

Statement by the HICEEC Board on the 2004-05 Hornby Island Resort Project

In 2010, The Comox Valley Regional District engaged Meyers Norris Penny to conduct an independent review of “The Thatch” project, which has just been completed. First, here is some background on this project.

In 2004, the Hornby Island Arts Council approached HICEEC with the idea of purchasing the Hornby Island Resort (“Thatch”) property which was then for sale, with the objective of turning it into a multi-purpose centre for the community. At that time HICEEC was facilitating a Community Economic Renewal Project which had selected 4 projects from an initial list of 150: a marketing co-op, a commercial kitchen, a renaissance life-long learning co-op and a business training and resource centre. The HICEEC board decided to pursue acquisition of the “Thatch” to provide a centre for these projects and a new public art gallery. HICEEC prepared a business plan and began negotiations with the owners.

Beginning in January 2005, HICEEC held community information meetings. Thirty three community investors signed Share Purchase Agreements. Three investors agreed to provide loans. A representative of HICEEC met with each investor to explain the risks associated with the investment. The new shareholders took possession of Rosco and its inventory in April 2005. HICEEC appointed a management board to oversee the operations of the The Thatch and report regularly to the HICEEC Board. Profits from a poor tourism season were not sufficient to address debt servicing requirements. In November 2005, HICEEC sold the shares of Rosco to Tradeco, a company owned by the first mortgage holders.

The independent report* states that: “a group of volunteers with good intentions spent hundreds if not thousands of hours during 2003 and 2004 to find ways to stimulate the economy of the Island. Their hard work climaxed into the purchase of The Thatch in the Spring of 2005. It would appear that a number of residents got caught up in the enthusiasm and optimism to the point of investing their own money to make the purchase of The Thatch happen. From conception to ownership of the Thatch, it took only four months. That is a very short period of time to not only develop the concept but to raise every single dollar from private funds.”

The report concludes: “Unfortunately, it was maybe too quick. In our opinion, the purchase was done without enough financial planning. If proper financial projections had been prepared and/or critiqued by a professional, HICEEC directors would likely have predicted the severe cash shortage that Rosco would encounter within a matter of a few months' operation.”

The report notes that HICEEC was receiving funding from the Comox Valley Economic Development Society for services specified in a contract and states “we found no evidence that any of those funds were, in fact, used for the purchase of real estate”

The present Board of HICEEC, which includes only one member who was a director of HICEEC in 2004-05, acknowledges the considerable vision, diligence and hard work that went into The Thatch acquisition and the commitment of community investors. The Board also acknowledges the lessons to be learned from this endeavour and has taken note of particular points addressed in the independent review.

HICEEC's current operating principles focus on facilitating community economic enhancement through a variety of activities, often in partnership with other community entities. HICEEC is pleased to be providing these services under a new five year agreement with the Comox Valley Regional District. The strategic plan does not involve HICEEC initiating any community enterprises but rather identifies HICEEC as providing a supportive role for businesses and organizations. The HICEEC Board plans to undertake a review of the organization's constitution and operating policies.

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The full report is being posted at: <http://realthornby.com/communityresourcecentre/abouthiceec/>