

# Brothers Rugby Club Special General Meeting



“Club redevelopment + associated matters”

19 May 2021

Brothers: Building a stronger community



# Introduction

- **Background – “Why”**

- 2017 club initiated Strategic Plan (2018 -2022)
- Strategic Plan identified that redevelopment was a priority:
  - addressing ageing infrastructure
  - protection of the club and community asset – secure long-term tenure at Crosby Park
  - long-term future financial/commercial sustainability of the club (incl. broaden revenue base)
  - capitalise on current grant programs– women’s participation, children’s participation, disability and inclusiveness

- **Redevelopment update:**

- Planning and project analysis commenced 2017
- Appointment of redevelopment sub-committee 2018
- Extensive stakeholder engagement/community consultation
- Application for Works and Development Application lodged 2020
- Brisbane City Council Development Approval granted 23 April 2021
- The Board has completed due diligence and analysis of the project and now recommend that the club continues with the redevelopment

**This is a significant game changer for the club, players, members and supporters, and for our custodianship of the club and community assets at Crosby Park.**

- **Structure Review**

- As part of the analysis of the project the Board initiated a review of:
  - structure of club operations
  - board operations
  - governance
  - asset protection

- **Recommendations**

- The outcome of that review is a recommendation of a new structure to:
  - Strengthen governance over the custodianship of club and community assets at Crosby Park
  - Protect the club from the commercial risks associated with long-term project debt
  - Protect the community assets from the risks associated with club operations

- **Approval**

- Approval is now sought from the members of Brothers Rugby Club Inc. for three separate (but inter-related) resolutions:
  1. The creation of a separate entity to hold the commercial assets of the redevelopment
  2. Issue of security or charge over major club asset
  3. Transfer of major club asset to the newly created separate entity

# Our Vision

To create a modern sporting facility that supports the needs of our community, continues our connection as a family club, is adaptable, is sympathetic to the environment, promotes participation and inclusiveness, and provides a platform for commercial sustainability into the years to come.



# Project Images



# Community Outcomes

Brothers Rugby Club	Federal Government	State Government	Brisbane City Council	Local Community	National Rugby	State Rugby
<b>Gender Equality:</b> <i>equal representation in game and training facilities</i>						
						
<b>Inclusion:</b> <i>better disability access with improved game, training and spectating facilities (incl. 100% “universal” change rooms)</i>						
						
<b>City Pride and Leadership:</b> <i>an example of maximising active and passive greenspace in a high-density urban environment</i>						
						
<b>Improvement in healthy and active lifestyles (Sport 2030):</b> <i>continued growth in participation</i>						
						
<b>Increased community use:</b> <i>sport and non-sport promoting greater connections within the local community</i>						
						
<b>Leading innovation in sport:</b> <i>leadership development through programs such as the Modified Rugby Program</i>						
						
<b>Increased economic impact:</b> <i>both during delivery and the operational phases</i>						
						



Source: Form Landscape Architecture

# Project Overview

## 1. Field and lighting upgrade – Done – Stage 1

- surface and drainage upgrade – Jack Ross Oval and Vic Walsh Oval
- lighting upgrade, tiered seating, player sun shelters – Vic Walsh Oval

