

Mission Property Committee proposal to provide guidance to parishes undertaking development projects

(A report from the Mission Property Committee.)

Key Points

- The MPC estimates that additional funding of \$500,000 p.a. is required to meet demand for advising consultants to progress up to 10 parish projects to the feasibility / Development Application stage
- It is recommended that the Standing Committee MPC review sub-committee support the MPC proposal to provide guidance to parishes and prioritise adequate resourcing of \$500,000 p.a. from various sources in 2018 and include this initiative in the funding principles for the triennium period 2019-2021

Purpose

1. To propose that Standing Committee adequately resource parishes by funding the MPC with \$500,000 p.a. to provide professional and strategic guidance to parishes undertaking development on existing church sites.
2. To provide recommendations on the role of the various diocesan stakeholders (parishes, SDS management, Regional Bishops, MPC, NCNC, ENC, and Standing Committee/Synod) in parish projects. MPC will advise on property development options on parish sites, and be responsible for providing recommendations to Standing Committee.

Recommendations

3. That the Synod receive this report.

Background

Demand for resourcing new church facilities in existing parish locations

4. The ACPT owns approximately 1,100 property titles on trust for parishes. Each parish typically comprises a church, hall and rectory. Many are well located to transport infrastructure which have been up zoned to permit multi-level residential or mixed use development.
5. The number of church buildings across the Diocese has reduced from approximately 400 in 1980 to approximately 350 in 2017. This is due to a pattern of parishes selling off a portion of land holdings to primarily fund building projects. This is an unsustainable practice especially in light of the population growth envisaged in existing urban areas.
6. There has been a structural shift in housing choice across Sydney with greater acceptance of family living in medium and high density housing. Sydney now has more than 100 suburbs where at least half the population lives in a flat or apartment. The 2016 census, released last month, found 42.1 per cent of all dwellings in Greater Sydney are now medium or high-density, representing a 3.5% increase over 2011, a trend set to continue with about 70 to 80 per cent of dwellings constructed in Sydney in 2016 being medium and high density. In Q2, 2017 NSW Government announcement of construction of 5 new inner city medium to high density schools. Ministry to the increasing number of those living in apartments provides both challenges and opportunities. Given that we have approximately 350 church buildings across 270 parishes in these areas opportunities for development on existing sites need to be explored.
7. The NSW Department of Planning reports the population of Greater Sydney is set to increase by 1.74 million people in the 20 years to 2036, with 75%, or 1.3 million, forecast in existing urban areas. There is significant population growth and underlying demand to warrant consideration of the development of existing church sites. Many of these are located within the catchments of the urban renewal corridors and medium density infill locations.
8. Regional bishops have identified 31 parishes that are proposing existing church redevelopment projects. This represents over 10% of existing parishes. These are all at different stages (Refer annexure 2). However the majority of parishes are in need of seed funding to progress the planning, including the testing of project feasibility.
9. Adjoining apartment developments often create pressure for parishes. The parish may either form a consolidated development site or will need to respond to the new built form and vehicular access arrangements. This means that parishes must deal with the property development issues as a priority and perhaps earlier than they would have otherwise envisaged.

10. Accordingly, the MPC recognises that there is a need for resourcing new church facilities in existing parish locations, but parishes are inadequately resourced to advance the opportunities to do so.

Learning from previous property development ventures

11. SDS management has observed well-meaning parish volunteers, many of whom may not have expertise in dealing with property projects, be commercially taken advantage of by developers who see the church as a “soft touch”.

12. Historically organisations within the Diocese have been unsuccessful in self managing Brownfield property development. The Moore West (1995) and Bishops court – Greenoaks apartments (2005) developments, where the diocese acted as a property developer, failed chiefly due to a lack of management expertise. This method of the diocese taking on development risks to construct and sell whilst high return is also high risk. An alternative method of obtaining development approval for higher density development in conjunction with a suitable development partner is of relatively lower risk.

13. Appointment of trusted expert advisors will address the aforementioned past failures. Such advisors have the appropriate skills and track record of delivering successful projects. They would conduct a risk assessment with appropriate mitigants (refer annexure 5). They would negotiate with developers and owners of adjoining sites.

