

Unitarian Church of Vancouver (UCV) Business Plan

Draft Business Plan

June 14, 2019

Draft Business Plan

- This report is an interim draft of the Business Plan and is not the final report. Currently we're part-way through the Business Plan and are aiming to present the final Plan for a decision by the congregation in November 2019 (date TBC). As such, there are still a number of phases, consultations and workshops to be completed. Please see the workplan on page 3 and 4 for work to be undertaken/completed.
- This report has been shared with the Planning Committee and Board ahead of the Extraordinary General Meeting (EGM) on June 23, 2019. The purpose of this draft report is to summarise the work already undertaken and to get input and feedback on the content.
- For the EGM this report will be condensed into an Executive Summary and will be presented to the congregation for input and feedback. Digital copies of the full report will be made available to all members of the congregation.
- This report has been prepared by Catalyst in collaboration with the UCV Redevelopment Planning Committee. The Committee members include: Diane Crosbie, Paul Prescod, Cindy Cashin, Rob Taylor, Emilie Adin, Keith Wilkinson, John Boyle, Gordon Gram, Margaret Fletcher and Michael Clague

Committee Recommendation

Planning Committee Recommendation

Throughout the Business Plan the committee has explored a number of options as to how the redevelopment will be delivered. Although there are several delivery options described in this report, the committee unanimously recommends the option of **partnership with a non profit developer**.

It is felt that UCV undertaking this project on its own as the developer is too risky, particularly given UCV's limited project development and management skills and capacity. Also, the Committee considers that partnering with a market developer does not meet our vision or principles including the stated objective of "provide housing across a spectrum of incomes"

Timeline: March – June 23 2019

UCV - Business Plan, Timeline

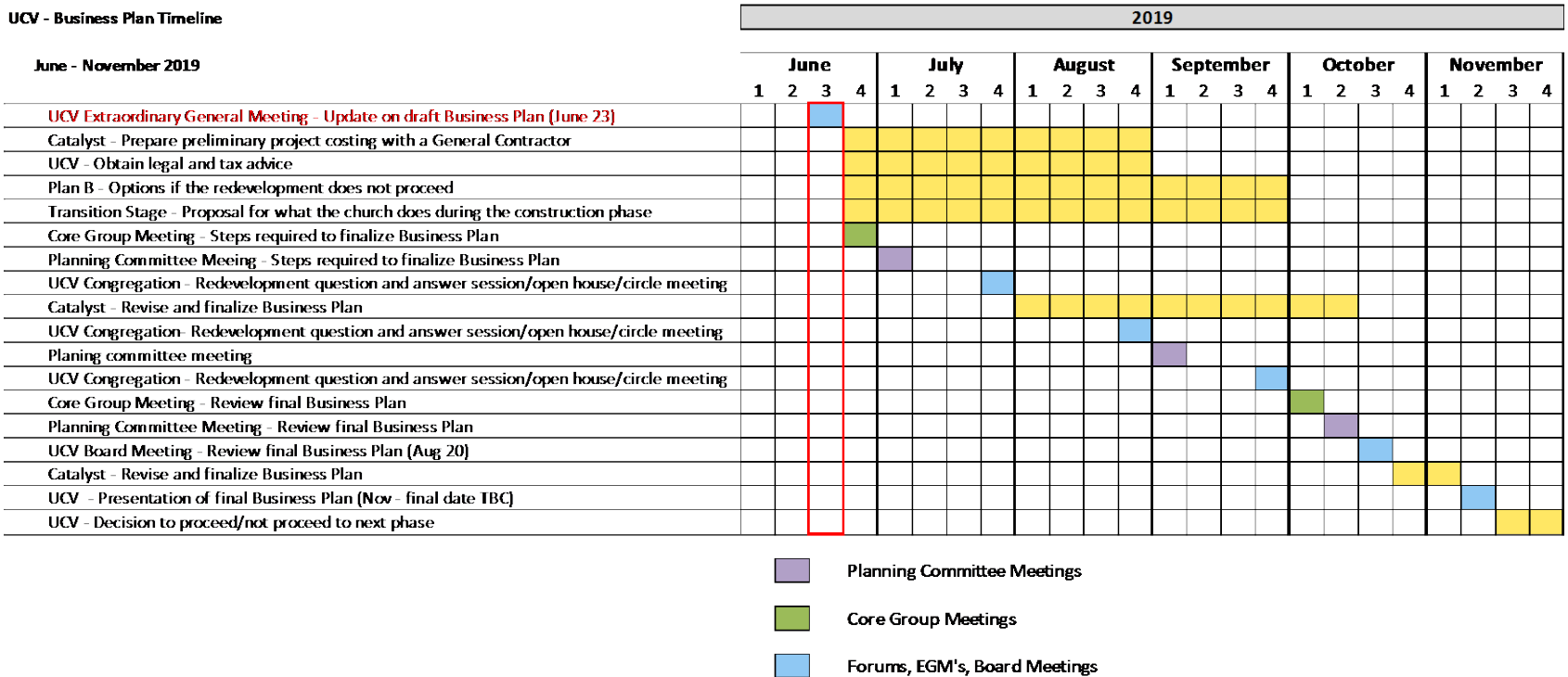
March - June 2019

	2019															
	March				April				May				June			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Planning Committee Meeting - Financial Overview (March 7)	■															
NSDA - Hewett Centre space planning		■	■	■												
UCV Forum - Redevelopment Share and Listen Session (March 31)				■												
Core Group Meeting - Draft report on Development delivery models & review of Hewett Centre space planning (Apr 2)				■	■											
Catalyst - Issue draft risk register for input from UCV						■	■									
Core Group & Catalyst - Send draft Devt Delivery report and Meet with Co-op working group (date TBC)						■	■									
Request proposals from lawyers re legal and tax advice						■	■									
Planning Committee Meeting - Development delivery models & review of Hewett Centre space planning (April 30)								■								
Evening Congregational Meeting - Financial Overview & Development Delivery Models (early May, date TBC)										■						
Core Group Meeting - Review contents for Business Plan and discuss requirements for legal and tax advice										■						
Catalyst - Draft Business Plan										■	■	■	■	■	■	
City response due for Application for Rezoning Advice (May 15-27)											■	■	■	■	■	
Catalyst - Revise and finalize financial pro formas											■	■	■	■	■	
Core Group Meeting - Review ARA response and draft of the Business Plan (June 04)														■		
Planning Committee Meeting - Review ARA response and draft of the Business Plan (June 04)														■		
Send draft of Business Plan to Board (June 13)														■		
UCV Board Meeting - Review current draft of Business Plan (June 18)															■	
UCV Extraordinary General Meeting - Update on draft Business Plan (June 23)																■

- Planning Committee Meetings
- Core Group Meetings
- Forums, EGM's, Board Meetings

Timeline: June 23 – Nov 2019

UCV - Business Plan Timeline



This is a draft of the proposed timeline between June 23, 2019 and the final presentation of the Business Plan in November 2019. The tasks and anticipated timeline during this phase may change and in particular once we have met with the City to discuss next steps.

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1. Introduction

- This document is a draft Business Plan for the possible redevelopment of a part of the Unitarian Church of Vancouver's property at 949 West 49th Avenue, Vancouver.
- The Business Plan tests 'Option 1B' which was determined as the preferred redevelopment option from the Feasibility Study that was completed in December 2017.
- Option 1B includes a replacement of the existing Hewett Centre to provide new program, meeting and community space plus a residential rental building that provides mixed income affordable housing.
- The Business Plan has also explored the possibility of providing a new child care centre in the existing administration building that would be re-purposed and renovated.
- This Business Plan has been prepared through a series of working meetings with the Redevelopment Planning Committee, the Core Redevelopment Committee and Congregation Forums. In addition, we have met with the Co-op group and the Environmental group.



1. Introduction

Why Are UCV Doing This?

- UCV Board resolution in Dec 2016 - “undertake a process to determine the merits of redeveloping the campus at 49th and Oak exclusive of the Sanctuary, and respecting the original aesthetic of the 1964 design”
- UCV Annual Report 2017 - “The financial sustainability of UCV continues to be high risk.”
- Financial analysis March 2019 shows pledges static over past 10 years, actually declining.