## 2. Commercial asset – Stage 2

- Aquatic Centre and car park

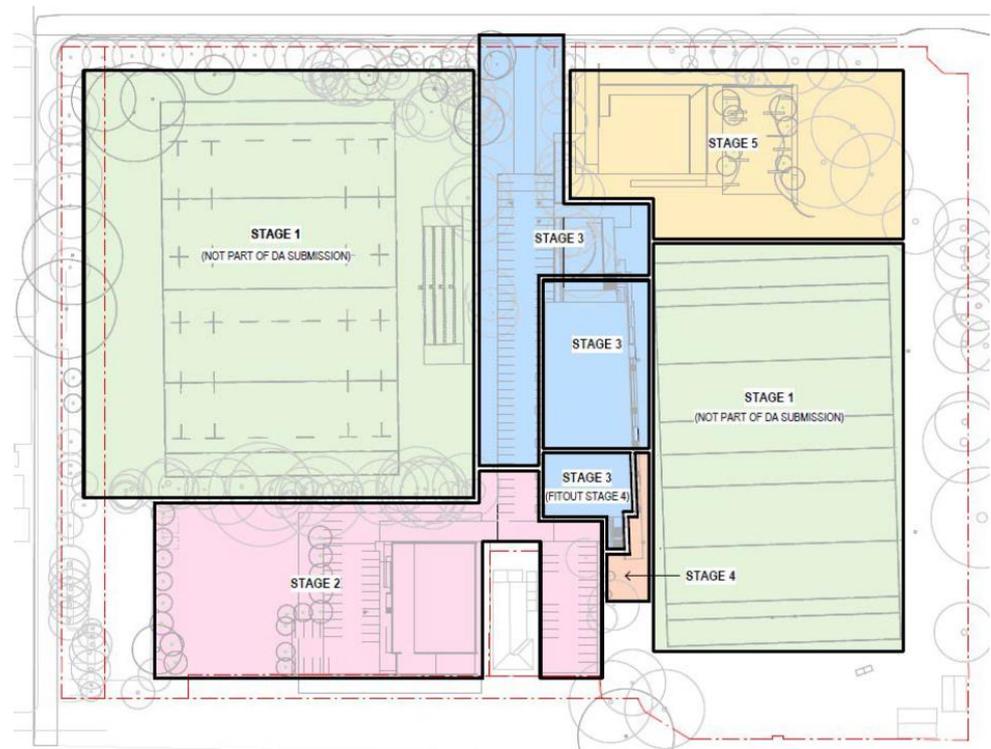
## 3. World class club facilities – Stages 3 and 4

- universal change rooms
- gym
- seating
- bar and canteen
- carpark upgrade
- administration areas
- function rooms

## 4. Commercial asset – Stage 5

- Crosby Road commercial tenancy
- community-based tenants

To allow flexibility on timing and reduce risk for the club, each stage can be conducted independent from other stages. Each stage can also be “dialed” up or down depending on funding delivered.



