Church Land Acquisitions Levy Ordinance 2022

Explanatory Report

Key Points
• The Bill provides for a 10 year Church Land Acquisition Levy payable by parochial units in each of the years 2023 to 2032.
• A ten year commitment will enable the Anglican Church Growth Corporation to borrow money against the predictability of that income stream, in order to respond with greater flexibility to strategic purchases of property as they arise.

Purpose of the bill

1. The purpose of the bill is to provide for a Church Land Acquisitions Levy payable by parochial units in each of the years 2023 to 2032.

Recommendations

2. Synod receive this report.
3. Synod pass the Bill as an ordinance of the Synod.

Background

4. In October 2012, Synod passed an ordinance by which parishes committed collectively to contribute $2,000,000 for the acquisition of land by the Mission Property Committee (**MPC**) for church sites in "greenfield" areas of the Diocese, which was collected in 2013 by means of an additional 2.24% levy (the Church Land Acquisition Levy [**CLAL**]) on Net Operating Receipts. This $2,000,000 annual contribution continued in 2014 (2.18% levy) and 2015 (2.09% levy).
5. Commencing in 2016, the Church Land Acquisitions Levy was set as a flat 2% levy (rather than a $2M contribution). Synod funding commitments are for three years at a time – the *Parochial Cost Recoveries and Church Land Acquisitions Levy Ordinance 2015* set the levy for 2016-2018, and the *Parochial Cost Recoveries and Church Land Acquisitions Levy Ordinance 2018* set the levy for 2019-2021. (Because of the interruptions to synod caused by COVID-19, the Standing Committee passed a one-off ordinance in 2021 to address 2022).
6. In summary, for the past 10 years, the parishes of the diocese have contributed an additional levy of 2% (or more) to fund the acquisition of sites for new churches. During this time, the MPC has used the funds raised by the CLAL to invest in properties in key growth areas prior to the densification in zoning. This has resulted in the ability to progress church plants in areas of population growth such as Stanhope Gardens and Leppington. Properties already purchased for future church plant developments include Marsden Park, Bradfield, Rossmore and Riverstone. The MPC has typically made the strategic decision to purchase more land than is required for the church development itself. This is done so that when the church development has been completed, the excess land can be sub-divided and sold after re-zoning. This money is then dedicated to the construction of the church building on the next priority new church development site (i.e., the Stanhope Gardens sub-division funded a large portion of Leppington construction – Leppington subdivision will fund a large proportion of Marsden Park construction and so on).

Discussion

Potential for improved funding structure for purchase land for new churches

7. The CLAL commitment over the past 10 years from the parishes of the Diocese has made a significant difference to our ability to plant new churches in the growth corridors in North-West and South-West Sydney. However, if the Synod is prepared to make a commitment to do likewise for a further 10 years, this will afford opportunity to introduce an improved funding structure.

8. The current arrangement requires the MPC (and now the Anglican Church Growth Corporation [**ACGC**]) to accumulate the CLAL over multiple years to save enough money to make an offer on a property. With land values for a church development being between $4-5M, there is a 2-3 year cycle to save the money from the 2% CLAL for land acquisition. The Diocese is now at risk of missing out on suitable properties because we do not have the accumulated funds on hand.

9. The obvious answer would be to borrow money to fund the purchase, knowing that it would be repaid by the CLAL in due course. However, the banks are reluctant to lend money when the CLAL is only guaranteed for three years at a time.

Effect of a ten year commitment to the Church Land Acquisition Levy

10. The purpose of this ordinance is to commit the parishes of the Diocese to the CLAL at the rate of 2% of Net Operating Receipts for the next 10 years (2023-2032), which will enable the ACGC to borrow money against the predictability of that income stream. This will provide greater flexibility to respond to strategic opportunities as they arise.

11. The Diocese has been informed by large land release developers that they will be providing space in upcoming developments for Places of Public Worship (PoPW) in a similar manner to Oran Park. However, we will need to be in a position to secure a binding agreement in a relatively short timeframe or they will offer the land to a different denomination.

12. There is always volatility in the property market, but more so now with movements in interest rates. This could provide opportunities where property prices plateau or, in some cases, fall, especially in rural-residential zones which is the main target of greenfield church property acquisitions. However, MPC (now integrated into the ACGC) does not have the financial capacity to respond to opportunities that arise in the market.

13. It would be advantageous to purchase property at what we believe is the opportune time, rather than being limited to when ACGC has accumulated sufficient funds. This requires a capacity to borrow money.

Consideration of loan facilities

14. ACGC has been speaking with two major banks to ascertain their appetite to establish a facility for the Diocese to have $20M available for greenfield property purchases. The broad conditions from the banks were –

    (a) Both would need property security, but had differing levels of security provided. Subject to credit approval for a corporate markets loan, the levels of property security ranged between 40-70% LVR.

