

Current Status:

1. The land deal has been closed. The Land Registries office is severely backlogged, so we have taken out title insurance and are able to proceed with permits and construction. Gene Dub paid for the title insurance, due to the delays.
2. On February 8th, the Board approved the construction of the Lighthouse, borrowing up to a maximum of \$44,000,000 from the Christian Credit Union & Servus Credit Union.
 - a. This borrowing would come after the equity that the Society has already contributed (\$7,150,000 for the land and approx. \$850,000 in pre-construction costs)
 - b. The Total project with the old budget was ~\$52,600,000
3. Keller has re-tendered the construction budget. **The new total project budget is \$58,078,938.**
 - a. Construction costs have gone up by ~10.5% (\$4,040,194). This is due to a few factors:
 - i. Market & supply chain volatility.
 - ii. Due the length of the construction (30 months), contractors are budgeting very conservatively. There is so much unknown, and prices are going up consistently and quickly.
 - b. Since the construction costs have gone up, all of the %-based figures go up accordingly:
 - i. Financing costs
 - ii. Contingency allowance
 - iii. Keller's management fee

SUMMARY:

1. This construction budget is robust and conservative. Obviously, 'worst case' is strong language since there could be some unforeseen disaster. But, this budget is essentially our strong team (Darren, Henry, Bert K, John Oort, and Keller Construction) presenting a very conservative budget figure, in order to make sure we are prepared for as few surprises as possible.
 - a. If we spend every dollar of the contingency, don't take proactive steps to pre-purchase materials, and don't explore cost-saving changes to the design, then we will spend the full \$58,078,938.
2. If we do not ask the lenders for a bigger loan right now, the Society will need to come up with \$6,000,000 in equity.
3. It is our opinion, as a group, that costs will only go up if we wait.

RECOMMENDATION: Proceed with construction in June, based on the following:

1. Stay with the current \$44,000,000 loan structure from the CCU & Servus, and requires interest only payments for the duration of construction and also the first 12 months of operation. This gives us a lot of flexibility and time to ensure the operation is strong before the full mortgage payments are due.
2. Darren and Henry are confident that we can raise at least \$3,000,000 in private loans and future resident life leases over the next 24 months. This is a conservative estimate, as well. These loans would be at a much lower rate than what we would see from the banks.
3. Keller has identified approx. \$1,800,000 in potential savings, based on the current design and contractor selections. A lot of this work can be done over the next 6 months.
4. There are more savings, potentially, if we can pre-purchase materials and store them appropriately. The cost of financing the pre-purchases will be more than off-set by the price escalations that sub-trades have built in.
5. Total borrowing against Emmanuel Home is at 65% (\$36,400,000 borrowed against the appraised \$56,000,000 asset). If needed, because we have not been able to achieve the gains from the points above, there will be room to borrow more against Emmanuel Home in order to get to the finish line. *(This will be discussed at a Monday afternoon meeting with the CCU & Servus. I will have more to update on this at our Monday night Board meeting.)*

6. Rents at the Lighthouse will be approx.. 5% higher than previously budgeted, in order to service the larger debt. However, the rents will still be well below market and very competitive within the industry.

Other Notes to mitigate concerns:

1. All along, our plan has been to approach the City of Edmonton, the Province of Alberta, and CMHC to access affordable housing grants and favourable long-term financing. These groups are all aware of our project and have told us to come back to them once construction has started.
2. The Society will keep access to the \$1,000,000 line of credit, and that is not being factored in as possible resources for us to access for the Lighthouse.
3. We currently have approx.. \$600k in cash reserves, in addition to a low vacancy rate at Emmanuel Home.