

Seventh-day Adventist Association Ltd

BUILDING PROJECT GUIDELINES

April 2007



œ Overview ø

Building Projects - the essential elements.

Ownership of Property

Understanding who owns church property – and why.

The importance of working with, and through, the Conference administration.

Making the Case

Identifying the options.

Assessing the options.

Involving the Conference administration.

The Financial Plan

What the Financial Plan should include.

Obtaining estimates and quotations.

Denominational policy and the approval of building projects.

Completion of the Project

So ... What needs doing?

By whom?

And when?

∞ Ownership of Denominational Property ∞

Legal title to all property belonging to the Conference/Mission of Seventh-day Adventists (the '*beneficial owner*') is held on its behalf by the Seventh-day Adventist Association Limited, Stanborough Park, Watford, WD25 9JZ (the '*titular owner*').

Both of these organisations are Registered Charities. This renders their respective trustees ultimately responsible for the sale and purchase of property. In the case of the Conference/Mission, its trustees are the Executive Committee members. This is true even where most, if not all, of the finance involved in acquiring and running property is met by the membership of the local church involved.

It is also the case that the proceeds from the sale of such property belong to the Conference/Mission – its trustees being responsible for their retention and subsequent reapplication. Re-use of such funds would normally be for the acquisition of a replacement property – or, where applicable, as the original donors may otherwise direct.

In exceptional circumstances, however, the trustees may use the sale proceeds in another manner, including the building project of a different congregation - where necessary, seeking permission from the Charity Commissioners for the purpose. For example, a church may close down and its few remaining members transfer to other congregations. Here, no replacement building would be involved, whilst identifying and/or contacting the original donors may prove impracticable - or even impossible.

The acquisition, holding, and sale of property by and through the Seventh-day Adventist Association Ltd ① helps ensure that all the legal formalities involved are observed, and ② acts as a safeguard against the loss of such assets to the Conference/Mission and its Membership through, for example, the actions of dissident members and/or hostile groups operating from within or without the body of the church.

Given the above, **it is essential that the Conference/Mission administration be consulted in connection with (and, in the case of legally-binding matters, be directly involved in) negotiations involving the sale, purchase, or major remodelling of property.** This will assist the trustees in the proper management of the Conference's/Missions funds and fixed assets. It will also assist them in discharging their statutory duty to act in the best interests of the Charity as a whole when acquiring or disposing of property.

Contacting the Conference/Mission administration at as early a date as possible when considering a building project will save time and effort in the long-run, and help avoid costly mistakes being made.

∞ Making the Case ∞

In coming to such a major decision as buying, remodelling, or selling property, a sound case has to be made. A good way to do this is for the congregation in question to go through the process of formally completing ① a *Pros & Cons Exercise* and ② a *Cost-Benefit Study*.

Pros & Cons Exercise

This exercise is essentially non-financial in nature. It asks such questions as, for example:

- ☞ Is the present sanctuary big enough to house the congregation - present and anticipated?
- ☞ Does it have sufficient ancillary rooms – Sabbath school classes, Service of Humility provision, kitchen, general-purpose hall, vestries, Pastor’s office, etcetera?
- ☞ Is the location generally accessible to the membership?
- ☞ Is the location and building representative?
- ☞ Does it have adequate parking facilities?
- ☞ Is the fabric of the property sound?
- ☞ Where the answer to any of the above is unsatisfactory, could they best be remedied by developing the present site or by moving to a new site?
- ☞ If moving to a new site, what disadvantages would this likely give rise to?

Cost-Benefit Study

This builds on the previous exercise by, as far as reasonably possible, placing a price tag on the respective options of ‘staying or moving’ / ‘buying or building’. Using reasonably accurate estimates from appropriate professionals, it would ask, for example:

- ☞ How much would it cost to develop the present site – e.g. by adding on new facilities or remodelling the present building?
- ☞ What is the sale value of the present building?
- ☞ What would it cost to buy or build a new facility?
- ☞ What would it cost to ‘fit out’ a new building – e.g. baptistery, kitchen, pews, etc.
- ☞ What loan would be needed? Could the congregation service the loan repayments?
- ☞ How financially-viable is each option?
- ☞ Would a Conference/Mission grant be necessary and, if so, how much?

