

REPORT OF THE UPLANDS PLANNING COMMITTEE

1. Executive Summary

The following report was prepared by the Uplands Planning Committee (UPC) and is respectfully submitted to the Board of the Saltspring Island Sailing Club (SISC) for consideration. In summary, our findings and recommendations are as follows:

Findings of Fact

- a) The existing clubhouse is generally considered to be structurally sound.
- b) While the clubhouse does not meet all current code requirements, there is no outside organisation in a position to require compliance unless major new work is undertaken.
- c) The club is in a financial position to borrow, under current conditions, approximately \$1 to \$1.5 million on an ongoing basis, but any greater level of borrowing will require an increase in fees paid by members.

Recommendations

- a) That the SISC Board establish and fund a Capital Reserve to provide resources for an immediate, unanticipated expense or emergency and to reduce potential borrowing needs for planned capital projects.
- b) That the SISC Board develop a long-term Capital Plan to identify, prioritize, and sequence essential or desirable repairs and improvements to the facility and to identify funding for those projects.
- c) That accessibility and egress upgrades, improved ventilation, asbestos abatement, and the storage/classroom needs of the Sailing School, be considered for inclusion in the initial Capital Plan.
- d) That significant improvements to the clubhouse be deferred until the Board has had an opportunity to assess the uses and needs of the facility post-pandemic, as well as the interest of the membership in undertaking more costly projects.

2. Mandate.

The Uplands Planning Committee (UPC) was established by the Saltspring Island Sailing Club (SISC) Board in 2023 to review the planning work completed to-date for the Clubhouse and propose a path forward for addressing perennial concerns with the building.

The members of the UPC are: Chris Cheeseman (Past Commodore), Elizabeth FitzZaland, Jeremy Milsom, James Pettigrew, Earl Rook, and David Wood,

The clubhouse is getting long in the tooth. While the building has been well maintained and upgraded over the years, there is a feeling that the club should be planning for and

investing in our long-term building needs just as previous boards made substantial investments in the docks that serve us so well today.

Some members have concerns about the structural integrity of the building, while others feel they don't have enough information to know whether they should be concerned, or not. There is a similar lack of knowledge about whether the building complies with current building codes, and what effect non-compliance, and other factors, might have on our insurance coverage.

In addition, there is the widely held view that the social cohesion between members, historically a vital feature of club life, was seriously disrupted by COVID. Some members have suggested that a renovated or rebuilt clubhouse that is reconfigured, more spacious, and better ventilated might help bring members back together.

3. Long-Term Planning Group.

The Long-Term Planning group was set up at least partly in response to these concerns. Their report presented the club with 4 options, which in the minds of most members came down to two:

- Continue with our current practice of regular maintenance along with small capital improvements; or
- Undertake an extensive renovation of the building, including an addition.

There is support among the membership for each of these options although the level of support has not been tested in a poll or a vote.

Estimates of the capital cost of the four options were provided in the report but are now almost certainly out of date. The question of whether the Club could qualify for the mortgage required to cover projected costs, and the impact it might have on member dues, is discussed below.

The process by which the membership might choose a preferred option remains open for discussion. There is a hope, maybe even an expectation, that the Uplands Planning Committee may be able to offer guidance on how to move ahead without creating undue division among the membership.

4. Structural Integrity

The UPC held discussions with club members with engineering qualifications, and long-term experience with the repair and maintenance work carried out over the years. There is general consensus that the clubhouse, despite its age and the many changes it has seen, is structurally sound. In the words of one member: "The 'need to do' list is very short." (The 'want to do' list is a different matter; and each member has their own.)

5. Building Code Compliance.

A building must comply with the building code at the time the permit is issued. It does not have to comply with subsequent code updates **as long as there are no major improvements made to the building that might trigger such a requirement.**

For example, the clubhouse does not have an accessible entry or washrooms. Because the permits were issued before accessibility requirements were part of the code, we are not obliged to comply with those newer requirements. However, renovations to the building, particularly extensive ones, might trigger the need to make those upgrades. Nevertheless, regardless of code, the club may voluntarily decide to enhance accessibility or make other changes out of concern for health, safety, and inclusion.

It is up to the building inspector(s) to determine whether a renovation or expansion requires the existing building to be brought up to current code -- a decision that is made during the building permit review process or a related site visit.

From the club's point of view, the only way to know for certain whether a proposed renovation would require the existing building to be brought up to code, or whether the existing circumstance will be "grandfathered", is by preparing construction drawings and applying for a permit. Whatever changes may or may not be required in the existing building, any new addition or construction will have to comply with the current building code.