14. Lessons learnt from the 2005 / 2006 Synod New Capital Project (NCP) include –

- (a) The significant development constraints on church sites due to heritage listings (27 state listed and approximately 100 local listed heritage items). Restrictive church land zoning issues were also highlighted. There is an inconsistent zoning approach between local government areas. As a result, any proposal to unlock the value in these sites is likely to require expert advice and a period of 3 to 5 years to completion,
- (b) Church trust property is underutilised. There is a total seating capacity of 62,000 across some 350 church buildings in the Diocese. An average Sunday attendance in 2016 is approximately 50,000 adults. Assuming potential for 2 congregations per church building each week utilisation is only 40%. Church buildings are particularly underutilised during most days of the week. Proposals to develop land and encourage mixed uses that are compatible with the church and assist in outreach and connection with the local community are to be encouraged. Wisdom is required in balancing the potential for encouraging other uses such as an income producing lease which should not be pursued if it prohibits new ministry initiatives.
- (c) There is a reluctance from church members to consider the sale of surplus land given the significant emotional attachment of members to church buildings, and
- (d) Any “top down” approach is a poor fit for the parochial culture of the Diocese. The Diocese exists for the parishes not vice versa.

15. SDS management has held meetings with a significant number of parishes over the last decade and anecdotal evidence is that parishes do not have funds sufficient to embark on property redevelopment projects given that seed funding to conduct project feasibility analysis in excess of \$25,000+ is required. Those parishes which do have sufficient funds often appoint the wrong type of consultants. There are a significant number of parishes each year expending significant funds and efforts in requesting architects to prepare detailed projects that are not economically feasible.

16. The charter of the Diocesan Regional Architectural panels is to provide architectural and site master planning advice to parishes. However there is currently a gap in addressing development feasibility, authority approvals or project funding. If appropriately resourced, SDS management could assist parishes in appointment of an advising consultant to conduct an initial economic development feasibility advice first.

17. There is no one size fits all model, with each parish project having a unique brief reflecting the diverse church sites and also the parish: history; ministry strategy, and growth/ life cycle stage. As such, a purely commercially driven approach whereby only external consultants are appointed to deliver parish projects is not considered appropriate.

18. Under the *Mission Property Ordinance 2002*, the MPC has been tasked, among other things, to provide advice and support to parishes which seek to develop their land. However the Parish Property Services team of SDS management does not currently have the capacity to serve the forecast level of service required to provide guidance to these parishes proposing projects. In response to this demand for advice, in June 2017 the MPC and ACPT have partnered to jointly allocate ongoing funding of an additional Manager, Parish Property. This position will assist parishes and the work of MPC with recruitment underway in the second half of 2017.

Possible structural changes to address problems

19. While the MPC and ACPT have provided funding for an additional manager, Parish Property; there is ongoing opportunity for structural reform of diocesan organisations in order to better support parishes who are seeking property development.

Roles and responsibilities of Diocesan Stakeholders

20. Based on the lessons learnt from the above experiences, the recommended roles and responsibilities for existing church building and redevelopment projects follows.

- (a) Parishes should –
 - (i) articulate the parish ministry strategy and initiate property projects at the parish grassroots level, and
 - (ii) agree to match dollar for dollar any Diocesan funding for the first \$25,000, such investment typically improving the ownership of the project by the parish (who has “skin in the game”) and its prospects for success.
- (b) Regional bishops should –
 - (i) endorse the parish ministry strategy,
 - (ii) provide detailed comments by involving his Architectural Panel at the appropriate time, and
 - (iii) rank parish ministry priorities across each region for seed funding to be brought to the MPC/Standing Committee.
- (c) Evangelism and New Churches (ENC) should provide ministry overlay and priorities for new church plants/repotting as appropriate in conjunction with the regional bishop,
- (d) External property consultants should be appointed to provide independent professional/commercial advice as required,
- (e) Standing Committee should provide –
 - (i) appropriate funding and approval of priority ranking of funding allocations (in accordance with Synod directions), and
 - (ii) follow a staged gateway approval process for a parish project to provide clarity on the process of binding approvals prior to a parish investing significant resources into a project.
- (f) MPC should provide –
 - (i) high level strategic guidance to parishes and Regional Bishops including –
 - (a) use of Graphical Information System (GIS) to identify location of population growth corridors and development potential of parish sites, and
 - (b) considering and proposing alternative and innovative land uses, delivery models and strategic partnerships to ensure the ongoing sustainability of the subject parish and the asset, and
 - (ii) recommended priority ranking of funding of parish projects to Standing Committee for consideration according to the following criteria –
 - (a) urgency in relation to responding to the timing of adjoining development sites,
 - (b) ministry priority determined by regional bishop/ENC,
 - (c) relative forecast dwelling and population growth within the parish (refer annexure 1),
 - (d) suitability of land for church use in line with parish ministry strategy,
 - (e) potential for harvest from development proceeds/income generation based on complementary development of the site, and
 - (f) project feasibility/prospects of delivery where MPC will give priority to harvesting the low hanging fruit, i.e., those sites with a high chance of success on full or partial redevelopment, and
 - (iii) quarterly reporting to the Standing Committee on the progress of each project the recipient of funding.
- (g) SDS management should –
 - (i) provide guidance to the aforementioned diocesan stakeholders throughout the development process, regular communication and manage expectations, and

