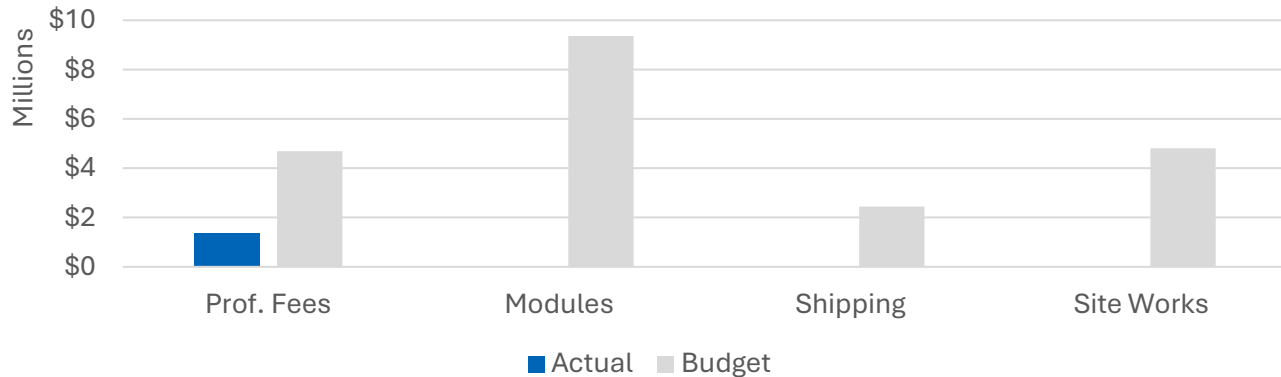
April Status: Site clearing is completed with bulk earthworks and shaping commencing soon.

NAIRN ST



Aerial artist impression of complex from Nairn Street

TOTAL EXPENDITURE



- Not started
- In progress
- Completed



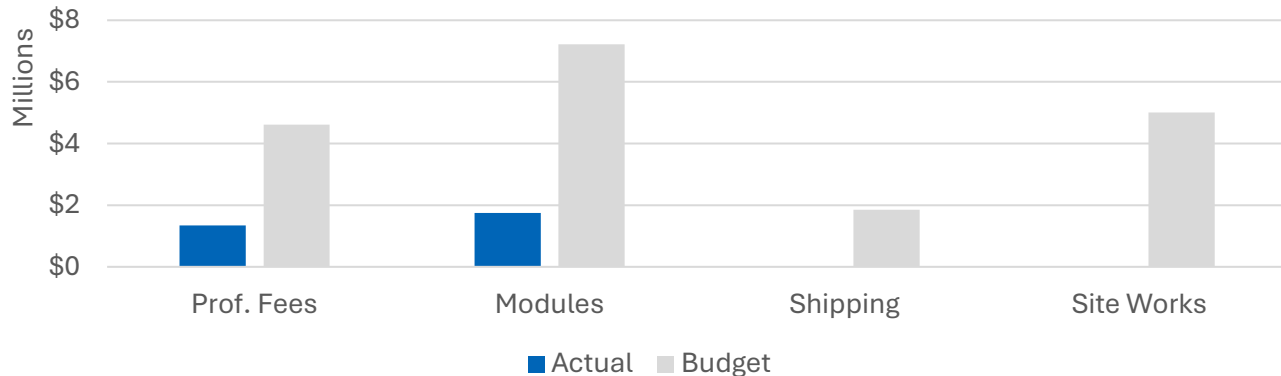
April Status: Site clearing due to commence May 2026.

GREGORY WY



Aerial artist impression of complex from Gregory Way

TOTAL EXPENDITURE



- Not started
- In progress
- Completed



April Status: Site clearing has commenced and expected to be completed by mid-April.

Risk 1

Costs exceed the \$56M loan facility and Developer cannot fund the gap

Procedure

1. Freeze drawdowns
2. Initiate cure process
3. Request evidence of gap funding
4. Independent QS advice
5. Approve cure process or commence step-in process
6. Terminate Agreement

Impacts

- Project may require re-scoping
- Reduced quality to complete within allowance
- City cannot fund the gap through loan facility or reserves
- Reputational damage if cannot be delivered
- Additional funding requires variation and could result in higher interest rate repayment

Departments involved

(ranked by tier of involvement, H/M/L)

City Projects (H)
Finance (H)
City Growth (L)
Governance (M)
Facilities Maintenance (M)

Progression Options

- Seek increase to loan facility either for Developer or City
- Step-in and complete construction
- Seek gap funding from Council
- Approve reduced scope

Risk 2a

Developer defaults during construction and cannot complete the development

Procedure

1. Freeze drawdowns
2. Issue Developer Default notice and request to cure
3. Collect all current documentation available
4. Step-in to Building Contract
5. Appoint internal City led team
6. Terminate Agreement

Impacts

- Insufficient immediate resource allocation internally to manage resulting in:
 - Impacts on other projects in delivery
 - Delay on other projects in design/planning phases
- External project manager requires procurement
- Reputational damage if cannot be delivered
- Increased travel to Vietnam
- Cost impact to on loan

Departments involved

(ranked by tier of involvement, H/M/L)

City Projects (H)
Facility Maintenance (H)
Finance (M)
Procurement (H)
Governance (H)
Property and Housing (L)
Parks and natural Areas (L)
Operations (L)

Progression Options

- Step-in and complete construction
- Assemble internal project team
- Appoint external project manager
- Explore hybrid option for continuity of project

Risk 2b

Developer defaults during operation and cannot complete the development

Procedure

1. Issue Developer Default notice and request to cure
2. Collect all current documentation available
3. Terminate Agreements
4. Appoint property management team (internal/external)

Impacts

- Internal capacity constraints for management and maintenance
- Procurement process required for long-term property manager and cost impact
- No capital refurbishment program
- Loan impact with no repayments

Departments involved

(ranked by tier of involvement, H/M/L)

Facility Maintenance (H)
Governance (H)
Procurement (M)
Finance (H)
Property and Housing (H)
Parks and Natural Areas (H)
Operations (H)
Planning (M)

Progression Options

- Appoint external property manager
- Assess ability to sell or lease entire complex

Risk 3

Builder cannot complete on-site works

Procedure

1. Check contractual obligations for EOT/NOD
2. Suspend drawdowns
3. KD to secure new builder
4. PSG to approve
5. If not cured, step-in and procure on-site builder for development

Impacts

- Procurement of builder requires RFT process
- Delay risk to project increasing interest loan repayments
- Developer might not be able to procure new builder
- City cannot procure and fund new builder through loan facility or reserves
- Uncertainty and delays to subcontractors and subconsultants

Departments involved

(ranked by tier of involvement, H/M/L)

City Projects (H)
Facility Maintenance (M)
Procurement (H)
Governance (M)
Finance (H)
City Growth (L)
Parks and Natural Areas (M)
Operations (M)
Property and Housing (L)

Progression Options

- Step-in and complete construction
- Assess ability for preferred service contractor to complete works
- Existing subcontractor availability and capacity

Summary

- Next steps + Actions
 - Determine additional \$ figure that the City could fund either through increased loan or reserve before limits are reached.
 - Prepare internal specific team ready to deploy if City requires step-in.
 - Prepare RFT document for External PM or Contractor to complete works.
 - Complete quarterly review throughout project life.
- Overall comments
 - Assess possibility of subdivision.
 - Fuel impacts, particularly with shipping and on-site works.
 - Risk of quality decreasing if any issue emerges resulting in increased pressure.

Michael Mallon
Project Manager
City Projects and Engineering