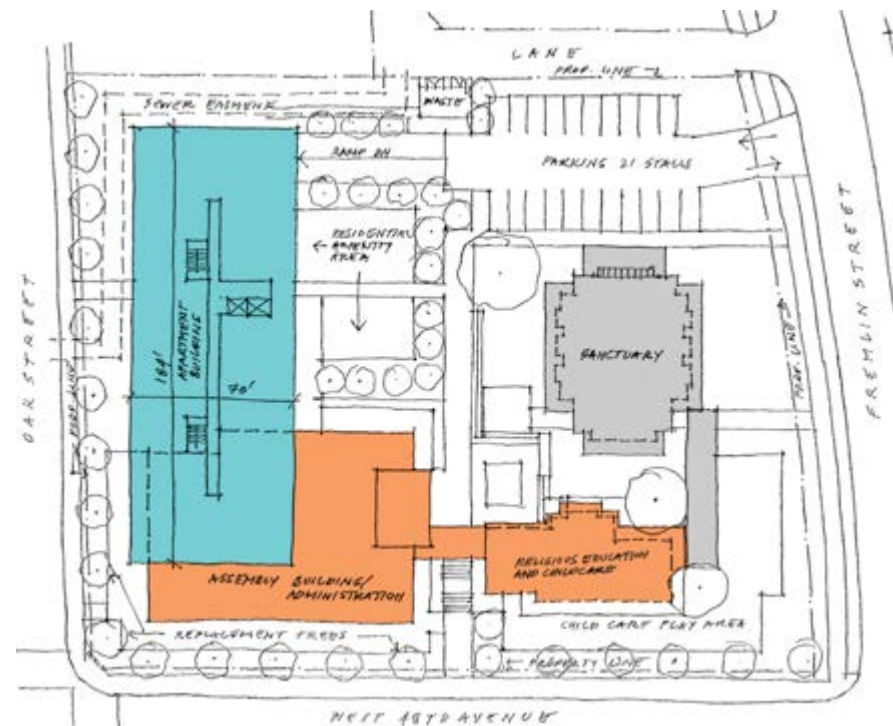
1. Introduction

Feasibility Study – Outcomes/Next Steps

In December 2017, UCV voted to move to the next phase: Business Plan on a preferred option.

The Business Plan will investigate in more detail, the following:

- Schematic design for a possible redevelopment to replace the existing Hewett Centre, mixed-income rental housing above, and a potential renovation of the Admin Building to accommodate a daycare.
- Submit formal Application for Rezoning Advice (ARA) to City
- Primary focus: a Revenue Model based on Option 1B: Mixed Income.
- Assessment of a Market Rental revenue model for comparison
- Review Development Delivery models: including role of UCV, possible partners, and a Co-op model



1. Introduction

What Has Been Done?

- January 2017 - Catalyst hired as a consultant to the Church
- February 2017 - Initial Sessions: Review of UCV Values and creation of Project Objectives based on UCV Values and Mission
- April 2017 - NSDA Architects engaged for concept design work
- September 2017 - The Feasibility Study reported that there was merit in proceeding further.
- June 2018 members reviewed the options outlined in the Feasibility Study and approved funding for a Business Plan
- September 2018 to date: a series of consultations and information sessions with members on key aspects of redevelopment: Design; Financials, Delivery; Environmental; Co-op; etc.
- February 2019 “Application for Rezoning Advice” submitted to the City.
- **The time table for completion of the Business Plan and vote has been extended to November 2019**

2. Mission, Capacity & Objectives

- 2.1 Church Mission
- 2.2 Church Capacity
- 2.3 Project Objectives
- 2.4 Draft Vision

2.1 Church Mission

- The Mission of the Vancouver Unitarian Church is:

We are a community of diverse beliefs and shared values.

In fellowship with one another, we seek spiritual growth, social justice, and environmental sustainability through worship, ethical action, education and artistic expression.

We welcome all who would join this compassionate and visionary community.

2.2 Church Capacity

Board and Committees:

- Skills: diverse skills on Board, committee, and congregation in general
- Project experience: Resource Group includes legal, design and project management expertise.
- Decision-making:
 - Strong Capacity to make decisions but takes time for Unitarians. The Church is self governing (i.e. no Diocese etc.)
 - Noted the Church is a democratically-run non-profit, potential challenge to making timely decisions in a development project.
- Time: some volunteer and staff time available but limited

Staff:

- Two full time staff
- Part time receptionist and bookkeeper .

Financial:

- Annual operating budget
 - +/- \$1.225M in cash reserves/investments
 - Property assessment: \$17.6M
 - Annual budget +/- \$550K – slight surplus

2.2 Church Capacity

Church Capacity Key Points

- UCV has the capacity to sufficiently support its current state and operations.
- Significant additional capacity would be needed to undertake AND operate a redevelopment project.
- Management of expanded operation needs to be designed alongside physical project design.
- Recognize challenges of undertaking this project at the same time as seeking a new minister.
- Concerns re: lost continuity of activities, especially if Hewett Hall is part of project
- Potential for lost organizational capacity during development due to loss of congregation and volunteers.
- Consider impact of project on UCV identity on site and more broadly (opportunity to consider in design).
- Critical to determine Financial and Risk capacity of various redevelopment options.

2.3 Project Objectives

The following **Project Objectives** were created by UCV members through a series of meetings and discussions during the Feasibility Study

1. Maintain and enhance the physical place as a compelling place to worship, preserving the Sanctuary and courtyard.
2. Attract more people to worship, live, and play
3. Leverage property to strengthen community work and outreach.
4. Provide strong financial stewardship - recognize need for medium and long-term financial sustainability of the Church without sale of land or completed project, or further capital contribution from UCV members.
5. Provide housing across a spectrum of incomes, including family and intergenerational housing
6. Demonstrate environmental leadership and ensure accessibility

2.4 Draft Vision

At this mid-century point of its life, our vision for the campus of the Unitarian Church of Vancouver for the next 50 years is that of a compelling, beautiful, inter-generational home for Unitarians to worship and to celebrate, one respectful of the original design, one that provides an affordable place to live for a cross-section of our community, and a place for all Vancouverites to gather for spiritual enquiry, to enjoy arts and culture, and to engage in dialogue and action on matters of social justice and the environment.

The project must help ensure the long-term stewardship of the UCV assets in a financially and operationally sustainable way into the next 50 years.

3. Planning & Property Context

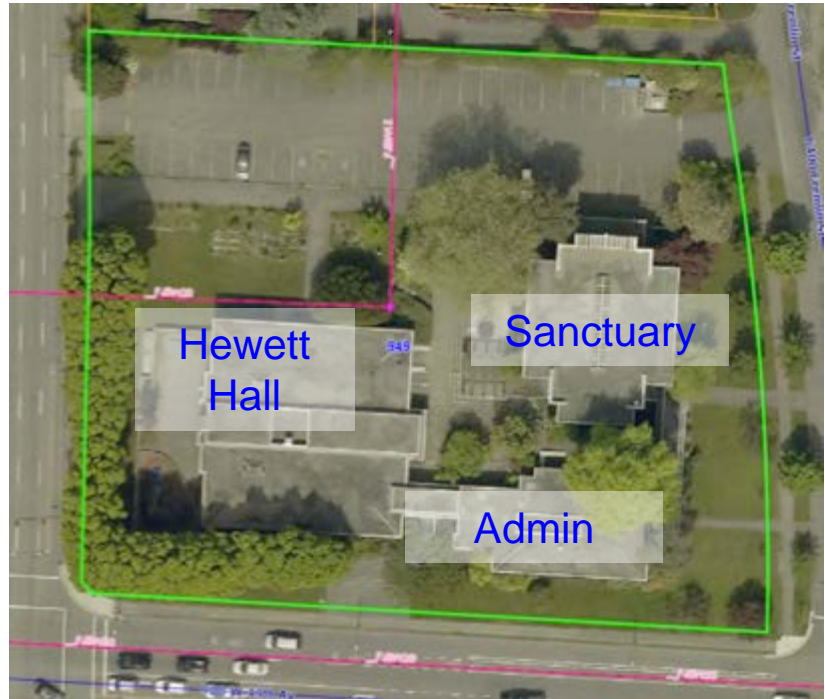
3.1 Existing Property & Buildings

3.2 Cambie Corridor Plan

3.3 Heritage

3.1 Existing Property & Buildings

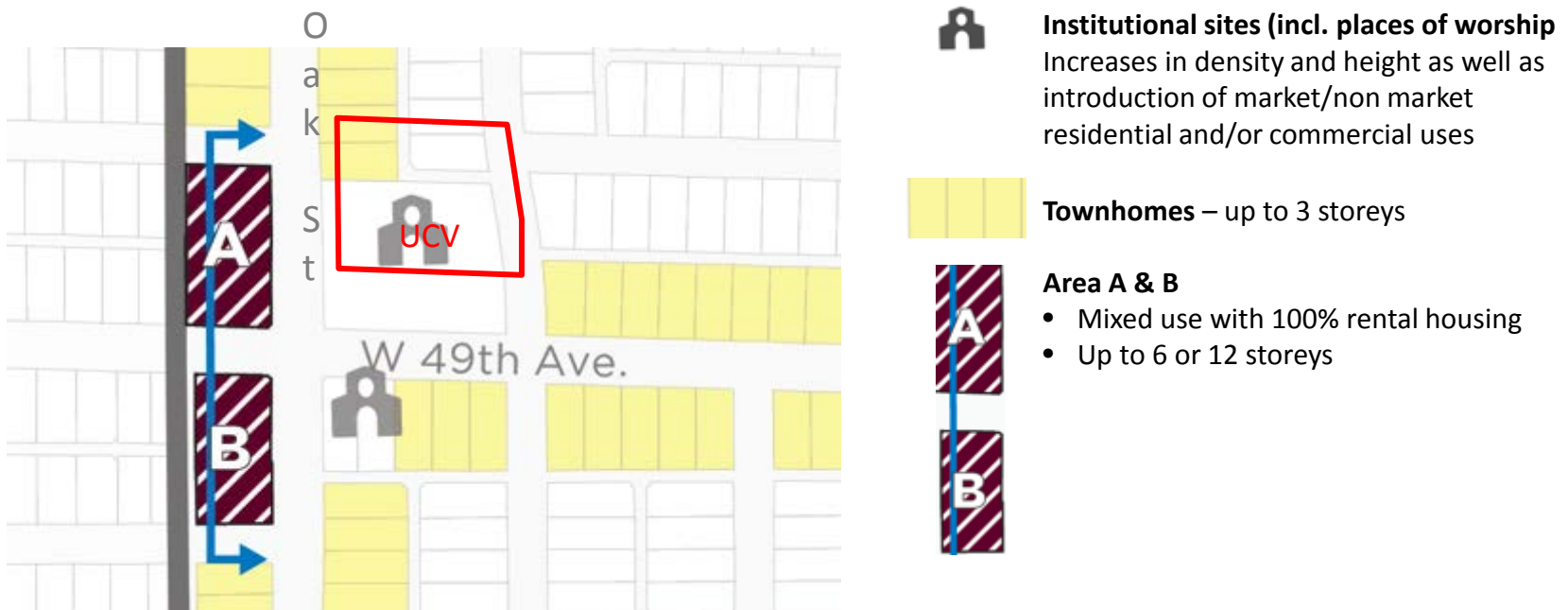
- The Unitarian Church on the property was designed by Wolfgang Gerson and constructed in 1964. The property was developed as a campus, and includes three main buildings
- The campus feel of the property including the space between buildings: courtyard, gardens, landscaping etc. is recognized as an important part of the character. There are currently +/- 50 surface parking stalls.
- To the north of the property are single family homes. The property on Oak Street has been acquired by a developer and slated for new townhouse development. The homes on Fremlin St are still occupied but may become townhouses under the Cambie Corridor Phase 3 Plan – see below



