

# **VANCOUVER RACQUETS CLUB**

## **2007 REPORT ON PROPOSED CAPITAL EXPANSION**

### **Executive Summary**

At the June AGM, VRC members will be asked to vote on a Club expansion.

We have had a badminton waiting list for several years now and there is tremendous pressure on court time.

Our junior members, the future of the Club, do not get enough court or coaching time and are seeking this elsewhere.

Key components of the proposed expansion are:

- a new 4 court badminton hall
- new reception, offices, entrance
- glass backs for squash courts 5 and 6
- a viewing platform between squash courts 7 and 8

The proposed expansion has been priced at \$4.0 million including contingency, professional fees, fund-raising costs and inflation.

Based on research conducted by the Club, the Board believes we can raise at least \$4.0 million through donations and government grants. This is expected to take 2-3 years.

If this expansion is completed, the Club will need approximately 225 new members (200 badminton and 25 squash) to pay for ongoing operating and building maintenance costs. The Board believes that with the expansion the Club could handle a further 480 members.

The seismic upgrade of the badminton hall, at a total cost of about \$530,000 (before inflation), must go ahead even if the expansion plan is not approved. This is necessary for the safety of our members and the ongoing existence of the Club!

We will need the support of all the Club's members for the fund raising, building and membership increases to be a success.

We encourage you to view the expansion drawings, to attend a "show and tell" session May 16th and to register your vote at the AGM, June 13th.

## **1 Introduction and purpose of report**

**This report provides VRC's members with information on a proposed capital expansion plan so that members may vote on this plan at the upcoming Annual General Meeting ("AGM") in June.**

In 2006 the Board presented the original expansion plan at two town-hall meetings and gathered members' comments. Since that time the Club's Fund Raising Steering Committee has set a total fundraising target of \$4.0 million as being realistic. The estimated cost for the original 2006 expansion plan was \$6.8 million. Given a budget of \$4.0 million and considering members' input, the Planning Committee has now scaled down the scope of the expansion plan. Having gained Board approval, this revised capital expansion plan and its justification is now presented to you the members. You must attend the AGM in order to vote on the expansion plan. All members are strongly encouraged to vote.

## **2 Minimum building improvement requirements**

The Club's badminton hall does not meet the present building code with respect to seismic safety. Having conducted an engineering survey to establish the hall's structural deficiency, the Club must now bring the hall within code as soon as is reasonably possible. A reasonable timeframe would be to have the work complete within the next three years (by the end of 2010). The Seismic Study that the Club has commissioned concludes that we can reinforce the hall at an approximate cost of \$530,000 (as at February 2006) rather than having to rebuild the hall at a cost of perhaps three times that amount.

We must also address the shortcomings of the building's ageing roof and drainage around the badminton hall in the next few years, bringing the minimum building improvements cost estimate up to about \$600,000 (or \$800,000 to allow for inflation).

The Membership is not being asked to vote on these minimum building improvements as these are fundamental to the Club's safety and operation and will need to go ahead in any event.

## **3 Demand for an expanded facility**

### **Badminton**

For keen badminton players, VRC has relatively little direct competition. VRC's competitive advantages are reflected in the Club's increasing badminton waiting list despite peak time pressure for court availability. At the end of fiscal year 2006/07 (April 30th) we had 80 people, or about 10% of our current badminton membership, on the badminton waiting list. If we do not expand our badminton facility, there is a risk that we will lose a number of our members, especially our highly talented junior contingent who cannot get enough court and coaching time given the pressure on court availability. As Badminton BC continues its focus on school programs, demand from juniors will only increase.

## Squash

Demand for the Club's squash facilities is not as convincing. Membership fees are comparable to similar local private squash facilities such as Bentall, Denman, Evergreen and the River Club. VRC boasts a greater depth of players than these other clubs, as evidenced by the number of VRC squash league teams. Although recent increases, especially in student and junior membership are encouraging, the Club has generally seen only modest increases in squash membership over the last 5 years. Peak membership last year was only 75% of VRC's squash membership limit.

## Fitness

VRC offers the perhaps best value fitness facilities in the area. In comparing VRC to other fitness facilities, VRC has the lowest rates, is open 18 hours a day, has free parking and offers a steam room, kitchen and lounge. The membership quota was filled in January 2007 and then expanded by increasing the "full-time" quota and by adding a "day-time only" quota. Fiscal 2006/07 finished with a waiting list of 34, or 13% of current fitness membership.

## 4 Proposed expansion

The following is a summary of the proposed capital expansion plan and its costs:  
(See Plans A1 and A2)

	<b><u>Estimated cost*</u></b>
<b>Minimum capital cost requirement:</b>	
Seismic upgrade of current badminton hall, roof and drainage improvements	800,000
<b>Capital expansion plan to be voted on:</b>	
Badminton - New 4 court hall	2,600,000
Squash - glass backs for courts 5 & 6, viewing deck between courts 7 & 8	100,000
New reception, entrance and offices	200,000
Expanded parking and miscellaneous upgrade items (e.g. fire alarms)	300,000
<b>GRAND TOTAL</b>	<b>\$4,000,000</b>

\* Includes 10% contingency, 10% consultant fees and 10% fund-raising and administration costs and 36% inflation (1% per month for 3 years).

A more detailed plan with drawings is presented on the next page of this report.

The Planning Committee has focused on those elements that are crucial to the Club's vision. In particular, to keep the Club's fees at an affordable level, the focus of the expansion is on revenue generating initiatives. Expansion of badminton capacity will allow for an increased membership cap and improvements to the squash area should help to lift squash membership towards its threshold.

