



Questions & Answers

Please describe the project?

The proposed project is a 430,000 square foot shopping center on the 29 acre Squamish Nation land IR#2 at Seymour Creek near the north-east end of the 2nd Narrows Bridge in North Vancouver, B.C. The design concept contains a mix of large format retail outlets and smaller retail and service stores along with restaurants blended together in a village configuration. Pedestrian friendly walkways, plazas, sidewalk cafes and tourist orientated shops and galleries form the basis of the village. First Nation's cultural forms and art will be introduced at high visibility locations throughout the shopping center. A beautiful Squamish First Nations cultural center and craft store will showcase Squamish tradition and heritage. Restaurants will be located along the Seymour River. Other tenants will include Home Depot, Staples, Future Shop, Winners, McDonalds and various other clothing and home furnishing retailers. Retail space will be provided at a discount to Squamish First Nation members who wish to run their own businesses.

The project's construction costs are conservatively estimated at \$64 million dollars. The value created as a direct result of the project is projected at \$78 million. The project's annual revenue (before mortgage payments) is forecasted to be \$7 million. The Nation is also entitled to an additional \$2 million of property tax revenue annually.

The Squamish Nation is not required to put any funds into the project. It will also not be required to guarantee any loans or other obligations of the project. The Nation will put the northerly portion of the IR#2 up as its equity contribution towards the project. (See sketch attached) In return it will receive \$4.5 million cash upon signing the head lease, another \$4 million cash at project completion, approximately \$2 million per year of property tax revenue and 50% of the project's \$2.3 million (after mortgage payment) annual cash flow.

Who are the partners?

After completion of a detailed selection process that included interview of several award-winning developers, Council selected its partners Progressive Properties (25%) and Kingswood Capital (25%). Squamish Nation will have 50% interest in the project.

Why do we need partners?

Progressive and Kingswood have the experience, expertise, and the additional financial capacity to work with the Nation in order to ensure the project's success. They are also injecting \$10 million cash of their own funds directly into the project. Their expertise will be beneficial for planning and managing the project's planning, construction, leasing and financing. In summary the partner's participation reduces the Nation's exposure to risk.

Is the Nation required to buy out its partners?

No, however an agreement in principle allows the Nation to purchase their partner's 50%. The Nation's partners cannot purchase more than their 50% ownership interest.

Will the Nation be able to buy out its partners, if it so chooses?

The Agreement will provide a satisfactory buy-out provision in order to ensure the Nation's 100% ownership, if it so chooses. The buyout provisions will include:

- The Nation will have the right to approve of any purchasers that maybe proposed by the partners.
- The Nation will have the right to match any offer that the partners may receive for their interest.
- At its choice, the Nation will have an option to purchase the partners interest.
- At all times The Nation will have full control over the lease term.

What is the basis for the land value?

A comparative shopping approach for prices paid for similar large sites on the north shore and other development sites throughout the lower mainland were reviewed. The pricing of the Seymour lands as an undeveloped site is higher than the price per acre negotiated by the Nation for the fully developed Park Royal Shopping center lands.

The profitability of Seymour Creek Village project was reviewed, and these investigations established a base price for raw land value of \$500,000 per build able acre. In the past Squamish has rented its land on the basis of its raw land value. In the instance of the Seymour Creek Village land pricing, provision is made for the Nation to realize an increase in the land price as the development is completed. This provision is beneficial to the Nation because Squamish is no longer getting only raw land value for its land holdings.

All of the above work on land pricing was submitted to Mr. Peter Clarke, Chief Appraiser – Public Works Canada. Mr. Clarke reviewed this work and advised that the land pricing was correct. An independent appraisal has been commissioned to verify the land value.

What is the Westfair (Superstore Restrictive Covenant)?

The Westfair (Superstore) Restrictive Covenant does not allow the sale of food for offsite consumption, a pharmacy (drug store) or the sale of gasoline on any part of the Seymour lands. Any restriction in the number of uses that land may be put to has the effect of reducing the land value.

Why is the lease term a 99-year pre-paid lease?

The 99-year pre-paid lease allows Squamish to get the highest value for the Seymour lands. Squamish Nation will receive a base price of \$14.5 million; if the lease term was reduced the \$14.5 million would also be reduced, and the Nation would have to put its own money into the project. The Nation does not have cash in the bank to put into the project.

The 99 year lease will also allow the Nation to secure the best possible mortgage interest rate, the largest possible mortgage amount, and the Nation will not have to guarantee the mortgage.

If the Nation ever becomes unhappy with the 99 year prepaid lease, it can buy out its partners.

Why is there not a project referendum?

In 1962 the Council of day held referendum that provided the mandate to surrender the lands for commercial leasing. The current proposal represents a continuation of this mandate.

What are the next steps?

The Seymour Development Committee is still at the initial pre-agreement and planning phase with its partners. Over the last three years the committee has worked with its partners, various consultants, engineers, lawyers, potential tenants and real estate experts in order to complete the Nation's independent due diligence requirement.

Now the committee is taking the project forward to the membership in order to secure a mandate to complete its due diligence and to proceed to the next stage

Is there a cash payment required of the Nation?

No, there is no cash requirement. In fact, the Nation receives \$4.5 million once the prepaid lease is signed. It receives an additional \$4 million once the project is completed.

What is the increase in the Nation's annual revenue?

At present the Nation receives \$140.00 a day from the Seymour lands. At completion of the project, the Nation will receive \$10,400 per day. This is after the all of the project related bills, including the mortgage, have been paid.

