

# Herrmann House Building Project Funding

## Q&A – Instalment #1

July 17, 2022

Hi Members – as promised in the July 7<sup>th</sup> email communication to all members on funding Herrmann House, this is the first Q & A instalment to answer questions that have been asked by at least one member. Hopefully, sharing the responses will provide answers that have common interest to others as well as the ones who asked them.

### Question 1: What is the impact on my income tax payable of making a donation?

The **Charitable Tax Credit** resulting from a qualified donation will cause a significant tax saving regardless of your taxable income and your resulting marginal tax bracket. If you want to see the impact of a specific donation amount, you can use the Donation Tax Credit Calculator via the link shown below.

[Donation Tax Credit Calculator - Canadian Red Cross](#)

Select BC, and put in your donation amount, and you will see the total tax saving your donation will generate. Examples of various donation amounts are shown in the following table. Charitable donations create a “tax credit”, therefore the tax savings does not vary with individual marginal tax brackets.

Your Income Tax Implications			Building Fund Impact		
Your Donation	Your Tax Savings	Your Net Cost	Your Donation	Matching Donation*	Your Total Impact on Funding
\$500	\$177	\$323	\$500	\$500	\$1,000
\$1,000	\$406	\$594	\$1,000	\$1,000	\$2,000
\$2,000	\$864	\$1,136	\$2,000	\$2,000	\$4,000
\$5,000	\$2,238	\$2,762	\$5,000	\$5,000	\$10,000
\$10,000	\$4,528	\$5,472	\$10,000	\$10,000	\$20,000
\$100,000	\$45,748	\$54,252	\$100,000	\$100,000	\$200,000

\* The first \$200,000 of donations will be matched by Suzanne & Myron Hocevar

**Question 2: Have you considered a deferment of the debenture payouts?**

In Phase II, more than 100 members stepped up to the plate to collectively loan the club, your club, \$800,000 in the form of 320 debentures (unsecured loans). Each debenture is worth \$2,500 and paying 3% interest. The associated Debenture Agreements in place are firm promises to our generous members. We can not and would not want to change the terms of those agreements. It would be our expectation to accelerate the paybacks rather than defer repaying them. The courts were enclosed primarily due to the generosity of our debenture holders; it would not be fair to expect them to also shoulder the cost of Phase III.

**Question 3: I don't have a lot of spare cash right now - could I donate my existing debenture and would it qualify for the matching program?**

Yes certainly, it would be excellent if any of our debenture holders would like to convert one or more of their debentures into a tax saving donation. As shown in the Question 1 table, a donation can significantly reduce your income tax. To be a net benefit to the funding campaign, the VPA would need to re-issue the redeemed debentures to other members who would like to participate in the popular debenture opportunity.

**Question 4: \$650k sounds like a lot of money for essentially a washroom, how firm a number is it?**

Firstly, the Herrmann House project is not just washrooms; it is much more than washrooms. Yes the building code requirement for permanent washrooms (we were initially advised the City would waive this requirement) is in part driving the timeline. The dramatic growth in the club is also driving the timeline. Managing a 865 member growing club with over 50,000 player visits per year is no small task.

To be effective, we need to enhance our first class playing facility with a reception and administration facility which includes washrooms.

- It is critical we work towards hiring a Club Manager or perhaps a Club Pro. Before we can do that suitable office space is required.

- Holding Board meetings on the practice courts is not effective. A meeting room is needed.

- Our many players need a place to remove their outdoor footwear and a place to replenish their drinking water.

- A more effective check-in counter and space would be beneficial.

Herrmann House needs to cover many requirements, most of them essential to the longterm operation of this very active pickleball club and facility.

Another critical timeline consideration is the difficulty (and expense) of operating temporary RV toilets in the winter. It was challenging last winter. We hope we can make it through one more winter without a disaster!! FYI, we were not permitted to connect the RV toilets to the sewer - we have to pay to get the 2 holding tanks pumped out even when it is -20C.

**Is the cost estimate reasonable?** It is a preliminary estimate which we hope will become lower but the experts tell us that the cost of meeting the commercial/ institutional building codes is not cheap. To meet our needs, the building needs to be in the 1600 to 2000 sq ft range. We have to connect to sewer a considerable distance away, in front of the tennis courts and with the building situated at the front of the courts to the right of the main entrance, we need a new domestic water connection.

Yes, \$650,000 is a lot of money, however the VPA really doesn't have any other options to meet your club's needs.

**Question 5:** How many toilets are actually required? – I never see the soccer building washroom very busy so presumably we could do with just a minimum.

The number of toilets is dictated by provincial commercial building code which is dictated by our facility occupancy limits. Our facility is rated for 299 occupants (high case scenario e.g. a tournament with plenty of spectators) and this translates into a certain number toilets for the men, women and handicap. The practical realities are in fact irrelevant.

**Question 6:** [Won't we be able to sell our wash trailer](#) and use some of the proceeds to help pay for the new building or at least some of its furnishings?

Yes we will. The purchase price of the trailer was \$53,000. It cost another almost \$30,000 to enclose the trailer when we were told we had to make the access completely level and integral to our enclosed facility. When the trailer is removed, we will need to rework the enclosure to make it a storage area. There may be some money left over IF we can sell the washroom trailer, but we can't count on it yet and the timing will be too late from a construction cash flow perspective.

**Question 7:** [Instead of donations could I purchase playing credits](#) that would help with the near term cash need for the project?

At this point, it appears our monthly cash flow for the next few years should be sufficient to allow **a maximum of 75 members the opportunity to pre-pay a fixed amount, \$2,000 or more, into their club credit account.** This would contribute \$150,000 or more towards the building fund raising goal! The reason we can not accept smaller amounts or more members pre-paying credits for building fund contributions is due to the negative impact pre-pays have on the clubs near term cash flow. When you use pre-paid credits to pay for your playing fees, the club does not receive operational cash flow from court fees you are charged. The VPA day-to-day expenses, debt interest, debt repayment and debenture redemptions need to be paid from the monthly operational revenue.

**Question 8:** [I am still a little unsure of the vision of this project](#) – will be there more information made available to the membership and if so, when?

The Finance Committee will be putting together a **Town Hall** meeting and slide presentation to further describe the project and it's importance to the Club. Expect to receive a zoom meeting invite in the next couple of weeks.

**Question 9:** How can we expect to raise \$650,000 from within the club? That sounds like an insurmountable ask.

For **Phase I** (the surface courts), we raised about \$300,000, received a \$300,000 grant from RDNO and borrowed \$145,000 from the City.

For **Phase II** (the roof), we raised over \$1,200,000 from within our (at the time) 400 members. About 200 members contributed in some fashion, often a combination of donation, debentures and/or pre-paid club credits.

For **Phase III** (Herrmann House), we need a large percentage of the current 864 membership to help make Phase III a reality in a timely fashion. The VPA did it in the past and we can do it again. We can't leave it to others, we need to take control and ownership of our future.

As we did in the past we will certainly seek out grant opportunities but the reality is we have not had much success competing with the needs of food banks and other social imperatives.

Together we can do it!

Myron Hocevar

VPA President

On Behalf of the Building Finance Committee