Completion of these exercises should assist the congregation in identifying the most suitable option. If not already the case, the Conference/Mission administration should be promptly engaged at this point to work with the church with a view to moving the process forward to realisation.

∞ The Financial Plan ∞

Vital to any building project is its *Financial Plan*. Depending on the type of project involved (i.e. 'Remodelling', 'Sale & Purchase', or 'New Build'), this will generally comprise:

Income

- Cash in hand
- Sale of present property
- Mortgage
- Denominational loan
- Denominational grant

Expenditure

- Purchase price of new property
- Purchase price of land
- New works
- Legal fees
- Estate Agent fees
- Architect fees
- Commissioning costs

Cash-flow Schedule

A summary of the church's annual income and expenditure over the lifetime of the project, including the costs of servicing any project loan repayments.

The *Financial Plan* should demonstrate that, from the outset, the local congregation has sufficient funds to complete the project, including the cost of putting any newly-acquired building into a sufficiently usable state.

The *Cash-flow Schedule* should demonstrate the ability of a congregation to cover the costs of servicing any loans taken out to fund the project, as well as the costs of running the new facility.

continued next page

PLEASE NOTE

- ☞ The *Financial Plan* should **include** all project costs, including necessary furniture and fittings, even where their purchase is being initially delayed.

- ☞ The *Financial Plan* should **exclude** ‘padding’ - typically seen in the areas of pledges and fund-raising.

- ☞ Denominational policy (see Appendix I) requires that, before approving a project:
 - ◇ 75% of the total cost of the project, inclusive of commissioning costs, is in hand, or in the form of readily converted assets;

 - ◇ satisfactory arrangements (e.g. approved mortgages / loans) exist to cover the remaining 25% of the cost;

 - ◇ further counsel and authorisation be obtained as follows:
 - British Union Conference: estimated project cost of US\$ 150,000 +
 - Trans European Division: estimated project cost of US\$ 300,000 +
 - General Conference: estimated project cost of US\$ 500,001 +

- ☞ In obtaining estimates individuals and organisations should understand that these initial approaches are exploratory only.

Legally-binding agreements etcetera may **only** be made on behalf of the Conference/Mission of Seventh-day Adventists by the **Seventh-day Adventist Association Limited**, and, where appropriate, via the denomination’s solicitors

This includes agreements with fund-making organisations such as local authorities.

- ☞ Valuations of the church property to be sold must be made in accordance with *The Charities (Qualified Surveyors’ Reports) Regulations 1992* – copies obtainable from the Conference/Mission Treasurer.

- ☞ Valuations of properties for purchase should be made by a professional competent in valuing the type of building in question.

- ☞ Normally, two valuations are required for sale and purchases prices, and two quotations for building works and mortgage agreements. Should these differ widely then a third such estimate may be required.

∞ Completing the Project ∞

Step 1 - Make the Case

Complete the *Pros and Cons Exercise* and the *Cost Benefit Study*.
Have their conclusions considered and approved by the congregation.

Step 2 - Involve the Conference/Mission

Inform the Conference/Mission of the Project's approval by the congregation.
Share with its administration the results of the two studies undertaken in Step 1.
Involve the Conference/Mission on site visits of any potential property, etc.

Step 3 - Do the Groundwork

Working with the Conference/Mission, obtain, as appropriate:

- Building estimates (2)
- Outline plans and drawings.
- Estate Agents' property fact-sheets.
- Valuations (2)
- Structural Survey

Working with and/or through the Conference/Mission, obtain:

- Planning permission - change of use, etc.
- Building Regulations
- Mortgage facilities
- Non-denominational grant agreements
- Denominational grant agreements

Step 4 - Produce the Financial Plan

Working in conjunction with the Conference/Mission administration:

- Prepare the Financial Plan and Cash-flow Schedule.
- Submit these, along with all relevant drawings, quotations, agreements, etc.
to the Conference/Mission for executive committee for approval.

