

# **BUILDING FROM FAITH**

**A Smart Practices Guide for  
Redeveloping Underutilized Church Land  
to Meet Community Needs**

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COMMUNITY SOCIAL PLANNING COUNCIL  
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June 2013

Prepared by Dylan Sherlock  
Community Social Planning Council

### **Acknowledgements**

This guide was created as part of the collaboration between the Community Social Planning Council of Greater Victoria, Vancity Credit Union, and members of the Multi-Faith Housing Working Group, primarily belonging to congregations of the Anglican and United Churches in the Greater Victoria region. While the focus is primarily on the Greater Victoria region, this guide is replicable in other British Columbia jurisdictions.

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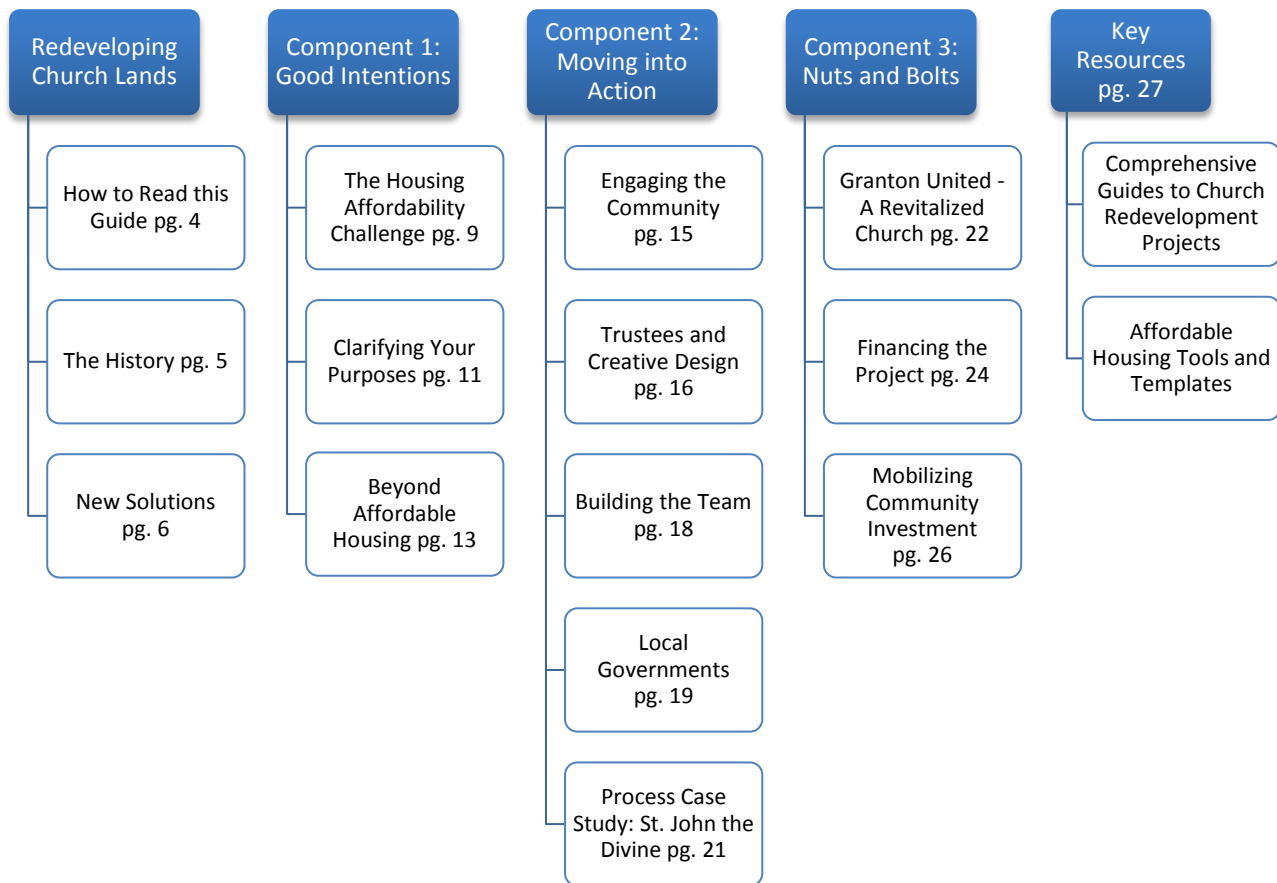
# Redeveloping Church Lands to Meet Community Need

## How to read this guide

Redeveloping underutilized church lands for a social purpose is one way to address challenges that many churches face today, as a result of declining congregations, while at the same time helping build critical assets that can benefit communities for years to come. Redeveloping properties is an intimidating and complicated task.

**The purpose of this guide is to provide a range of potential pathways for churches (and other faith communities) that are interested in redeveloping underutilized church land for social purposes,** with a focus on affordable housing and other community uses.

**This guide is meant only to help readers take the first steps to redeveloping their property – professional legal and development services are still required.** Much of the guide specifically references Victoria, British Columbia, but a wider audience may also find it useful. This guide is laid out in a series of components that go side-by-side. There is no single starting place for these kinds of projects. Different readers will approach the guide with different needs in mind, and having figured out some issues, but still wanting to understand other pieces. It is critical to see these pieces as connected.