- The property is currently zoned: RS-1 (single family)

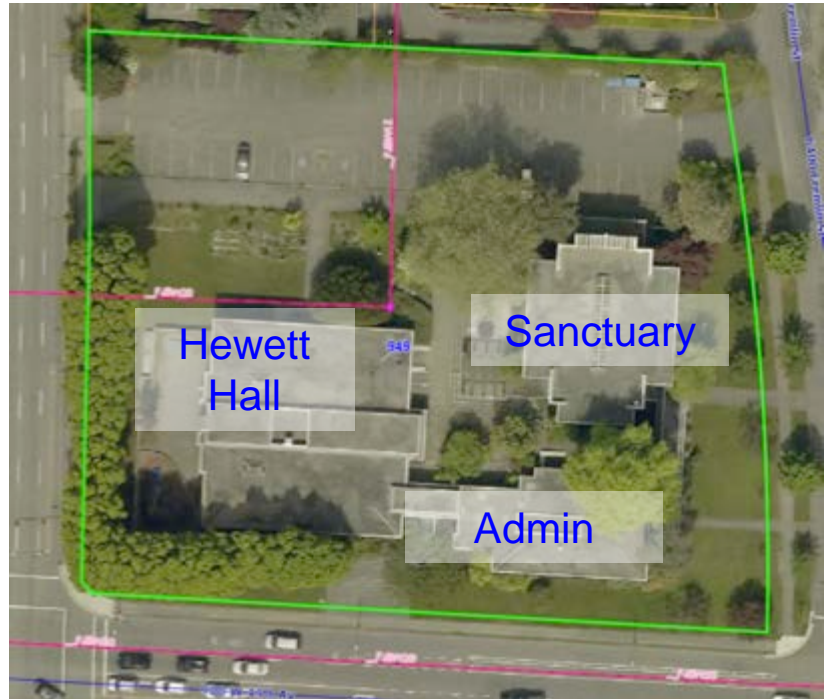
3.2 Cambie Corridor Plan

- The City of Vancouver has completed a new Cambie Corridor Phase 3 planning policy. The scope of this phase includes the Church Property. Under the Plan the church property is simply identified as a place of worship. However in discussions with the City they have indicated that the intersection of 49th and Oak has the potential to be a neighborhood node, suitable for additional density. The City is also currently working on a policy re: “Community Serving Space” which looks to create policies that will support the preservation and expansion of spaces that serve the City.



3.3 Heritage

- The Unitarian Church is recognized by church members, neighbours and the City as an important heritage asset.
- The buildings are listed on the Vancouver Heritage Register with an A evaluation but are not designated and so are not legally protected. The buildings are also listed on the Canadian Heritage register
- In a meeting with City Heritage Planning staff they indicated that they would be open to working with the church to agree to a re-development plan. They would need the plan to recognize the heritage value of the site, particularly of the sanctuary and the site landscaping.

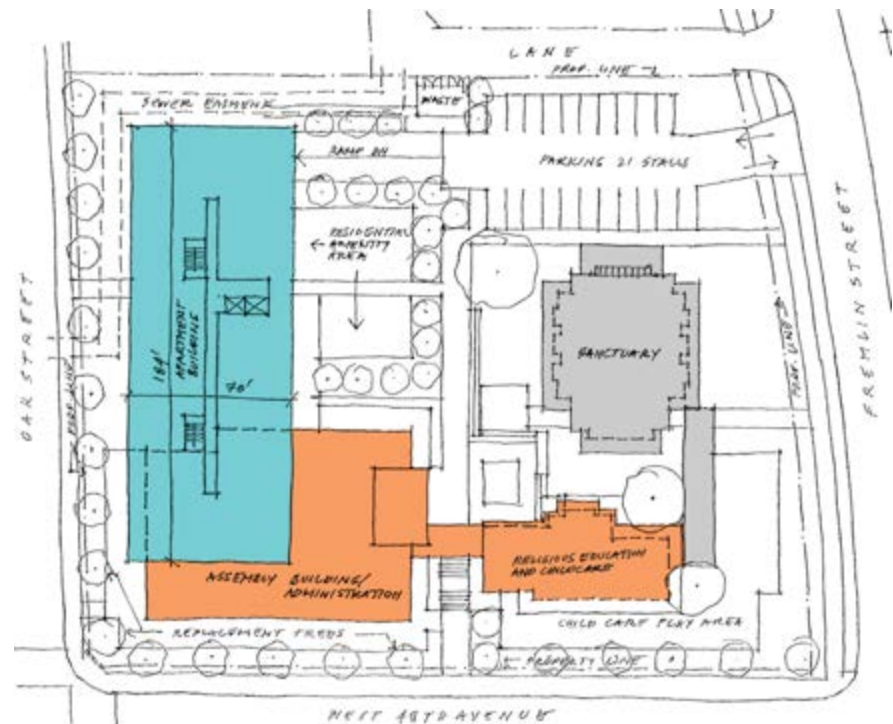


4. Design Overview

- 4.1 Design Overview
- 4.2 Design Assumptions & Considerations
- 4.3 Hewett Centre Replacement
- 4.4 Hewett Centre Space Planning
- 4.5 Proposed Rental Apartment Building
- 4.6 Application for Rezoning Advice
- 4.7 Design Drawings

4.1 Design Overview

- NSDA (architects) have provided schematic design support for the Business Plan. NSDA were hired during the Feasibility Study through an invited tender process where 8 architects were invited to submit proposals.
- Option 1B envisions the development of a mixed-use building along the western property line, with approx. 21 grade parking retained and additional underground parking
- The proposed building consists of two distinct but connected parts, including: a single storey Hewett Centre replacement and a new, 6 storey, rental apartment building.



Original concept sketch

4.2 Design

Considerations/Assumptions

The design context for the site includes the following considerations:

- **Existing Buildings** - there are three existing buildings on site. Any infill development will have to respond appropriately to these buildings.
- **Sewer Right of Way** - There is an existing City of Vancouver sewer right-of-way on the property
- **Trees** - The existing Hornbeam trees along 49th and Oak are sizable and removal and replacement would require City permission.
- **Grades and Parking Entrance**. The site slopes down towards 49th and Oak. The highest point on the site is the North East corner, which is also likely where site access will be consolidated.

4.3 Hewett Centre Replacement

The key design objectives for the new Hewett Centre are detailed below. These objectives were derived from the overarching project objectives and a Hewett Centre report and space planning workshop with members. The objectives include:

- Maintain and enhance the physical place as a compelling place to worship, preserving the sanctuary and courtyard
- Demonstrate environmental leadership and ensure accessibility
- Efficient and functional space planning offering flexible multi-purpose space
- Building envelope that minimizes energy use and maximizes acoustic performance
- Up-to-date mechanical and electrical systems for maximum occupant comfort and operational efficiency.
- Improved response to the site's topography by configuring the new building in a split-level layout.
- Enhanced Hewett Centre's presence at the intersection of Oak and 49th
- A small public plaza at the South-West corner at the intersection of Oak and 49th
- Potential to provide a landscaped roof on top of the Hewett Centre

4.4 Hewett Centre Space Planning

UCV prepared a report on the existing Hewett Centre that documented the size, rental rate and use of the existing rooms plus recommendations for how the spaces could be improved.

The report was reviewed at a Hewett Centre Space Planning Workshop with members in January 2019, which was led by NSDA Architects. Information discussed at the workshop and documented in the report has directly informed the layout of the proposed Hewett Centre.

