

## INTRODUCTION

The idea of a First Met redevelopment initiative was conceived in 2010, shortly after Stantec Engineering completed a Building Condition Assessment (BCA) of First Met’s buildings which include:

- The Heritage Building & Annex (HBA)<sup>i</sup>,
- The Christian Education Wing (CEW)<sup>ii</sup>,
- The Social Suite Building (SS)<sup>iii</sup>,
- The Fellowship Hall (FH)<sup>iv</sup>.

The BCA identified the condition of each building’s structure, roof, exterior walls, plumbing & electrical systems, and heating and ventilation systems. The BCA estimated the 2010 cost to restore, replace, and/or upgrade the building systems in these buildings to be in the order of \$7+ million.

Given the high long-term costs of maintaining the buildings on the Balmoral Rd property, the First Met Council created an advisory group to explore options for redeveloping the property with a view to downsizing the number of Church buildings on the property and generating enough capital to restore/renovate the buildings required for the future operation of the Church.

The advisory group morphed into a redevelopment committee and eventually into the current Redevelopment Task Group (RTG). Since 2011 the RTG and its antecedents have investigated several redevelopment options including:

- a proposal from City Spaces for a high-rise condominium/apartment building adjacent to the HBA (2011),
- a proposal from The Greater Victoria Housing Society to purchase the FH site to build an affordable housing apartment building (2011-2014),
- a feasibility study conducted by ICA to renovate and lease the FH from First Met (2015-2016), and
- a property redevelopment feasibility study and proposal by BC Conference (2016-2017), which has evolved into the current property redevelopment project.

In March 2018, the First Met congregation and Trustees approved the redevelopment proposal from the BC Conference, now the Pacific Mountain Region (PMR), that was prepared by the PMR’s Property Resource Team (PRT) for the First Met Council (now the First Met “Board”) and the First Met congregation.

## THE KEY ELEMENTS OF 2018 PROPOSAL

The key elements of the approved 2018 redevelopment proposal are as follows:

- The PMR will build a six-story Apartment Housing Complex with 50% affordable housing units on the site of First Met’s FH and Social Suite buildings.
  - The PMR will establish a not-for-profit Housing Society, known as the Three Point Housing Society, to own and operate the apartment housing complex when completed.

- The PMR will prepare and implement a property restoration and renovation program for the HBA and the CEW.
  - This program will be completed in two phases with the first phase concentrating on essential restoration work in the HBA and the second phase completing the remaining building restoration and other necessary renovations for the HBA and the CEW.
  - The first phase will be completed concurrently with construction of the Apartment Housing Complex and the second phase will be completed over a period of 15 to 20 years after completion of the Apartment Housing Complex.
  - The total budget for restoration and renovations of the HBA & CEW buildings is capped at \$10M.
  - Approximately \$7M (70%) of the budgeted restoration and renovation costs will be funded from the net income generated by the Apartment Housing Complex over 15-20 years.
- In return, for the \$10M investment in the First Met property restoration and renovation program, First Met will contribute the land currently occupied by the FH and SS buildings (appraised by Colliers at \$1.6M) for the Apartment Housing Complex. In addition, First Met will contribute the proceeds from the sale of First Met's interests in the land occupied by Balmoral Garden Court located at 921 North Park St (estimated by Colliers at \$1.2M)<sup>1</sup>.

## THE INTERNAL AGREEMENT

- First Met entered into a formal Internal Agreement with the PMR's Property Development Council of the United Church of Canada (PDC) in June 2018.
- The Internal Agreement incorporates the elements of the proposal listed above and provides details on land ownership, financial responsibility, agreement change procedures, dispute resolution, and the roles and responsibilities of each party.
- Under the proposal PDC delegates the PRT to manage the project using Colliers International as a development consultant and construction project manager and BC Housing as the source of funding (loans) for the Predevelopment Planning and Construction phases of the project.
- First Met's project will be one of five projects in the PMR's Three Point Portfolio of Church redevelopment projects in BC.
- First Met's Redevelopment Task Group (RTG) will facilitate and coordinate First Met's involvement in providing input from First Met and obtaining First Met's authorization/approval at various stages of the project.
- The internal agreement stipulates that upon signing the agreement, First Met will transfer title of its Balmoral Rd property to the PDC. Upon completion of the Apartment Housing Complex, the Balmoral Rd land will be subdivided with PDC retaining title for the Apartment Housing Complex and associated land. The title for the remaining lands and buildings will be returned to First Met.

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<sup>1</sup> First Met owns the land at 921 North Park St which is leased to the Greater Victoria Housing Society until March 1, 2052. First Met's interest in the property is as the landowner and consists of the rights conveyed to the landlord through the lease with GVHS. These include the rights to the exclusive use of 54 parking stalls in underground and above ground parking lots at 921 North Park St. This parking is currently used by First Met for staff, congregation, visitors, and tenants. It generates income through parking stall rentals to tenants and the public.