What about jobs and employment?

The project will create employment opportunities in the areas of initial construction, landscaping, retail and property management.

Will there be any opportunities for First Nation's retail businesses?

The project will provide start up space at a reduced rent for Squamish First Nation entrepreneurs. This is in addition to the retail portion of the Squamish Cultural Center.

What other Squamish Nation benefits are there?

The project will also showcase the Nation's culture, traditions, and business abilities. The project will also give the Nation members a much deserved 'pride of ownership. The project will be an example of Squamish success and pioneership to other First Nation's peoples, and to the peoples of Canada.

The Nation will enjoy tax exempt shopping at Seymour Creek Village.

A professional property management company will initially manage the center with an opportunity for the Squamish Nation to make the decision to take-over the property management in the future.

What's our interest on the money?

The Committee has cautiously estimated, an interest rate of 8.5%.

How long term are we going to pay?

The anticipated term of the first mortgage on the development is twenty-five years, which is a typical term for a mortgage on this type of project. After twenty-five years the mortgage should be fully paid off.

What's our debt ratio?

The project's Debt Service Coverage ratio is 147%, which means there is \$1.47 of project income for every \$1.00 in project mortgage payment. Thus there are more than enough funds to cover the monthly mortgage payments.

How are we going to pay back this \$50 million to build this?

The \$50 - \$52 million will be paid back by the project over twenty five years from the rent collected from the various tenants over that same time period.

What's in that contract with our partners?

There is no formal contract with our partners yet other than a Pre-Development Agreement. The more formal Agreement will include clauses that indicate:

How cash is to be distributed,

What financing is acceptable,

The project's legal and corporate structure,

The joint management of the project,

How the construction budget is determined,

A purchase option for the Nation.

Are you going to attempt to get funding through Aboriginal Business Canada?

No. Aboriginal Business Canada does not offer funding for projects such as Seymour Creek Village. Lenders that are involved in providing financing to this type of developed will be approached, in order to secure the best deal for the project.

Totem poles and art tendered out to Squamish members?

The budget provides for some Squamish artwork and architectural themes.

Where is the Administration office going to move?

Council is looking at various options for new Administration office sites. One site under consideration is Capilano 100 at Park Royal.

Where is the money going to come from for the Administration office?

The project's cash flow to the Nation will be more than sufficient to fund the new Administration office.

Is there going to be a financial package available?

The project Performa is available from committee members for confidential review. In general, the project's construction costs are conservatively estimated at \$64 million dollars. The value created as a direct result of the project is projected at \$78 million. The project's annual revenue (before mortgage payments) is forecasted to be \$7 million. The Nation is also entitled to an additional \$2 million of property tax revenue annually.

Why are there no provisions for rent increases or reviews?

There are provisions for rent increases and reviews. The tenant leases will include provisions for rent increases. Typically the tenant's rent is increased at least every five years, and usually more often during the initial five years.

How are they determining the value of the project?

The value of the project is determined by applying a capitalization rate (a capitalization rate is simply the return an investor requires in order to be induced to buy or sell a particular real estate investment) to the project's annual net operating income, before financing and income tax. In the case of Seymour Creek Village, the Performa projects a Net Operating Income of \$7.2 million annually, which yields a \$77.5 million project value when capitalized at 9.33%

Where are we getting the funding to run the project?

Any funding required to run the project is provided by the rent that the tenants pay. This is in addition to the rent the tenants pay to the Nation and its partners.

What are our legal protections and legal options?

The Nation has retained lawyers in order to assist it in protecting both itself and its future legal options.

What kind of partnership is it?

The partnership is 50% Squamish, 25% Progressive Properties Ltd. and 25% Kingswood Capital Corporation. The three partners will form a separate company to construct and manage the project.

What are the Terms of Reference for the Head Lease?

The Head Lease will be a 99-year prepaid lease, much the same as the Campbell River Head Lease for Discovery Park Shopping Center.

Why would we not want to get a proper increase on the basis of our investment?

The Nation will get a proper increase. It is 50% owner of the project. As such the Nation gets 50% of any cash flows from the project including 50% of any rent increases.

With backing other Natives struggles against the provincial Liberal government will those people who shop at our centre boycott the land?

The Committee believes that typical consumers will shop at the center regardless of any boycotts.

How much will it cost to run?

The shopping Center will most likely cost about \$5 million to run annually. However, the tenants pay for these operating costs, not the Nation.

How much will it cost us to buy out our partners?

There will be a pre-agreed upon formula to buy out our partners.

How much was the buy-out for the land assembled now?

The buy-out for the land already assembled cost the Nation \$5.2 million.

If the land goes up, what happens to our profits? Do they go up with it?

If the land value goes up, the rents from the tenants will also go up. The Nation gets 50% of any rent increases.

Is there an agreement now regarding jobs for the Squamish Nation or does it have to be negotiated? The Pre-Development Agreement states that the tenants will be requested to consider Squamish First Nation's peoples for all job opportunities to the fullest practical extent.

Is there an agreement today, a written agreement on a buy-out clause?

Section 4.3 of the Pre-Development Agreement states that the Squamish will have an option to purchase their partner's interest in the project.

Will there be an agency to represent First Nations in the movie industry?

This is a good idea, but it isn't a part of this particular development because it doesn't fit into the project's retail aspect.

**If you have any further questions please contact the
Seymour Redevelopment Committee for more details**

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