



Government of **Western Australia**
Department of **Communities**

Project Stella Village – Overview

November 2024

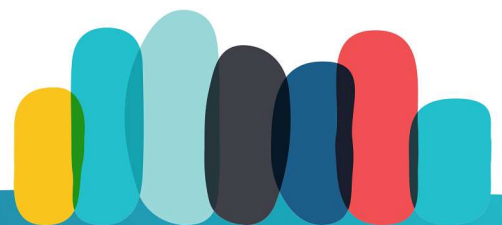


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Executive Summary

The Stella Village development or Stella (also referred to as Stella Apartments or Stella Orion) was a master planned community in Success, Cockburn. Three stages of a potential 11 stage development were completed, delivering 436 units and townhouses. Stage 1 was delivered entirely by the private sector. Stages 2 and 3 were delivered in partnership with the Housing Authority, however, these investments should be considered separately as the Housing Authority's role was different in each stage.

The decision to invest in Stage 2 through contractual arrangement was precipitated by the Commonwealth's National Partnership Agreement on the Nation Building and Jobs Plan. Funding arrangements required States and Territories to deliver dwellings according to very tight deadlines and adhere to a number of reform directions.

The Housing Authority chose to invest in Stage 3 of Stella. This was linked to the Federal stimulus through the opportunity to revolve the funds released from Stella Stage 2 and extend the impact of the stimulus, both financially and through delivering certain design outcomes. This investment was reported and discussed with the Commonwealth and represented a medium-term project (10 - 15 years). It was intended to deliver housing and financial outcomes and aligned closely with the evolving policy intent of the Affordable Housing Strategy and the Housing Authority's strategic direction more broadly.

The delivery of Stella Stages 2 and 3 were managed internally by the then CEO (Director General) and the General Manager Strategy and Policy, Department of Communities (Communities), with project and transaction management from an external consultant.

The purpose of this document is to provide both background and context for the development and Communities' current position in respect to Goldmaster and the Western Australia Corruption and Crime Commission (CCC) report tabled in parliament on 20 July 2023, titled *Serious Misconduct Risks in a Housing Authority Project*. The report examined the former Housing Authority's engagement with Goldmaster Enterprises Pty Ltd (Goldmaster) on the Stella Orion Project.

After an extensive investigation the CCC:

1. **Formed no opinion of serious misconduct:** the CCC is satisfied that the persons involved in the project did not act corruptly.
2. **Exposed misconduct risks:** the CCC identified that the Stella Orion project abounded in serious misconduct risks in relation to poor governance, transparency, communication, and recordkeeping practices within the former Housing Authority.
3. **Identified risks involving consultants:** misconduct risks were highlighted where consultants assume roles and responsibilities usually undertaken by a public servant and were provided significant latitude in decision making with only superficial oversight.

The CCC report was intended to help prevent serious misconduct in government departments and agencies by highlighting these matters.

Since the time period examined within this report in 2009, Communities has undergone a comprehensive reform agenda which includes establishing a more responsive organisational structure with enhanced governance and accountability arrangements.

Joint Ventures of this nature are not consistent with Communities' primary role post the Machinery of Government changes in July 2017.

Communities' Professional Standards Regulation and Legal Division, and in particular the Professional Standards Directorate, work directly with the Public Sector Commission, CCC and WA Police Force to report and assist in investigating matters of suspected misconduct and criminality.

In early 2023, Communities initiated a process to purchase the remaining shares of Goldmaster in order to commence voluntary deregistration. This transaction was completed on 29 June 2023 providing Communities 100 per cent ownership of Goldmaster.

In June 2024, the Minister for Housing consented to the transfer of Goldmaster land assets to the Housing Authority at book value, and subsequent repayment of the Goldmaster debt to the Housing Authority.

Settlement on the land transfer and repayment of the Goldmaster debt to the Housing Authority occurred on 2 August 2024.

Following finalisation of accounts voluntary deregistration commenced on 31 October 2024.

Communities is currently planning for the best use of the lots that were transacted above in consultation with other Government agencies.

Development context

The Stella Village development (the Development) was a master planned community in Success, Cockburn with the site being located approximately 20km south of Perth. The site has easy access to:

- Kwinana Freeway
- Cockburn Gateway Shopping Centre
- Cockburn Central Station – a bus and train interchange.

