

FAQ'S on the Proposed Parking Lot Sale and Extraordinary General Meeting on November 21, 2021

Q: Why is a special meeting being held?

A: The Club has received a purchase offer from Peninsula Co-op for the Dogwood facing portion of the property. Members are being asked to vote on whether the sale should go forward.

The vote is scheduled for Sunday November 21, 2021 at 7:00pm. Shareholders are each entitled to 1 vote. You must be present at the meeting to vote. You may attend the meeting in-person (Covid vaccination rules apply), or virtually on Zoom. Contact the Club Manager for Zoom meeting information.

Q: Why is the club considering selling this piece of property?

A: The Club has been operating at a loss for many years. With, the financial impacts of the Covid-19 pandemic, a history of annual operating losses, and upcoming capital expenditures to maintain the facility, the club only has the funds to operate for a few more years.

Q: Why is the Club considering this offer from Co-op? Is the Co-op a neighbour we want to have?

A: Peninsula Co-op is a member-owned organization, its head office is in Saanich and they have a number of locations across the island. In all our dealings with the Co-op so far, they have been respectful, responsive, transparent, and eager to work together to find mutually agreeable solutions.

The Co-op has included several conditions that make this offer favourable including covering the costs of subdivision, a lump sum for parking lot/infrastructure improvements, an easement for continued curling club access from Dogwood street, and an agreement to use parking stalls located on their lot for event (bonspiels) parking. The Co-op has also agreed to other requests in slight changes to their site plan, re-drawing of parking lot stalls, and providing space for a new curling club sign on Dogwood Street.

Furthermore, the gas station/car-wash is a fairly porous development, there will be lots of open space and relatively good visibility of the curling club from Dogwood Street. These aspects make the Co-op development more attractive than a potential housing property development or other large commercial building.

Q: Is the purchase price negotiated with the Co-op the best price/the maximum value we can derive from the lot?

A: Without putting up the lot for sale, it is impossible to determine the maximum price for the lot at this time. The Board feels the time, expertise, and costs associated with subdivision are prohibitive for us to put the lot for sale. Additionally, putting the lot up for sale now is likely to jeopardize the deal we have negotiated, in good faith, with the Co-op.

The Co-op's offer is based on a commercial land appraisal that was completed in April 2021. The Co-op offer is the appraised value of the land plus 10%. The Co-op is also offering an additional \$200,000 for the club to do paving and infrastructure improvement work on the remaining portion of our lot after subdivision. Overall, the offer (per square foot) is the appraised value plus 38%.

Additionally, embedded in the Co-op offer is their commitment to pay for all costs related to subdivision, re-zoning, and restoring civil servicing (storm, sewer, and water). This work, although not included in the purchase price, is estimated to be valued at \$150,000.

Q: Did we get our own property appraisal?

A: No, the Board does not believe another appraisal is necessary. Commercial appraisals are conducted objectively by professionals according to their professional process and standards. The appraisal relies on sales of similar commercial properties recently sold in the area. Comparable properties include recent sales in 2021 of nearby commercial properties on Dogwood Street. Based on the experience and knowledge of Board members, we do not think another appraisal will generate significantly different results. Additionally, commercial appraisals cost several thousand dollars and the Board feels this additional cost is not a responsible use of funds.

Q: What if we subdivided the lot ourselves (into 1 or more parcels) and put it up for sale?

A: The costs to complete subdivision are significant. Costs include civil engineering/design, development application fees, re-zoning application fees (the lot is currently zoned Commercial), community consultation, etc. If we were to pursue subdivision on our own, it is estimated to cost at least \$150,000. We do not have the funds nor the expertise to complete this work.

Q: Have other potential buyers been pursued?

A: We engaged in preliminary discussions with a prominent local property developer. They emphasized how busy they were with their existing development projects. They asked us to sign a non-disclosure agreement and provide them with a detailed proposal on what options may be viable for property development at this location. We neither have the funds nor expertise to engage in this type of work.

Q: If we are operating at a loss, can we raise curling dues to cover our expenses? Or reduce our expenses to live within our means?

A: Some of our expenses are not within our control. For example, our annual insurance premium increased 30% between 2019-20 to 2020-21, and in 2022 the City will require we pay some portion of our property tax (see the question below).

The option to increase dues is reaching its upper limit. Dues cannot keep rising without a negative impact on participation. Maintaining high and diverse participation numbers is critical for the long-term viability of the club. As members move on in age or in interest, new curlers are required to maintain membership numbers. Expensive dues hinder our ability to attract new curlers. Additionally, bar

revenues contribute significantly to our overall revenue and we need strong participation numbers to support bar revenue.