- (ii) recommend practitioners whom the parish can engage (subject to a competitive tendering process) based on references from other parishes within each diocesan region based on shared parish experiences and input from other Christian churches within that geographical area. The type of expertise required may include (in chronological order: property advisor/land economist; development manager; lawyer; town planner; commercial negotiator; architect; heritage, project manager; quantity surveyor; hydrologist; traffic expert; ecologist; engineer; acoustic; contamination etc. It is not recommended that the parish choose its own practitioners without first consulting SDS management. It is the past experience of the ACPT that parishes, with the best will in the world, have unfortunately been misled by less than optimal advice. The Diocese is viewed as a soft target by the market, and the Diocese needs to prove the market is wrong. This will also mean we can engage these consultants on proper commercial terms, ensuring the ACPT is not exposed to unnecessary liability.

Funding a proposal to provide guidance to Parishes undertaking development projects

21. The Synod 2016 debate regarding the Funding Urban Redevelopment (FUR) proposal had the potential to inform these initiatives. There was a general consensus that the issue of church facilities in growth areas is of strategic importance for Mission 2020 and needs to be addressed.

22. During 2016/2017 regional bishops have requested SDS management, on behalf of the MPC, to provide assistance to 31 parishes (approximately 10% of all parishes) considering harvest type redevelopment projects (refer annexure 2). It is envisaged that upon announcement of such an initiative a significantly greater number of parishes will come forward. There is a demand for greater resourcing to enable a coordinated approach.

23. In response there is merit in a smaller scale seed funding of parishes (to be refunded upon project completion) to enable the testing of the feasibility of projects and enable some to proceed to the development approval stage. This has the potential to unlock the site value through redevelopment in the short to medium term (3-5 years) with the ability to produce a (sometimes significant) income stream, thereby effectively recycling funds and multiplying the impact to a significantly larger number of parishes in the longer term (5+ years). While parishes are typically "cash poor," many have significant land assets.

24. It is noted such a scheme could be self-funding over the medium term. In comparison to land sales, lease income provides predictable income streams suited to Synod distribution whilst retaining an appreciating asset. This is demonstrated by the following four parish properties' distributed lease income of \$1,240,075 for Synod distribution in 2017 –

(a) Ryde (Kirkby Gardens 96 apartments)	\$529,877
(b) Manly (Corso Shops)	\$257,742
(c) Church Hill (1 York Street office tower)	\$247,964
(d) St James King Street (St James Hall)	\$204,492

25. The changing nature of the Sydney property market currently has real opportunities for us to expand the number of parishes contributing significantly to diocesan initiatives.

Conclusion

26. The MPC has identified a bottleneck that impacts large projects (and potential projects) across the Diocese, often preventing them from ever reaching their initial planning approval stage. The bottleneck is that most parishes hesitate to commit any funds for professional consulting to a project which may not reach fruition, but cannot confirm the viability of a project without engaging consultants. In the absence of confident support, most projects falter and stall.

27. The MPC's contention is that this bottleneck will be removed if, in the course of advising parishes at an early stage, the MPC could access a fund from which to provide a significant portion of the initial consulting fees. If those projects that the MPC identify as most worthy of investment could be financially supported at the initial stages (where the majority currently falter), it should result in a significant increase of investment in development of urban areas among parishes.

28. Any of these projects that are intended to produce an income could then repay the initial consulting fees from the proceeds of the development.

29. It is recommended that the Standing Committee support in principle the funding of \$500,000 p.a. over the 4 year period 2018-2021 for parishes in undertaking development on church sites within non-Greenfield locations to be allocated in accordance with the priorities as outlined in paragraph 20(f)(ii).