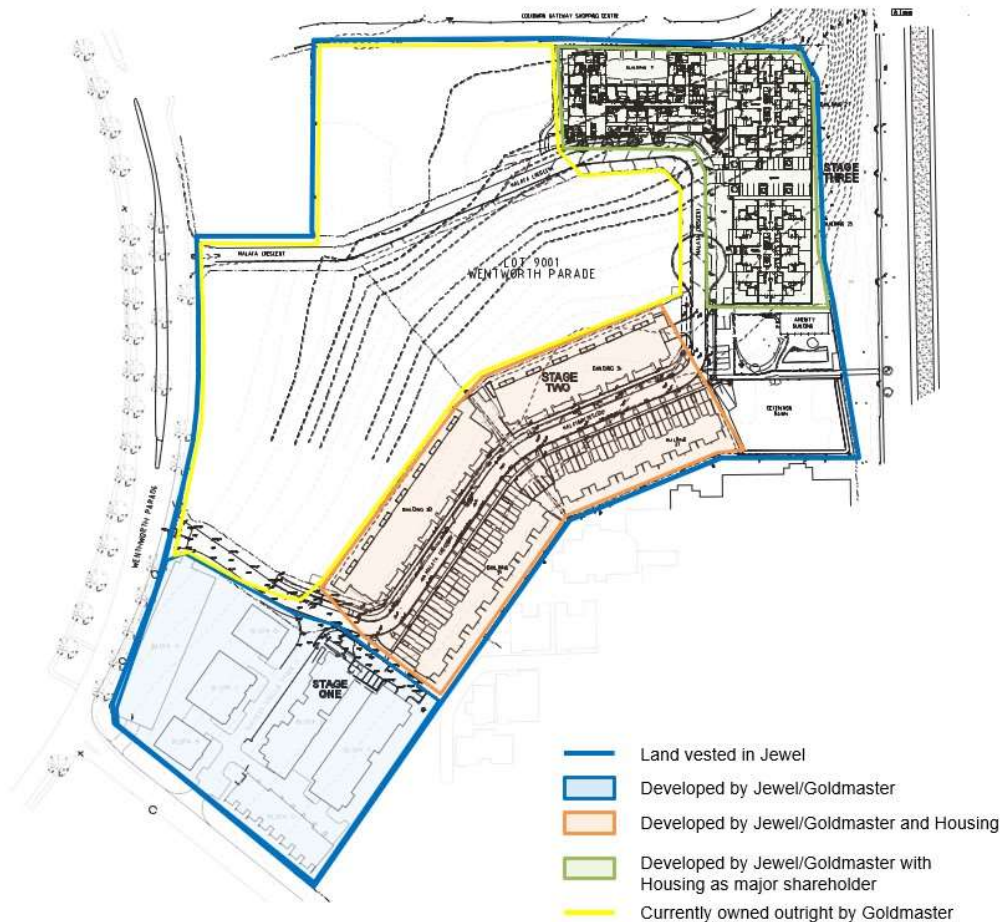
Figure 1: Location Plan – Local Context (Source: Google)



The Stella Village development was proposed to be built on land that was originally titled Lot 9001 Wentworth Parade, Success, WA. The land was subdivided to facilitate each stage of the development. The first three completed stages along with the residual vacant land are outlined in Figure 2.

- Stage 1 (Figure 2 - blue) completed without the involvement of Housing and comprised of 109 dwellings.
- Stage 2 (Figure 2 - orange) completed in 2011 by Jewel Horizon Pty Ltd (Jewel)/Goldmaster. 130 dwellings across four buildings were completed with Housing receiving 78 of those dwellings under contract, of which Housing retained 26 for social housing and on-sold the remaining 52 dwellings.
- Stage 3 (Figure 2 - green) was completed in 2014. 197 dwellings across three buildings were delivered by Goldmaster with Housing as a majority shareholder and senior debt provider for the Development.
- Vacant Land (Bounded by yellow) is the residual land remaining after completion of the first three stages of a proposed 11 stage development.

Figure 2: Development Stage Plan (Source: Housing)



The Development proposed a potential 11 Stages. Only three Stages of the Development have been completed delivering 436 units and townhouses, the majority of which are one and two-bedroom dwellings. Stage 1 was delivered entirely by the private sector. Stages 2 and 3 were delivered in partnership with the Housing Authority however, these investments should be considered separately as the Housing Authority's role was different in each of the Stages.

The following information is based on information and reports contained in documents described in **Appendix 1, References**. To assist the reader, **Appendix 2** contains a **Glossary of abbreviations**.

