



Summary of the Q&A session following the Town Hall Meeting – March 23, 2017

Grand Georgian Refurbishment

The following content speaks to key points raised by multiple speakers. The content has been condensed in an attempt to make the amount of information manageable. Some later speakers raised similar points to earlier speakers and where this happened, the points have not been repeated.

Commentary has been added in several areas where further information has become available since the Town Hall meeting and where it may help readers gain a fuller understanding of any given issue.

Speaker points are the opinions and positions of individuals. They are not necessarily statements of fact nor representative of all. Please be sure to read BMR's responses shown beneath each speaker's points.

Following the meeting, representatives of BMR were also approached by a number of owners who expressed general support and understanding of the need for refurbishment. However, these comments were not aired publicly.

Speaker 1:

- Framed the cost of the refurbishment as a 17% call on capital
- Unit is currently yielding a sub 4% return on investment on a unit with no debt and left in the Rental Pool 95% of the time
- Equates to 4+ years to recover the cost of refurbishment
- If revenues reduce 20% for 2 years (because of reduced occupancy during renovations), that adds another 2 years to the cost recovery time
- Refurbishment effectively freezes real estate values for 2 years
- Challenged if extent of refurbishment is outside of rights under Rental Management Agreement (RMA) and may lead to a legal challenge
- Suggested to postpone project and use opportunity to open up the RMA

BMR Response:

- ***Related to the RMA, conversations are open with a view to 2020 or earlier renewal however this process remains separate from the refurbishment***
- ***Important to recognize not every owner is an investor. Others have 'lifestyle' considerations as part of their reasons for owning and who wish to improve their asset for personal enjoyment***
- ***The market is telling BMR that refurbishment is necessary to maintain and grow revenues in your building***
- ***BMR makes capital investments elsewhere e.g. \$10.5m in the build out of Village Conference Centre 2 which was predicated on a 3% ROI***



- ***The Conference Facility decision was made to drive food & beverage and hotel business. It contributes 35% of total room occupancy to the benefit of all stakeholders***
- ***Acknowledged that the presented budget is at the high end of the scale***
- ***Team working with designer to bring that price point down***
- ***Creating the budget early creates greater amount of time for people to pay***

BMR COMMENT: *The call on capital when viewed over the life of the asset (~19 years by the end of the project) and in conjunction with past refurbishment costs is within generally accepted lodging industry norms for capital expenditure allocation (~1% annually). Efforts to revise budgeted cost estimates are yielding early savings which will be shared with owners at or prior to the next Town Hall Meeting (May 24, 2017)*

Speaker 2:

- Has been through a refurbishment as an owner in Seasons at Blue (SAB)
- Asked if that project was successful
- Speaker pro renovation just not on scale proposed
- If SAB was successful why not scale this renovation to that level?
- There is a way to refresh bathrooms and kitchens without completely ripping out
- Costs reflect 30% of revenue – asked if BMR could meet owners halfway

BMR Response:

- ***Biggest variance in this refurbishment over others is bathrooms and kitchens***
- ***SAB may well find their next round of renovations will include the same components***
- ***Renovations happen every 7-10 years. Bathrooms and kitchens with the right design and quality of finishes can last decades***
- ***Whatever we can do to minimize cost will be taken into account with the assistance of the designer and the Committee. The designer has the expertise in determining what can be retained and what must be replaced/refurbished***
- ***Pointed out that just four years after the SAB refurbishment, things not done at the time are clearly apparent e.g. case goods that were painted are now in need of replacement***

Speaker 3:

- Property values in Village have not matched those elsewhere and to now put up more funds makes no sense financially
- Offered to 'quarter back' resistance to the refurbishment



BMR Response: *Referred to other responses*

Speaker 4:

- No need to replace TVs - these were replaced in the last refurbishment
- Pricing for freight and appliances, design fee of \$400 and admin fee is excessive
- Comparisons made with the refurbishment of a Westin one bedroom unit (speaker also owns there) and stated this was done for under \$10,000
- Two refurbishments (phases) back to back is poor planning and irresponsible
- Refurbishment costs will be reflected in the selling cost of a unit in a market where condo prices have remained depressed

BMR Response:

- *Decisions to refurbish are made outside the realm of real estate value considerations and based on lodging market demands. BMR has limited ability to influence real estate market conditions and real estate values*
- *The original plan was to undertake the whole project at once. Phasing of the project was an option put forward to allow for better management of the financial impact to owners and mirrors what is standard in the lodging industry*
- *With respect to the Westin refurbishment, this is an apples to apples comparison because the pricing going into the estimate for Grand Georgian (GG) is partly drawn from the Westin project. There are differences in scope due to age and brand requirements*
- *Actual figures for refurbishing a Westin one bedroom were approximately \$22,500 and that did not include significant work in bathrooms or any work to kitchen areas*

