



HOTHAM

Mount Hotham Resort Management Board

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24/01/2018

Peri McDonald

President, Edelweiss Ski Club

By Email: peri.macdonald@frasersproperty.com.au

Dear John and Peri,

RE: Mount Hotham Alpine Resort Management Board Contemplation of Edelweiss Business Plan

I write to you with an update regarding future occupancy of the Edelweiss site. Specifically, I refer to your business plan submitted to us in 2017. This matter has been a complex one that the Board has taken time to consider fully, regarding both the history of occupation of the site and Edelweiss as a club along with the Board's broader strategic objectives and operating requirements.

After a comprehensive review by Management and the Board of the Business Plan presented to us, I advise that when the merits are considered against the *Alpine Leasing Policy Implementation Guidelines*, your proposal would currently meet the *Minimum Level of Development*. This equates to a maximum term of 10-years for any Lease.

As a matter of practice, the Board does not offer Leases for a term of less than 15-years. When Lessee performance and Building Standards of Occupancy matters are considered, the Board views the proposal as unlikely to secure Ministerial sign-off, particularly considering the sewer matter. As such, I advise that MHARMB does not intend to continue the process to renew your lease under the current business plan.

The Board has resolved to allow you 60-calendar days to submit a revised Business Plan for Edelweiss.

Current critical issues with the Business Plan and occupation of the site include:

- The total value of improvements to the lodge over the proposed Lease term are under \$140,000.00. This along with the type of works proposed affect the level of development achieved under the policy.
- It appears that many of the improvements are maintenance; any extensions or capital works contemplated (e.g. car parks & stairways) aim to increase accessibility to the Lodge but do not consider improving or expanding the current accommodation offering.
- The improvements contemplated were not perceived to provide sufficient future income streams to justify a Board contribution to the cost of sewer connection. A review of similar cases has shown that the standing precedent is for the cost of connection to be borne by the stakeholder. The Board have made it clear this precedent will stand.

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- The Board expressed significant concern regarding the state of the existing septic system. The condition of the existing system has not been acknowledged in either the Edelweiss Environmental Management Plan or the Business Plan. Given reports that the system lacks integrity along with its age, and the location of Edelweiss & its proximity to water catchments, the Board questioned whether ongoing occupation, let alone occupation to 2020-2022 could be permitted given this issue.
- Considering the above, the Board contemplated the closed loop system you put forward and confirmed that an alternative solution of this nature would not be permissible.
- Your business plan contemplates a targeted demand of 500 winter bed nights. The current capacity of the lodge, as at 2016 is 14 beds – allowing a maximum capacity of approximately 1,500 guest nights over a 120-day ski season. This target represents approximately 33% lodge occupancy. A target of 50 summer guest nights equates to having roughly one person stay one night each week. Whole-of-resort bed occupancy currently sits at approximately 50%. The Business Plan does not adequately address visitation and growth.
- The current level of development against the Strategically Identified Site Potential is 9%. This indicates that there is significant development capacity at the site.
- Marketing and Advertising valued at a total of \$400 was considered as insufficient to achieve the limited growth objectives laid out in the plan.
- The Board queried whether history and a perception as being a safe space for children were attributes of lodge-style accommodation that are unique to Edelweiss, or rather a part of the character of the broader Davenport area. This was asked in the context of whether Edelweiss' perceived key selling points would achieve growth in visitation across the entire resort, across all seasons.

In recognition of the complexity of the process, and to provide Edelweiss with the opportunity to provide an improved business plan, should it choose to, the Board has advised that it is willing to contemplate a second proposal at its meeting on 20 April.

Should you like to take the Board up on this offer, a revised business plan will need to be submitted to adamgalvin@mthotham.com.au no later than **5:00 pm, 17 March**. This will allow some intervening time to discuss any revision submitted to us prior to the Board making a further determination.

In the meantime, MHARMB will determine the allowability of ongoing use of the site in consideration of the condition of the septic system and will provide a separate update around this in due course. Please note that in the event of Edelweiss being asked to vacate the site, Edelweiss will be liable for the removal of improvements on the site and any restoration required. We would ask that you consider the costs of restoration in your assessment of future investment in the site.

Yours Sincerely,



Jon Hutchins | CEO, Mount Hotham Alpine Resort Management Board