## The History

Churches are a longstanding community hub – historically responding to the needs of the broader community through commonly hosting community programs, daycares, non-profits, food banks, and emergency shelters. However, many people are unaware of the long history in Victoria (and around the world) of churches providing affordable and social housing.

The first religious provider of social housing in Victoria, beginning in 1885 and continuing into the present, was the Young Men and Young Women’s Christian Association (YMCA/YWCA.) While the YMCA/YWCA has since become a secular organization primarily focused on recreation facilities and building healthy communities, it continues to be active in the social housing realm – currently operating a transition home for homeless youth and providing housing for low-income single mothers<sup>1</sup>. As the sidebar presents, religious orders in Victoria –

<sup>1</sup> Victoria YMCA/YWCA. Y History. [http://www.victoriay.com/history\\_01.php](http://www.victoriay.com/history_01.php)

particularly Baptist, Catholic, United and Anglican – have a long tradition of providing social housing in the area.

Many earlier church-based social housing initiatives were developed from two models where a congregation member would leave his or her estate to the church, and/or the church would fundraise from the community to build a new property. However, this report draws on a body of case studies, primarily from the United Kingdom, in which churches leveraged underutilized land already possessed by the congregation in order to make a lasting impact on the community.

## New Solutions

The impetus for many of the projects highlighted in this guide began with recognition from congregations that their memberships had declined to a point where the kind of ministry they wanted to provide to the community would no longer be possible. At the same time, congregations saw grave challenges in their communities that they wanted to confront as part of their ministry – growing numbers of homeless individuals, unaddressed mental illness and addictions, and low-income people squeezed out by unaffordable rents. Some churches in Victoria, as the next section will show, are in a very similar situation. In England and in Scotland, faith groups across many denominations formed coalitions of likeminded congregations and individuals who redeveloped the land of their congregations in a way that could provide housing to those in need, while also supporting the sustainability of their congregation's ministry. The coalition that directs this work in Scotland is the Scottish Churches Housing Action (SCHA), while in England, it is the Faith in Housing Action (FIHA.) This report owes much to the various models that these two organizations have piloted, outlined in two very detailed reports:

### Examples of Church-led Social Housing Initiatives in the Greater Victoria Region

Dawson Heights Incorporated – The Anglican Diocese created one of the first care facilities in Victoria for low-income seniors in 1949.

<http://www.dawsonheights.ca/>

St. John's Society – began low-income senior housing in the 1960s on the grounds of the Anglican Church of St. John the Divine's.

Baptist Housing – since 1964 has provided affordable housing to seniors and families.

<http://www.baptisthousing.org/victoria>

Anawim House – Volunteers at St. Andrew's (Catholic) created a family home for homeless individuals in 1991, expanded in 1997 <http://www.anawimhouse.com/>

St. Vincent de Paul (Catholic) – developing housing for homeless individuals since 2000 [http://svdpvictoria.com/programs\\_housing](http://svdpvictoria.com/programs_housing).

- *Faith in Affordable Housing: Using Church Land and Property for Affordable Housing* (FIHA 2009)
- *Make it Happen: Affordable Homes From Surplus Church Properties – A Good Practice Guide for Our Churches* (SCHA 2010.)

If a faith community chooses to move forward with a redevelopment project, it is advisable for the community, to consult these guides (and other resources listed in the *Key Resources* section) for deeper insight into the process. This guide also looks at work in Victoria and other parts of Canada where churches are taking leadership to redevelop their lands.

**Figure 1:** This South London (England) Methodist church has been converted in 28 affordable housing units through a partnership with the municipal housing authority - the congregation



Source: *Faith in Affordable Housing (2009) Using Church Land and Property for Affordable Housing*, pg. 68-72 (reduced from 800 to 40 members) remains on-site in a scaled-down sanctuary

## Component 1:

# Good Intentions

It is not easy to determine the best use of underutilized land. Most faith-based organizations start with the question: “Where is the greatest need in our community?” But the answer is usually – “It’s complicated.”

In Greater Victoria, for example, is that despite broad consensus around homelessness as the most pressing social issue in Greater Victoria – the costs to establish supportive transitional housing make market-value, even reduced-value sales of church lands a poor deal for social housing providers – who are mostly depending on donations of land or resources. At the same time, there is a large shortage of housing for low-income and lower-middle income workers. These issues are not separate – the low-income people compete for the same limited supply of housing stock. The shortages exacerbate inequality in other ways – forcing lower-income people to the cheaper periphery of the city where they face high transportation costs and fewer public services. These are other needs that are intimately tied to housing – childcare, social services, access to transportation, access to healthy food, access to employment and income.



**Figure 2:** This church in Brantford Ontario was renovated (while maintaining the existing facade) into 17 market affordable apartment units through a partnership with a socially-minded developer.

Source: King Street Holdings Ltd. (2006). Dalhousie Church Lofts Inc. <http://www.kingstreetholdings.ca/properties/residential/Brantford.htm>



In Canada, and particularly in Greater Victoria, there is a tremendous amount of wealth and good fortune, but the wealth of our community can also create stark economic divides between residents, and contribute to grave cost-barriers to overcoming the challenges of providing for the basic needs of all. A serious affordability crunch has developed in Canada over the past several decades as the costs of living have increased, wages have stagnated and inequality has increased.