6. Fire Code Compliance

Safe egress from the upstairs of the clubhouse in the event of fire or other emergency is limited to the main entry way and the stairs from the deck down to ground level. Both of these exits are at the north end of the building and close to each other. There is no effective exit on the south portion of the building. The lower floor has only one exit but it is wide and at ground level. We understand that the Fire Chief has inspected the building and does not require additional exits from the building. Again, the club may, for safety and accessibility reasons, voluntarily install additional exits, most logically on the south wall.

7. Insurance.

The UPC looked into the insurance coverage by discussing with the Treasurer and a knowledgeable club member involved in the insurance renewal process. We understand that the clubhouse is covered to the extent of the policy as long as the information the club provides on its insurance application is truthful and accurate and the club allows the insurer full access to the property to carry out any inspection they deem necessary,

is prepared to make any modifications or improvements required by the insurer, and pays the premium on time. It is the responsibility of the insurer, not the club, to investigate and address any building concerns. As the Club presently complies with these requirements, we believe that the Board should have confidence in our coverage.

8. Capital Reserve and Capital Plan.

A capital reserve is a fund that is explicitly set aside to cover future liabilities, either anticipated ones, such as the replacement of docks, or unanticipated ones. The club currently does not have a capital reserve. Instead, the club has historically chosen to finance major expenditures – those that could not be covered out of operating cash flow - by taking out mortgages and using our cash flow to make the monthly principal and interest payments. At the end of the year, surplus cash from operations has often been used to take advantage of the annual balloon payment provision to pay down the mortgage principal and pay off the loan more quickly. This a normal and perfectly acceptable way to do things and it has worked well.

However, there is a case to be made for building a cash reserve, in combination with mortgage financing. First and foremost, would be the availability of the reserve fund in the event of an immediate unanticipated expense or emergency. Second, the size of the mortgage required for any project would be reduced by the amount available in the reserve, making mortgage approval easier and reducing future monthly payments.

We understand there has in the past been resistance to building a capital reserve on the grounds that current members are paying for the capital projects enjoyed by future members. This is true, but fails to acknowledge that current members are themselves benefitting from the investments made by previous members. Continuity is the essence of a club. We ride on the shoulders of those who have gone before. From a financial planning point of view, the UPC views a capital reserve as sensible and responsible.

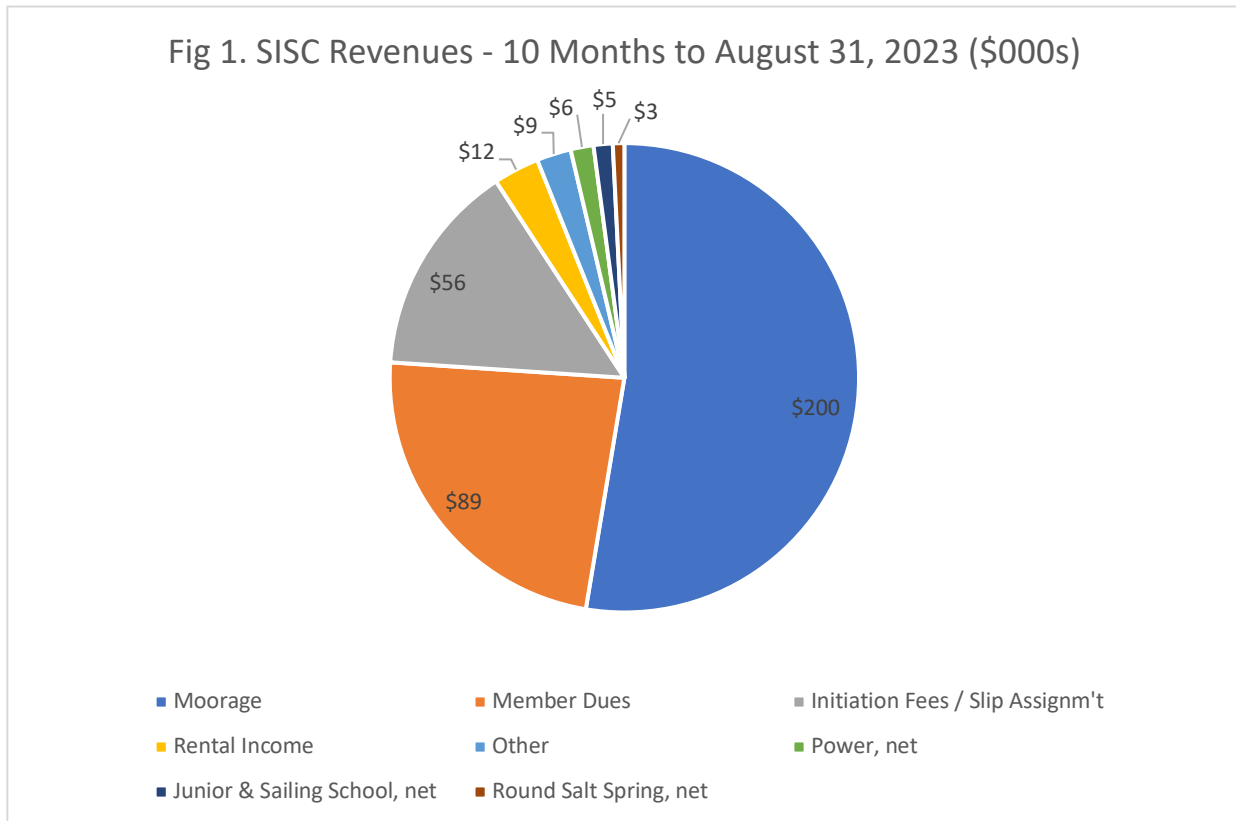
A capital reserve goes hand-in-hand with a capital plan. A capital plans identifies and prioritizes property investments over time, and identifies how these required or desired capital projects will be funded. Even more than a capital reserve, we strongly urge the creation and management of a capital plan that anticipates the future needs of the club.