## THE PROJECT UNDERWAY

In the summer 2018 the PRT made a loan application to BC Housing for Predevelopment funds (PDF) to undertake the detailed project planning of First Met's redevelopment project. The scope of the Predevelopment stage includes:

- Space planning and design of the apartment housing project,
- Analysis of First Met's space needs and a space design for the HBA & CEW,
- Confirmation of the initial estimates of construction costs for the apartment building complex,
- Confirmation of the cost estimates for the restoration and renovation of First Met buildings (HBA and CEW),
- Confirmation of operating cost estimates for the apartment building complex,
- Confirmation of project financing assumptions, and
- Municipal approval for rezoning and development permits for the property.

While awaiting approval of the loan application by BC Housing, the RTG, in consultation with the PRT's consulting architects (VIA Architecture at that time), undertook a process to document the Church's space needs. This process was completed by the RTG in December 2018 and the results were shared with the PRT.

In February 2019, the PRT advised the RTG that BC Housing had approved a PDF loan of \$250K to allow the PRT to commission a new Building Condition Assessment (BCA) of the HBA along with an independent estimate for the HBA restoration and renovation costs. This loan represented approximately 15% of the total estimated cost of doing the Predevelopment planning for First Met's project. BC Housing indicated that additional loans for the Predevelopment planning of the project would be released in several tranches.<sup>2</sup>

In May 2019, the Building Condition Assessment of the HBA was completed along with the new estimates for the associated restoration and renovation costs. These estimates confirmed that Colliers' original estimates were accurate. The PRT shared the results with BC Housing and were then invited by BC Housing to apply for an additional PDF loan to continue the Predevelopment planning.

In the summer of 2019, the PRT directed its consulting architects for First Met's project (SHAPE Architecture) to do preliminary design work for the interior space of the restored/renovated HBA & CEW based on First Met's December 2018 space requirements.

In September 2019, the RTG and PRT met in Victoria to bring the RTG up to date on this preliminary space design. The architects presented their findings and recommendations arising from the analysis of First Met's space requirements and laid out their next steps for the space planning. This information presented in the meeting is summarized in the Table below:

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<sup>2</sup> The 5-month delay between application and approval appears to have been related to a change in BC Housing's practices for approving PDF loans and their uncertainty about how to deal with a project involving the restoration/renovation of a Heritage Building (100+ years old).

<b>FINDINGS &amp; RECOMMENDATIONS BY SHAPE ARCHITECTURE (Sept. 2019)</b>		
<b>Space Findings</b>		
1. There is sufficient space in the HBA to meet FMUC’s current and anticipated future space needs.		
2. The highest and best use for the CEW is to include its footprint in the new apartment building.		
3. There is not a good architectural or engineering reason to add a full mezzanine level to the Sanctuary; it is a more expensive seismic upgrading option and would reduce Sanctuary capacity and may adversely affect acoustics.		
4. The exterior wall of the Doreen McLeod Room (DMR) could be moved to create new space for a kitchen to replace the current kitchen located in the SS adjacent to the FH.		
<b>Space Recommendations (Floor by Floor)</b>		
<b>Lower Level of HBA</b>	<b>Main Level of HBA</b>	<b>Upper Level of HBA</b>
<ul style="list-style-type: none"> <li>• Relocate the Church Offices to a portion of lower level.</li> <li>• Remove some interior walls to create areas for children’s programs, music rehearsals, a green room space and a larger flexible multi-use space.</li> </ul>	<ul style="list-style-type: none"> <li>• Replace remaining pews in the Sanctuary with chairs to create a larger flexible multi-use gathering space.</li> <li>• Combine the DMR &amp; Chapel into a large configurable multi-use gathering space.</li> <li>• Move the North exterior wall in the DMR to create enough space for the addition of a kitchen.</li> </ul>	<ul style="list-style-type: none"> <li>• Preserve the Healing Pathways room.</li> <li>• Convert Room 217 into space for various Church exercise programs.</li> <li>• Convert Room 223 into a Church storage area.</li> <li>• Consider removing some, or all, of the pews from the Sanctuary galleries to create more open spaces.</li> </ul>
<b>PRT Next Steps</b>		
1. SHAPE Architecture to evaluate different design scenarios for incorporating the footprint of the CEW into the apartment building.		
2. PRT to hire a Quantity Surveyor to estimate the construction costs of the apartment building.		
3. Architects to refine the space design for the renovations to the HBA and re-estimate costs.		
4. PRT to obtain BC Housing Approval to proceed to municipal approval and zoning stage of the planning process and obtain loan approval.		

The PRT applied to BC Housing for an additional PDF loan in September 2019.