Next steps

30. The MPC requests that the Standing Committee considers how best to adequately resource the MPC to fund the subject parishes including the following options –

- (a) allocation of the first \$500,000 pa of additional funds arising from the proposed Property Receipts Levy (PRL),
- (b) a 0.5% Parish Development Levy applied to all parish income to raise \$500,000 pa over the next triennium funding period (2019-2021),
- (c) approaching all potential supporters including -
 - (i) Individual Christian investors/companies, and
 - (ii) the Diocesan Endowment,
- (d) inclusion of consultant costs associated with parish projects in the PCR,
- (e) allocation of a portion of the sale/lease proceeds from parish projects to a parish development fund to cover the MPC costs and be recycled towards further brownfield projects.

31. The expectation is that not all parish projects (say 50%) will proceed beyond the feasibility stage. For those projects which do proceed, the application of the large receipts policy by Standing Committee may be used to effectively recycle any windfall gains to be paid into a fund held exclusively for future parish projects.

32. Consideration may be given to funding parish projects having regard to –

- (a) the approval of priority funding for each project being endorsed by the Standing Committee,
- (b) parishes matching funding dollar for dollar for the first \$25,000, and
- (c) parishes agreeing that potential windfall gains at the project completion will be subject to the allocation of development proceeds in accordance with the large receipts policy, if applicable.

33. Endorses the establishment of a future parish property development fund with the objective of becoming financially sustainable over the longer term. Such a fund to be available to progressively work through the various property priorities of each parish including -

- (a) Harvest (site redevelopment),
- (b) Invest (capital expenditure for expansion),
- (c) Hold (current facilities acceptable – regular maintenance only required),
- (d) Funding allocations to allow parishes to –
 - (i) respond to developments on land adjoining church sites. This may include submissions to local council, expert advice, feasibility, joint developments, and
 - (ii) Acquire strategic sites adjacent to parish land or in identified in-fill locations, the MPC has funds to move quickly and purchase that land for the particular parish or the establishment of a new church, and/or consider the development potential by purchasing that land. (For Example Anglican Schools Corporation and Anglicare campus masterplans typically include strategies to act swiftly to acquire adjoining sites as they become available).

For and on behalf of the Mission Property Committee.

GEOFF KYNGDON
Chair

29 August 2017

- Annexure 1 Dwellings forecast (2017-21) by Sydney Metropolitan LGA (Source: NSW Department of Planning)
- Annexure 2 List of parishes where the Regional Bishop requested assistance for harvest projects 2016-17
- Annexure 3 Generic guidelines - Overarching principles to assist parishes in determining the priorities for facilities development,
- Annexure 4 Church Property Development Procedure
- Annexure 5 Managing Project Risks

Dwellings proposed (2017-21) by LGA (Source: NSW Department of Planning)

Local Government Area	2016-17 to 2020-21	Ranking	Additional Population (3 persons per dwg)
PARRAMATTA	21,450	High	64,350
SYDNEY	18,250	High	54,750
BLACKTOWN*	13,600	High	40,800
CANTERBURY - BANKSTOWN	12,200	High	36,600
CAMDEN*	11,800	High	35,400
BAYSIDE	10,000	High	30,000
CUMBERLAND	8,850	High	26,550
THE HILLS*	8,350	High	25,050
LIVERPOOL*	8,050	High	24,150
RYDE	7,550	High	22,650
WOLLONGONG*	7,400	High	22,200
CAMPBELLTOWN*	6,700	High	20,100
PENRITH*	6,600	Medium	19,800
INNER WEST	5,750	Medium	17,250
SUTHERLAND*	5,150	Medium	15,450
GEORGES RIVER	4,600	Medium	13,800
SHELLHARBOUR*	4,550	Medium	13,650
HORNSBY	4,200	Medium	12,600
KU-RING-GAI	4,000	Medium	12,000
STRATHFIELD	3,650	Medium	10,950
NORTHERN BEACHES*	3,200	Medium	9,600
NORTH SYDNEY	2,950	Medium	8,850
SHOALHAVEN*	2,750	Medium	8,250
BURWOOD	2,550	Medium	7,650
FAIRFIELD	2,250	Medium	6,750
RANDWICK	2,200	Low	6,600
CANADA BAY	2,150	Low	6,450
LANE COVE	1,850	Low	5,550
WOLLONDILLY*	1,450	Low	4,350
WAVERLEY	1,250	Low	3,750
WILLOUGHBY	1,200	Low	3,600
HAWKESBURY*	1,100	Low	3,300
BLUE MOUNTAINS	650	Low	1,950
MOSMAN	300	Low	900
WOOLLAHRA	300	Low	900
HUNTERS HILL	150	Low	450
Sydney Metropolitan Area	199,000		