Key shortfalls raised regarding the existing building include:

- Existing building configuration impacts the use of the building e.g. the men's washrooms can't be accessed without crossing the Hall or Fireside room
- Poor soundproofing between internal and external spaces
- Expensive to operate due to aging building systems and inadequate exterior envelope
- Accessibility – has improved recently but still a long way to go
- Two-level building suffers shortcomings because of the site's topography e.g. low headroom in the lower level.
- Grade difference reduces UCV's physical and visual presence in the community.

4.5 Proposed Rental Apartment

Building

The proposed rental apartment building includes a six storey building that fronts onto Oak Street. Key highlights include:

- A design that reinforces the courtyard configuration of the campus
- Main lobby access off Oak Street, with a secondary access on the east side of the building.
- 94 affordable rental homes including a range of studios, 1 bedroom, 2 bedroom and 3 bedroom homes
- High performance building envelope
- Generous balconies providing each unit with outdoor space
- A shared indoor and outdoor amenity area for residents
- 27 underground parking stalls and an additional 5 visitor parking stalls. This number to be confirmed.
- 184 Bike parking stalls
- Garbage and recycling facilities



4.6 Application for Rezoning Advice

In February 2019, Catalyst with the support of NSDA architects, submitted an Application for Rezoning Advice (ARA) to the City of Vancouver.

The ARA process includes submitting initial details of the proposed project to the City to get early advice before the submission of a formal rezoning application. The ARA submission included:

- Written narrative
- Design drawings
- Draft arborist report
- Community Serving Spaces Survey

The following pages include an extract of the drawings submitted to the City. It's important to note that the project is still at the schematic design stage and the design and materiality of the proposed building has not been fully resolved. Some of the 3D images included on the following pages are intended only as illustrations of the projects massing within its immediate context and further design development will be undertaken during the City Approvals phase.

4.7 Design Drawings

Proposed Site Plan

- Assumed the existing hornbeam trees along Oak and W. 49th would be replaced.
- Building to be brought up to grade and to create a new interface with the street, in particular at Oak and 49th.
- To maintain and enhance a relationship with the existing courtyard.



4.7 Design Drawings

**3D aerial view from
Oak Street looking
South East**



*This 3D images is intended only as an illustration of the projects massing within its immediate context. Further design development will be undertaken during the phase, City Approvals.

4.7 Design Drawings

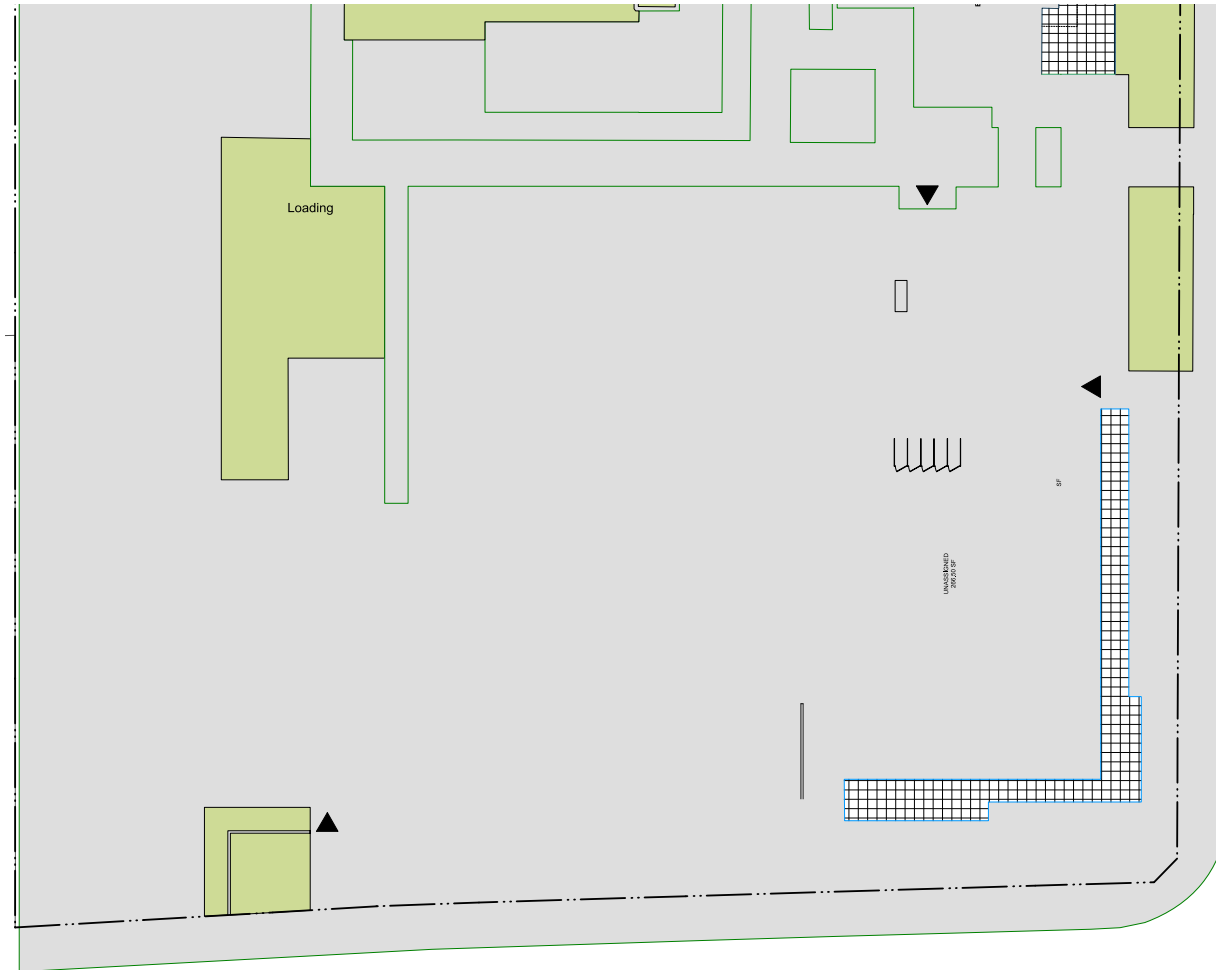
3D aerial view from the intersection of Oak and 49th looking northeast



*This 3D images is intended only as an illustration of the projects massing within its immediate context. Further design development will be undertaken during the phase, City Approvals