## The Housing Affordability Challenge in Victoria

While this guide is meant for a wider audience, it is useful to put the assessment of need into a local context. Victoria, British Columbia, is the third most unaffordable housing market in Canada, one of only three Canadian cities to make the top 50 most unaffordable housing markets internationally<sup>2</sup>. Currently, the efforts of government and the non-profit sector have been unable to meet the full scope of the problem of affordability<sup>3</sup>. However, despite efforts to expand the stock of affordable housing, demand for housing is set to grow by 21% over the next two decades<sup>4</sup> - outstripping supply.

Affordable housing is inclusive of a range of needs. The area where there is generally some of the greatest need in affordable housing is generally supportive housing. Supportive housing is housing that, along with providing shelter, also includes supportive services for individuals with addictions, mental illness or physical disabilities. Supportive housing is an area of high need because facing barriers to earning income and discrimination from landlords means that with a shortage of supportive housing, some people will end up homeless. According to the Cool Aid Society's facilities count for the winter of 2012, there is a need for 719 additional supportive housing beds to eliminate homelessness in the area, in the Capital Region. However, many families and individuals that do not require any supports will experience poverty in varying degrees because of the lack of affordable housing.

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<sup>2</sup> Deborah Curran and Tim Wake (2009) Creating Market and Non-Market Affordable Housing: A SmartGrowth Toolkit for BC Municipalities. pp. 1

<sup>3</sup> The major stakeholders who provide the bulk of financing for affordable housing at present are for-profit developers who are working within housing agreements, non-profit housing developers, BC Housing (which plays a major government funder role), and the Canada Mortgage and Housing Corporation (CHMC) which primarily funds play a more minor role.

<sup>4</sup> Marika Albert, Community Social Planning Council (2012) Affordable Housing Options for BC's Capital Region. [http://communitycouncil.ca/pdf/CSPC\\_Report\\_Tools\\_for\\_the\\_Future\\_FINAL\\_NOV15.pdf](http://communitycouncil.ca/pdf/CSPC_Report_Tools_for_the_Future_FINAL_NOV15.pdf) pp. 18-21

Measuring housing affordability is complex. In 2012, the Community Social Planning Council applied the core housing need threshold (the measurement of housing affordability favoured by the Canada Mortgage Housing Corporation - 30% of income) in an analysis of Economic Family income levels around the low-income cut-offs for the region to approximate housing affordability thresholds<sup>5, 6</sup>.

**Figure 3:** Housing Affordability Thresholds for Economic Family Units in the Victoria CMA, 2010

% of Economic Family Units <sup>7</sup>	Annual Income	Monthly Income	Shelter Costs <sup>8</sup> Affordability Threshold
10.7%	\$10,000	\$833.33	\$250.00
	\$15,000	\$1,250.00	\$375.00
8.2%	\$20,000	\$1,666.67	\$500.00
	\$25,000	\$2,083.33	\$625.00
10.8%	\$30,000	\$2,500.00	\$750.00
	\$35,000	\$2,916.67	\$875.00
8.8%	\$40,000	\$3,333.33	\$1,000.00
	\$45,000	\$3,750.00	\$1,125.00
6.4%	\$50,000	\$4,166.67	\$1,250.00
	\$55,000	\$4,583.33	\$1,375.00
6%	\$60,000	\$5,000.00	\$1,500.00
	\$65,000	\$5,416.67	\$1,625.00

Source: Marika Albert, (2012). *Affordable Housing Options for BC's Capital Region*, Community Social Planning Council of Greater Victoria

The key takeaway is that there are lots of areas of need – both in terms of supportive housing and in terms of general affordable housing. Either of these can make a substantial impact for a community.

<sup>5</sup> Marika Albert. (2012) *Affordable Housing Options for BC's Capital Region*. Community Social Planning Council of Greater Victoria.

<sup>6</sup> This can be determined by comparing Shelter Cost Affordability Threshold (the full cost of shelter including rent/mortgage payments, utilities, taxes, etc.) for an Economic Family Unit (a group of two or more people living in the same domicile who are related to each other) depending on their income.

<sup>7</sup> The percentages represent the proportion of economic family units with incomes in the particular income range in the Victoria CMA. For example, 8.2% of economic family units have an income between \$20,000-\$29,000 (Statistics Canada, 2012).

<sup>8</sup> Shelter costs include rent or mortgage payments, taxes (if owned), the cost of municipal services and utilities including water, electricity and fuel.

**Figure 4:** this transformed London (Ontario) Anglican Church features affordable family



Source: Canada Mortgage Housing Corporation (2013) Project Profile - 590 Grosvenor Street [http://www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/upload/590-Grosvenor\\_EN.pdf](http://www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/upload/590-Grosvenor_EN.pdf)

townhouses and also features sustainable features such as solar water heating.

## Clarifying Your Purpose

It is useful to start developing a rough idea of what a redevelopment project would aim to achieve.

- What problems and unmet challenges exist in the community?
- What is the congregation willing and able to contribute?
- What are the potential partners (developers, non-profit housing organizations, local governments, etc.) interested in pursuing?