9. Borrowing Capacity, Fees and Dues

The ability of the club to borrow for any significant project, upland or marina, depends first and foremost on our ability to service the loan rather than on the value of our assets. The club's capacity to service a loan depends on the club generating enough cash flow to meet loan repayments, after paying all our other operating expenses.

Club revenues derive almost entirely from member dues and fees, which are levied in three different ways: Annual Membership dues; Moorage fees; and Member Initiation

fees / Slip Assignment. It is clear from Figure #1 that moorage fees are the single most important generator of revenues.



Moorage fees are a sensitive issue. There is strong resistance among members to any increase, and pressure on the Board to keep moorage where it is. Not surprisingly, members would like to continue enjoying some of the least expensive moorage in the Salish Sea. The Board would like to keep the financial bar to accessing the docks as low as possible, to encourage young members, families and less wealthy households to join the club and enjoy boating. This is a goal we support. At the same time, it is simply not realistic to keep moorage fixed in perpetuity when inflation is on the rise. We are very fortunate to have had no increase in moorage fees since 2011 but if the club does not increase these rates, another fee or due must increase to compensate.¹

Adding new members to generate more revenue is not an option since membership is currently full and there is no room for more slips within our water lease. Moorage is the principal benefit new members are looking for and the main driver for applications. Now

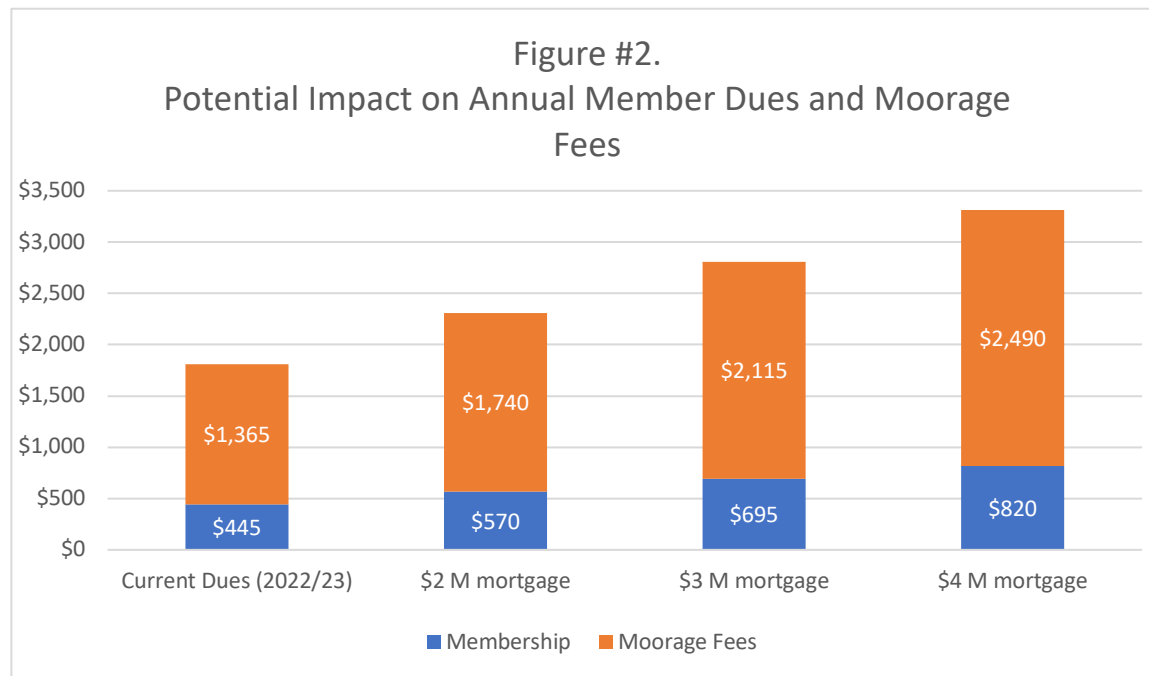
¹ In 2020, the Members approved an increase in Membership Dues, which are adjusting annually based on the cost of living. 2022/23 annual dues for a Full Member were \$445.

that we are at or close to capacity, we can expect a reduced number of new member applications compared to recent years. The current budget is based on 10 new members per year, bringing in \$20,000 in initiation fees and another \$20,000 when they are assigned a slip.

