

Shute Harbour. The Real Story.

8.2 Development Model

The list of **Project Objectives** includes:

*“To provide a world class **integrated** marina and tourism facility...’
“to provide a balanced, **master planned** marina resort environment.”*

Pages 41 through 47 of Appendix GS3 Planning report carry colour artwork of a master planned, cohesive design and landscaping environment. Appendix GS13 carries several others.

A large six page brochure being distributed widely by the proponent carries several more glossy images indicating the same master planned and integrated facility.

It would seem, from the indicated **Development Model**, however, that this is misleading.

8.2.1 Phase 1

*“Work on the delivery of the core development components of the marina, berths and land will commence once a 50% **presales target for land** and marina berths is achieved.”*

The above statement states unequivocally that it is **land** that will be on-sold.

8.2.2 Phase 2

*“Occurring in parallel with the delivery of the Phase 1 components Shute Harbour Marina Development Pty Ltd will **negotiate and coordinate the delivery** of second tier high priority product mix components...”*

It appears that this developer has no intention of **financing and building** the Cultural Heritage Centre, Cyclone Shelter and Shopping and Marina Services, but will, instead, simply ‘**negotiate and coordinate delivery.**’

What, precisely does this mean? Where is the written guarantee that these promises will be kept. Given the promises not kept at Port of Airlie, this community is deeply sceptical.

8.2.3 Phase 3

*“ • **Waterfront Serviced Apartments***

*These **sites will be sold to individual investors / developers for construction in line with tourist demand.***

- ***Serviced Apartments / Retirement Units***

*Shute Harbour Marina Development Pty Ltd will ensure that this product is **delivered by a specialist developer** in line with strict prestart demand targets.*

- ***Niche Market Boutique (Yachtsman) Resort Hotel***

*This key tourism component will most likely be developed **last**.
Shute Harbour Marina Development Pty Ltd will provide two delivery options for this Resort.*

*Option one, being by way of **a separate offshoot delivery company** of Shute Harbour Marina Development Pty Ltd.*

*The second option being by way of **tender to an experienced Resort/Hotel operator/developer** with a proven track record.”*

Apartment **sites sold** to developers, Serviced Apartments **delivered by a specialist developer**, Resort Hotel by way of **tender of an experienced Resort Developer**.

Nowhere in this SEIS is there an indication that these developers plan to construct and manage this ‘integrated, master planned’ tourism, resort, residential and marina proposal themselves.

All evidence points to the fact that the main intention of these developers is to infill World Heritage seabed, turn it into expensive freehold waterfront blocks and on-sell it to the highest bidder at some unspecified time in the future.

Further evidence that these transactions will grind on interminably is in the **Planning Report Appendix GS3 at 4.4 SHMR Development Code**:

“Development made under the provisions of the SHMR Code is to be completed within 15 years of the date the approval takes affect.”

So essentially they are asking for a **15 year construction period**.

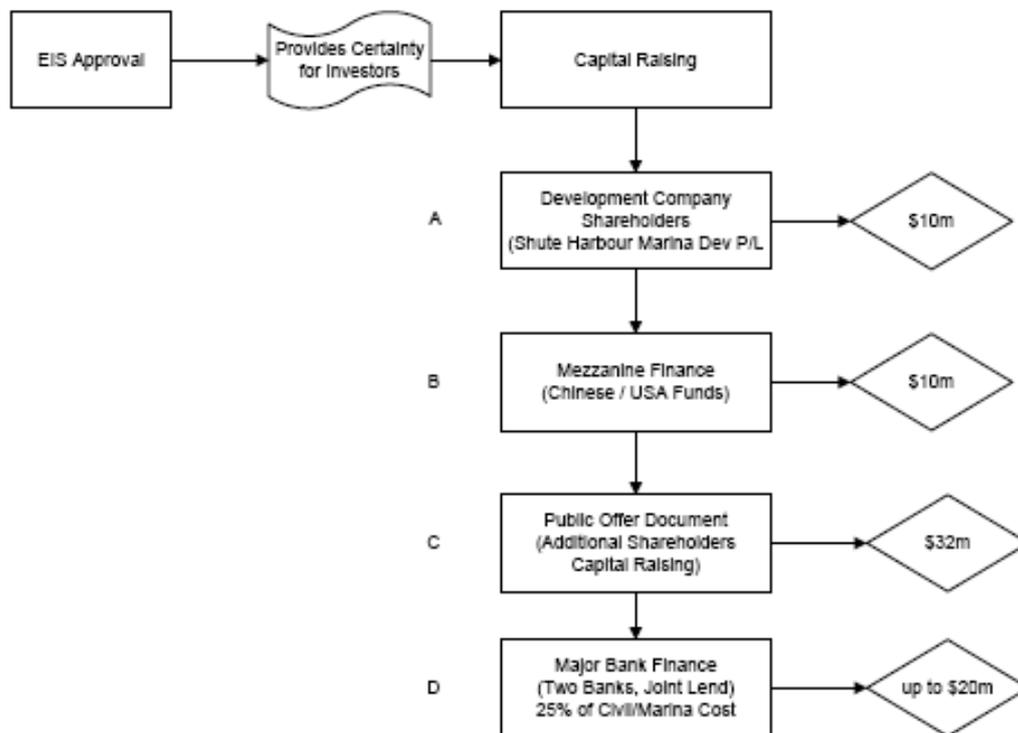
Ten years ago the **Port of Airlie** developer promised the community a major resort with shopping and dining complex in exchange for the loss of their boat haven, Coconut Grove and mangroves etc. Ten years later the developer, Meridien, is in receivership, the area is a vast unsightly, unused paddock and the community is still waiting.