4.7 Design Drawings

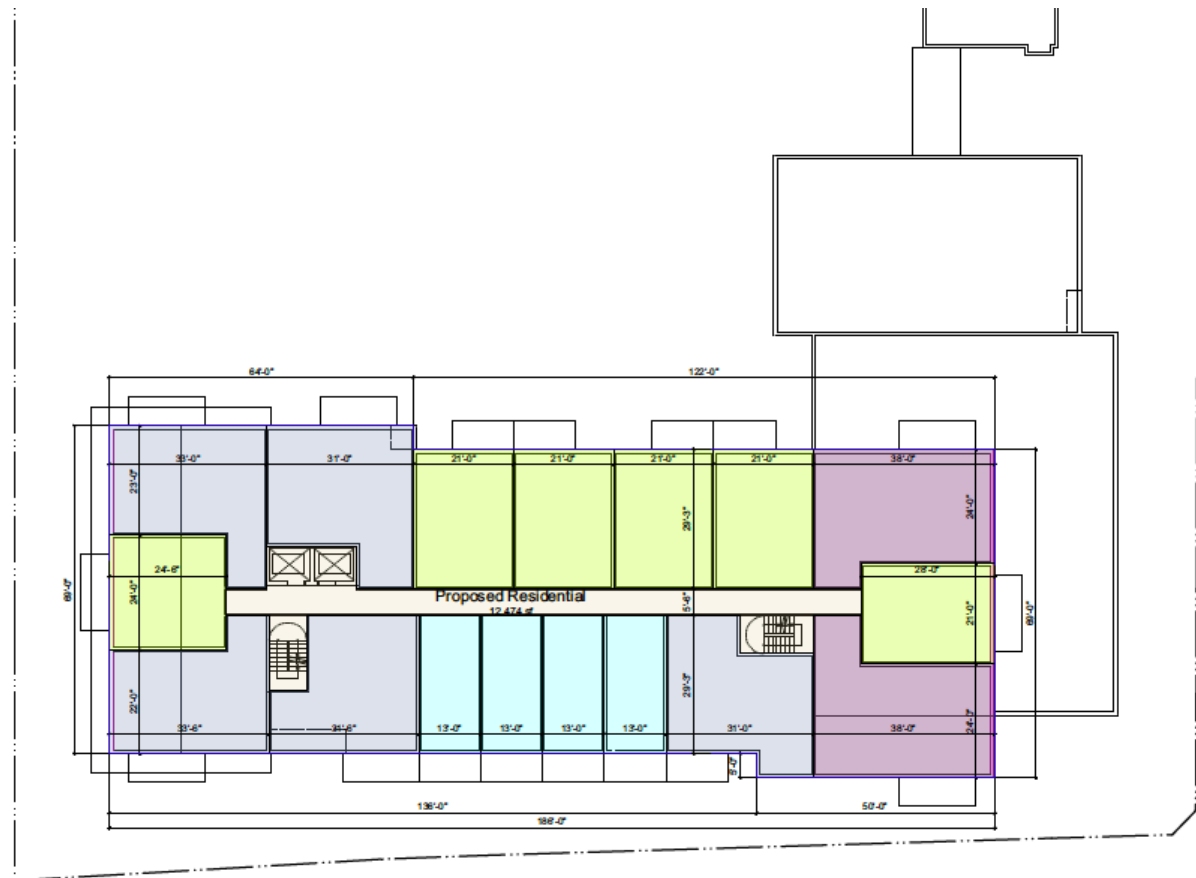
Ground Floor Plan



4.7 Design Drawings

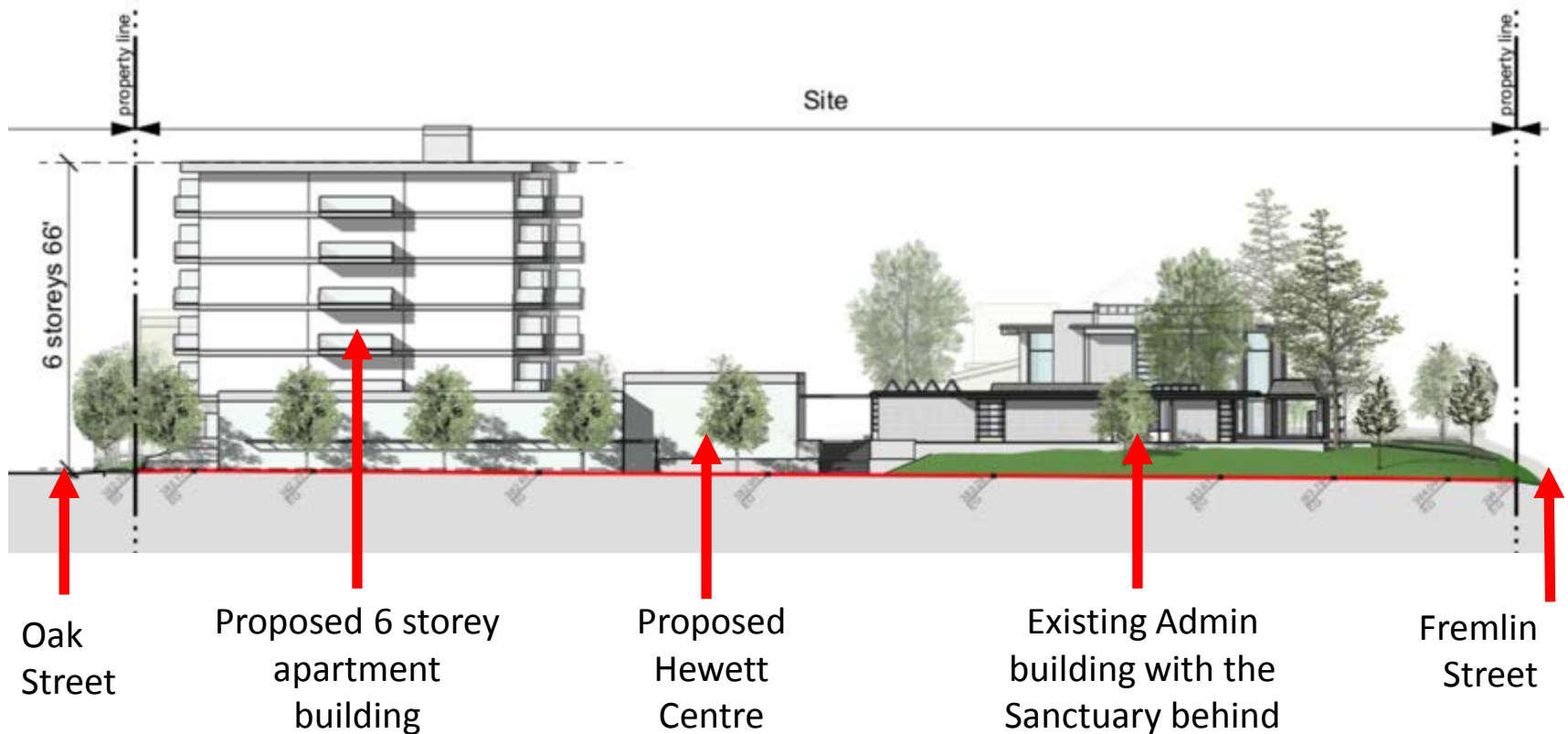
Typical Apartment Floor Plan

- Homes include a range of studios, 1, 2 and 3 bedroom homes



4.7 Design Drawings

Typical cross section along 49th Avenue



4.7 Design Drawings

View from West 49th Avenue looking towards the proposed new Hewett Centre



4.7 Design Drawings

View from the courtyard looking towards the existing Admin Building and proposed Hewett Centre



4.7 Design Drawings

View from the intersection of Oak Street and 49th Avenue



5. Environmental Considerations

A key Objective of the proposed project is to create an example of Environmental leadership.

Catalyst has worked with the UCV Environmental group to create an overall sustainability approach for the project and to review and assess potential strategies to ensure the creation of an attractive, healthy, high performance, low impact building.

A Sustainability Statement is being prepared to summarise the confirmed strategies and others to be considered through the design process. Key strategies include:

- A high performance passive-designed building envelope to significantly reduce energy demand
- Dramatically reduce or eliminate use of fossil fuels in the building
- Use of solar photovoltaic technology
- High efficiency building systems including heat pumps and energy and water efficient fixtures and appliances
- Charging stations for electric vehicles
- Landscaped “green” roof on new Hewett Centre
- Design and programming to promote social connections and reduce isolation

6.1 City Feedback

The City issued a formal response to the Application for Rezoning Advice (ARA) on June 12, 2019. The bullet points below highlight key items in the response that will need to be reviewed. In general, the City indicated that they would be supportive of the proposed redevelopment, in particular because it meets one of the city's core goals of delivering social housing. The next step, would be to meet with the City after the EGM in July 2019. A full copy of the City's response to the ARA can be found in Appendix C.

Key items from the City's response include:

- **The Cambie Corridor Plan requires 50% family units (2 beds or above)** – Currently the designs show 40% family units. We have already started revising the designs with the architect to meet the 50% family unit requirement and we feel this is achievable and acceptable
- **Heritage Designation** - The City, in return for rezoning, would seek the sanctuary to be designated as a heritage building and a restoration covenant in place. The heritage designation/restoration covenant could require upgrades to be undertaken on the sanctuary. The extent, cost and implications of this will need to be determined. We will work with a heritage consultant to investigate this further with the City.
- **Sewer Line** – There is an existing City sewer right-of-way on the property and this will have to be relocated as part of the redevelopment. We're currently reviewing this with Marcon (the General Contractor working on the project) and we may need to get additional advice from a civil engineer during the Business Plan.

6.2 City Feedback

Continued...

- **Removal of the Hornbeam Trees** – The city have not given a clear response on whether or not the trees can be removed. For now, we're going to keep the current design that show all trees removed and we'll discuss this with the City when we meet with them. We feel retaining the trees along Oak St is workable however retaining the trees along 49th could significantly impact the design and viability of the project.
- **Parking relaxation** - The proposal is seeking a reduction to the number of car parking spaces required by the Bylaw. To achieve this, a Transport Demand Management Plan will need to be submitted as part of the rezoning application.
- **Child Care Facilities** - During the Business Plan we have met with the City's Social Planning Department to discuss the option of providing a child care facility on site. This facility could be located in the current Admin Building which would be repurposed and refurbished, and the existing Admin uses would be relocated into the new Hewett Centre. The formal response to the ARA indicates that the City would be supportive of a child care facility however crucially, they have not responded to our request regarding the availability of City funding to support this. We will review this further with the City.

7.1 Financial Overview – Mixed Income

As mentioned, the scope for the Business Plan was to focus on a Mixed Income rental housing approach. It was agreed in the Feasibility Study that the definition for this would align with the City's current definition for "social housing" being:

- Minimum 30% of homes will be rented at rents affordable to people earning incomes defined in BC Housing's Housing Income Limits (currently \$41,500 to \$68,000 p.a. depending on home size)
- Maximum 70% of homes rented at amounts specified in the City's DCC bylaw (starting at \$1,768 p.m.). Such rents are affordable to households with incomes in the range of \$72,000 to \$142,000 p.a.

7.1 Financial Overview

Key Assumptions and Information:

- New Hewett Centre to be paid for by project (no mortgage)
- Total Cost of new Hewett Centre: \$4,860,000
- Mixed Income rental housing
- Land contributed at \$6,500,000 (to be confirmed by independent appraisal)
- Total Building Cost (excluding land): \$33,350,000
- Receipt of City Infrastructure Grant in the range of \$1.42M
- Current rental income is replaced except for pre-school leas
- Interest Rate: 4.5%
- Ammortisation: 35 years
- Vacancy: 2.5%
- Debt service ratio: 1.10



7.2 Project Financials – UCV as

Developer

Summary of Capital Costs and Sources of Funds

Assumed Land Cost (including closing costs):	\$ 6,760,000*
Construction Costs:	\$24,145,000
Contingency:	\$ 1,970,000
Soft Costs (City fees, consultants etc.):	\$ 5,540,000
Financing Costs:	<u>\$ 1,407,000</u>
Total Development Costs:	<u>\$39,822,000</u>

Sources of Funds

Land Equity:	\$ 6,500,000
Financing:	\$28,152,000
City Housing Grant:	\$ 1,420,000
Required Equity (grants, equity):	<u>\$ 3,750,000</u>
Total:	<u>\$39,822,000</u>

* Land value to be confirmed by independent appraisal based on proposed project

7.2 Project Financials – UCV as Developer

The below summarises the projected income and expense cash flow for the project if it were to be undertaken by UCV (or a related entity) as the sole developer. A full financial development proforma is available.