Overall, the club has very good cash flow. However, it has its limits. We estimate the club’s current borrowing capacity to be in the range of \$1.0 to \$1.5 million. (This estimate is consistent with a similar analysis performed as part of the LTP committee’s work.)

As of August 31, 2023, our existing mortgage was \$397,000. leaving us with potential additional borrowing capacity of approximately \$600,000 to \$1.1 M. We are paying down the principal by about \$100,000 per year (including annual lump sum payments), freeing up additional borrowing capacity for other purposes as we do so.

At current interest rates and assuming a 15-year amortization period, for every \$1.0 M increase in borrowing, the club would have to increase dues and/or fees for a full member with a 35-foot boat, by about \$500 per year (Figure #2).



10. Physical Space and Social Connection.

It is a fact that our physical surroundings affect the way we interact with each other. But it is very hard to define just how it works, and in what ways the layout of the existing clubhouse may have contributed to our social interactions in the years before COVID. At

this point we do not know if or how a new or redesigned clubhouse might help recreate the frequency, uptake, or ease of those pre-COVID social interactions.

For much of COVID, when almost all social activities were cancelled, and until very recently, the club had no one to fill the position of Staff Captain. COVID restrictions, social precautions and no Staff Captain combined to undermine and break apart the once-vibrant SSISC social life. We are now in the fortunate position of having the pandemic (mostly) behind us and having Trevor Bishop installed as our new Staff Captain.

There are other factors which affect our social cohesion, including member demographics, a surge in new members with little or no experience of the club as it was, and changes in society as a whole, including the trends towards socializing at home, and the long days and busy lives of many people in the workforce.

It makes sense to the UPC for the club to take the time to live with these new circumstances and plan a full social program in the existing building to see how well we can welcome in new members and pull together as a club.

11. “Doing Nothing” and Smaller Projects

Discussion about possible changes to the clubhouse is often phrased as a choice between a significant renovation and the alternative of “doing nothing”. However, it is the opinion of the UPC and many other club members that doing nothing is not a true option. The club is constantly doing work, carrying out repairs and making improvements, such as the septic field and installing sound-reducing baffles in the clubhouse. Even if a decision were made now to plan for a major renovation, we would not stop doing some of these small and not-so-small projects in the interim, particularly where health and safety issues are concerned.

In addition to what is already underway, there are a number of smaller projects that have been brought to the attention of the UPC over these past months that we recommend be further considered:

- New accessible entrance/egress designed to the current building code;
- New HVAC system to improve air quality throughout the building;
- New appropriately sized and located storage and covered/dry classroom space for the Sailing school and Junior program;
- Removal of asbestos from ceiling space;
- Extended deck on east side of the building;
- Cosmetic and functional improvements to upper floor to freshen-up primary social space, improve comfort and increase flexibility of use.

These and other projects stand on their own, have clearly identifiable benefits, are relatively small and, if prioritized and spread over time, could be paid for out of regular cash flow with no need for new mortgages.

12. Construction Schedule: Build Now or Later

If a decision were made today to proceed with a substantial renovation, an addition to the existing building, or a complete rebuild, it would be several years before we had a new building; roughly two years for planning, design and permitting, followed by up to two years of construction. We would be able to use our existing club house for two years, but would only have a very makeshift affair for the following two.

Some members have expressed that the longer we put off major work on the clubhouse, the more it will cost and the greater the financial burden will be on members. This is a fair point and would be true if building costs increase faster than the general cost of living. The opposite could also turn out to be the case, with the most likely outcome somewhere between the two.

Ultimately, it seems unwise to the members of the UPC for the club to commit to a major construction project in order to take advantage current costs, before we know if and what we want to build.

13. Decision Making,

Rather than proceed with a major renovation or addition in the short-term, we believe the wiser course is to take the time to find our footing post-pandemic over the next few years, work together with all interested members to create a long-term vision for the club, decide what we need to support that direction, and create a capital plan to dig into the nuts and bolts. We believe that in focusing on creating a sense of community within the post-pandemic membership and coming together around the club's future, the importance and future of the clubhouse will come to light.

In the short-term, there may be disagreement among members about whether to spend money on any of the individual projects, but given their smaller scale, these decisions are less likely to be disruptive and have the potential to solve some of the persistent concerns and issues with the current building.

Respectfully submitted by the members of the Uplands Planning Committee

October 6, 2023