* Denotes LGA also has greenfields locations

** Forecasts have been rounded to the nearest 50 dwellings

List of parishes where the Regional Bishop requested assistance for harvest projects 2016-17

	Parish	Region
1	Appin	Wollongong
2	Arncliffe	Georges River
3	Bankstown	Georges River
4	Berala	Western
5	Bondi	South Sydney
6	Brighton-Rockdale	Georges River
7	Campsie	Georges River
8	Concord - Burwood	South Sydney
9	Darlinghurst	South Sydney
10	Drummoyne	South Sydney
11	Dulwich Hill	South Sydney
12	Epping	Northern
13	Forestville	Northern
14	Frenchs Forest	Northern
15	Gerringong	Wollongong
16	Granville	Western
17	Hurstville	Georges River
18	Huskisson	Wollongong
19	Leichhardt	South Sydney
20	Lidcombe	Western
21	Menangle	Wollongong
22	Newtown-Erskineville	South Sydney
23	Northbridge	North Sydney
24	North Ryde	Western
25	Oakhurst	Western
26	Penrith	Western
27	Redfern	South Sydney
28	Riverwood-Punchbowl	Georges River
29	Ryde	Northern
30	Surry Hills	South Sydney
31	Toongabbie	Western

Notes:

1. List is not comprehensive
2. Only includes projects where harvest/site redevelopment opportunities are proposed. Does not include build or hold projects.

Generic guidelines - Overarching principles to assist parishes in determining the priorities for facilities development

1. There are two strategic objectives for church property developments.

Firstly to provide contemporary church buildings in support of the parish ministry strategy for community outreach.

Secondly to unlock the value in underdeveloped property assets to fund the mission in the parish and beyond (allocation of proceeds as determined by the Standing Committee).

The following actions should be considered on a case by case basis –

- (a) project feasibility allows the parish to know the highest and best use, and then measure this against the ministry outcomes which may not necessarily be the highest commercial use of the asset, prior to commencing negotiations with third parties,
- (b) fund proposal to authority approval stage, this results in a significant uplift,
- (c) consider allowing church land to be mortgaged,
- (d) retention of land ownership where feasible (refer above principles),
- (e) selection of appropriate development partners/builders/purchasers in a competitive environment following appropriate due diligence, and
- (f) Once construction is underway, the value of the church asset is being increased by the developer, and subject to controls in place, in the event of builder failure the ACPT would have the right to step in and nominate a third party to complete the project.

2. Summary Actions by Parish

Step 1

Parish analysis

- A. Hold

(built form meets ministry needs – Capex for maintenance and repair).

It is desirable to allocate a minimum of 1% of the replacement value of a building towards building maintenance. Parish budgets and spending are generally less than 0.1%. This leads to higher maintenance costs over the longer term. A long term maintenance plan is required. Funding sources may include grants programs. For example over 450 parish projects have received \$10+million in grant funding under the 2010-16 CBP grants program.

- B. Invest/build

(built form does not meet ministry needs – define need → future builds - Capex for new buildings, repair and maintenance).

- C. Harvest

Partly or completely redevelop the site to meet ministry needs achieving, if possible:

- income stream for parish.
- income stream for future ministry in other brownfield sites as determined by SC on recommendations by MPC.
- hold title to the land.

Step 2

Refer parish recommendations to MPC for consideration.

Step 3

MPC to provide seed funding for site investigation.

Step 4

Proceed with the intention of achieving the proposed redevelopment utilising the experts recommended by ACPT.