These questions are crucial to answer early on to give direction to the project. But at the same time, congregations that begin with an inflexible plan in mind may find that there is no need or appetite from partners for their congregation's chosen outcome.

Generally, a redevelopment will have a single purpose for the redeveloped land with a single partner or the church itself leading that redevelopment. However, if the space is large enough, there may be an opportunity for a mixed-used development that combines different kinds of housing from supportive to affordable to even market-rate (allowing for cross-subsidization), or non-housing spaces for non-profits and social enterprises.

Affordable housing comes in three primary dimensions:

- 1. Affordable Market Rental Housing:** generally developer-led, with or without non-profit housing providers playing a backseat role, this housing operates on a for-profit or a cost basis. However, the financing of market-priced affordable rental housing is very difficult to work out, so developer creation of affordable rental housing typically involves cross-subsidization – in which expensive condos/rental units help cover the cost of affordable units.
- 2. Non-Market Affordable Rental Housing:** generally non-profit or co-op-led, it may infrequently involve a partnership with a developer to cost-share on constructing a mixed-use site. Non-market housing primarily is targeted at low-income working people (but can also be targeted to a sub-group such as single mothers or youth.) It typically involves a subsidy at some point such as donations, free or below market value land, government grants and/or a large degree of cross-subsidization.
- 3. Social and Supportive Housing:** non-profit led, generally involves a revenue stream that includes government grants and charitable contributions. A key distinguishing feature is the presence of support services to assist the residents with their non-housing related needs. Some examples of social/supportive housing include youth transitional housing or women's shelters.

Another pathway for affordable housing is **affordable home-ownership**. Affordable homeownership generally takes the form of shared ownership such as a condo/strata, co-operative, or a seller-placed covenant agreement (e.g. where a condition of the sale is that resale is restricted to specific purposes, such as limiting future buyers to lower-middle income people.) While the opportunity for lower-middle income people to build equity while living in affordable housing is an attractive proposition, this model has been mostly unexplored in Canada because of governments' (as the traditional major funder) focus on developing affordable rental properties.

**Figure 5:** Blue Heron Co-op (Ottawa) was the first housing co-op in Ontario in 10 years, providing 83 affordable units for low-income families and single workers on a mixed-income basis. The land was provided by the Anglican parish of March on a long-term lease. Half of the capital funding



Source: Canada Housing Mortgage Corporation (2013) Project Profile – Blue Heron Co-op <http://www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/loader.cfm?csModule=security/getfile&pageid=155439>

was provided through grants from the City of Ottawa, CMHC and the Province of Ontario.

## Beyond Affordable Housing

Though affordable housing is the focus of nearly all the church redevelopment projects encountered in the research leading up to this guide, it is not the only option available. A redevelopment can also provide commercial office or retail space for a non-profit or social enterprise (a social enterprise is generally a business that exists primarily to accomplish a social purpose rather than make profit, though it can make profit.)

Non-profit/social enterprise uses of church space take advantage of the excellent infrastructure that church buildings generally have – large communal spaces in sanctuaries and church halls. Some of these uses can be standalone, depending on the size of the building, or they can involve a variety of organizations sharing space. Some interesting combinations of organizations can allow synergies that

make the effectiveness of the programs even stronger than it would be otherwise simply by virtue of co-locating the services together – for example, affordable housing for single-mothers and a child-care facility. Playing off the synergies of different kinds community based projects under one roof are two other formats for projects to take – co-working spaces and introducing a social enterprise element into the project itself. A co-working space goes a step further from simply co-locating services in one location – it actively engages tenants as a community that can assist each other.

**Figure 5:** This United Church in Gateshead, England has been turned into a non-profit artist's studio space through an innovative partnership with a social enterprise.



*Source: 1 Church 100 Uses (2012) <http://www.onechurch100uses.org/cms/portfolio.html>*

## Component 2:

# Moving into Action

### Engaging the Community

Visions of “what could and should be” with a redevelopment project can emerge from a number of contexts. The most common context is the church searching for a new way to fulfill their social mission. However, another common starting point is when congregations with reduced memberships begin debating more existential questions. “Can we continue to maintain these properties?” “Can we continue to exist as a congregation?” A \$500,000 bill to fix the roof of the sanctuary and half empty pews as the donation box is passed around is an all too common story. From the start, it is critical to determine how a decision about redeveloping land can be made.

Engaging a religious community in an effort to redevelop their common property can be a terrific, community building experience – but it is ultimately a political process. There are likely to be some naysayers who will not recognize the value of a redevelopment for the social mission of the church.

Most disagreements will likely centre on the resource implications of a redevelopment – questions of whether the church should gain rents from tenants, how much value the church wants to gain from the land, what kinds of conditions the congregation or larger diocese/conference wants to place on the redevelopment. All of those questions have trade-offs with the scale of the social impact of redevelopment. If the church wants to take the lead in developing the land themselves, that will require resource commitments (and involve exposing the church to risks.)

