## Introduction

Many of our congregations are examining their patterns of ministry, worship, and engagement with their community as they address the changes in the church and in society. Often this re-examination brings forward proposals for congregational building projects. While these can present great opportunities to support expanded or revitalized congregational ministry, they also present our congregations with very large risks, which congregations are often ill-prepared to address. Some of these risks, if not properly managed can become *existential*—that is, they can put the continued viability of the congregation at risk.

In order to support Congregations in pursuing projects which can advance ministry and improve congregational sustainability, the Presbytery has prepared this Risk Management Guide. It suggests a sequence of planning steps that congregations contemplating a property development project should follow as they work together to advance towards its realization. It also identifies Approvals at key steps in the process, where Presbytery review and approval of the risk mitigation work undertaken to that point is required before advancing to the next stage.

**A Word on Project Size:** The attached document has been prepared to provide guidance appropriate to the largest and most complex church real estate redevelopment projects, typically only found in major urban centres. Obviously smaller projects present less severe and better understood risk exposure, and so congregations advancing more modest projects should consult with Presbytery to adjust the process accordingly.

Key indicators of project scale and risk that would suggest the need for a more fulsome project development and risk mitigation approach include:

* Project Value: project costs that are less than 1 year’s annual budget for a congregation will present a lower risk profile
* Availability of Funds: projects which require a large mortgage and/or rely on prospective revenues present a higher risk profile than those that can be funded from existing congregational resources
* Project Rezonings: projects requiring rezoning or other restructuring (subdivision, etc) present special process risks which need to be addressed with care
* Other property uses: Many congregations are investigating the potential to develop housing or commercial space as part of a congregational property redevelopment. This adds significant complexity and potential loss of control to a project, and presents an elevated level of risk requiring special care.
* Working with a Developer: Where the Congregation proposes to cede some of the responsibility for the project development to a commercial developer, congregations should understand that their objectives will not be entirely aligned. Even with the best will in the world, the commercial realities of a for-profit organization can present unanticipated challenges to a congregation. This is particularly the case where control of some or all of the property will transfer out of the hands of the church, either temporarily or permanently.

It should be remembered that once construction work on the project has commenced, there is no going back. Project completion or project failure--and potentially congregational failure--are the only two possible outcomes. The work you do before *Final Investment Decision* (the point where a contractor is engaged to commence construction) in planning and mitigating risk for your project will serve to protect against adverse consequences later. After Final Investment Decision, there is often limited ability to reverse course and extricate the congregation from problems which can challenge their continued operation.

**It’s all about Teamwork!** Successful congregational building projects require teamwork, by the congregation, with the support of skilled professionals. Presbytery, through the Property and Finance Sub-Committee, is working with congregations to build capacity and best practices to assist congregations in working through the project development process. Congregations are encouraged to engaged with Property & Finance early in their planning to help develop an approach suited to their particular project, and to facilitate advancing through the project development and construction process.

**Table 1: Initial Feasibility Phase**

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| **Stage** | **Need** | **Alternatives** | **Location** | **Operational Viability** | **Project Pro-Forma** |
| **Key Outcome** | Articulated Congregational Vision Requiring Change in Infrastructure | Confirmation that Owning/Building a Project is Preferred Means of Achieving | Confirmation of community, precinct and site | Confirmation that Congregation has Resources to construct and operate facility | Complete financing plan by project development phase, showing sources, cost, key terms and associated governance issues (eg business assets, CRA registration, etc) |
| **Key Risk(s)** | Project may be initiated without clear basis in congregational needs and ministry;  Congregation may lack leadership resources to carry out a major initiative | Other Alternatives may not be considered  Envisioned facilities may not be suitable to planned ministry | Project may be built in location not suited to planned ministry;  Project may not be permitted by municipality in intended location | Sufficient Funds for Construction not Available;  Construction costs higher than anticipated;  Funding not available for Operating Costs of new building | Project costs are not fully identified at outset;  Project costs increase during construction;  Congregation unable to complete project/becomes insolvent |
| **Required Mitigation** | Congregational Vision and Mission Planning Workshop and Report(s)  Congregational leadership assessment | Alternative Means Assessment (Rent, Lease, etc)  Preliminary Architectural Progam | Location Options Assessment | Develop operating budget in new facility; develop | Concept Design Development & cost;  Establish project construction budget with contingency;  Complete project *pro-forma;*  Partners/Governance/ Structuring |
| **Session Action** | Discernment; Lead Mission/Vision update; Ministry Demand Assessment  Leadership development | Confirm that Mission/Vision of Congregation requires new facilities and that building is preferred approach | Confirm that Mission/Vision of Congregation requires additional facilities; Confirm that a building project is preferred approach | Confirm that ongoing congregational resources can afford new building operations | Confirm that congregational resources can complete project & operate in new building;  Confirm proposed building Governance |
| **Presbytery Support** | SLC: Review, Comment | SLC P&F: Review/Comment/Approve | PMV  SLC P&F: Review/Comment  Presbytery: Approve | PMV/P&F | P&F SLC |
| **Professional Resources** | PMV | Real Estate Advisor/Appraiser  Architect (program) | Real Estate Advisor, social services planning Architect/Zoning Consultant |  | Architect/ Project Manager/Project Planner;  Taxation/Legal advisors |
| **Approval(s)** | **SLC** |  | **Presbytery** | **P&F/SLC** | **Presbytery** |
| **Key Inputs** |  | Municipal zoning bylaws | Congregants home location survey; |  | If include Housing: CHMC, BC Housing, Other Denominations housing expertise (UCC, Anglican, etc) |

**Phase 2: Pre-Development**

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| --- | --- | --- | --- | --- | --- | --- |
| **Stage** | **Financing Confirmation** | **Final Investment Decision** | **Construction Procurement** | **Construction** | **Commissioning** |  |
| **Key Outcome** | Sources of Financing Committed & Available | All Project Risks assessed & mitigated;  Project Governance confirmed  Project confirmed affordable;  Funding and Financing confirmed;  Construction contract structure confirmed  Municipal permitting confirmed viable | Construction contracts in place | Completion of physical project | Testing and initiating operations of all building systems. |  |
| **Key Risk(s)** | Funding shortfalls may not adequately resourced during construction  Project Financing may not be available as anticipated  Project Financing may include untenable conditions (housing) | Any of previously identified risks may have changed over time; | Selected procurement approach doesn’t attract bidders  Bids received significantly exceed congregational resources | Unanticipated site conditions give rise to increased costs  Contractor insolvency  Subtrade pricing exceeds estimates, increasing costs  Construction delays (weather, labour/material availability) | Incomplete or improperly commissioned systems do not operate properly (eg causing flooding);  Improper installation/commissioning voids warranty provisions. |  |
| **Required Mitigation** | Financing agreements as required | Comprehensive Project Planning & Risk Review | Professional advice on market conditions, contingency setting, and procurement approach. | Prudent budget contingency and scope reduction options. | Professional oversight of commissioning. |  |
| **Session Action** | Identify, secure sources of funding & financing |  |  |  |  |  |
| **Presbytery Support** |  | P&F |  |  |  |  |
| **Professional Resources** | Project Finance expertise; legal & GST advice. | Project Construction Manager | Project Construction Manager | Project Construction Manager |  |  |
| **Approval(s)** | Presbytery | Presbytery |  |  |  |  |
| **Key Inputs** | For housing projects: financial advisors experienced in negotiating CHMC/BC Housing agreements |  | Municipal permits |  |  |  |