	Year 1	Year 5	Year 10	
Net Operating Income	\$1,814,378	\$1,943,695	\$2,116,800	
Total Mortgage Payment	(\$1,598,881)	(\$1,598,881)	(\$1,598,881)	
Cash Flow After Debt Service	\$215,497	\$344,815	\$517,919	
Less loss of Pre School Lease	(\$26,200)	(\$26,200)	(\$26,200)	
Net revenue to Church	\$189,297	\$318,615	\$491,719	Total in 10 Years
Plus Share of Mortgage Paydown	\$338,890	\$405,588	\$507,714	\$3,848,711
Total Return	\$528,187	\$724,203	\$999,433	

7.2 Project Financials – Partnership

Summary of Capital Costs and Sources of Funds

Assumed Land Cost (including closing costs):	\$ 6,760,000*
Construction Costs:	\$24,145,000
Contingency:	\$ 1,970,000
Soft Costs (City fees, consultants etc.):	\$ 5,540,000
Financing Costs:	<u>\$ 1,407,000</u>
Total Development Costs:	<u>\$39,822,000</u>

Sources of Funds

Land Equity:	\$ 6,500,000
Financing:	\$28,152,000
City Housing Grant:	\$ 1,420,000
Grants Funding	\$ 3,000,000**
Partner Equity:	<u>\$ 750,000</u>
Total:	<u>\$39,822,000</u>

* Land value to be confirmed by independent appraisal based on proposed project

** If higher grant received and partner equity remains the same then Financing amount would increase, and cash flow would increase

7.2 Project Financials – Partnership

Partnership with Non-Profit Developer (assuming 30% ownership by Partner):

	Year 1	Year 5	Year 10	
Net Operating Income	\$1,814,378	\$1,943,695	\$2,116,800	
Total Mortgage Payment	(\$1,598,881)	(\$1,598,881)	(\$1,598,881)	
Cash Flow After Debt Service	\$215,497	\$344,815	\$517,919	
Less loss of Pre School Lease	(\$26,200)	(\$26,200)	(\$26,200)	
	\$189,297	\$318,615	\$491,719	
Less Partner Share of Net Income (say 30%)	(\$64,649)	(\$103,444)	(\$155,376)	
Net Revenue Return to Church	\$124,648	\$215,170	\$336,343	Total in 10 Years
Plus Share of Mortgage Paydown	\$237,223	\$283,912	\$355,399	\$2,927,822
Total Return	\$361,871	\$499,082	\$691,743	

7.3 Financial Overview – Market

Context

It was also agreed in the Feasibility Study that for comparison purposes the Business Plan would include a market rental model. Note in the Development Delivery section below that a market model would require the creation of a for-profit entity by the Church to own such an asset. As a for-profit entity it would also be liable for corporate income tax.

In a market model the total gross residential rents would be higher. However, the City grant assumed in the Mixed Income model above would not be available to a Market rental project. Also, the financing terms would be less beneficial with the assumed terms being:

Interest rate:	4.5% (same)
Ammortisation:	25 years
Debt Service Ratio:	1.2

The loss of the grant and the less beneficial financing terms results in the Market partner having to provide significantly more equity and therefore will require a higher ownership share. The summary of the projected project cash flows (with market partner owning 50%) is shown below.

Lastly, the Planning Committee consider that the pursuit of a market rental model does not align with UCV's values and the stated Project Objectives and they do not recommend this approach. It is also unlikely that a market developer would be interested in partnering with the church in building a non-market development.

7.3 Project Financial – Market Developer

Partnership with Market Developer (assuming 50% ownership by Partner):

	Year 1	Year 5	Year 10	
Net Operating Income	\$2,112,617	\$2,377,769	\$2,756,486	
Total Mortgage Payment	(\$1,741,219)	(\$1,741,219)	(\$1,741,219)	
Cash Flow After Debt Service	\$371,398	\$636,550	\$1,015,267	
Less loss of Pre School Lease	(\$26,200)	(\$26,200)	(\$26,200)	
Less Partner Share of Net Income (say 50%)	(\$185,699)	(\$318,275)	(\$507,634)	
Net Revenue Return to Church	\$159,499	\$292,075	\$481,434	Total in 10 Years
Plus Share of Mortgage Paydown	\$289,156	\$346,067	\$433,205	\$3,568,790
Total Return	\$448,655	\$638,142	\$914,638	

Note: above does not yet include any deduction for corporate income tax that would be payable

7.4 Funding and Financing Programs for Mixed Income Housing

The following funding and financing programs are currently available to support the development and operation of affordable/mixed income housing projects:

City of Vancouver

- Infrastructure Grant, currently estimated at \$1.42M
- Parking relaxation
- Development Cost Levy Waiver (estimate: \$2.0M)

CMHC

- Preferential financing: lower interest rate; longer ammortisation; lower DSR
- Co-Investment Fund Grant and Financing

BC Housing

- Preferential financing: lower interest rate; longer ammortisation; lower DSR

8 Development Delivery Models

- 8.1 Development Delivery Options
- 8.2 Legal and Tax Considerations
- 8.3 Tenure Models
- 8.4 UCV as Developer
- 8.5 UCV in Partnership with a Non-Profit Developer
- 8.6 UCV in Partnership with a Market Developer

Note - As highlighted on page 2 of this report, although there are several delivery options described in section 8, the Planning Committee unanimously recommends the **partnership with a non profit developer**. It is felt that UCV undertaking this project on its own as the developer is too risky, particularly given UCV's limited project development and management skills and capacity. Also, the Committee considers that partnering with a market developer does not meet our vision or principles including the stated objective of "Provide housing across a spectrum of incomes". See sections 7 and 8 for further details.

8.1 Development Delivery Options

Overview

During the Feasibility Study there was an initial overview of the options available to UCV as to *how* to deliver the proposed project during both the development phase and ongoing operations. In the Business Plan we are undertaking a more thorough review comparing the available options to the **Project Objectives** and other considerations including:

- **Alignment of Mission and Values**
- **Organisational Impact:** structure; legal; tax
- **Funding and Financing:** equity; grants; financing
- **Risk:** financial; operational; other

At the same time UCV also wishes to consider the following:

- **Legal and Tax Implications**
- **Form of Housing Tenure during Operations:** Rental (Landlord and Tenant) vs Co-op Management
- **Level of Affordability:** Mixed Income vs Market Rental

Below we have provided additional context to these considerations and then laid out how the possible Development Delivery Models interact with Legal and Tax Implications, Housing Tenure Models and the Level of Affordability.

8.1 Development Delivery Options

Overview (continued)

The ideal scenario for UCV would be to undertake a successful project that best meets its objectives (including its desired level of affordability) and that delivers the optimum mix of the right development delivery model that takes into account the legal and tax implications and the desired tenure model for management and operation of the completed project.

8.2 Legal and Tax Considerations

UCV is a non-profit society and a registered charity. Its current charitable status is a key component of its operation that cannot be jeopardised by its engagement in the proposed project. Under current Canadian charitable tax law the Church must operate in alignment with its charitable purposes while at the same time not undertaking specific activities.

A copy of a White Paper is attached as Appendix G. It was prepared by Norton Rose Fullbright (charity tax lawyers) and lays out some of the tax issues to be considered when a charity is developing real estate. In summary however, under current charitable tax laws, a charity is not permitted to own housing that does not serve seniors, people with disabilities or that does not “alleviate poverty”. The rental housing being considered in either the Mixed Income scenario or Market Rental scenario would not be considered as alleviating poverty. However, a non-profit society that is not a registered charity is permitted to own and operate such housing. So the church could create such a society and it could be controlled by the Church through having mutual members and directors.

Also, a charity can only dispose of assets (e.g. sale or long-term land lease) to a non-charity at “fair market value”. Fair market value is not necessarily based on highest and best use but more the permitted land use taking into account any stipulation in a land lease or other covenants or restrictions (e.g. zoning or other agreements with the City). There are also Property Transfer Tax and GST considerations.

8.2 Legal and Tax Considerations

The legal structure of the proposed project and the involvement of the Church in this project needs to be taken into account when considering the method of development delivery and tenure.

Transferring funds from non-profit society back to the church

If UCV's ownership is held by a new non-profit (non-charity) entity then consideration needs to be given regarding how any surplus revenues can be transferred from the non-profit to the Church. Firstly, as mentioned above the Church must transfer the land to the development partnership at "market value". The Church will receive part of this value back in the form of a new Hewett Centre. The remainder can be paid back over time from surplus revenue, including a reasonable interest charge. Also, the non-profit entity can also include in its "purposes" a number of activities that are currently being undertaken by the Church and surplus revenue could be used to pay for the cost of such activities.