BMR COMMENT: *BMR has agreed that TVs do not need to be replaced at this time. BMR has also committed to absorbing the owner portion of the design fee*

Speaker 5:

- There should not be margin after margin in amounts quoted and unless costs are adjusted it will not result in the return of the acknowledgment form
- Understood ownership is not an investment for everyone but if you're losing money every year eventually people are going to pull out and sell. It's in everyone's best interest to make sure owners are making a return on capital
- If the construction piece is outside of powers in RMA, perhaps Intrawest pays



BMR Response:

- ***RMA is a point of contention but comments are being listened to. We are talking with the Boards***
- ***There are certainly numbers BMR must look at but the fact remains that the units must be refurbished to an appropriate standard. Part of the process will be to open discussions with designers on matters such as glass showers vs. replacement of tubs, etc. and how major components like these may influence costs***
- ***It is understood that it will be difficult to please all owners and that units will potentially leave the rental program. However, the property is at a point in its life cycle that requires these refurbishment decisions to be made***
- ***BMR can be terminated as Rental Manager at any point. So, with that level of risk, investing in the asset and not owning it is problematic***
- ***BMR's investment was \$26 million to expand the Orchard ski area, create the summer attractions and build the second part of the Village Conference Centre. That is BMR's capital contribution to date that drives revenues for all stakeholders. The next major build in terms of attractions may be as significant as BMR makes plans for further capital investment to everyone's benefit***

Speaker 6:

- Thanked BMR for the opportunity to discuss
- People may be cranky because of years of disappointing performance of the asset and people don't like surprises
- Didn't expect to be owning in 2017 but units are underperforming relative to the local real estate market
- Was sure everyone in the room appreciates the relationship between the quality of the units, what people are prepared to pay to stay and the real bearing on what units can sell for
- Cost of refurbishment was a shock especially against a previous pattern of refurbishments. Surprises of this magnitude weren't included in the agreement when purchases were made. Going forward, this kind of surprise should be avoided.
- Can't rent rooms if they don't look their best
- Getting out ahead of a hard plan in order to create a budget to give people opportunity to pay was a tough call but felt it was the right one.
- People will probably expect to be back again to look at a real plan and some indication of what this is going to do to raise the marketability and improve on the capital investments

BMR COMMENT: *BMR has organized a further Town Hall Meeting for May 24, 2017 at 7pm to be held in 'Element' Vaughan Southwest (same location as before). It is hoped to show an electronic "story board" with provisional concepts related to the vision for GG. It will not be possible to show a full design at this time. Meetings have already taken place on resort with the designers and a revised budget will be ready to go prior to or in time for the next Town Hall*



Speaker 7:

- This is not renovation or refurbishment but a redo. Pictures as shown are not a replacement – they are a remodel. Pictures shown do not meet the original feel of the large scale ski lodge envisioned at the time of purchase
- Current prices for appliances are high – expected that bulk discounts will apply
- Shutting whole hotel down to do two floors at a time affects owner revenue by 50% whereas BMR's revenue will not be affected as people can be put in other hotels

BMR Response:

- *Reminder that images shown were for comparison only - examples of what guests are expecting when they stay at a hotel. The point is to show there is a difference in the market place today compared to where it was 17 years ago. The images are not a proposal for Grand Georgian the feeling of which will be respected and reflected in the design*
- *Appliances will be purchased in bulk but it's important to bear in mind those savings only likely to be in the realm of 10-15% - we are working with our designers and their sources to further reduce these costs*
- *With respect to displaced revenue, the degree of displacement will be small because in shoulder seasons occupancies are lower and can be accommodated within the building - i.e. if occupancy traditionally runs at 50% during such a period and 50% of the building is out of commission, displacement is minimal. It's also important to remember that room allocations in the Village are based on an algorithm that, over time, will correct any remaining displacement*

BMR COMMENT: Work to obtain provisional bulk pricing for appliances is in hand

Speaker 8:

- Suggested owners consider options and advantages on how to manage HST costs. Seek advice from accountants as it may alleviate some of the sticker shock being experienced
- Needs to be movement in terms of the 50:50 split as other costs of ownership have gone up significantly.
- Asked if there is some good will gesture BMR could make e.g. a reduction in the 3% Admin Fee

BMR Response:

- *With respect to HST, it's a good point and we would be happy if that information could be shared with all owners*

BMR COMMENT: Owners may wish to consult with a qualified financial advisor with respect to possible strategies for managing refurbishment costs as different tax rules may apply in terms of depreciation and tax credits, etc. Each person's situation is different



Speaker 9:

- Asked if Refurbishment Committee was present, who is on it and how they were selected
- Asked how the Committee works
- Asked BMR to ensure maintenance and housekeeping, etc. be held at a higher level than it is to prevent units looking tired
- The proper selection of finishes (distressed) will help the building absorb wear and tear
- Would like to get a better understanding of what comes next before putting pen to paper and asked for an extension to the May 1 Acknowledgment Form due date.
- Asked that BMR and the Board works with Percel to ensure arrival experience is improved. Kick plates be installed on entry doors and steps be taken to decrease damage in room entry areas
- Proposed the more expensive costs be shunted until after the RMA has been renegotiated so we can see if, as partners, costs can be shared
- Would like an opportunity for owners to go through the scope in a meeting with the Committee

BMR Response:

- *Names of Committee members were previously distributed to all owners by email*
- *Selection was made by the GG Board after November Homeowner Event from among those who submitted their names for consideration. BMR did not play any active part in that selection. The Board made decisions with a view to balancing the Committee in terms of age, experience, gender, etc. in a deliberate effort to make it a representative sample of owners*
- *(A person from the floor made the point that the kitchen and bathroom renovation piece has to come first otherwise the disruption to other elements and risk of damage makes no sense)*
- *A member of the Committee (owner of a 3 bedroom unit) voluntarily explained decisions have not been based on personal interest. His comments are shown below:*
 - *View of his role has been to make a business decision with a view to remaining competitive within the market. GG is not a private residence, it is a business.*
 - *If we don't refurbish, GG will lose business.*
 - *Decisions have been based on scope, not cost*
 - *Different units were looked at in the building and other properties and the question the Committee was asked was, 'Do we need to do this?'*
 - *BMR could have done this without having this meeting or a Committee. The process has been transparent but it was known the cost would be a shock to owners*
 - *Scope was looked at line item by line item. The Committee sat around and discussed and BMR did not influence us. We were specifically asked "Do you think we need to replace the kitchens?" After looking at different units, the consensus we came to was yes, we had to reface and that is one example of how we arrived at the decisions*



BMR COMMENT: *The Acknowledgment due date has been extended to May 31. Owners are invited to send comments for the Committee through Home Owner Services.*

On the recommendation of one of our GG Homeowners BMR staff personally reviewed several condominium renovation projects that had occurred at Tremblant over the past two to three years. In general the findings were helpful in determining what cost saving measures should not be undertaken (i.e. significant wear and tear in a short period of time) but more so an understanding that a facility with quality workmanship from initial opening (or renovation) tends to wear well and maintain its luster much longer than 7-10 years. The Embarc facility was a good example of quality workmanship holding up over a long period of time; unfortunately some of those quality finishes are not present in the Grand Georgian. Le Tour de Voyageurs was an example of poor refurbishment planning and cost cutting which correspondingly is often the lowest priced of the Tremblant properties even with a prime location

Speaker 10:

- Made similar points to previous speakers i.e. that pricing is unrealistic

BMR Response: *None required*

Speaker 11:

- Not an owner but a potential investor/buyer
- Has toured the various properties. Liked the Grand Georgian but seen as very dated
- Looking at things from a business perspective, unlikely to have positive cash flow and with significant refurbishments the question becomes, "Why would I invest?" and as things stand it makes no sense in that context
- Urged owners to visit local competition in the village to see what GG is up against
- Proposed a different revenue split for this period of time of the refurbishment to help alleviate the pain

BMR Response:

- ***Acknowledging that life style choice is at play for some owners, when one looks at the math from a business perspective we agree it doesn't always make sense if personal enjoyment is not factored into the ROI equation. The fact remains, some form of renovation in the space must happen and we have provided the plan to do that***
- ***We understand that the price point on the plan needs to change but it is important to create realistic expectations as to what that change could be and we are working to reduce costs***
- ***We have already made a commitment to talk about the RMA but any changes may not come purely in the form of a change in the revenue split. A preference would be that whatever break is offered goes back into maintaining the asset and return value to everyone***



Speaker 12:

- In connection with the design fee, asked for number of unit types in the building
- BMR has asked for money but not shown anyone what they are going to get
- Suggested 4,5 or 6 design renderings showing different price points and then allow owners to choose

BMR Response:

- *There are 37 room types in GG*
- *Multiple renderings increase the design cost but we can look at what that might be. Unlikely that we can bring multiple concepts to the table however*
- *Renderings are part of the current process. We understand all stakeholders need to see what the product is going to look like*
- *Design fees are commensurate with what has been seen in other buildings*
- *The questions about costs and calls on capital, etc. are the same questions hotel owners and operators ask of designers too. The designers we have selected are skilled at ensuring best value is obtained*

Unfortunately, despite a request to the hotel operator to extend the meeting, we were over time, unable to continue and the discussion had to be closed.