

From: Wes Drewlo <wes@celatura.com>

Sent: November 16, 2022 2:42 PM

To: Aaron Chan <aaronc@pacificdistrict.ca>; Erin Knott <erink@pacificdistrict.ca>; Mark Hutchinson <markh@westbow.ca>; Mark Hutchinson <markh@cpddexcom.ca>; Nicholas Lai <nolaifamily@gmail.com>

Subject: RE: Appraisal of Cranbrook Alliance Building

Hi Aaron and all:

I've had an opportunity to read this report in detail. I'm satisfied that it is a very comprehensive report and provides an evaluation of the property using several methods. From the report, I'm not sure that I was able to figure out the exact line of division of the parcels in question. However if I'm reading it correctly, the school will end up with parcel "B" - 2.37 hectares (5.86 acres). It's hard to read the survey and there is no reference in the report that I can find that refers to the size of remaining portion "A" which the church will retain. It appears that the church property, parcel "A" is 1.80 hectares (4.67 acres) if I'm reading it right.

Based on their comprehensive evaluation of the land the total value stated is **\$1,172,000** based on \$200,000/acre. They provide good support of this conclusion based on sales from June 2021 to current pending sales offering eight comparisons.

For the calculation of the improvements (value of the building) this is a bit more complicated. Essentially they provide a replacement cost for the complete building in today's dollars **\$11,151,000** which would be **\$407/sq ft** which in my opinion is reasonably accurate. Then they depreciate the building on a straight line, age life method to **\$5,575,504** which would be approx. **\$203/sq ft**. According to their figures of square footage after the division the church would have **14,366 sq ft** and the school would have **13,056 sq ft**. As such the depreciated value of the school portion would be **\$2,650,368. (13,056 x \$203/sq ft)**.

In summary if one uses these figures to calculate the present value of the building and land that KCA will acquire in this transaction the value would be:

Land:	\$1,172,000
Building:	\$2,650,268
Total	\$3,822,368

From a review of the previous correspondence related to the purchase, it appears the agreed upon sale price was **\$3,000,000**. Based on this report, KCA would be getting a very good deal.

A couple of other observations:

1. When the parcels of land are divided according to the proposal, almost all of the current paved parking area will become the property of KCA meaning they would have legal jurisdiction over it's use. As such it would be important for the parties to have a very clear agreement regarding the use and utility of the parking. A further review of the reports calculation of costs of improvements refers to only the cost of construction of the building excluding site works. As such, the value of the paved parking area and associated siteworks have not been calculated. Should there arise a need for the church to construct a separate parking area for their use, this would need to be considered. Presumably they can come to a mutually agreeable use of the parking area.

2. It appears the church is also wanting to use the proceeds of the sale to create improvement or expansion of their own portion of the facility. We have no information on how they have arrived at proposed costs for any improvements, however I would suggest that the budget of **\$407/sq ft or more** would be a good benchmark in forecasting the cost of anticipated construction.

Not sure what Grant is looking for from Fincom, but it seems like this has already been agreed to. Unfortunately, Fincom was not engaged earlier in the process where an appraiser would have been retained earlier, prior to the agreement on the price. In that circumstance, the report could have been used as an instrument to determine FMV.

Perhaps we can convene a call if necessary to determine what our response should be to grant. Thanks all.

Regards,

Wes Drewlo
President



From: Nicholas and Jamie Lai <nolaifamily@gmail.com>
Sent: November 18, 2022 10:19 AM
To: Mark Hutchinson <markh@cpddexcom.ca>
Cc: Aaron Chan <aaronc@pacificdistrict.ca>; Wes Drewlo <wes@celatura.com>; Erin Knott <erink@pacificdistrict.ca>; Mark Hutchinson <markh@westbow.ca>
Subject: Re: Appraisal of Cranbrook Alliance Building

Hi All:

I have also reviewed the documents carefully and appreciate the calculation and insight provided by Wes. I also think the Appraisal report is comprehensive but should have done the work Wes did on the building cost. The rest of the analysis and findings are very reasonable. Anyway, I offer the following comments:

- I am glad that the Appraisal report was prepared because at one time CAC was reluctant to commission the report. The Appraisal report allows us to make a more informed decision.
- The difference of \$822,000.00 between the sale price and the appraised value is significant - 22% difference.
- Even though the report indicates the highest and best use is for institutional purposes, I believe the site has certain amount of excessive land that has the potential to develop into residential uses (up to medium density townhouses), There are planning merits to amend the Official Community Plan and rezone a portion of the site to non-institutional uses. This will likely add more value to the property. (see attached aerial photo map marked in Yellow)
- If \$3,000,000.00 is the eventual selling price to KCA, will there be CRA issues for selling the property at a substantially reduced price? This issue was brought up earlier.

- Would the CAC membership be agreeable to the transaction if they realize there is a 22% difference in the selling price? They should be informed of the Appraisal report and findings.
- A few ways can be pursued to make the transaction more equitable:
- One way is to arrange KCA to absorb certain costs in the subdivision process like servicing costs.
- Another way is to reduce the size of the proposed KCA lot to reflect a more equitable arrangement. I have illustrate this in the attached aerial photo map - the Blue lines are the existing subdivision line to create the two lots. The Red line shows the possible reduction of the KCA lot. The reduced area should not affect the operation of KCA because it is the parking lot. CAC can make arrangements to allow KCA to use the parking area during school operations. There is also an area to the south of the existing building for playing field. The size of the red area can be adjusted to reflect the degree of equitability. The KCA lot must have a legal frontage to the road to meet the requirement of the Subdivision Approving Officer. However, this legal frontage can be a narrow strip of land connecting to the road. When I was the Approving Officer in Surrey, I would allow a strip of land as narrow as 4.5m. This should be confirmed with the Cranbrook Planning Department.

I hope the above is clear to you. I will not have access to the internet in the next few days because I will be on a cruise and for technical reasons, I was told that due to technical reasons, no wi-fi will be available for the first few days of the cruise. Anyway I will check my email when I am at port. Please proceed with the meeting without me.

I will be praying for your deliberation on the issue.

Much regards,
Nicholas