3. Further detailed matters.
4. Parish to prepare a CAPEX which leads to determination of –
 - (a) hold (capex for maintenance),
 - (b) Invest/build (apply cap ex to get property up to appropriate facility plus repair/essential maintenance), or
 - (c) harvest (completely redevelop the site; or a combination of invest and harvest on the site).
5. Principles to be applied in this order for harvesting –
 - (a) **MINISTRY CANNOT BE COMPROMISED.** Property projects purpose is to support ministry strategy. Parish to determine how ministry requirements translate to a property strategy and any compatible / complimentary uses.
 - (b) Maintain ownership of contiguous land as first priority, and of separated land such as separate rectory site.
 - (c) Maintain underlying ownership of land, or maintain it by e.g., by long term leasing rather than outright sale.
 - (d) Competitive process managed by a consultant independent of the parish with potential builders/developers/joint venture partners who are credit worthy, have a good track record and are a good fit with the Diocese will be invited to tender. Only in a competitive environment is the highest and best value to be obtained.
 - (e) Anglican entities, such as Anglicare, Anglican Schools Corporation etc. to be invited to submit expressions of interest by way of a coordinated consultation through the ACPT (not ad hoc direct approaches with each parish). The parish will then be in a position to make an informed decision as to the relative merits of each submission e.g., commercial versus missional value of proceeding with Anglican entities. It is important to note that while Anglican entities have a shared gospel mission, the property strategy may not always be compatible.
 - (f) Joint venture may include leasing part or all of the land for 50 years (the average useful life of buildings is 50 years, e.g., 60 Martin Place is being demolished and rebuilt at present).
 - (g) For church sites which have a large enough site area, consider designs in which the church facilities are separate to compatible non-church uses. This has the advantage of a completely separate ground lease, with ACPT able to separate its risks from the developer's interest.
 - (h) From a practical point of view, multi storey development will largely consist of the upper storeys being residential. If feasible the ACPT retains 100% but not less than 76% overall controlling ownership in a strata subdivision. This concept needs to be explored as it may mean that the parish/ ACPT will need to raise funds for the development. Before any decision made in this regard, the usual procedure for developments of this type is to lodge the development application, obtaining development consent, then sell the required number of proposed dwellings/ floor space off the plan thus giving the ACPT the basis for obtaining funds for the development from a bank. Standing Committee is unlikely to support a development that has significant debt at the end of the construction period regardless of ongoing income stream.
 - (i) Historically, church building programs have required the parish to raise a portion of funds from 3 sources: 1 Fundraising by church members 2 Capital injection (property sale, bequest) 3 Loan (must also cover any pledges). Where feasible, it is proposed to minimise the sale of assets, with the principle of focussing on retention of the value of the asset for future ministry expansion and potential rental income as opposed to a cash sum.

6. Types of development models

The parish needs to understand the possibilities of development so that the parish can maximise the benefit of the development for its ministry. These include the following models in order of priority –

- (a) Boundary adjustment and/or subdivision. It depends on the facts of the site. It may be possible to reconfigure the site via a boundary adjustment to retain part of the site for ministry and have part of the site for harvesting. If a boundary adjustment is possible it may not be necessary to obtain development consent. Alternatively, subdivision for excess land where a development consent is required.
- (b) Development with long term lease. ACPT retains ownership.
- (c) Joint venture whereby the land is developed and ACPT retains a majority interest in the stratum – with an aspiration goal / preference to hold 75% of stratum as set out above.
- (d) Land swap: land swap with either Council (which usually has large land holdings) or a private developer. The land swap would need to include the building of new facilities.

Church property development procedure

There are 6 stages of a project –

Stage 1: Concept to initial proposal

1.1 Ministry Strategy document

- (a) Potential development can be wrapped around the future Ministry (prepared by parish leadership (and wider congregation consulted at appropriate milestones in consultation) with Regional Bishop).
- (b) The ministry strategy helps members to understand, support and be accountable to the common purpose. The more detail the better and typically includes –
 - (i) purpose statement, vision, Mission, core values, SMART (Strategic, Measurable, Attainable, Realistic, Time Bound) goals, action plans for each ministry,
 - (ii) a summary of key demographics of target community and church members including forecast growth, ages,
 - (iii) plan for outreach to the community and discipling members,
 - (iv) desired future state in 10 years (under God, what does success look like?), then contrast with current reality (be open to question the status quo), identify gaps and how to address them,
 - (v) what church and the community will look like at 2, 5 and 10 year patterns,
 - (vi) plan to address what lies ahead.
- (c) Only once the ministry strategy is clearly articulated can the property strategy be considered.

1.2 Property Strategy/Masterplan

- (a) Parish determines how the ministry strategy translates to the property strategy. Determine accommodation brief, interaction of various ministry spaces, best location on the church property when considering the planning controls.
- (b) A new church building may support, but not attract, ministry growth.
- (c) Summarise good qualities and inadequacies of current buildings and property.
- (d) Determine the problem to be addressed/issue to be overcome by the property masterplan. This may include building, property, staff capacity obstacles.
- (e) Write down all the current and future church needs for each property/building. Consider the following questions: Will the current site accommodate the ministry objectives? Can a major building project be avoided? Can the parish relocate to a property owned by others for certain ministries? How do we maximise the ministry and development potential of the property? Can the existing buildings be altered internally to address issue? For example, removal of large stage area, multipurpose flat flooring with portable staging, dividing walls for small group ministry etc. Can additions to the existing building be made? Can a relocatable building temporarily address the needs? Can the parish relocate staff housing or offices off-site and use the vacated space for expansion? Can the parish use a staged approach to demolish older single storey building with more efficient multilevel buildings? Can the parish buy up adjoining properties for ministry expansion? Should the parish sell existing facilities to acquire a more appropriate property with an existing building? Has the parish sought expert advice independent of the church membership?

