

November 27, 2024

City of Langford
877 Goldstream Avenue
Victoria, BC V9B 2X8

Attention: Mayor and Council

Dear Mayor and Council,

Re: Potential Purchase of the Westhills YMCA

We are writing regarding the potential purchase of the Westhills YMCA to provide information and context to assist residents and Council in considering the available options.

Over a decade ago the City and the YMCA initiated discussions with us regarding the possibility of locating a recreation centre with a significant aquatic facility in Westhills. All parties were supportive of the idea and the benefits it would bring to the community but none of us were interested in solely funding the construction of the building and taking on the associated risks.

It was not (and still is not) common for a private entity to bear the cost of construction and take on the role of landlord in such speciality facilities. It also became clear that it would be difficult for a private entity to borrow the money required for the construction due to the unique nature of the facility and lack of similar examples in other communities. Creativity and cooperation among the parties was required in order to make the recreation centre a reality.

Westhills ultimately decided to take on the risk of constructing and owning the building using some of its own funds and a significant construction (and later mortgage) loan. We were willing and able to do this only because of the important commitments made by the other parties:

- The YMCA entering into a 25 year lease agreement
- The City of Langford agreeing to provide a subsidy to the YMCA
- The City of Langford agreeing to guarantee the obligations of the YMCA under the lease in the event they became unable to fulfill them

Westhills began construction of the building in 2014 and it opened in 2016.

During Covid Westhills agreed to defer a significant portion of the YMCA's rent and ultimately forgave several hundred thousand dollars of this deferral to assist the YMCA with this challenging situation. We also did not increase the rental rate during this time as allowed under the lease in an effort to provide additional assistance to the YMCA. In addition we have not raised rents since that time while we discussed the potential sale with the City. During this time our costs of borrowing increased and we will need to begin implementing the rent increases permitted under the lease.

In March of 2023 Council directed City staff to enter into negotiations with Westhills for the potential purchase of the recreation centre. We began discussions with City staff soon after that thinking a decision would be made over the next few months. Negotiations have taken much longer than we anticipated and if the City does decide to move forward with the purchase in



December the completion of the sale would occur in 2025, more than 2 years after the decision of the parties to enter into negotiations.

Over the past 2 years we have had other parties express interest in purchasing the facility. While we would make assignment of the remainder of the YMCA lease a condition of any sale, there is no guarantee that a third party buyer would continue to maintain the building as a municipal recreation centre after that time, nor that they would choose to renew the 5-year leases of the other community-focussed tenants in the building including the library and the Victoria Conservatory of Music. We have, to date, elected not to enter into negotiations with any third party, respecting the process that the City has moved forward with and have continued our negotiations with the City in good faith. It has always been our belief that the City is best suited to own the building given the multitude of community programs operating out of it.

Since our discussions with the City started, the market has evolved, construction costs have increased and interest rates have decreased. We believe that the recreation centre is worth more than the price in the offer to sell, however we are prepared to sell it now to the City at this price given the relationship between the parties and the discussions to date.

Normally an offer such as this would be open for 2 – 3 weeks however discussions with City staff indicated that leaving it open for a longer period of time would allow the City to provide its due diligence information to the public and Council and receive feedback prior to making a decision. As a result, the offer was left open to December 17th.

The purchase price contained in the offer to sell is less than the price we originally proposed due to the negotiation of City staff over the past year and a half. Conversely, both the appraised replacement cost and assessed value of the building have increased by millions of dollars during that time. The building is currently insured for approximately \$45,000,000. This figure excludes the value of the land under the building as well as the large parking lot included in the potential sale.

We have been patient to date however we are looking forward to the City soon deciding whether it will purchase the recreation centre or not. If the City decides not to purchase or is unable to make a decision prior to the offer expiration date we will need to explore other options for the facility. This may not necessarily preclude discussions with the City at a later date, but we would not be able to guarantee that the price and other terms contained in the current offer would remain the same in the future.

Please let us know if we can provide any further information to assist you in making this decision.

Yours truly,

Westhills Land Corp.

Per:


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Manager

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