During the fall of 2019, the RTG shared the SHAPE Architecture’s findings and recommendations for the interior space design of the HBA and CEW with the Board and congregation and completed its own analysis of the impact of adding the land on which the

CEW sits to the Apartment Housing complex. These impacts are summarized in the Table below:

<b>Impact on First Met of Adding CEW Footprint to Apartment Housing Complex</b>	
<b>Positive Impacts</b>	<b>Negative Impacts</b>
1. First Met’s equity in the project is increased based on the additional land contributed.	1. The total amount of interior space available for Church use and letting is reduced by approximately 7,000 SF.
2. The original estimated cost of building restorations/ renovations for the CEW (a portion of the \$10M) may be available to re-allocated to restoration/renovation of the HBA.	2. There is a potential reduction in First Met’s net letting income of approximately \$30K per year based on 2018 operating numbers.
3. The overall project duration is reduced once construction starts.	

## THE PROJECT DELAYED

In December 2019 BC Housing notified the PRT that it had determined that there was an “equity gap” of approximately \$3M in First Met’s project. In essence the PRT (and by extension, First Met) was not contributing sufficient equity to the project to support the construction financing proposed in the PDF application.

The PRT had used different financial modeling assumptions for the project than BC Housing and in January and February 2020 the PRT attempted to clarify the issue and find an acceptable resolution of the equity gap issue.

In March 2020, after reaching an impasse in its discussions with BC Housing, the PRT advised the RTG that the First Met project was on hold until a way forward could be found. The PRT had begun to examine alternative financing options for the First Met project including CHMC, private investors, and conventional mortgage lenders. Also, at that time, there were preliminary discussions underway with the United Property Resource Corporation (UPRC), a newly established subsidiary company of the UCC, about getting involved in the First Met project. The UPRC was established by the UCC with a mandate to assist faith communities across Canada with planning and implementing property redevelopment projects.

By the end of March 2020, the spectre of the Covid-19 pandemic was looming large and the PRT advised all churches with active redevelopment projects that project schedule delays were likely, if not already being experienced.

In June 2020, the PMR appointed Don Evans to replace Terry Harrison as Team Lead for the PRT. Over the summer months Don worked with his team and the RTG to bring himself fully up to speed with First Met’s project. This work led to a meeting between Don and the RTG on October 8 during which the status of First Met’s project was discussed in detail. The following topics were addressed:

1. The background on the BC Housing Equity gap issue,
2. Some options being considered for restarting First Met’s project including:
  - a. Using CMHC as a source of funding for the construction financing,

- b. Using private investors to fund the completion of the predevelopment stage.
  - c. Partnering with UPRC to complete the project with financing from CHMC.
3. The implications and challenges with each of the options.
4. The possibility of moving forward on First Met's project without further involvement by Colliers.

During October and November 2020, the RTG worked on further clarifying some details of the matters discussed in the October 8 meeting and held additional meetings with Don and Treena Duncan (PMR Executive Minister) to better understand the PMR's perspective and confirm its commitment to First Met's project. At these meetings it was agreed that the Region and First Met would arrange a meeting with the CEO of UPRC to discuss how the UPRC might be able to assist in moving the First Met project forward.

In December 2020, a zoom meeting was held with Tim Blair, CEO of the UPRC, to learn more about UPRC, its mandate and model for engaging in congregational redevelopment projects. Tim offered to provide a proposal to the Region for doing a new feasibility study for the First Met project that would incorporate the work already done on the project.

In January 2021, the UPRC presented its proposal for doing a feasibility study of the First Met project to be completed before the end of summer 2021. The RTG, PRT and UPRC agreed to proceed with the feasibility study which is currently underway.

It seems clear that if the UPRC proposal for proceeding with First Met's redevelopment project is acceptable to First Met and the PMR then First Met's current Internal Agreement with the PDC will need to be replaced to reflect the following:

- The new project proposal.
- A new deal structure outlining the involvement of First Met, PMR and UPRC.
- The departure of Colliers International as development consultants.
- New financial models reflecting revised project costing.
- Revised construction, restoration/renovation timelines.

Any such new proposal will need approval by the First Met Board, Congregation and Trustees.

<sup>i</sup> The HBA building contains:

- on the ground floor level - the Sanctuary, Chapel and Doreene McLeod Room.
- on the second-floor level - the Sanctuary, Healing Pathways room, and several large multipurpose rooms.
- on the lower floor level - space that is leased by Greater Victoria Intercultural Association (ICA) for offices, classrooms, meeting rooms, and a daycare service.

<sup>ii</sup> The CEW building contains:

- on the ground floor level - First Met reception area, offices, and Sunday School classrooms.
- on the second floor-level - two large multipurpose rooms, and space leased by ICA for its offices.

<sup>iii</sup> The SS building contains:

- on the ground floor level, the Balmoral Rd wheelchair accessible entrance, library, kitchen, and Archives and Heritage Rooms.
- on the second-floor level, the Social Suite and kitchenette.
- on the lower floor level (accessed from the exterior), the main utility/boiler room and custodial workshop.

<sup>iv</sup> The FH building contains:

- On the ground floor level, gymnasium / gathering space, stage, and custodial storage rooms,
- On the lower floor level, washrooms, and storage.