- 1.3 Development feasibility study prepared by an independent property advisor.
 - (a) SDS management can provide a Graphical Information System (GIS) analysis to inform the site feasibility study, and then advise the parish on next steps with recommended experts. There is no generic guidance. Each ministry and site is site specific.
 - (b) The feasibility study will identify highest and best land use, requirements of the mission/parish property strategy. Parish then can make an informed decision. For example to forego certain profit margins of the highest commercial use to meet ministry objectives.
 - (c) We have observed that the most common mistake is parishes appoint an architect at the beginning of the process prior to determining the ministry strategy and project feasibility and leading to significant costs. The property advisor is to manage the process which will include sub consultants of town planner, valuer and architect (sketch plans only as informed by the advisor – the architect does not drive this process).
- 1.4 SDS management assists in seeking in principle approval from Standing Committee / MPC

Stage 2: Initial proposal to final proposal

Stage 3: Development approval

Stage 4: Documentation and finance

Stage 5: Contracts to completion (building construction)

5.1 Compliance with Building Works Kit and Major Project Kit

Stage 6: Post completion

6.1 Defects period

6.2 Fire Safety Certificate

6.3 Ongoing CAPEX requirements

Risk management

1. On the risk spectrum, the Diocese has a low risk appetite/tolerance.
2. SDS management has a significant partnership role with the parish and other diocesan stakeholders to ensure that the risks associated with a proposed project are addressed and appropriately managed. These risks include key objective, stakeholder (internal and external), key person, design, feasibility, financing, consultant, builder, contract, project management, communication and reputational (refer Annexure 4).
3. In addition to the negative risks being appropriately mitigated, positive risks are required to take hold of opportunities. The proposed brownfield initiative will address the risk that the pattern of brownfield land sales will be continued in well-developed submissions to Standing Committee without parishes being adequately resourced to develop their lands in accordance with the aforementioned principles. By not appropriately responding to the continued rapid population growth and being proactive in resourcing parishes at the earliest/feasibility stages, the Diocese risks having no permanent presence that is considered critical to the success of the mission. Acquiring new brownfield sites is cost prohibitive. Alternative church plant models on land owned by others, chiefly public schools, will be increasingly uncertain in our post Christian society.
4. So as to properly mitigate the finance risk, the Standing Committee has historically not favoured the servicing of significant borrowings from any rental income, rather the preferred approach has been that the entire construction debt is paid at project completion by way of the sale of a majority of the development floor space. However, where a site is identified as one from which significant rental returns are possible, a business case could be developed. This would involve selling a relatively lower proportion of floor space and taking on a greater portion of debt, with the loan and interest to be funded from the rental proceeds received. Such a strategy would require agreements for lease to be in place and the approval of bank finance. This issue will need to be considered further on a case by case basis.
5. Identify the risk profile applicable to the proposed development.
 - Minimal risk: lease for 50-99 years and take a ground rent.
 - Minimal risk: Project Delivery Agreement (PDA): provides the land and a guaranteed amount delivered to the ACPT on realisation of the sale with profit share above the minimum amount, plus leasing the land which eventually returns to the ACPT.
 - Moderate/higher risk: joint venture with levels of strata being delivered to ACPT and levels of strata being delivered to the joint venture partner.
 - High risk: take total risk on the development, where ACPT/parish takes the whole risk, and receives the whole benefit. This option should not be discarded out of hand before it is explored.

The current view of the Standing Committee is to sell that proportion of air space in the development so as to be debt free. Typically this will require at least 75% of the floor space in any development project to be pre-sold with 20% deposits held. Such a proposal will require an assessment of the project risks as identified above, in order to consider the potential to fund a development from a minority proportion of debt funding from an ongoing rental income stream.