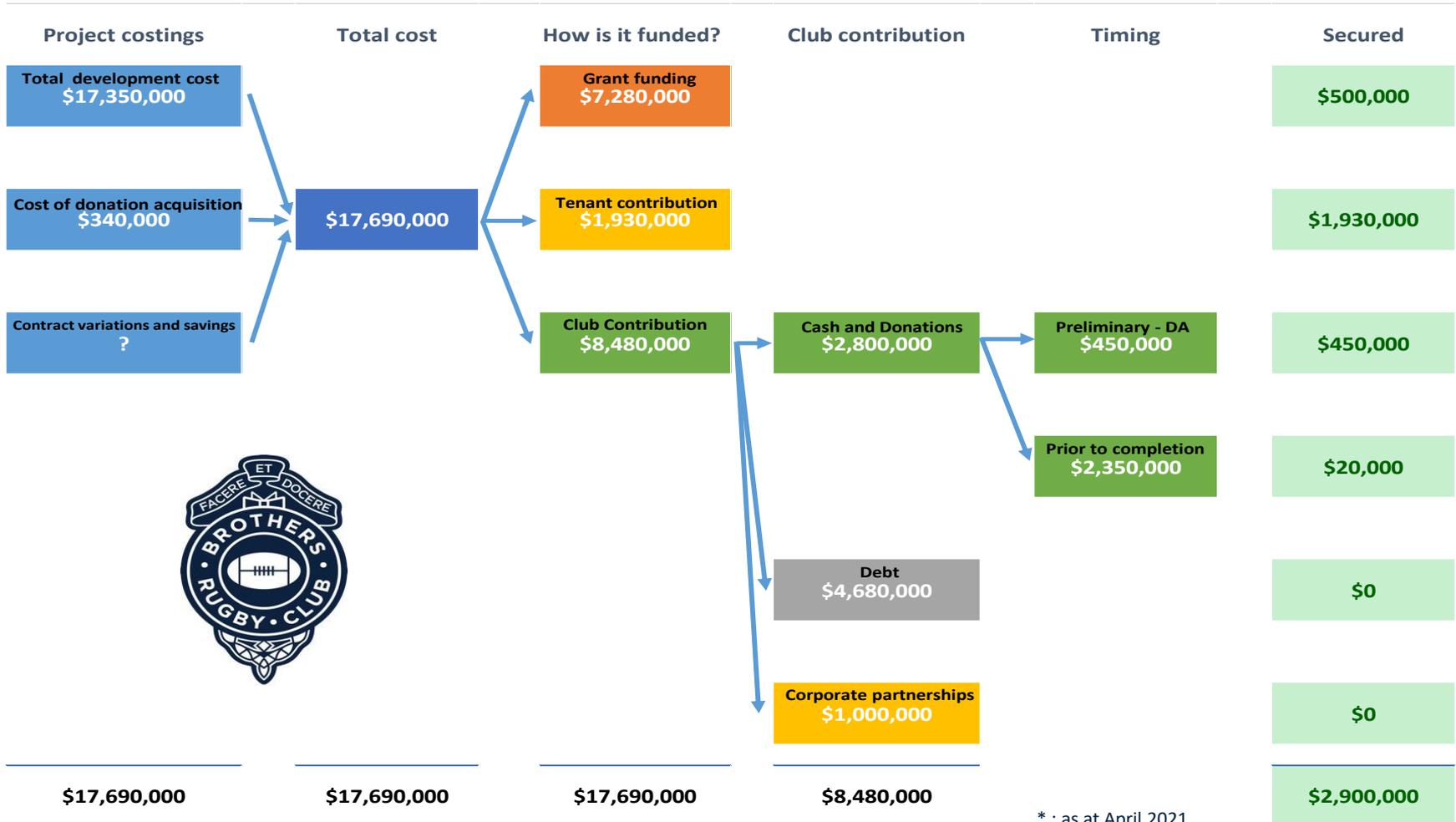
Source: Bureau Proberts

# Project Timeframes

Activity	Stage 1 Fields	Stage 2 AA	Stages 3 & 4	Stage 5
Community Consultation	November 2018 to 30 June 2020			
Application for Works Period	March 2020 to August 2020			
Concept Design	November 2018 to June 2019	November 2018 to June 2020		
DA Preparation	n.a.	August 2019 to September 2020		
DA Lodgement	n.a.	October 2020		
DA Assessment	n.a.	November 2020 to May 2021		
Development Approval	n.a.	23 April 2021		
Pre-Build Period	August 2019 to September 2019	April 2021 to June 2021		
Works Commencement	October 2019 (Jack Ross Oval and tiered seating) November 2020 (Vic Walsh Oval)	June 2021	January 2022	December 2022
Practical Completion	February 2021	December 2021	June 2022	August 2023

# Project Financial Analysis

How much will it cost? Where will funds come from? How much has the club secured?



\* : as at April 2021

# Funding Analysis – staged approach

Project Costings	Stage 1 - Fields	Preliminary to DA	Stage 2 - AA	Stage 3 - Clubhouse	Stage 4 - Clubhouse	Stage 5 – Crosby Rd Commercial	Total
<b>Total project costings *</b>	<b>\$ 600,000</b>	<b>\$ 590,000</b>	<b>\$ 4,000,000</b>	<b>\$ 6,710,000</b>	<b>\$ 1,530,000</b>	<b>\$ 4,260,000</b>	<b>\$ 17,690,000</b>