Another suggestion is fundraising or soliciting personal donations from the members. This may help for short term expenses but is not a viable option for over the long term.

Q: Has the City of Campbell River been approached for financial support?

A: For the past 12 years the City has granted us a full permissive tax exemption (PTE) on our property tax. For the 2022 tax year, a new process for determining PTE amounts was introduced. We applied for our PTE in accordance with the new process. Based on the new PTE criteria, the City gave us a score of 8/15 in the 'providing services the City would otherwise be responsible to provide' category. Overall, our score was 83/100, two points shy of the 85/100 required for a full PTE. Instead, we received a partial exemption at 85%.

The Board submitted supplemental information to the Council for reconsideration of our PTE score. We showcased how other central Vancouver Island clubs are supported by their local and regional governments. While the City Controller found our rationales to be strong, Council did not change our PTE status for this upcoming 2022 tax year. As a result, the club will be paying \$3000-4000 in property taxes to the City next year. It was suggested to us by City staff that we try to apply for grants from the Regional District.

Given the outcome of our PTE application, the Board does not believe the City is in the position to or interested in financially supporting the curling club. A deal with the City would likely result in the turnover of ownership of the land and/or facility. The Board does not view turning over ownership of our land/facility to be a preferred option at this time.

It has been suggested that the club form a committee to attend a Council meeting to make the case for our value and relevance to the City. This is a good idea and should be pursued regardless of the outcome of the Co-op deal.

Q: Do we have to sell right now? What happens if we wait?

A: Given the annual revenue shortfalls and the planned capital and maintenance spending required over the next several years, the club currently has the funds to continue status quo for another 3-5 years. This assumes no catastrophic failures of our aging infrastructure. We do not have contingency funds to pay for any large expenditures in the event some of our aging infrastructure (such as sewage and water piping) fails.

If the proposed purchase offer is not successful, the club will require either a significant intervention of some other kind, or to cease operations.

Q: What are the tax implications (if any)?

A: As a non-profit society the club generally does not pay income tax. The Board has contacted a few different accountants and the Canada Revenue Agency for their advice on the issue. Although informal, this advice suggests to us we will not be required to pay tax on the gain associated with the sale. The

parking lot area has been used directly in the course of providing recreational or sporting facilities to members, therefore a taxable capital gain is not expected on the disposition of property used in providing those services.

Q: What will the club do with the money received in the event of a sale?

A: The Board ought to consider several options for what to do, with the longevity of the club and facility as the main objective. The specific options and details on how to best utilize the funds should be weighed by the Board and presented to the membership for a decision on how best to move forward.

A leading option would be, with the help of a qualified financial advisor, to invest a large sum with the purpose of earning interest/dividends to cover annual revenue shortfalls, and to use a smaller portion of the sale proceeds on capital upgrades to the facility.

The club's special maintenance budget outlines the estimated cost of capital work required over the next 20 years to extend the operating life of the facility. Capital work includes – sewage and water piping upgrades, and ice shed beam maintenance. It is estimated we need to spend about \$200,000 over the next 10 years on this type of work. Additional upgrades include washroom renovations and improved accessibility for the lobby and upstairs lounge.

As an example:

The club could invest \$500,000 long-term into funds that generate a conservative 3-5% return. The annual interest would be \$15,000-25,000 and could be used to cover annual operating expense shortfalls or be saved for special projects.

The remaining \$200,000 (plus) can be invested into short term funds and be used as required to complete the capital projects we know are required over the next 10 years.

Q: What would this sale mean for the future of the curling club?

A: If the sale is successful, it means the club can finally shift from survival mode to a long-term forward thinking planning mode. We will have funds to repair and maintain our building before issues arise, compared to implementing a patchwork of temporary solutions to stave off a larger problem or invoice. We will have funds to invest in improving the user experience in our building. We will have resources (both time and money) to invest in our programs to boost membership.

If well managed, the Board believes the funds from this sale should support the club in its ability to independently operate for at least another 60 years.

Q: Are we sure the Co-op will build the gas station/car wash as planned, and not re-sell?

A: The sale is subject to the Co-op receiving subdivision and re-zoning (to allow for a car wash) for the parcel. The Co-op approached us with this idea initially, has negotiated in good faith, and we have no reason to believe they will do anything other than what they have told us they will do.

For further assurance, the Co-op will sign a legal guarantee that their plans to construct the gas station/car wash will be carried out and they will not re-sell the empty subdivided lot.

Q: If the deal goes ahead, when will a new gas station be expected?

A: The closing date on the deal is August 15, 2022 (when money and land ownership changes hands). Following the closing date, the Co-op will apply for development permits, building permits, etc. They expect construction to start May 2023 and take four to five months. Co-op hopes to be operational by Fall 2023.