## Trustees – the Gatekeepers

Different Christian orders have different models for governing the ownership of the churches land. Control might exist at the level of individual congregation or at a regional level. The most important group of people to identify is the **trustees** – *the people legally responsible for ensuring that church property is managed and disposed of in a responsible manner.*

Trustees are church members with experience drawn from the financial, legal, building and administrative professions. Trustees uphold the religious values as the church members, but in their role, adopt the conservative caution of their professions

Once the trustees have agreed to consider selling or leasing the land, there are three options to consider on the uncomfortable topic of valuation:

1. Providing the property as a gift;
2. Selling at a below-market price that covers the churches costs; or
3. Attempting to generate enough revenue from a sale to fund new activities.

Trustees have a **fiduciary duty** to obtain “fair price” when selling or leasing property. But if the decision fits in line with the defined social mission of the church – it should be able to avoid running afoul of the laws governing trustees.

## Trustees and Creative Design Case Study: The Church of St. James, Northumberland, England

The redevelopment of St. James, a United Reformed Church<sup>9</sup>, went through several incarnations before finally being realized. The completed project sold off the church hall (below) to a partnership between the local housing authority and a private developer. The proceeds from that sale were used to fund more than half of the creative renovation of the main church building.

<sup>9</sup> This case study was adapted from Faith in Affordable Housing (2009) *Using Church Land and Property for Affordable Housing*, pg. 62-67





**Figure 7:** The original sanctuary, pre-renovation.

The original sanctuary was divided in half, with the top half becoming the new sanctuary, and the bottom half becoming the new church hall. The updated facilities also included modern audio-visual equipment, allowing the new

sanctuary to be used for concerts, film screenings and conferences. The church hall includes a new kitchen and a meeting room. The project originally encountered two false starts. At the time, England’s trustee law was so strict that the church hall could not be sold off at the low price the church desired. Fortunately, English national inclusionary zoning rules (National Planning Policy s. 29) led to the building be purchased by a developer to fulfill their off-site affordable housing contribution.

**Figure 8:** The new Sanctuary (upstairs)



**Figure 9:** The new church hall (downstairs)



**Figure 10:** The original church hall - now 9 affordable homes



## Building a Team

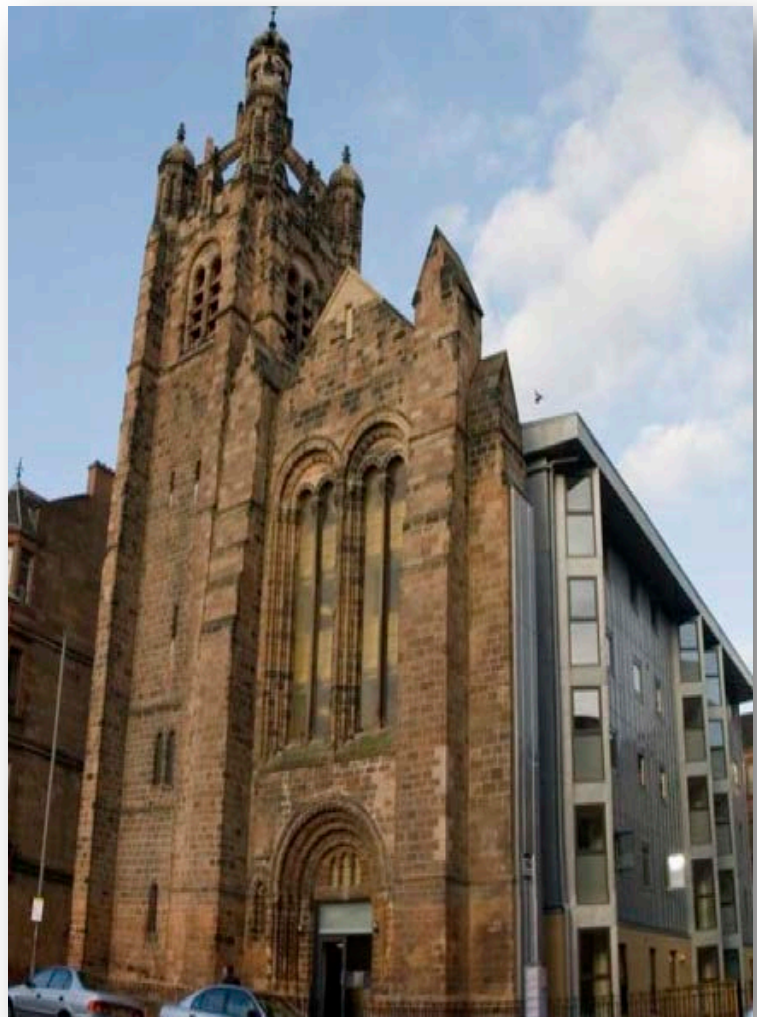
Unless the church has experience running programs and financial capacity as a player of its own right within the social services and social housing sector (which many churches actually do), it is difficult to contemplate a project of this magnitude without **building partnerships** with existing non-profit housing agencies, local government housing agencies, and other non-profit organizations. Building those connections as the plan develops is critical towards developing a vision of what that project will actually look like.

When beginning this partnership process, make a map of the

organizations in your community that fit into the priorities that the church has identified. Find out what distinguishes them from each other so you can find the partnerships with the best fit for your church. For example, if your church is very interested in youth – it may be better to choose a non-profit housing organization that shares that interest over one with more development experience.