## Source of Funding - Where do the funds come from?

Grant funding – State & Federal Govt	500,000	-	-	5,290,000	1,490,000	-	7,280,000
Corporate Partnerships and tenant contributions	90,000	150,000	1,690,000	-	-	-	1,930,000
Club Contribution	10,000	440,000	2,310,000	1,420,000	40,000	4,260,000	8,480,000
<b>Total funds required</b>	<b>\$ 600,000</b>	<b>\$ 590,000</b>	<b>\$ 4,000,000</b>	<b>\$ 6,710,000</b>	<b>\$ 1,530,000</b>	<b>\$ 4,260,000</b>	<b>\$ 17,690,000</b>

## Funded - how much have we already secured? \*

Grant funding	500,000	-	-	-	-	-	500,000
Corporate Partnerships and tenant contributions	90,000	150,000	1,690,000	-	-	-	1,930,000
Club Contribution	10,000	440,000	20,000	-	-	-	470,000
<b>Total funds secured</b>	<b>\$ 600,000</b>	<b>\$ 590,000</b>	<b>\$ 1,710,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,900,000</b>
	Done and fully funded	Done and fully funded					

\* : as at April 2021

# Club Contribution

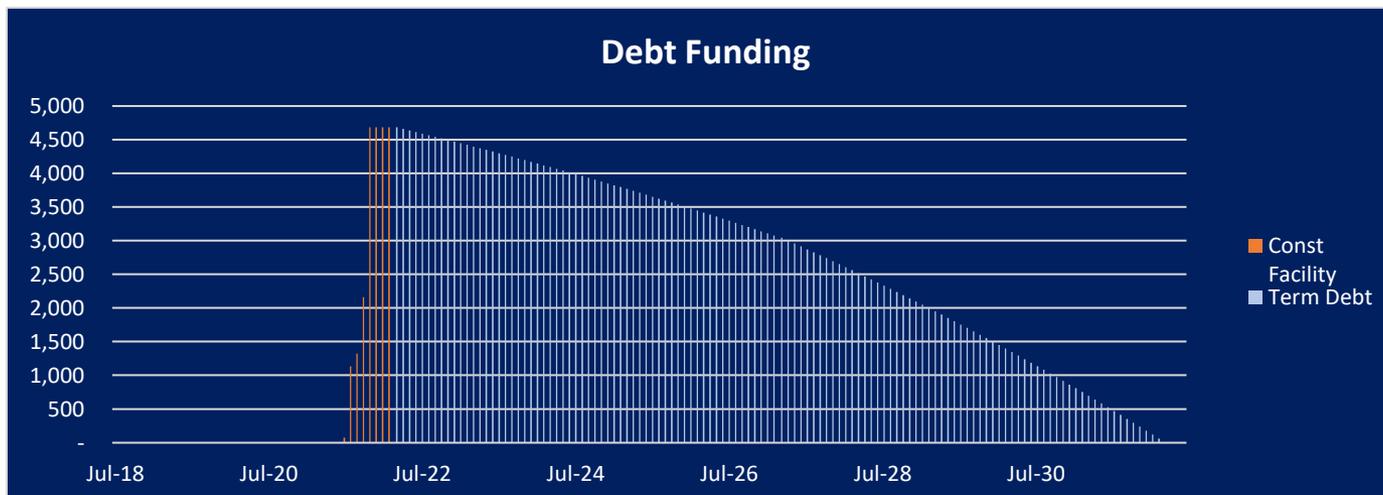
Where will the club contribution come from?

Club Contribution	Stage 1A - Fields	Preliminary to DA	Stage 2 - AA	Stage 3 - Clubhouse	Stage 4 - Clubhouse	Stage 5 – Crosby Rd Commercial	Total
Debt	-	-	1,880,000	-	-	2,800,000	4,680,000
Corporate Partnerships and tenant contributions	-	-	-	570,000	30,000	400,000	1,000,000
Donations	10,000	440,000	430,000	850,000	10,000	1,060,000	2,800,000
<b>Total club contribution</b>	<b>\$ 10,000</b>	<b>\$ 440,000</b>	<b>\$ 2,310,000</b>	<b>\$ 1,420,000</b>	<b>\$ 40,000</b>	<b>\$ 4,260,000</b>	<b>\$ 8,480,000</b>
<b>Funding Secured to date *</b>	<b>\$ 10,000</b>	<b>\$ 440,000</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 470,000</b>
	Done and fully Funded	Done and fully Funded	* : as at April 2021				

