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CONFIDENTIAL

January 25, 2023

YMCA-YWCA of Vancouver Island
1319 Westhills Drive
Langford, BC V9B 0S2

Attention: The Board of Directors of the YMCA-YWCA and Derek Gent

Dear Derek and Board Members:

Re: Westhills YMCA

Further to our discussion prior to the holidays we write regarding the outstanding rent arrears owed by the YMCA-YWCA of Vancouver Island (the "YMCA") to Westhills Land Corp. ("Westhills").

As you are aware, Westhills worked proactively with the YMCA throughout the pandemic and the associated restrictions including the following measures:

- Agreeing to reduce rent by 50% (on a deferred basis) for 6 months (April – July, Sept. & Oct. 2020)
- Agreeing to reduce rent by 25% (on a deferred basis) for 22 months (Aug. 2020, Nov. 2020 – July 2022)
- Not implementing the rent adjustments that were due February 1, 2021 & 2022
- Providing assistance in marketing the YMCA to increase membership
- Exploring sale of the Westhills facility to the YMCA at a price less than fair market value
- Proactively approaching the City of Langford to discuss ways that they could assist with rental arrears and ongoing financial support

The agreement to allow the YMCA to pay partial rent for a period of time was on the basis that the parties would determine moving forward how the deferred rent would be paid to Westhills.

On July 7, 2022, Westhills advised the YMCA in writing that as of August 1, 2022, it would require that full rent once again start to be paid. Since receipt of that letter, you have advised us that the YMCA board has instructed you not to pay full rent, and instead have continued to submit payment of only 75% of the required amount for each month from August, 2022 through January, 2023.

While the pandemic caused incredible challenges for most organizations, we now seem to be well past the most difficult stage of it. We strongly encourage you to take all steps necessary to ensure that the YMCA's operating model is viable. We have provided financial assistance for almost three years and it is simply not sustainable for Westhills to continue to do so.



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The YMCA is in default of the lease and Westhills cannot allow the rental arrears to accumulate any further. As of today's date, the rental arrears without interest are approaching \$1,600,000. Interest on these arrears is approximately \$150,000. We require that the full monthly rent payment be submitted in February 2023 and in all subsequent months. We also require that the YMCA develop a plan to pay down the arrears. We would be pleased to meet with you and the YMCA board to discuss your plan to address this situation.

The Westhills YMCA-YWCA facility could not have been created without the significant and innovative commitments made by the YMCA, the City of Langford and Westhills. When the project was initially discussed it was clear that none of the parties were interested in owning a recreation centre. Westhills, in particular, was reluctant to own the facility due to the significant capital infusion and borrowing that it would require, the construction risk, the potential tenancy issues, and the fact that unique facilities such as this are not typically owned by land development companies. At the end of the day, the significant commitments made by the YMCA and the City in the Lease, Tripartite Agreement and Services Agreement encouraged us to take on the commitment of constructing and owning the facility. We worked closely with the YMCA through the design and construction process to create a flagship facility based on significant input from the YMCA to ensure the design met your operational requirements, and as indicated above, we have continued to work with you since the YMCA opened to try to help ensure its success.

Most recently, when you approached us about potentially selling the facility to the YMCA, Westhills was willing to explore that option as well. With respect to those recent negotiations, we point out that given the market changes in land value and construction costs in the years since the YMCA was constructed it would be impossible today to create such a facility in a similar location at a cost anywhere close to the value at which Westhills was recently prepared to sell the building.

We have invested heavily in the recreation centre and believe that it can be a successful facility that will continue to offer tremendous benefits to the surrounding residents and wider community for many years to come, but it is imperative that we commence discussions as soon as possible to resolve some of the outstanding issues. We look forward to hearing from you at your earliest convenience.

Yours truly,

Westhills Land Corp.

Per:

Ryan McKenzie
Manager

cc: City of Langford – Attention: Darren Kiedyk
Breakwater Realty Inc. – Attention: Deb Moore