However, the most critical stakeholder in a redevelopment project is what the Scottish organization *Scottish Churches Housing Action* calls “**the champion(s)**”. They might be the parish priest; they might be group volunteer at a food bank; they might any one of the many members of the

**Figure 11:** This Glasgow church was transformed into 28 units of social housing by the local housing authority - saving its historic bell tower.



Source: *Scottish Churches Housing Action (2010) Make it Happen.*

congregation; *they might be you*; they may be people outside the church in the non-profit community or professionals who want to lend their skills to the project – regardless of who they are and turn out to be, without champions to work tirelessly to make things happen, these projects will fail. Identify the people with commitment and faith in the potential of the project – foster those relationships, demonstrate patience and solidarity, and think of these projects as a chance to renew community.

## Local Governments

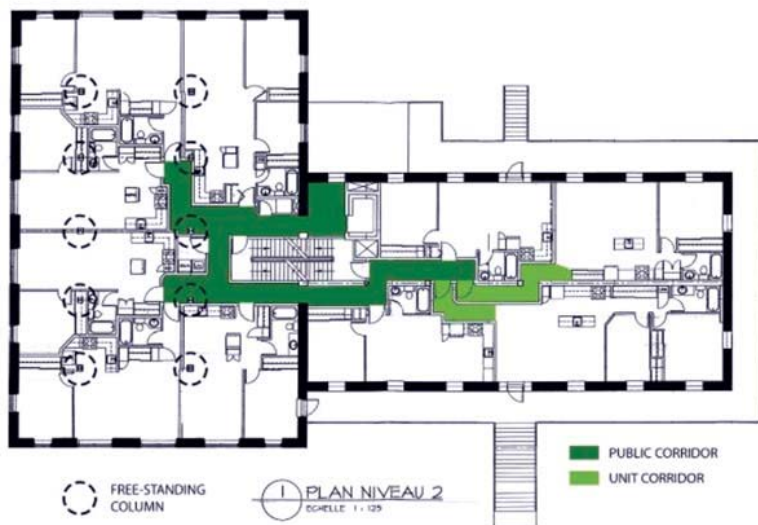
Another key constituency that must be engaged is local government planners to determine **the zoning regulations** around the site. Planners generally work within municipal policy and other frameworks, such as Official Community Plans, that provide guidelines on how certain neighbourhoods are developed over time. These frameworks provide guidelines and rules (zoning) that restrict the use of property within a particular neighbourhood context.

Social purpose developments can often use the same community-space zoning rules as churches – however, it is critical to consult planners to see if zoning changes will be needed to move ahead with the redevelopment plan. Planners generally have a zoning rule for each property that determines the maximum **floor-to-space ratio (FSR)** that a new building can have as a maximum height (and floor size relative to the surrounding lot

size.) Being aware of the maximum square footage available is important to be able to plan ahead both for architectural and for financial planning.

In most jurisdictions, planners will place a heritage designation on buildings (typically after 100 years) that protects (at a minimum) the façade from being

**Figure 12:** Floor plan of a Montreal heritage-designated convent, redesigned as an affordable apartment for low-income seniors.



Source: Canada Mortgage Housing Corporation (2009) *Recycling Catholic Institutional Buildings into Affordable Housing and Alternative Housing: Three Case Studies*. CMHC Research Highlights.

altered. **Heritage designations** will lead to older churches having a lower land value than would otherwise be expected because the redeveloper is limited in their choices of what they can do with the property and forced to navigate the complexity (and costs) of maintaining the existing building façade.

Planners (and local governments as a whole) have many levers they can use to assist redevelopment projects that benefit the community. To name only a few tools in their toolbox:

- **Property tax breaks** – for any percentage of the value of the property tax, up to a maximum of 10 years.
- **Development grants** – a block of funding to support the project.
- **Waived development charges** – development charges are the cost for a local government to process an application and sometimes include linking the project to city infrastructure.
- **Exemptions from minimum parking variances** – minimum on-site parking requirements are present in most development projects – affordable housing projects can sometimes get a reduced minimum because low-income people may not need/afford a car.
- **Inclusionary zoning** – is a system that compels or incentivizes developers to build a certain percentage of affordable housing, typically through **housing agreements** with non-profit housing providers. In the British and Scottish examples, many of the church affordable housing redevelopments benefited from a national housing policy that includes a well-developed, flexible system of inclusionary zoning. While this law doesn't exist nationwide in Canada, many local governments are adopting it – though the Capital Regional District lags behind – only Langford currently has adopted inclusionary zoning.

The use of these various levers is ultimately a political discussion about the kind of resources that your local government is willing to bring to bear to ensure affordable housing is developed. In British Columbia, the extent and the degree to which these levers are used is uneven across jurisdictions – the best way to find out what is available, is to ask local planners (and non-profit housing partners that work with those planners) what options are available.