- Project debt is required for the commercial aspects only – Stage 2 and Stage 5
- Project debt has been applied for with four major banks. Indicative approval provided
- Corporate partnerships and tenant contributions – partnerships will be sought from club connections and other benefactors for the supply of goods or services
- Donations – Round 1 fundraising campaign commenced in 2019 to fund costs to DA, with assistance from benefactors and Brothers Rugby Club Foundation Trust donations of \$470,000 have been obtained
- Donations – Round 2 fundraising campaign will commence in May 2021 – special benefactors and grassroots donations – target \$2,330,000

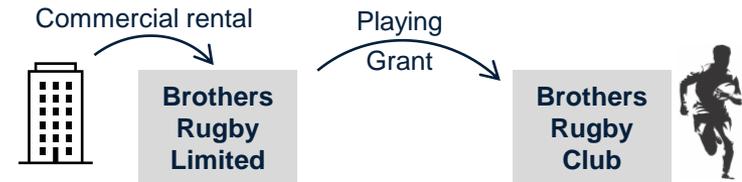
# Financial Parameters – long-term sustainability

	Stage 2 - AA	Stage 3 - Clubhouse	Stage 4 - Clubhouse	Stage 5 - Commercial	Total
<b>New Income streams &amp; Cost savings - Year 1</b>					
Net Rental Return	\$ 233,200	\$ -	\$ -	\$ 313,500	\$ 546,700
Net Operating Returns	\$ -	\$ 90,165	\$ -	\$ -	\$ 90,165
<b>Project IRR (based on Club Contrib)</b>	<b>8.86%</b>		<b>11.53%</b>	<b>5.11%</b>	<b>7.56%</b>
<b>Project payback (years)</b>	<b>9.00</b>		<b>8.75</b>	<b>12.58</b>	<b>10.33</b>
Debt Amortisation period (years)	10.00	-	-	10.00	10.00
<b>Projected cash surplus - after debt amortisation and capital replacement fund</b>					
Years 1 - 10	\$ 415,460	\$ 1,953,100	\$ -	\$ 51,530	\$ 2,420,090
Capital Replacement Fund balance - yr 10					\$ -
Years 11 - 20	\$ 1,587,710	\$ 2,812,870	\$ -	\$ 1,170,360	\$ 5,570,940
Capital Replacement Fund balance - yr 20	\$ 1,085,000			\$ 834,000	\$ 1,919,000



# Resolution 1: Creation of Separate Entity

- It is proposed that a new entity Brothers Rugby Limited (“BRL”) be established to hold major assets associated with the commercial aspects of the BCC lease, facilities, the term debt and the commercial operations – Stage 2 and Stage 5
- The existing incorporated association Brothers Rugby Club Inc. (“BRC”) to retain lease of playing fields and club facilities (Stages 3-4) and retain sporting and game operations
- BRL will be a company limited by guarantee (\$10 per member) registered under the Corporations Act 2001 as a not-for-profit
- BRL will be established for the purpose to provide financial support to BRC
- Profits of BRL to be distributed to BRC by way of a playing grant and retained in the company to retire debt and capital replacement fund obligations



- BCC leases associated with commercial facilities at Crosby Park
- Commercial rental agreements with tenants
- Manage commercial facilities
- Manage investments
- Hold term debt

## Members

- Life Members and Foundation and Perpetual Members of Brothers Rugby Club as at May 2021
- Life Members of Brothers Rugby Limited
- Ordinary Members – payment of upfront membership fee \$1,000
- Directors