A decision cannot be made about which option is applicable without exploring the risk and benefit of each option.
6. Key Risks - Property projects commonly lead to the following key risks arising:
 - (a) Key objective

The key objectives need to be articulated and understood by all stakeholders. They will usually flow from the underlying ministry strategy of the parish. If the key objectives are not clearly articulated and understood the project may fail to adequately support and may even detract from the ministry strategy of the parish.

(b) Stakeholder

The parish and the ACPT are not the only key stakeholders. They may also include other internal stakeholders such as the Standing Committee of Synod, the regional bishops and regional council, and a financier (such as the Finance & Loans Board).

There are also external stakeholders such as the local council, heritage authorities, external financiers and the local community (particularly neighbours of the church site). Consultation with these stakeholders will be required to varying degrees and at different stages of a project.

A failure to understand the perspectives and procedures of all key stakeholders may mean that necessary approvals are not obtained, or are delayed, adding to the time taken to undertake the project. A failure to manage stakeholder risk may also impact adversely on the reputation of the Diocese, the parish, or an agency within the Diocese or parish or their relationship with the community.

(c) Key Person

It is important that key persons, both clergy and laity, are able to be involved in the project until completion and that - where appropriate - succession planning is carried out. If key persons are removed, there is a risk that the project objectives may not be met.

(d) Design

Where a proposed project involves the construction of a building, the project brief and the design both need to allow the key objectives of the project to be attained in a cost effective and functional manner.

Issues such as environmental sustainable design and the need for ease of ongoing repairs and maintenance are also part of the design risk. The design of the proposed building needs to be appropriately documented by way of plans and specifications.

(e) Feasibility

A rigorous feasibility study will identify and address the significant issues raised (both financial and non-financial) which go to the heart of whether the project can be successfully implemented. The feasibility study will identify what needs to be done to undertake a project to attain the key objectives, the projected project revenues, the projected expenses and the projected time frame.

Not only must the revenues and expenses be understood, but also the time at which the revenues are to be received and the expenses incurred. Projected cash flows (both inflows and outflows) are an important part of the feasibility.

The feasibility will contain assumptions, which must be tested to determine if they are realistic. Important issues of a non-financial nature will also need to be examined. Such issues might include local government planning rules, and whether the project complies with those rules and, if not, whether the matters of non-compliance make it difficult to obtain approval or meet the project budget.

The feasibility should contain a sensitivity analysis which allows the impact on revenues, expenses and cash flows to be measured should any of the assumptions (including assumptions about non-financial matters) turn out to be incorrect in a material respect. A feasibility study may show that a proposed project needs to be revised or that there are other alternatives for achieving the key objectives for which the project is being undertaken.

In an extreme case, the study may show that a project is not feasible. Even if a project is feasible, the feasibility study will need to be reviewed and updated if there is delay in obtaining approvals for the project.

(f) Financing

The method by which the project is to be financed needs to be well understood. Is sufficient finance available to meet any cost overruns? If funds are to be borrowed to meet the costs of the project, is the proposed loan on appropriate terms? Does the parish have the capacity to pay the interest on the loan facility? Does it have the capacity to service the loan if the project expenses increase, or if completion of the project is delayed?

(g) Consultant

Consultants need to be appointed who have the expertise and experience to provide advice about the proposed project. There may be a range of consultants who need to be appointed – including architects, project managers, town planning experts, quantity surveyors, land surveyors, engineers and valuers.

(h) Builder

An appropriate builder must be appointed (by the ACPT on behalf of the Parish) to undertake the project. The builder must have demonstrated an ability to undertake the proposed project, and also have proven financial capacity.

(i) Contract

Contracts, particularly building contracts, need to be on appropriate terms. For example a building contract needs to contain the detailed plans and specifications about the work to be undertaken. It needs to make clear the rights and responsibilities of the parties on matters such as payments, withholdings, insurance, project supervision, variations and weather delays.

(j) Project Management

The project must be properly managed throughout its various stages. A failure to ensure appropriate management can add significantly to the cost of a project or detract from its quality or increase the time it takes to complete it.

The parish will frequently want to have a “hands-on” role in managing its project. Does the parish have the capacity and expertise to do this? Specialist management skills may be especially needed during the construction or development stage. Are such skills available for the project? Please note that the ACPT may require the appointment of an independent project manager (at the parish’s expense).

(k) Communication

There needs to be adequate and timely communication between the stakeholders during the course of the project to ensure that expectations about roles, responsibilities and outcomes are managed. Communication is also necessary to maintain relationships between the stakeholders and the reputations of those involved in the transaction.