**Process Case Study:  
St. John the Divine  
Victoria, BC**

*In the Anglican Church of St. John the Divine's in Victoria, the process started with a number of core organizers who had been previously involved in the re-roofing of the sanctuary. After that extensive process that raised many existential questions about the future longevity of the church, there emerged a vision for redevelopment of the underutilized grounds of the church into new land for social enterprises, non-profits and social housing – building a new community that could sustain the church in the 21<sup>st</sup> century.*

*They connected with grant funding from the Real Estate Foundation of BC to contract an architect to develop a site master plan and a lawyer to develop a legal framework for a re-development. They brought this plan to the local Anglican Diocese's Asset Management Committee (the title-holders on the land), who praised the value of the plan for advancing the financial sustainability and social mission of the church and authorized a 99-year lease for the property.*

*The final step towards is to bring the congregation together to vote on the proposal at a Vestry Council meeting (a special general meeting of the congregation). However, they come into this meeting with years of preparation, all of the key pieces in place, potential development partners, and engagement with over time with the church community (including through open meetings and a website/blog). With that permission acquired, the church hopes to begin construction by 2014. Engaging a community of congregation members and experts has been crucial to the success of their process so far.*

*Further information is available at [www.divinedevelopment.org](http://www.divinedevelopment.org)*



## Component 3:

# Nuts and Bolts

Churches have a wide range of options on the table for how they can redevelop their land to make it work for them – and for the community. These options can be characterized as a spectrum – ranging from churches that continue to exist side-by-side a redevelopment of their churchyard or parking lot – to churches properties that the diocese/conference chooses to abandon and hand over to a redevelopment project. In between these two extremes, there are some innovative alternatives.

### **Granton United – A Revitalized Church and Affordable Housing**

In 2007, the Edinburgh United Reformed Church and the Port of Leith Housing Association partnered to replace a poorly maintained 1829 church with a beautiful modern mixed-use building (at right) that includes 4 townhouses, 18 apartments and scaled-down sanctuary hall that maintained the 19<sup>th</sup> century stained glass and church organ. There are many other examples of existing congregations shrinking their space and using the excess to provide affordable housing (which provides the congregation with a small income in perpetuity). These can be found in the two guides from Scotland and England linked to on page 22.

*"Imagine sitting in a cold damp church hall with poor lightning and wooden chairs that were very uncomfortable. Probably not that hard to imagine and many of us have experienced it! That was my experience of my first meeting at Granton United Church in north Edinburgh two and half years ago. Move ahead to a lovely sunny warm Saturday afternoon in March sitting on a comfortable chair in a bright beautiful new building worshipping God and celebrating the opening of the new building at Granton. The contrast was amazing – the new worship centre was ideal and fits the church's purposes for the 21st century. Next door, new affordable flats were occupied and have created a new community."*

*- Jeremy Balfour, Scottish Churches Housing Action*

**Figures 13 and 14:** Granton United Church in Edinburgh. Original (left) and redeveloped (right).



Source: Scottish Churches Housing Action (2010) *Make it Happen!* pg. 42-43

There is a spectrum of options (see below) available for churches as they decide how they might divest or retain ownership over their land. Many churches choose to fully surrender their land to a non-profit developer, but this remains uncommon because most churches want to retain some long-term control over the use of the property. The choices over ownership are starker – if the church is going to redevelop property towards a new purpose, it will be necessary to provide a new entity with either full title or a lease to the redeveloped land<sup>10</sup>. However, sales or leases can be made conditional – with a **covenant agreement**

High Involvement			Low Involvement		
Church-operated and owned	Church/Partner operating agreement/shared ownership	Church purpose builds and leases	Partner develops on long-term lease	Partner buys on a covenant agreement	Partner buys full rights to the property

<sup>10</sup> Whether there is more than one partner, or the church plans to be the lead partner themselves, there will need to be a new legal entity created that will be in charge of managing the redeveloped project. A more extensive discussion of the pros and cons of various land tenure options is available in the appendix of Nancy Hofer and Penny Gurstein’s *Provisions for Affordable Homeownership and Rental Options in British Columbia: An International Review of Policies and Strategies* (<http://www.scarp.ubc.ca/sites/default/files/Affordable%20Housing%20APPENDIX%20DOCUMENT.pdf>) and in Deborah Curran and Robert Brown’s *Non-profit Social Purpose Real Estate Development Models: Land Tenure and Operational Governance* (link forthcoming).

that locks that land into a particular purpose. For example, a covenant agreement might lock a parcel of lease land for the single use of affordable housing in perpetuity – so even if the initial partner cannot make proper use of the land, the church can ensure that it will be transferred next to someone who can.

Churches have more choices about their long-term involvement in a redeveloped property than the extreme poles of running a redevelopment project on their own (far beyond the capacity of most churches) or simply selling off the land with no strings attached (an uncomfortable consideration for churches to contemplate.) Lease agreements and covenant sales are the most direct way for churches to retain some control while still allowing a redevelopment to be viable. However, there are many other governance arrangements that can be set in place. Most churches, in fact, maintain a role as a partner in redevelopment projects, whether that entails something as small as a permanent seat on the non-profit entity's board of directors for a religious or lay leader from the congregation.

## Financing the Project

If the church remains an active partner in a redevelopment, it will be important to understand some of the broad options available for financing the project. Church redevelopment projects are expensive – running millions to tens of millions of dollars in

most instances. Churches generally find themselves land-rich and cash-poor, therefore financing a project out of the church's savings (though not unheard of) is generally out of the question.