Stella Village Stage 2 – Commonwealth Stimulus

The Commonwealth's 2009 National Partnership Agreement on the Nation Building and Jobs Plan (NPA) was an agreement with the States and Territories with the objective described in the agreement as: -

*"7. Through this Agreement, the Parties commit to meeting the **objective** of timely economic stimulus aimed at improved nation building and supporting economic growth and jobs.*

*The Agreement will contribute to **outcomes** of boosting demand and supporting employment over the next two years and adding to the productive capacity of the economy in the longer term."*

To fulfil the requirements for the NPA funding, the Housing Authority released an expression of interest (EOI) to the market in February 2009. A respondent, Jewel Horizon Pty Ltd (Jewel), a trustee of Goldmaster Enterprises Pty Ltd (Goldmaster) and the landholder in trust, submitted as a response the arrangement that came to be known as Stella Village Stage 2.

The external due diligence process found that Goldzen Holdings Pty Ltd (Goldzen), the registered builder related to Jewel/Goldmaster, had adequate financial capacity to undertake the construction, and consequently the Housing Authority chose to proceed with the funding contribution and Stage 2 of the development.

The Housing Authority entered into an agreement called the *Stella Orion Forward Funding Agreement* (the Funding Agreement) that advanced funds of \$25.6M inc GST (\$23.2M ex GST with security), enabling construction of the agreed 78 dwellings to either be retained by the Housing Authority (26 dwellings for social housing) or sold (52 dwellings for affordable housing), to recoup the funds advanced. The Agreement noted that no interest was charged on the funds advanced as the Principal Sum was part of the government of Western Australia's stimulus package to combat the effects of the global financial crisis.

In negotiating the Funding Agreement, Jewel was required to acknowledge their outstanding debt to Acepark (\$6M) as a result of a vendor finance arrangement in relation to the purchase of the Englobo land by Jewel/Goldmaster. Subsequently, Acepark were signatories to both the Deed of Priority and the Builder’s Side Deed with respect to the Funding Agreement.

On 18 September 2009, the Funding Agreement, Deed of Priority, Builder’s Side Deed, Deed of Guarantee and Indemnity and Building Contract were signed. On the same day, Bankwest issued a variation of Facilities to Jewel, which increased the original facility of \$18.85M to \$26M based on the Agreements between the Housing Authority and other parties.

Despite not being a party to the Agreement, the Housing Authority was satisfied with the extension of the Facilities but requested a letter of comfort from Bankwest satisfying the Housing Authority’s requirements under the Funding Agreement it had signed with Jewel. The Housing Authority withheld Stimulus payment to Jewel until Bankwest agreed to satisfy its requirements in writing on 23 November 2009.

In March 2011, when Stage 2 reached practical completion the Housing Authority received 26 dwellings for social housing purposes that were valued ‘at cost’ of \$8.16M at that time and received sale proceeds during the 2011 and 2012 financial years relating to the sale of 52 properties totalling approximately \$19.1M.

Figure 3: Performance against Objectives (Source: Housing)

Stella Village Stage 2	
	\$M’s (2011 & 2012)
Financial Benefits	
26 Social Housing Dwellings	\$8.12
52 Dwellings sale proceeds	\$19.10

Policy Benefits

Increased Housing Supply	Yes
Provision of affordable housing	Yes
Jobs creation through construction	Yes

The Housing Authority made a subsequent decision to invest in Stage 3 of Stella. This was linked to the Federal stimulus through the opportunity to revolve the funds released from

Stella Village Stage 2 and extend the impact of the stimulus, both financially and through delivering certain design outcomes. This investment was reported and discussed with the Commonwealth and represented a medium-term project (10 - 15 years) which delivered both housing and financial outcomes and aligned closely with the evolving policy intent of the Affordable Housing Strategy and the Housing Authority's strategic direction more broadly.

Stella Village Stage 3 – Commonwealth Stimulus Roll-Over

After investing in Stage 2, the Housing Authority was approached by Jewel to consider an investment in the landownership structure (Jewel and Goldmaster) to deliver critical precinct infrastructure and facilitate the delivery of Stella Village Stage 3. As the investment in Stage 2 was always intended to yield equity for investing in other programs, the Housing Authority considered the proposal in light of its potential to provide affordable housing outcomes.

At the time, the Housing Authority had just released the *Affordable Housing Strategy* which, among other strategies, sought to innovate and partner with the private sector to increase the supply of affordable housing. Stage 3 Stella Village formed the first of the medium-rise, higher density buildings in the development, and presented a good medium-term investment (10 - 15 years) that would confer income rights to the Housing Authority, yield a further 300 units and unlock the remainder of the development. More generally, Stella Village also aligned with whole-of-government policies in relation to infill, transit aligned development and increased housing diversity.