- BCC lease associated with playing fields and clubhouse at Crosby Park
- Sub lease at Windsor Park
- Player registrations
- Game & training operations
- Rugby programs
  - XV's
  - 7's
  - Touch
  - Snr, Jnr
  - Men's, Women's

## Members

- Player
- Parent
- Supporter
- Life
- Foundation and Perpetual

# Resolution 1: Creation of Separate Entity

## Consultation and Analysis Undertaken

- Analysis of governance structures of other Brisbane and Sydney rugby clubs
- Analysis of structures of Foundations associated with Sydney rugby clubs
- Analysis and discussions with Wests Bulldogs Rugby Club
- Legal review
- Tax review – ATO private ruling sought
- Discussions with Trustees of Brothers Rugby Club Foundation Trust

# Resolution 1: Creation of Separate Entity

## Separation of Responsibilities

Function	Brother Rugby Club Inc. <b>BRC</b>		Brothers Rugby Limited <b>BRL</b>	
Main objective	<ul style="list-style-type: none"> <li>Sporting and development of rugby and sport</li> </ul>		<ul style="list-style-type: none"> <li>Hold the head BCC lease for commercial aspects at Crosby Park</li> <li>Manage commercial facilities</li> </ul>	<ul style="list-style-type: none"> <li>Manage investments</li> <li>Payment of annual playing grant to BRC</li> </ul>
Assets	<ul style="list-style-type: none"> <li>Head lease – Crosby Road (BCC) playing fields and clubhouse</li> <li>Sub-lease – Windsor</li> <li>Operating cash</li> <li>Game and training equipment</li> <li>Merchandise</li> <li>Canteen inventories</li> </ul>	<ul style="list-style-type: none"> <li>Clubhouse memorabilia</li> <li>Office equipment</li> <li>Investment assets                             <ul style="list-style-type: none"> <li>Southside Unit Trust</li> <li>Southside Bingo</li> <li>Ballymore perpetual membership</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Head lease – Crosby Road (BCC) associated with commercial facilities - Stage 2 &amp; 5</li> <li>Capital replacement fund</li> <li>Commercial buildings</li> </ul>	
Liabilities	<ul style="list-style-type: none"> <li>Creditors</li> <li>Staff entitlements</li> <li>Player and training personal injury insurance</li> </ul>		<ul style="list-style-type: none"> <li>Long term debt</li> <li>Capital replacement funding obligations</li> <li>Building and public liability insurance</li> </ul>	
Operations	<ul style="list-style-type: none"> <li>Coaching and rugby development</li> <li>Sponsorship</li> <li>XV's, 10's, 7's, Touch</li> <li>Game day operations</li> <li>Tours</li> <li>Player recruitment and welfare</li> <li>Function centre operations</li> </ul>	<ul style="list-style-type: none"> <li>Donations and fundraising                             <ul style="list-style-type: none"> <li>Events</li> <li>Rugby/Sport programs</li> </ul> </li> <li>BCC head lessee obligations                             <ul style="list-style-type: none"> <li>Maintenance of clubhouse</li> <li>Maintenance of playing fields</li> <li>Tree management plans</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Leasing – tenant relationships</li> <li>Investment portfolio management</li> <li>Infrastructure</li> <li>Government Grants/Funding</li> </ul>	<ul style="list-style-type: none"> <li>Donations and Fundraising                             <ul style="list-style-type: none"> <li>Facilities/infrastructure only</li> </ul> </li> <li>BCC head lessee obligations                             <ul style="list-style-type: none"> <li>Maintenance of facilities</li> </ul> </li> </ul>
Board composition	<ul style="list-style-type: none"> <li>Minimum of 8 management committee - as per existing constitution</li> </ul>		<ul style="list-style-type: none"> <li>Minimum of 5 directors</li> <li>One director appointed by BRC</li> </ul>	
Stakeholder engagement	<ul style="list-style-type: none"> <li>Rugby AU</li> <li>QRU</li> <li>BJRU</li> <li>Premier Rugby</li> </ul>	<ul style="list-style-type: none"> <li>Touch</li> <li>Players and Parents</li> <li>Supporters</li> <li>Sponsors</li> </ul>	<ul style="list-style-type: none"> <li>Local Government - BCC</li> <li>State and Federal Government</li> <li>Financiers</li> </ul>	<ul style="list-style-type: none"> <li>Tenants</li> <li>Community users</li> </ul>