    (b) Both needed assurances of the security of income to finance the debt required an assurance longer than the 3-year approval cycle that Synod currently applies to the CLAL. Both suggested that a minimum of a 10-year commitment of the CLAL from Synod would be needed.

    (c) One bank was investigating how to provide a line-of-credit facility. This product has a combination of facility fee (charged on the facility limit) and drawn fee (charged on the amount drawn). So if the facility is undrawn, you only pay the facility fee. An equity lending facility has no fee unless it is drawn. It also provides greater flexibility in terms of the use of funds (so could be applied to a broad range of projects).

    (d) Indicative fixed rates (excluding loan margin/fees) updated on 11th July 2022 are –

3yr starting today: 3.78%	starting in Sep-22: 3.87%
5yr starting today: 3.96%	starting in Sep-22: 4.03%
7yr starting today: 4.13%	starting in Sep-22: 4.19%

15. The following table shows the repayment of $20M, assuming interest at the 7 year fixed rate (4.19%). This loan would be comfortably repaid within the term of the ordinance (repaid in full early in 2031, with almost $5M in buffer by the end of 2032).

	Starting Loan Balance	4.19% **Interest**	**CALC**	**Ending Loan Balance**
2022	20,000,000	838,000	2,440,000	18,398,000
2023	18,398,000	770,876	2,488,800	16,680,076
2024	16,680,076	698,895	2,538,576	14,840,395
2025	14,840,395	621,813	2,589,348	12,872,860
2026	12,872,860	539,373	2,641,134	10,771,099
2027	10,771,099	451,309	2,693,957	8,528,451
2028	8,528,451	357,342	2,747,836	6,137,956
2029	6,137,956	257,180	2,802,793	3,592,344
2030	3,592,344	150,519	2,858,849	884,014
2031	884,014	37,040	2,916,026	-1,994,972
2032	-1,994,972		2,974,346	-4,969,318

16. It would only be in the unlikely instance that interest rates were to rise above an *average rate* of 7% that the loan could not be paid within the ordinance period (and in which case the Synod would simply extend the commitment to the CLAL accordingly).

	Starting Loan Balance	7.00% **Interest**	**CALC**	**Ending Loan Balance**
2022	20,000,000	1,400,000	2,440,000	18,960,000
2023	18,960,000	1,327,200	2,488,800	17,798,400
2024	17,798,400	1,245,888	2,538,576	16,505,712
2025	16,505,712	1,155,400	2,589,348	15,071,764
2026	15,071,764	1,055,024	2,641,134	13,485,653
2027	13,485,653	943,996	2,693,957	11,735,692
2028	11,735,692	821,498	2,747,836	9,809,354
2029	9,809,354	686,655	2,802,793	7,693,216
2030	7,693,216	538,525	2,858,849	5,372,892
2031	5,372,892	376,102	2,916,026	2,832,969
2032	2,832,969	198,308	2,974,346	56,930

17. If the Synod passes this ordinance in September 2022, committing to the CLAL for 2023-2032, it will enable the ACGC to negotiate an acceptable loan facility for up to $20,000,000. The security for the facility would be a combination of the purchase property and other properties under the trusteeship of the ACGC. The funds will be used to progress the priority greenfield land acquisitions agreed to by the ACGC Board under advisement from the Greenfields Sub-Committee.

Explanation of the bill

18. Clause 2 sets out definitions that are applicable throughout the Ordinance.

19. Clause 3 provides for the levy to run for 10 years in each of the years 2023 to 2032 inclusive. The levy will be calculated at 2% of the Net Operating Receipts (**NOR**) of the parochial unit. The levy for a year will be based on the NOR of the parochial unit in the year that is 2 years prior. In 2023 a parochial unit will pay a levy that is 2% of its NOR in 2021, and so on.

20. Clause 4 provides for the levy to be paid in 12 equal monthly instalments throughout the year in which it is due.

21. Clause 5 provides for the levy to be paid into the Mission Property Fund under the Mission Property Ordinance 2002 (**MP Ordinance**) from which it will applied towards “church land acquisition projects”

and the repayment of loans for such projects in accordance with the MP Ordinance. A “church land acquisition project” is the acquisition of land for church sites in areas in the Diocese which are experiencing or are likely to experience a rapid increase in population.

22. Clause 6 provides for the Regional Archdeacon to consult the minister and wardens in circumstances where the levy remains unpaid for a period of 3 months after the due date and to report to the Standing Committee.

23. Clause 7 provides for the Standing Committee to provide relief from the levy where this arises from a structural change to the parish and the relief is equitable in the circumstances. It also provides a general authorisation for the Standing Committee to remit the whole or any part of any arrears of levy owing by a parish if it considers this to be expedient. Any relief provided and remissions of the levy are to be report to the Synod.

For and on behalf of the Standing Committee.

DANIEL GLYNN
Diocesan Secretary

25 July 2022