On this basis, on 14 August 2010, the Housing Authority signed a Memorandum of Understanding (MoU) with Jewel which outlined its commitment to participate in Stage 3 pending the satisfaction of the following conditions:

- An acceptable and achievable legal structure for the Housing Authority to participate in the development
- The funds available from Stage 2 were available to meet the financial commitment required of the Housing Authority
- The Housing Authority was satisfied that Jewel had or would satisfy all the necessary development approvals
- The Housing Authority was satisfied with the financial position of Jewel
- Jewel obtained in-principle support from a lender to fund the construction on terms acceptable to the Housing Authority.

On 13 December 2010, the Housing Authority corporate executive were provided with an update on the proposed investment into Stella Village Stage 3, flagging that a pending Information Memorandum would explain how equity could be utilised from the sale of units for the proposed purchase of income rights in Goldmaster (the development's capital structure).

In April 2011, Communities' Director General briefed the Hon. Minister Tony Buswell, Minister for Housing, on the proposal highlighting:

- Term of the investment to be at least 10 years
- Roles and relationships of the entities involved
- Equity would:
 - Fund forward works and infrastructure
 - Unlock the remaining stages of the precinct
 - Provide income rights and veto powers to the Housing Authority
- Alignment with strategic objectives.

On 8 May 2011, the Minister for Housing approved the equity subscription of up to \$19M in Stella Stage 3 by way of a Briefing Note with the associated Information Memorandum. The funds would be sourced from the sale proceeds of the 52 units from Stage 2.

The Briefing Note and Information Memorandum provided a clear outline of the manner in which the equity subscription into Goldmaster was to be structured and the outcomes that were anticipated. Those outcomes are summarised as:

- Secure an interest in the delivery of a further circa 850 residential apartments within a transport-oriented development over the circa 10-year timeframe
- Secure a 50 per cent share of equity in respect of Goldmaster (and by extension the remaining development lots) providing the Housing Authority with 50 per cent interest rights, a preferred interest ranking ahead of other shareholders with a charge over land, priority payment in liquidation and veto over Board decisions
- A forecast 182.1 per cent return on capital and a 14.6 per cent Equity Internal Rate of Return over the life of the Development.
- Access private capital of \$45M in equity and \$213M in debt.
- Provide Goldmaster with the capital injection required to:
 - payout obligations on the remaining Englobo land so that it can be offered as security for stage facilities on a rolling basis
 - provide equity for the servicing and subsequent release of titles for the remaining development lots
 - provide sufficient equity to initiate stage three development
 - provide sufficient equity for the ongoing development over approximately ten years for the target yield of 850 apartments.

It was envisaged that the equity subscription would provide sufficient equity to initiate the third stage of the Development. The intent was that no further equity subscription would be necessary, and that external debt funding would be used for each stage of the Development.

This did not eventuate. The capital injection was insufficient to initiate Stage 3 and did not allow for the ongoing development of the remainder of the project.

Stella Village Stage 3 – Debt Facility

In September 2011, the Housing Authority entered into a Development Management Agreement (DMA) with Jewel and a newly formed development management group Goodland DM1 (DM1) to facilitate the delivery of the site infrastructure, forward works and design for Stage 3. The Development Manager, DM1 was responsible for securing construction finance prior to the Financial Close which was set for 14 March 2012.

As they were ultimately unable to secure funding for the construction of Stage 3, the Goldmaster Board issued an official notice to DM1 on 22 August 2012 terminating the DMA. As the Housing Authority had already drawn on equity to provide forward works for Stage 3 based on potential income rights, a capitalisation program was proposed in order to mitigate risk and ensure continuation of the development. An information memorandum (IM) was prepared and presented to the Housing Authority Investment Committee for consideration. It was proposed that the Housing Authority consider underwriting an equity investment in the project, and provide, or help to secure, a construction debt facility.

On 13 November 2012, based on the IM, the Investment Committee agreed to the following:

- The underwriting of an equity investment by the Housing Authority of \$19.35M in Goldmaster to capitalise Stage 3 of Stella Village
- The facilitation and securing of a debt facility by the Housing Authority on the following terms:
 - Peak debt limit of \$42.3M
 - Gross margin of 2.75 per cent
 - Establishment fee of 0.5 per cent of facility
 - First ranking security over lots 894 and 895.