**Figure 12: Partnership Design Components**  
**Source: Adapted from Deborah Curran and Rob Brown (2013) Not-For-Profit Social purpose Land Development Models: Land Tenure and Operational Governance**

The basic idea of securing financing is that your creditor needs to see how the business plan of your project will assure them a return on their investment. How much interest charged by the creditor is based on their perception of the risk of your project. Fortunately, church redevelopment projects have a good track record of securing financing because churches represent a stable charitable



organization especially paired with an established non-profit service provider. In particular, **credit unions** are a good source of financing for these kinds of projects because they bring their extensive expertise financing non-profit projects that can be helpful to the success of a project. At the same time, it will be critical for churches that want to develop a project on their own to find a qualified development consultant who can shepherd them through the process – even the most socially minded credit union won't put their money on the table unless there is clear expertise and capacity to ensure the project's success.

Developers hold a broad base of technical and soft skills. The Social Purpose Real Estate Table generated a list of tasks for inclusion in RFPs in the early to middle stages of a real estate development that require an experienced developer partner or consultant. The list below is an abridged version.

- Overseeing the preparation of development/concept plan (may include or transfer over to an architect/planner)
- Undertaking market need/demand analysis (market research); the non-profit may already have some of this from its programming work.
- Identifying, evaluating and assisting with property acquisition; the non-profit may already own land or be receiving a bequest or a gift of a City amenity
- Assisting with project design (from market and budget perspectives)
- Assisting with monitoring and reporting on construction costs
- Preparing capital and operating cost budgets
- Assisting with zoning/rezoning and other approvals
- Preparing applications to CMHC and/or BC Housing or other funders
- Helping prepare marketing materials and coordinating marketing/application processes
- Preparing financing application to investors and lenders, and helping negotiate terms
- Helping design a transparent procurement process and construction contract
- Ensuring a plan for property management is in place

Other tasks that are involved in the development process are the architectural design and contract management skills involved in carrying out building – the architect and/or project manager carries these out. The rest of the RFP guide is

available along with other resources on the Social Purpose Real Estate Table website (listed in the Key Resources section.)

## Mobilizing Community Investment

An emergent approach to raise capital for non-profit projects is to solicit **community investment** (or “impact investment”). In this approach, the project puts forward a “community bond” a form of equity in the project that promises investors a low-return (or no-return) on their investment, provided the project succeeds. Normally, an equivalent private sector investment would attract investors, but a community bond targets investors in the community (especially those who feel the project will benefit their immediate community, such as parishioners) who will forgo a larger return in order to see their capital create an impact in the community. This kind of impact investing is part capitalist investing (investors do get their investment back if the project succeeds) and part philanthropy (investors forgo a larger return on their investment.)

The Community Social Planning Council is developing a formal community investment fund mechanism for Greater Victoria. An analysis completed in 2011 found that for many projects the use of a community bond offering could allow many projects to cross the threshold into being financially viable or allow housing developments to translate savings on borrowing into more affordable rents<sup>11</sup>. The introduction of Community Contribution Corporation (C3) legislation in British Columbia offers an exciting possibility (from June 2013 onwards) to create a share-issuing housing development corporation that could sell shares to raise capital without sacrificing the social mission of building affordable housing to shareholders. With all of these emerging options, it is critical to engage solid legal and financial advice to ensure that all parties are protected.

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<sup>11</sup> Nicole Chaland, Community Social Planning Council. (2011). Social Finance Options for Affordable Housing in British Columbia’s Capital, pg. 3

# Key Resources

This guide was created as only a short introduction to the issues involved in redeveloping a church property for social purposes. As noted, it is critical to engage with experts in your congregation and community who can animate these various issues and help find the best solutions for your local context. Below are some additional resources that go into further depth on some of the issues touched upon in this guide:

## Comprehensive Guides to Church Redevelopment Projects

Scottish Churches Housing Action

*Make it Happen*

<http://www.churches-housing.org/what-we-do/church-property/>

Faith in Affordable Housing

*Using Church Land and Property for Affordable Housing.*

<http://www.housingjustice.org.uk/pages/fiah-resources-117.html>

Church of St. John the Divine

*Not-for-profit Social Purpose Real Estate Development Models: Land Tenure and Operational Governance*

Link forthcoming

One Church, 100 Uses

*Templates of Church Redevelopment Documents*

<http://www.onechurch100uses.org/cms/templates.html>

## Affordable Housing Tools and Templates

BC Housing

*Affordable Housing Development Templates*

<http://www.bchousing.org/Partners/Oportunities/Framework>

Social Purpose Real Estate Table

*Social Purpose Real Estate Resources*

<http://www.socialpurposerealestate.net/social-purpose-real-estate-resources>

Canada Mortgage Housing Corporation

*Publications and Reports*

<https://www03.cmhc-schl.gc.ca/catalog/home.cfm?lang=en&fr=1366157814372>



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203-4475 Viewmont Avenue Victoria, BC V8Z 6L8  
[www.CommunityCouncil.ca](http://www.CommunityCouncil.ca) | Tel: 250-383-6166 | Fax: 250-479-9411 | [admin@CommunityCouncil.ca](mailto:admin@CommunityCouncil.ca)  
Twitter: @CSPC\_Victoria | Facebook: CommunitySocialPlanningCouncilVictoria