



Singapore Khalsa Association

Planning for Land Lease Renewal 2028

1. OBJECTIVE

The objective of this paper is to apprise members of Singapore Khalsa Association (SKA) of the pending land lease renewal due in July 2028 and the proposals by the Trustees, in collaboration with SKA's Management Committee (MC), to plan for the estimated \$6 million required for the lease renewal.

2. BACKGROUND

- a. The original 30-year land lease for the 3,289 square metres present site at Tessensohn Road was granted for a nominal fee of \$12 per year from July 1968 until 1998 as the previous site at Jalan Bahagia was acquired by the government for highway development.
- b. Subsequently, the land lease was renewed for another 30 years until 2028. When the lease was renewed in 1998, the government's policy on "nominal value leases" for organisations like SKA had changed and we were required to pay a concessionary lease payment for the land. Following some negotiations, Singapore Land Authority (SLA) agreed to a sum of \$1,030,000 for the 30-year lease renewal and this amount was to be paid in 15 interest-free annual instalments of \$68,666 each.

3. CURRENT LEASE RENEWAL SITUATION

- a. Based on the current land use zoning of the area for sports and recreation, and our several discussions with political office holders, it would appear very likely that SKA will be able to renew our lease for another 30 years in 2028. However, the authorities have informed us that the application for lease renewal can be made only within 5 years of expiry date; that is, from July 2023 onwards.
- b. The Trustees are of the opinion that it will be in SKA's best interest to submit the application for the renewal around 2026. This will enable SKA to realise almost the full tenure of the current lease instead of surrendering a portion by applying earlier for the lease extension because, although the authorities will refund the pro-rated amount on the expired lease, it would not be financially attractive to SKA.

4. ESTIMATION OF LEASE RENEWAL COST

- a. The authorities will not give any indications on the cost of lease renewal until after we make a formal application and this would be based on valuation by SLA or an approved professional valuer, which would, among other things, factors such as land size, usage and location.

- b. Hence, for the purpose of planning and determining the best estimate, we have attempted to use some benchmarks for volunteer and welfare organisations (VWOs) land pricing and the actual lease payments recently by a VWO entity.
- c. The parameters of SKA's land are as follow:

Land size: 4,000 square metres
Plot ratio: 1.4
URA Planning: Central Region Zone

- d. Based on the above parameters and using the benchmark valuations as of today, we estimate that the SKA lease renewal will be around \$5.5 million. In addition, we will have to factor the Goods and Services Tax (GST), which is 7% today, but may become 9% by the time we renew our lease. **As such, we estimate that the 30-year SKA lease renewal in 2028 will cost us about \$6 million (including GST).**
- e. However, we must take note that this excludes any stamp duty and other statutory compliance requirements that may be set out by the government in renewing the lease or any change in the land values between today and the time of lease renewal. These would be additional cost to SKA.

5. CURRENT FUNDING STATUS

- a. The net balance in SKA's Trust Fund at this point in time is about \$5.5 million.
- b. SKA **will require an additional about \$0.5 million to \$1 million over the next 5 years** (by 2026) to pay for this lease renewal; assuming we do not use any more funds from the SKA Trust Fund for any other projects.

6. LEASE RENEWAL ISSUES AT OTHER CLUBS IN SINGAPORE

- a. The lease renewal issue is not unique to SKA. It is faced by other membership-based clubs that sit on state land with 30-year leases. Two good examples are Singapore Recreation Club (all its land is on 30-year lease) and Singapore Swimming Club (part of its land is on 30-year lease).
- b. Both these clubs have some reserves (but not enough) to cover their renewal cost and are falling back on their members to cover the shortfall in the projected lease payments required. As they are subscription-based clubs, they are adding a monthly levy on all members (for example, \$10 per month per member for several years) ahead of the planned renewal date to have sufficient funds when these are required.

7. FUNDRAISING OPTIONS FOR SKA

- a. Our options to raise the shortfall of up to \$1 million over the next 5 years will include one or more of the following:
 - i. **Growth of SKA Trust Fund and dividend income**
The growth in the Trust Fund and the healthy dividends we have received over the last 20 to 30 years have helped us significantly. We have benefitted from

the growth in the overall Singapore economy and stock market. However, over the next few years, this may be tough as Singapore is now a mature economy and growth will be more moderated plus the current COVID-19 situation will make things difficult in the next few years. We can expect some growth from the dividend yields, but they are likely to be quite modest.

ii. Replenish surpluses from SKA MC's operations

We currently have a plan where the MC will replenish the Trust Fund with 50% of its cash surplus each year. While this will provide some funds, the quantum may not be very big as the current COVID-19 situation has put a strain on SKA's operations as well and surpluses, if any, are not expected to be significant over the next few years.

iii. Fundraising within the Sikh community

Our experience during the last building renovation project tells us that this is not an easy option. People are more willing to give donations to the gurdwaras but are less keen to donate to clubs and associations.

iv. Introduce a levy on members

While other local clubs can do this, SKA is not subscription-based and as such it will be administratively difficult for us consider a monthly payment plan by our members. Furthermore, due to the "community-based club" environment that SKA is in, this approach will not be very suitable for SKA. However, if the members at the Annual General Meeting deem this as a possibility, the MC will follow through with it. However, this payment is likely to be on a voluntary basis from the members.

v. Seek government grants

Based on current guidelines, SKA will not be able to tap on any significant government grants SKA is not considered a charity but a commercial/social club in Singapore.

vi. Requesting the government to allow us to pay the lease renewal in interest free instalments over 15 years

While this was negotiated the last time, the circumstances now are quite different, Based on what we have seen at other VWOs, the authorities are unlikely to accede to this request. It is also unlikely that the government will consider the possibility of an interest-based instalment plan or allowing us to make some payment upfront and the balance at a later date. Having said that, SKA will make certainly these requests to the government should the situation warrants it.

8. RECOMMENDATIONS

- a. As can be seen from the above scenarios, the options and opportunities to find additional funds are going to be very difficult. As such, we will have to plan very carefully to ensure that we have sufficient funds of at least \$6 million by 2026 to ensure that we are able to renew our lease for the next 30 years for the benefit of the SKA members and the Sikh community in Singapore.

b. As such, our recommendations are as follows:

i. Preservation of the value current Trust Fund

We will need to preserve the value of the current Trust Fund to ensure it does not deplete by the time we need the money due to economic and market forces. In order to ensure this, it is suggested that starting 2021, we **cash out \$1 million per year out of the stock market** and **put it into** some very stable securities like **bonds**, which may give lower returns but also reduce risk of erosion. This will provide a ring-fenced amount of **\$6 million by 2026**.

ii. Fundraising projects

The MC will need to initiate some fundraising activities through events or by approaching various Foundations or Trusts to raise money for the lease.

iii. Evaluate future development projects carefully

SKA should evaluate future development projects very carefully and try not to draw any funds from the Trust Fund for any project to avoid further depletion of the Trust Fund.

We believe that if we collectively work towards the above plans, we will be able to achieve our goal of having sufficient funds to renew the SKA lease for another 30 years from 2028.

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Prepared by: Board of Trustees
Singapore Khalsa Association

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