The Investment Committee also noted that taking an equity and debt facilitation role for Stage 3:

- fundamentally changed the Housing Authority's involvement with Goldmaster and its potential long-term returns
- liberated the rest of the site for future stages by dealing with the most physically constrained corner of the site
- underpinned the future stages of a long-term master planned development, which will deliver significant affordable housing outcomes in future stages with a further 1,200 units planned after Stage 3.

On 20 November 2012, the proposal received Ministerial approval.

The Information Memorandum stated that: -

"The primary objective of the HA from the development of the Project is to deliver maximum affordability opportunities aligned with demographic demand in high density TOD over a medium to long term horizon through built form innovation, direct and indirect economic and fiscal impact."

The following 15 further strategic objectives are also identified:

- *"Deliver into State Affordable Housing Strategy.*
- *Support economic sustainability in a diverse and intense activity centre.*
- *Successful land use and transport integration.*
- *Successful pedestrian and public transport oriented development.*
- *Successful community and sense of place.*
- *Quality urban design and architecture (including green building practices).*
- *Innovate built form and construction methodology.*
- *Resulting economic benefit through job creation.*
- *Reasonable financial return to government for an identified risk-return spectrum.*
- *Effective use of government investment in significant land infrastructure*
- *Support of government initiatives such as NRAS.*
- *Facilitate appropriate and pioneering development through leveraging government participation in constrained real estate capital markets.*
- *Retention of product.*
- *Challenge historical view on density in an appropriate locale.*
- *Facilitate understanding of the application of the Capital Formation Framework project."*

On 4 December 2012, Goldmaster contacted its shareholders seeking to raise \$19.35M through the issue of Compulsory Convertible Notes. Notes were offered pro-rata according to shareholder entitlement and executed as a Deed Poll. The subscription was open for 10 working days and Goldmaster reserved the right to continue to offer Notes for the term of the Deed Poll (31 May 2013). Of the four shareholders, only the Housing Authority committed to its share of Notes during the application period. As the other shareholders did not apply the Housing Authority reserved the right to subscribe for the remainder. Accordingly, the Housing Authority subscribed for 19,350 Notes between 6 December 2012 and 24 June 2013.

Capital raised by the debenture call was used to release lots 894 and 895 from the existing facility with the lender (St George), and provide initial construction draw downs and working capital to Goldmaster for the duration of Stage 3.

In February 2013, construction of Buildings B21 and B25 had commenced. A development application had also been lodged for Building 17, which would use the Unitised Building (UB) methodology to demonstrate efficiencies associated with the type of technology, as well as achieve broader policy outcomes under the Affordable Housing Strategy.

During May 2013, the Housing Authority chose to extend a senior debt facility to Goldmaster for costs relating to the development of buildings B21 and B25 Malata Crescent. Construction finance was provided for as the lessor of:

- 80 per cent of the total construction cost
- 65 per cent of the “as complete” development on the land (ex GST and fees).

\$25.3M capital was drawn by Goldmaster and including interest and fees a total of \$26.4M was repaid in full to the Housing Authority by 7 July 2014.

Stella Village Stage 3 – Completion

In early September 2013, the Housing Authority Director General asked Goldmaster to commence construction of Building 17 earlier than planned. This was to help meet the wider policy objectives around the introduction of modular building technology into the Perth market. The Goldmaster Board agreed to the request provided:

- The marketing and sales program commenced prior to installation of the modules
- The Housing Authority would defer expensing and capitalisation of the interest on the senior debt facility if the entire scheme had not sold out at practical completion of the building.

In September 2013, the Housing Authority agreed to the terms.

The following year, in August 2014, the Housing Authority converted its Notes to equity in Goldmaster in accordance with the terms of the Convertible Notes. As a result, the Housing Authority was issued with a further 168,054,750 ordinary shares. This resulted in the shareholding of Goldmaster as:

- 87.2 per cent Housing Authority
- 12.8 per cent Acepark.

Further, in accordance with the Deed Poll, the Housing Authority received coupons (dividends) on the Notes to the value of \$10.4M.

By the end of December 2014, Buildings 21,25 and 17 had reached practical completion.

A comparison of the approved development metrics for B21/B25 (as outlined within the IM) with those that were achieved is outlined in Figure 4.