8.3 Tenure Models

Forms of Housing Tenure during Operations

Regardless of whether UCV is the Developer or they partner on the delivery of the development, UCV needs to consider how the completed project will be managed and operated. This is best considered under two forms of tenure: Rental Housing and Co-op.

Rental Housing – under this form of tenure a Landlord would own the building and be responsible for all aspects of operating the building including maintenance, management, tenant selection, mortgage financing, financial management, etc. The Landlord could appoint a property manager to act on its behalf for some or all of these tasks. The occupants of the apartments within the building would be tenants and their occupancy would be administered through a tenancy agreement as dictated by the Residential Tenancy Act.

Co-op Housing – Co-operative (or co-op) housing has long been a form of housing tenure. This takes many different forms. Historically it has often been used as a way to delivery affordable housing to low and moderate income households. Historically, such co-op housing projects have been developed, owned and managed completely by the co-op directly. However, as a result of a reduced commitment by federal and provincial governments to fund and or support such co-ops there have been very few new co-ops created in recent years.

More recently however co-ops are being seen as a way to create and manage a more community-focused way of living together. In discussions with the UCV Co-op Group it is clear there is interest in investigating the creation of a co-op to manage the day to day aspects of living in the completed residential component of the proposed project. If this form of tenure is pursued by UCV it is not envisaged that the co-op would lead the development of the project. However, once a coop is formed it would be responsible for creating and managing the community of residents.. Similarly, responsibility for the asset and financial management of the completed project would likely stay with the “developer” of the project e.g. UCV and/or its partner.

8.3 Tenure Models

Form of Housing Tenure during Operations (continued)

Co-op Housing (continued)

As research into the option of adopting the co-op tenure model to manage the community of residents within the completed project we met with Thom Armstrong of the Co-op Housing Federation of BC (CHFBC) and the Community Land Trust (CLT). He explained how CHFBC and the CLT have created a model whereby roles and responsibilities for development and asset management of the project can be undertaken by the “developer” and the management of the community living aspects of a completed project can be undertaken by a co-op created for that purpose.

Under this model an experienced development entity (the “Developer” e.g. CLT, Catalyst, etc) would lead the project through the design, approvals and development process. If the transaction with the Church was organized as a land lease the Developer would hold this Lease. The Developer would also arrange the financing and hold the mortgage. At completion, the Developer would remain as Lease and Mortgage holder and would be responsible for ensuring the long-term asset management of the building and leased property including property maintenance. As the Developer remains liable for the mortgage they would ultimately determine the level of housing charges (similar to rent in the Landlord/Tenant tenure model). A new co-op would be created to manage the community living aspects of the completed project. The co-op is created by appointing a Board of Directors to manage the co-op. The residents of the housing would all become members of the co-op. The co-op and the Developer would work together to select residents for the homes within the project. However, as the Developer is responsible for the financial feasibility of the project the ultimate decision would lie with them.

There would be an agreement between the co-op and the Developer to define roles and responsibilities regarding property operations and management. For the purpose of considering Co-op as a tenure model in the Business Plan for the UCV project it is this shared model that has been assumed.

8.4 UCV as Developer

Introduction

In this scenario the Church would retain 100% ownership of the land and through a directly controlled and related entity, would be responsible for the development and operation of the project. They would be responsible for securing all required project equity and hold 100% of the project risk. As such, the Church would retain full control of the decision-making for development and operations. It would also receive 100% of the net revenue from the project (after operating expenses and debt service).

The Church would likely have to hire a fee-for-service development manager to bring the development expertise and a fee-for service property manager to oversee operation of the completed project. UCV would also likely need to significantly increase its internal capacity at the staff and Board level to support ownership, development and operations of the project.

Possible Structure

To preserve its charitable status and reduce liability the Church could sub-divide the property to create a separate legal parcel for the development. The Church could then lease this parcel to a new Church controlled entity (the “Society”). The Society could be connected to the church via mutual members and directors.

Tenure and Affordability

The Church or the Society would operate a Mixed Income model and could choose to operate the project using a Rental or Co-op model.

Redevelopment Planning Committee Recommendation

The Planning Committee considered the merits of the church becoming its own developer, but noting its limited human resources in time and knowledge, they do not recommend this option.

8.5 UCV in Partnership with a Non-Profit Developer

Introduction

In this scenario the Church would partner with a non-profit development entity to deliver the proposed project and to share ownership of the housing component of the completed project. The share of ownership would be agreed between the parties but it is typically based on the projected equity contributions of both parties that will remain in the project at completion. The possible terms of such a partnership will be defined later in the Business Plan process. In addition to project equity, the non-profit partner would bring development and operational expertise. This would mean that the risk on the project would be reduced and shared. Church would not likely need to significantly increase its capacity.

Possible Partnership Structure

A key objective of the Church is to retain ownership of its land and also it needs to protect its charitable status. We have outlined below a structure which we consider meets these objectives but would recommend that this structure be reviewed by a lawyer and tax advisor.

The Church would sub-divide its land to create a separate legal parcel that it would continue to own. It could then create three airspace parcels prior to the start of construction. UCV would retain ownership of the three air space parcels including one that would contain the new Hewett Centre and the parking structure. It would also grant a long-term lease of one airspace parcel containing a portion of the housing to a new Church controlled non profit society (the “Society”). Lastly, it would grant a long-term lease of the third airspace parcel containing the remaining housing to the non-profit development partner.

8.5 UCV in Partnership with a Non-Profit Developer

Possible Partnership Structure (continued)

Upon completion of the building, UCV would be responsible for running the Hewett Centre and the housing would be run as one cohesive block of housing by the new Church-controlled non profit society and the non-profit developer. The non-profit developer would lead asset and property management of the completed building. Common costs e.g. roof repairs, insurance, etc. would be shared between the three airspace parcels. At the expiry of the airspace parcel lease (or earlier if agreed) the unencumbered ownership of these two leased parcels would then return to UCV.

By partnering in this way, UCV would be able to participate in decision-making related to the development and operation of the project without having to significantly increase its internal capacity and at the same time sharing the project risk. Consequently however, the revenue generated by the project (after operating expenses and debt service) would be shared between the parties based on their ownership share. In the event the non-profit development partner wished to sell its leasehold interest then the Church (or its non-profit society) would have a right of first refusal to purchase the parcel. Should the UCV wish to sell its lease-encumbered property and that part of its property that is not encumbered, the Society and the non profit development partner would have the right of first refusal to purchase the property.

Impact on Tenure Model and Affordability

The Society and the Non-profit development partner would operate a Mixed Income model and could choose to operate the project using a Rental or Co-op model.

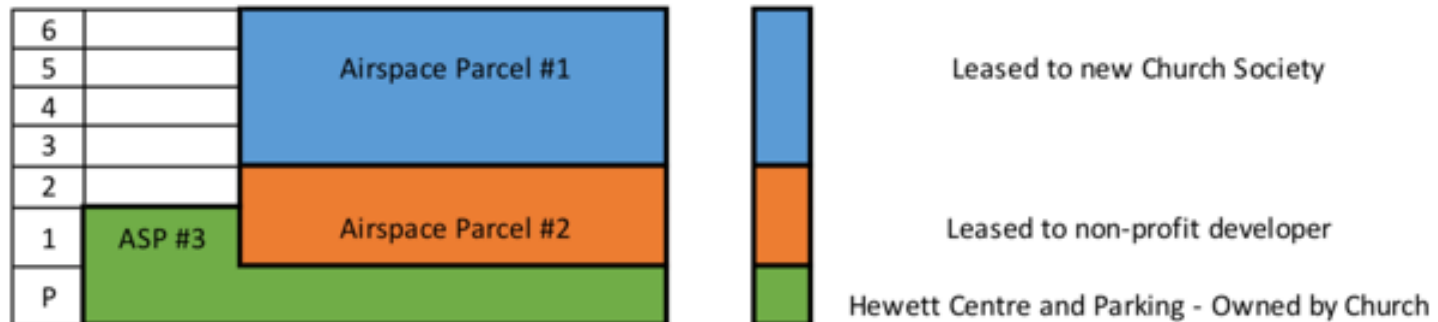
Planning Committee Recommendation

The Planning Committee concludes that the UCV in partnership with a non-profit developer is the most viable option.

8.5 UCV in Partnership with a Non-Profit Developer

- Partner brings expertise in development and operations, and cash equity
- Share of risk
- Share net revenue and mortgage paydown

- UCV owns land and Hewett Centre “parcel”
- Leases on housing “parcels” to UCV non profit and non-profit partner
- Mortgage on housing parcels until paid off
- Housing returns to Church at end of lease



8.6 UCV in Partnership with a Market Developer

Introduction

In this scenario the Church would partner with a for-profit market development entity to deliver the proposed project and to share ownership of the housing component of the completed project. The share of ownership would be agreed between the parties but is typically based on the projected equity contributions of both parties that will remain in the project at completion. In addition to project equity, the market development partner would bring development and operational expertise. This would mean that the Church would not likely need to significantly increase its capacity and would also be sharing risk in the project.