## 5 Financing the expansion

The proposed expansion plan assumes no significant increase in membership dues; therefore the Club proposes undertaking a Capital Campaign to raise funds.

The Club has completed a fund-raising assessment and plans to raise \$4.0 million. This estimate was compiled by our fund-raising consultants one of whom led the successful campaign to finance the Millennium Sports Facility next to our Club. In its estimation process, the Club interviewed a number of VRC members to assess how much they and other members might donate but given the Club's lack of donation history this estimate is very rough. The level of donations from the private sector and government matching funds will depend heavily on the amount raised from membership donations.

The following table summarizes how the \$4.0 million total might be reached:

	<b><u>Estimated \$</u></b>
Donations from members and patrons	1,400,000
Private sector donations	150,000
BC Gaming Commission	150,000
Government matching funds	2,300,000
<b>GRAND TOTAL</b>	<b>\$4,000,000</b>

Members who donate will receive a **tax receipt** and donations over \$200 will earn a tax credit on your next return of up to 43 cents for each dollar donated.

A **Fund Raising Team** is being established to run the Capital Campaign. The team will include a fundraising Director assisted by an experienced fund-raising consultant on an as needed basis. A Steering Committee has already established fundraising plans and procedures to guide the Fund Raising Team.

The fund-raising campaign is expected to take 2-3 years.

The financing total assumes that the Club will not borrow any funds to complete the expansion. On several occasions in the past, the Club has borrowed several hundred thousand dollars for various capital projects. Repayment of these loans has left the Club with little cash for ongoing capital improvements or even basic building maintenance. Also, if the Club can raise its own donations (versus bank borrowing), there is a greater chance of securing matching grants from government agencies.

The Club already has a building fund of over \$100,000 thanks to the bequest of Ken Cummane. The Cummane family did not place any restrictions on how these funds should be spent except that they should go towards capital improvements.

## 6 Financial analysis of operations after expansion

A financial analysis has been prepared to model both revenue and operating costs of an expanded VRC at three different levels of membership. The model's key assumptions are:-

- average income (dues) from members remains constant as membership increases (that is, the ratio of different types of members who pay different levels of fees remains the same).
- one new office/reception staff member (assume reception open 12 hours a day) and a full-time Program Director.
- a 25% increase in the following major expense categories - insurance, janitorial services and supplies, repairs and maintenance, utilities (e.g. fire alarm monitoring, water and licenses).
- a 37% increase in heat and light expenses (in line with square footage increase).
- the Club does **not** have to borrow any funds to complete the expansion.
- continue to spend \$75,000 on capital improvements each year. This is the current maintenance level of spending for capital items.

In **conclusion**, given these assumptions, the Club would need approximately 225 new members (200 badminton and 25 squash) to sustain operations at the current level. At this level of membership, members would enjoy improved facilities and increased badminton court availability. Note that the Club currently has about 1400 members, 760 badminton, 380 squash and 260 fitness.

In the best case scenario under the model, with membership completely full, the Club would have an annual operating surplus of \$116,000.

The risks, then, are whether we can reach these higher membership levels, how long it takes to get there and whether the assumptions for cost increases are realistic and achievable. In the period where we are building our membership after the expansion, we will need to be creative in how we minimize our operating costs.

## 7 Membership feedback

In July and August 2006 VRC's membership was asked to complete a survey designed to assess members' appetite for expansion. There were 235 complete responses. Highlights of the survey are:-

### Reason for renewing membership

- **Quality, cost, and location** were the most important reason for **badminton** and **fitness** members renewing their membership
- **Quality, "depth of play", and location** were the most important factors for **squash** players renewing their membership

### Expanded facilities

Within each of the sports disciplines there was strong support for expansion:

- 80% of badminton players would like to see more badminton courts
- 88% of squash players would like to see more squash courts
- 88% of fitness members would like to see expanded fitness facilities
- 58% of squash and 45% of badminton members would like to see expanded fitness facilities

## **Expansion/improvement of ancillary facilities**

Members would like to see (based on the 2006 survey):-

- an expanded lounge/restaurant
- more parking
- improved changing rooms
- greater security

### **Will members give financial support to the expansion?**

- 45% of badminton players said yes
- 38% of squash players said yes
- 12% of fitness members said yes

### **Will members help with fundraising by planning special events?**

About 25% of members said yes, they will help with special events.

In summary, members are potentially interested in seeing expansion of the facilities they use and improvements to ancillary facilities such as the lounge, but less than half of the Club's members are willing to provide financial support.

It should be noted that the contemplated expansion at that time was of a greater scale and cost than the expansion proposed in this report.

## **8 Possible further future expansion**

If the expansion proposed above is successfully completed and if demand warrants it, in several years time, the Club will consider a further expansion which might include:

- 2 full and one ½ width badminton courts added to the North of the new building
- a new fitness area and multi-purpose hall facing Queen Elizabeth Park
- a new squash singles and doubles court
- expanded change rooms, offices, kitchen and lounge

## **9 Summary**

VRC has had a badminton waiting list for several years now and there is tremendous pressure on court time. The proposed upgrade and expansion would meet new building code regulations, provide greater badminton court capacity, and improve the squash playing area. Inclusion of a reception area would improve security and service to members.

If we do not build more badminton courts at this time, then competition for playing time may see us losing a number of our junior members. Our juniors are the future of the Club.

We will need the support of all the Club's members if the fund raising, building and membership increases are to be a success.

We encourage you to view the expansion drawings, to attend a "show and tell" session in late May and to register your vote at the AGM in June.

*Prepared by Planning Committee (Gregg Ashby, Chair)*

*Approved by the Board of Directors (Al Imrie, President) May 2007*