Figure 4: Performance against Objectives Building B21/B25

Stella Village Stage 3 Buildings B21 and B25	Approved	Achieved
	\$M's (year/s)	\$M's (year/s)
Metric		
Net Revenue	\$41.62	\$41.87
Development Cost	\$39.15	\$38.22

Increased Housing Supply	Yes
Provision of affordable housing	Yes
High density development with transit orientated development precinct	Yes
Enabling works completed for future stages of high density transit oriented development	Yes
Delivery of Community Infrastructure	Yes
Jobs creation through construction	Yes

Figure 4 data indicates B21/B25 development exceeded approved metrics, securing superior returns at lower cost achieving a higher profit than contained within the approval. The senior debt facility relating to this development was also repaid in full. The B21/B25 development achieved the financial metrics outlined within the approved IM.

At the time of approving the IM, the Housing Authority expected a large proportion of the units within B17 to be leased to a resources company on completion. The rental guarantee this provided was expected to substantially reduce risk associated with pre-sales. However, this lease was not executed.

The decision to proceed with commencement of B21/B25 was taken to achieve broader policy objectives rather than just commercial considerations. However, as a consequence of the resource company lease not being executed, the B17 development commenced utilising the Housing Authority senior debt facility without the rental guarantee and the level of pre-sales that would typically be required by a bank. The development then completed into a challenging market in December 2014, with modest expectations for sales and rental revenue over the short term. With the incurred holding costs the B17 development made a loss and did not achieve the financial metrics as outlined within the approved IM.

CCC Findings – 20 July 2023

The CCC Report dated 20 July 2024 documents the findings of the CCC relating to actions of officers of the Housing Authority relating to Project Stella Orion housing development in the City of Cockburn.

The Commission has jurisdiction over serious misconduct defined in the Corruption, Crime and Misconduct Act 2003 (CCM Act) s 4. Serious misconduct requires an element of corruption.

The Commission commenced Operation Skerryvore to enquire into the project. After extensive investigation the Commission has formed no opinion of serious misconduct. It is satisfied that the persons involved in the project did not act corruptly. They acted in good faith to support government policy and to provide affordable and social housing, but the way they went about it has exposed the State to risk and loss.

Goldmaster status – November 2024

Noting that Joint Ventures of this nature are not consistent with Communities' primary role the Minister for Housing approved Communities to acquire the remaining shares in Goldmaster.

Based on assessment of the financial position of Goldmaster Communities acquired the remaining shares in Goldmaster on 29 June 2023 resulting in 100% ownership.

On 25 June 2024 the Minister for Housing consented to the transfer of Goldmaster land assets to the Housing Authority at book value, and subsequent repayment of the Goldmaster debt to the Housing Authority and progressing the voluntary deregistration of Goldmaster following completion of the land transfer.

On 2 August 2024 all Goldmaster land assets transferred to the Housing Authority and subsequently Goldmaster's debt to the Housing Authority was repaid.

Finalisation of Goldmaster accounts including the disbursement of \$1,816,348 to Communities as the sole shareholder occurred on 30 October 2024.

Lodgement of ASIC form 6010 occurred on 31 October 2024 to commence voluntary deregistration of Goldmaster. The process is expected to be complete in early 2025.

Goldmaster's GST registration was cancelled effective 31 October 2024 and the income tax return for the year ended 30 June 2024 posted to the ATO.

Appendix 1: References

- 1) Stella Village Development Overview – July 2016, Internal Housing Authority Report.
- 2) Corruption and Crime Commission - Serious misconduct risks in a Housing Authority project, 20 July 2023, ISBN 978-0-6453426-9-7.
- 3) Housing Authority Investment Committee Minutes dated 6 November 2012.
- 4) Information Memorandum Stage 3 Capitalisation dated 30 October 2012.

Appendix 2: Glossary

AoD	Acknowledgement of Debt
Acepark	Acepark Holding Pty Ltd
B17	17 Malata Crescent
B21	21 Malata Crescent
B25	25 Malata Crescent
Development	The Stella Village development
DM1	Goodland DM1
DMA	Development Management Agreement
EOI	Expression of Interest
Equity Subscription	Acquisition of shares in Goldmaster by Housing in 2011
Finance	Department of Finance
FHOG	First Home Owners Grant
Goldmaster	Goldmaster Enterprises Pty Ltd
Goldzen	Goldzen Holdings Pty Ltd – registered builder
Housing	Housing Authority
IM	Information Memorandum
Jewel	Jewel Horizon Pty Ltd
MOU	Memorandum of Understanding
NPA	National Partnerships Agreement on the Nation Building and Jobs Plan 2009
Treasury	Department of Treasury
UB	Unitised Building