What possible guarantee can the community have that this Shute Harbour land grab won’t be just another ugly, unfinished fiasco?

8.3 Funding Model

The Funding Model that follows, only serves to reinforce the concerns expressed re the Development Model above.

Figure 8 Funding Model



The estimated overall cost of the SHMR as shown on the Coordinator General’s site and in the SEIS is \$252 million.

The total of suggested funds raised by the proponent indicated above is \$72 million. This is a shortfall of \$180 million!

Where is this extra money coming from? Presumably it is hoped that the various third (and fourth?) parties to whom the proponents hope to eventually sell the **undeveloped land** will come up with this money.

And so the Whitsunday mainland community is being asked to give up this irreplaceable World Heritage location in exchange for an unnecessary ‘integrated, master-planned, tourism and marina complex’ that will, quite likely, never happen but will, more likely, become reclaimed seabed that is sold on to sundry property developers for who knows what ongoing purposes!

This is a betrayal of the community that is nothing short of scandalous.

There are further unanswered questions raised by this funding model as outlined by the proponent on page 31 of this SEIS.

Stream 1: Following approval of the project, shareholders in the development company, Shute Harbour Marina Development Pty Ltd will be prepared to inject cash funds immediately to progress the necessary **design and construction approvals**. *(not much cash injection needed here!!)*

Stream 2: Once construction approval (Operational Works) is obtained and project delivery is imminent **Mezzanine Finance** will be sourced to aid with the setup of civil construction work.

Stream 3: Construction work proper will be funded by way of **capital raising in the form of a Public Offer Document**.

Stream 4: It is anticipated that bank funding, where applicable, will account for no more than 25% of Phase One development works. This will **ensure minimum exposure to bank debt and associated interest risks**.

Apart from the fact that there isn't any more detail than this it does seem to raise a couple of questions.

I'm no expert but the talk of 'mezzanine financing' and 'capital raising in the form of a public offer document' sounds alarm bells for me.

A description of Mezzanine financing is *"basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full."*

Further observations about the character of Mezzanine Financing state: *"Since mezzanine financing is usually provided to the borrower very quickly **with little due diligence on the part of the lender and little or no collateral on the part of the borrower, this type of financing is aggressively priced with the lender seeking a return in the 20-30% range.**"*

And as for public offer capital raising there is not enough detail supplied to understand how exactly this is applied.

A question that occurs is that if the proponents are so confident their scheme is viable why are they not applying for more conventional finance? They say this model will "ensure minimum exposure to bank debt and associated interest risks." Experience suggests the exposure to mezzanine finance debt and interest risks would be significantly greater.

4.4 SHMR Development Code (incorporating Appendix B)

It appears reasonably clear that the sole intention of the SHMR Development Code is to over-ride any provisions of the Planning Scheme that may get in the way of the proponents achieving their ends; regardless of what those ends are currently, or what they may become in the future.

“Ultimately, it is envisaged that the SHMR Code will be incorporated into the relevant planning scheme as either a consequential amendment or in the adoption of a future replacement Planning Scheme.”

The above paragraph and other material in **Appendix B** are of significant concern. There appears to be compelling evidence here of an intention to modify and manipulate the Whitsunday Planning Scheme legislation to the developer’s own end. There is no suggestion that this would be done for the benefit of anyone other than the proponent and it is difficult not to interpret this as an act of considerable arrogance. They hope not only to profit from the reclamation but are prepared to change the bylaws to accommodate themselves.

*“Development made under the provisions of the SHMR Development Code is to be completed within **fifteen (15) years** of the date the approval takes affect.”*

The declared requirement of 15 years to facilitate ‘completion’ is further evidence pointing to the fact that the main intention of these developers is to infill World Heritage seabed, turn it into expensive freehold waterfront blocks and on-sell it in fits and starts to the highest bidder at some unspecified time in the future. The financial risks and potential social upheaval for the Whitsunday community cannot be justified.

“(2) The SHMR Development Code comprises:

*(a) A Concept Plan which illustrates **the preferred** form of development; “*

The imprecise term ‘preferred’ here does nothing to reassure us that there would be any form of compulsion possible to require the proponent to deliver the ‘master-planned’ facility as indicated repeatedly, both visually and verbally, in this SEIS.

Both the **SHMR precinct Code** and the **General Precinct Code** and its Acceptable Outcomes are sufficiently vague and non-specific as to suggest it would be difficult, if not impossible, to penalise any current or future developer for breaches of the code.

In the **Precinct Sub Codes** when reference is made to the actual ‘Land Use’ the term “**May include...**” appears with monotonous regularity. The word ‘May,’ of course, does not mean mandatory.

In **Reconfiguring a lot and Operational Works Code - Landscaping and Open Space** the **Acceptable Outcomes** column states:

*“Open space **broadly** conforms with the SHMR Concept Masterplan.”*

How specific can the word ‘broadly’ actually be? Once again we see the existence of a ‘loophole’ that allows the proponent or some later developer to avoid fulfilling community expectations.

In concluding this section we quote **4.4.4 Concept Masterplan**

*“We note that the pattern of villas, duplexes and multiple dwellings shown in the Managed Resort Accommodation precinct are **indicative only**, providing a representation of a pattern of development consistent with the code. **Actual development** will be undertaken in accordance with the code **by third party purchasers** and hence **the pattern of built form** will be **affected by market preference.**”*

It is now very clear that none of the compelling artists’ impressions scattered throughout this proposal can be relied on in any way by this community. It is also evident that no promise or guarantee of the time, nature or likelihood of completion of the project or any of its ‘social benefit’ spin-offs, by this proponent, has any merit.