Possible Partnership Structure

A key objective of the Church is to retain ownership of its land and also it needs to protect its charitable status. We have outlined below a structure which we consider meets these objectives but would recommend that this structure be reviewed by a lawyer and tax advisor. We would add that some market developers may be reluctant to participate in a project where only a leasehold interest (vs. freehold) is available.

The Church would sub-divide its land to create a separate legal parcel that it would continue to own. It could then create three airspace parcels prior to the start of construction. UCV would retain ownership of the three air space parcels including one that would contain the new Hewett Centre and the parking structure. It would also grant a long-term lease of one airspace parcel containing a portion of the housing to a new Church controlled for profit company (the “Society”). Lastly, it would grant a long-term lease of the third airspace parcel containing the remaining housing to the market development partner. As an alternative the two housing airspace parcels could be leased to a for profit company, the shares of which would be owned by the Church and the market development partner in proportion to their ownership share.

8.6 UCV in Partnership with a Market Developer

Possible Partnership Structure (continued)

While this structure may work from a legal and tax perspective there could be other operational issues. As mentioned above, a lease of an air space parcel may not be attractive to a market developer when compared to other investment opportunities where they may get a freehold ownership interest. Also, if the housing is leased to a company in which the Church owns a portion of the shares then there may be some voting control issues between the Church and the market developer.

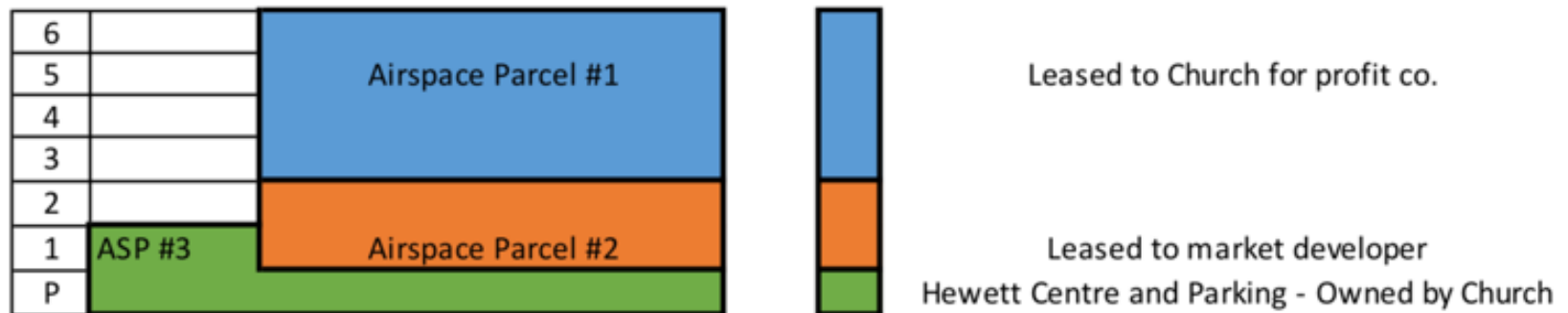
Impact on Tenure and affordability

Partnering with a market developer would only likely be undertaken if a market rental model was being adopted.

Also, we consider that it would be highly unlikely that a market developer would be interested in having a co-op management structure. Similarly, we imagine that the co-op would be reluctant to have a for-profit company as their Developer partner. This could however be investigated.

8.6 UCV in Partnership with a Market Developer

- Market rental project
- UCV creates for-profit company
- Partner brings expertise and cash equity
- Share of risk
- Share net revenue (after tax in company) and mortgage paydown
- Similar structure to non-profit partnership
- Market housing and for-profit structure not considered to be aligned with UCV objectives and principles



9. Transition Stage

- 9.1 Transition Stage Overview
- 9.2 Use of existing spaces on site
- 9.3 Temporary Structures on Site
- 9.4 Alternative Facility

A review of what UCV does during the transition stage (i.e. whilst the new Hewett Centre and the proposed apartment building are under construction) is underway. This review will consider what happens to the programs held in the existing Hewett Centre. The review will be completed prior to the final presentation of the Business Plan in November 2019. The final Business Plan will cover the cost and on site logistics of decommissioning the existing Hewett Centre during the construction period. The information included on the following pages is work in progress.

9. Transition Stage Overview

- The issue of transitioning through the construction period is a major consideration for the Business Plan.
- In line with the timeline, included in Section 12 - Next Phase, the existing Hewett Centre would be decommissioned for demolition in 2021. Leases, rentals and UCV uses would need to terminate prior to this decommissioning. Equipment and furnishings being retained would be moved out of the Hewett Centre for storage off-site.
- UCV will need to be ready to accommodate some UCV and outside user activities.
- Allocation of space for Children's Education and Youth are a priority.

9. Transition Stage – Use of Spaces on Site

- UCV have prepared a list of current users of the Sanctuary - see Appendix A. There should be opportunities for more intensive use and scheduling of the Sanctuary and the Admin building with some modifications and improvements to accommodate users and uses being displaced from the Hewett Centre
- In the existing Admin Building there are the washrooms, the kitchen in the suite and the family room.
- In the Sanctuary there is the foyer, balcony and stage.

9. Transition Stage – Use of Temporary Structures on Site

- There is going to be a gap of uses not accommodated in the two buildings and that might be where a temporary building on site could work.
- The transition review will investigate options and costs for the provision of temporary modular structures. The location of such structures will need to be co-ordinated with construction activities e.g. loading, lay down areas etc.

9. Transition Stage – Alternative Facilities

- UCV have contacted ten facilities to see if there is somewhere we could relocated UCV during the construction period. Nothing appeared as a ready solution, getting the right size and appropriate time has proved difficult.
- One of the nearest churches is Oakridge Adventist on Baillie Street, their use is on Saturdays but they have two outside church users on Sunday.
- Investigations into alternative facilities for some UCV uses will continue

10. The Alternative Plan

The Alternative Plan (TAP)

Options for 'TAP' (formerly referred to as Plan B) are being explored by a separate Committee and they are investigating that if the church decides not to proceed with the redevelopment, what does UCV do next? The committee are currently preparing a report and this will be finalised in September 2019.

11 Risk Register

The risk register attached in Appendix F is an important tool for understanding and managing risks throughout the project. From the early stages, it helps to track potential risks and outline ways that they can be managed and or mitigated. The register includes risks that have been identified in the Business Plan and any potential risks that could occur in City Approvals, Construction and Occupancy stages. The risk register is a “working” document and is to be updated throughout the approvals, construction and occupancy stages.

Key risks identified in the risk register include:

- Timing for UCV – Construction coinciding with UCV finding a new minister
 - **Risk Response = Accept** - The Business Plan will provide a clear roadmap and timeline detailing how and when the project will be delivered. Ultimately it will be UCV's decision on whether to proceed or not.
- Congregational Functions during construction - Construction will require on-site or off-site replacement of Hewett Hall congregational functions including social and meeting spaces, youth programs, forums, lunches, washrooms. Can this be done?
 - **Risk Response = Mitigate** - The transition phase is being reviewed as part of the Business Plan and it will outline a clear transition strategy including costs
- Community opposition to development: traffic, density etc. - "Not in my backyard" attitude
 - **Risk Response = Mitigate** - To adopt a clear, open communication strategy with lots of public engagement early in the process. Continue communication with staff and Council to build support.

12 Next Phase

- 12.1 Next Phase Overview
- 12.2 Next Phase Timeline
- 12.3 Next Phase Budget

12.1 Next Phase – Overview

The final Business Plan will be presented to UCV in November 2019, when UCV will vote on whether they want to proceed with the next phase of redevelopment or not.

In the event that the Church decides to move forward, the next step would be the City Approvals & Pre-construction Phases. In these phases, Catalyst would execute the decisions made in the Business Plan and would complete the necessary City Approvals. This would include applications for rezoning, a Development Permit and Building Permit.

We've already held conversations with the City regarding the rezoning submission during the Business Plan phase and have received a formal response to the Application for Rezoning Advice (see section 6 for further information). The City's initial response indicated that they're supportive of the proposed redevelopment although some design changes will be necessary.

12.2 Next Phase – Timeline

An estimated timeline is included below. This is a preliminary estimate and will be refined in the Pre-Construction/City Approvals stage:

Timeline	2019		2020				2021				2022				2023			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Conclude Business Plan																		
Pre-Construction + City Approvals																		
Construction																		
Occupancy																		

12.3 Next Phase – Budget

To be completed

Appendices

- A Existing Hewett Centre Report Prepared by UCV
- B Design Package Prepared by NSDA
- C City Response to the Application for Rezoning Advice
- D Transition Usage of Hewett Hall
- E Sustainability Statement (draft)
- F Risk Register
- G White Paper
- H Summary of Rents and unit Mix

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Appendix A

Existing Hewett Centre Report Prepared by UCV

Appendix B

Design Package Prepared by NSDA

Appendix C

City Response to the Application for Rezoning Advice

Appendix D

Transition Usage of Hewett Hall

* To be completed

Appendix E

Sustainability Statement (draft)

* To be completed

Appendix F

Risk Register

Appendix G

White Paper

Appendix H

Summary of Rents and unit Mix