# Resolution 1: Creation of Separate Entity

## Members Voting

The BRL Constitution proposes classes of members as follows:

- **Life members**
  - at commencement all Life members of BRC become members of BRL
  - ongoing BRL can appoint their own life members (people who have provided significant and distinguished service to BRC or BRL)
  - future BRC Life Members do not automatically become members of BRL
  - appointed by the Board of BRL
  - voting rights
- **Foundation and Perpetual Members**
  - at commencement all Foundation and Perpetual members of BRC become members of BRL
  - no ongoing as this class in BRC was limited to those appointed in this category in the old senior club
  - voting rights
- **Ordinary Members**
  - nominated by 2 existing members of BRL, or 1 BRL and 2 BRC
  - pay one upfront membership fee \$1,000
  - approved by the Board of BRL
  - voting rights
- **Directors**
  - having directors that are members of BRL is an important consideration for income tax exemption
  - to attract directors with specific skill sets associated with investments, facilities, finance it has been drafted to make directors a class of membership.
  - have no voting rights at general meetings

## Constitution

- draft constitution available at: [www.brothersrugby.com](http://www.brothersrugby.com)

# Resolution 1: Creation of Separate Entity

## Fundraising Activities

- It is proposed that BRL takes the lead role in major fundraising activities for the masterplan, redevelopment/facilities and infrastructure only
- BRC would retain fundraising activities for specific events such as Season Launch/Long Lunch, Test Luncheon, Golf Day, Tours, Rugby Programs and Player Welfare, Ladies Day, Trophy Day/Carnival Day

## Investment Activities

- BRL will have responsibility to manage the investment portfolio to ensure economic sustainability of the facility and provide ongoing support to BRC (playing grant)
- Maintenance of capital replacement/sinking fund – commences after year 10 – following amortisation of the debt

# Resolution 2: Issue of security

- The proposed debt will be in the form of a construction facility with BRL as the borrower, and then refinance to a term loan after practical completion of Stage 2 and Stage 5
- The development agreement with BCC and the borrowing terms will place obligations on BRC during construction phase
- To commence construction, debt facilities in BRL totalling \$4,680,000 will be required:
  - Stage 2           \$1,880,000
  - Stage 3 & 4     \$ nil
  - Stage 5           \$2,800,000
- In accordance with Rule 47.2 of the BRC Constitution, the security interest over BRC cannot be obtained without member approval
- Security interest to be removed from BRC after completion and establishment of term debt in BRL

*Rule 47.2 The association will not mortgage, provide as security, or allow a charge over a major asset without the consent of a majority of members present and eligible to vote at a special general meeting. For the purposes of this subrule, major asset means any lease, sub lease, licence, sub licence or fixtures running with the land in which the club has a legal or equitable interest.*

# Resolution 3: Transfer of Major Asset

- At practical completion of Stage 2 and Stage 5, BCC will partition the land associated with the commercial aspects into a separate title and issue a 40-year lease over that partition
- It is proposed that the new 40-year lease be transferred to the new entity
- The BCC lease over the playing fields and club facilities (Stages 3 and 4) will remain on the existing 10-year lease in BRC
- In accordance with Rule 47.1 of the BRC constitution the partitioned BCC lease can not be transferred without member approval

*Rule 47.1 The association will not sell, assign, transfer or otherwise dispose of a major asset without the consent of a majority of members present and eligible to vote at a special general meeting. For the purposes of this subrule, major asset means any lease, sub lease, licence, sub licence or fixtures running with the land in which the club has a legal or equitable interest.*

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