

Cloverdale West Village Update – January 16, 2012

Based on current Market conditions, Townline and Surrey City Development Corporation regretfully advise the Cloverdale (Pacific No 6) Branch of the Royal Canadian Legion that the first phase of the Cloverdale West Village redevelopment (incorporating a new Legion) cannot move forward as proposed.

As presently structured, there is simply not enough revenue to recover the development costs and generate a reasonable profit in current market conditions. Through the process of refining the design and achieving approvals from the City, the budget has significantly changed compared to our earlier estimates. Unfortunately, costs have risen dramatically and revenues have not kept pace. In fact, the revenue is slightly below industry expectations.

We still feel strongly that the incorporation of a new Legion facility in the redevelopment at Cloverdale West Village is highly desirable. We hope the membership of the Legion sees it that way as well. To that end, we are proposing to put the first phase on hold, rather than walk away from what we see as a great opportunity for all parties.

In order to proceed, there will have to be an increase in projected revenue; an overall strengthening of the condominium market in Cloverdale would go a long way towards that. More proactively, we are planning to proceed with site-works and an alternative phase of the development with a building form that is achieving better economic results in the current market. This onsite activity will strengthen the market appeal of the site, and pricing of the Legion Phase.

We will revisit our original proposal at a later date, but fully embrace the goals of the Legion to move into a new mortgage-free, turn-key facility, and have access to an alternative stream of revenue. We anticipate the delay will be up to two years, but are hoping for less, and will report back periodically with progress updates and market analysis.

Respectfully submitted

TL Housing Solutions / The Townline Group of Companies / Surrey City Development Corporation