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Business & Property Economics

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9 September 2014

Mr Stephen Patey
Manager of Strategic Planning
Sunshine Coast Regional Council
Locked Bag 72
Sunshine Coast Mail Centre Qld 4560

Email:

Dear Stephen,

RE: PROPOSED RESORT DEVELOPMENT AT YAROOMBA

Following yesterday's telephone call and receipt of your email also sent yesterday, I provide this brief letter of advice concerning economic and related aspects of a proposed tourist resort development at Yaroomba.

It is understood that Sekisui House Australia Pty Ltd (or one of its subsidiaries) has presented to Council a confidential development concept for an integrated hotel resort/high density residential development on a beachfront site at Yaroomba, located close to the existing Palmer Cooloom Resort. The hotel resort component is proposed to be world class (five-star international standard) and include 250 hotel rooms, conference/function rooms, club, restaurants, outdoor footpath dining, recreation and related facilities in a main hotel building. An adjacent building forming part of the hotel resort component is to incorporate 150 serviced apartments and boutique retail on the ground floor. The Council is currently considering this proposal, with a major consideration being the inclusion of the hotel resort building at a height of 12-storeys. It is further understood that the applicant has made a number of representations to Council.

This letter serves to address economic aspects of the hotel resort component of the proposal, including the representations made. This has been set out in the dot points below:

- The proposed scale and standard of development would result in significant economic benefits to the community and diversify the tourism mix of the Sunshine Coast. The proposed scale, operator (although not yet announced), hotel rooms (rather than serviced apartments), conference/function rooms and supporting facilities are all considered elements that can diversify the tourism product on the Sunshine Coast.
- The Sunshine Coast has a surfeit of strata-titled accommodation establishments managed by small businesses with modest marketing budgets and a dearth of international hotel operators capable of marketing the Sunshine Coast as an international tourist destination. Consequently, the proposed operator and the way in which the resort would be operated and marketed would significantly influence the extent of economic benefits to the community.

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- The fact that the Hyatt group is no longer the operator of the Palmer Coolum Resort and that Resort appears to be operating with low tourist numbers, provides a greater imperative for the Sunshine Coast to attract an international resort operator with significant marketing clout.
- A 12-storey complex is not a prerequisite to achieve a five-star international resort rating. There are a number of low-rise five star resorts operating in Queensland, including Palazzo Versace, Sheraton Mirage Resort & Spa, InterContinental Sanctuary Cove Resort and Sheraton Mirage Port Douglas Resort.
- It is slightly more costly to service rooms that are set out in a low rise format having large average distances from the rooms to the central facilities than is the case where the rooms are located close to the central facilities (such as in a high-rise format). However, this difference is considered relatively minor.
- The provision of ocean views for all or a major proportion of rooms would be an advantage (commanding higher revenues and providing a competitive advantage), but not a prerequisite for the proposed development. For example, the InterContinental Sanctuary Cove Resort provides no ocean views and the Palazzo Versace, Sheraton Mirage Resort & Spa and Sheraton Mirage Port Douglas Resort provide limited ocean views. However, it is relevant to note that many serviced apartment complexes located at Coolum Beach, Mooloolaba and Caloundra (for example) provide excellent ocean views and potential tourists could weigh up the relative advantages of the proposed development in comparison to this competition. It is also relevant to note that many resorts located in competing tourist destinations (such as the Gold Coast, Fiji and Hawaii) offer ocean views from many of their rooms.
- The viability of proposed developments (or elements of them) has been deemed by the Planning & Environment Court as involving matters of private economics, which should not form part of a town planning assessment. However, claims about viability (in circumstances where an approval with conditions may not be implemented) may well form a legitimate Council consideration in negotiations with an applicant in circumstances where a Council wishes to achieve community benefits emanating from a development, but wishes to impose certain conditions to minimise perceived negative impacts.
- It is also relevant to acknowledge that the Sunshine Coast has an established tourism brand, with sub-regions of the Sunshine Coast having variations of that established brand. It is important that major new facilities (such as that proposed at Yaroomba) should be consistent with the established brand, even capitalising upon it and/or extending that brand into new markets. However, major new facilities should not undermine the established brand, which could lead to marketing problems of the region in the future and/or the alienation of established markets.
- From an economic perspective, the height of buildings of itself should not significantly affect a resort's degree of success. What is considered more important is the amenity offered by the rooms and central facilities of the resort and how the buildings can blend into the surrounding environment (natural and built). Different urban design techniques can lead to one 8-storey building blending quite well with its surrounding environment whereas another 8-storey building could look completely out of place and not be attractive to tourists.

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It is also understood that a separate matter concerns the extent to which the proposed development meets community expectations. This is not considered to be an economic matter, although a legitimate issue to be considered by the Councillors, who have been elected to represent the views of ratepayers.

I trust that these comments sufficiently cover the particular matters raised. If I can be of further assistance, please do not hesitate to contact me.

Yours faithfully
Norling Consulting Pty Ltd

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Jon Norling
Director

5 CONFIDENTIAL SESSION

6 NEXT MEETING

Nil

7 MEETING CLOSURE