Step 5 - The Completion

At this point, the Conference/Mission executive committee, working with and through the administration will:

- Approve the project, referring it on for BUC/TED approval as appropriate.
- Instruct the Seventh-day Adventist Association Ltd to proceed to completion.
- Arrange the payment of purchase prices and costs.
- Work with the local church / architect in completing any building works.

NOTE

All references to the "Conference/Mission" mean the Conference/Mission of Seventh-day Adventists.
All references to the "Association" mean the Seventh-day Adventist Association Limited.



BUILDING PROJECT FLOW CHART		
Preliminaries (Church)		(✓)
Pros & Cons Exercise (see page 3)	Submit to Conference/Mission - with Church Clerk notification of Board approval	
Cost Benefit Study (see page 3)	Submit to Conference/Mission - with Church Clerk notification of Board approval.	
Formalities (Church)		
Valuations (2)	Submit to Conference/Mission office	
Structural Survey	Submit to Conference/Mission office	
Planning Permission - change of use	Conference/Mission to obtain / arrange to obtain	
Building Regulations	Conference/Mission to obtain / arrange to obtain	
Financials (Church)		
Financial Plan (see page 4 / 5)	Submit to Conference/Mission - with Church Clerk notification of Board approval	
Contractors' Estimates (2) (2 of each where multi-contractors)	Submit with Financial Plan	
Mortgage / SDA Loan Agreements	Submit with Financial Plan for signing by Conference/Mission (or SDAA, as appropriate)	
Grant Agreements	Submit with Financial Plan for signing by Conference/Mission (or SDAA, as appropriate)	
Completion (Conference/Mission / SDAA)		
Executive Committee Approval (BUC / TED approval where policy requires)	Conference/Mission Executive Committee advises SDAA to proceed to completion	
Instruction to proceed to completion	Conference/Mission instructs Solicitors via SDAA	
Deposit of local funds / grants / mortgages with Conference/Mission	Transfer to Solicitors when called for.	
Exchange of contracts	Solicitors	
Oversight of building works to completion	Conference/Mission, working with local church and architect	

APPENDIX I

BUC Building Project Policy Extract

F.6 PROPERTY ACQUISITION

Churches contemplating either the purchase or the erection of church buildings shall be cautioned against undertaking financial obligations that would embarrass the membership. When for any reason a congregation decides to buy or build a new church home, its building should not be vacated or disposed of unless provision is made to house the congregation until the new building is erected or purchased. In all building undertakings, conference/mission and union committees shall give careful counsel in each case, taking into consideration the size of the congregation, its financial strength, and the location of the building. In the purchase of land, property or building of facilities, in no case shall commitments be made or building operations be commenced until:

- (a) Conference/Mission approval has been given.
- (b) Where appropriate an environmental survey has been conducted to conform with the Environment Act 1995.
- (c) 75% of the entire cost of the building, including initial furnishings and professional fees, is in hand in cash or in readily convertible assets, and provision has been made satisfactory to the responsible authorising committee for securing the remaining 25%. In the case of construction, a project (or an approved phase thereof) may only be embarked upon as funds are available for its completion.
- (d) In special cases where in the judgement of authorising boards and committees it is deemed advisable, a church may be authorised to borrow up to 25% of the cost of completing the current stage of its building project, provided a definite programme for the liquidation of the loan has been underwritten by the conference/mission and/or union concerned and approved by the authorising committees. A unit can only act as guarantor of such a loan provided that it does not reduce working capital below 100%. The mortgagee shall be required to notify the appropriate executive committee/board at an early stage of any default in repayments.
- (e) In cases in which it is practicable to occupy buildings before the project is entirely completed, authorisation may be given for the work of construction to be undertaken in stages, provided the project has been underwritten by the conference/mission and/or union concerned and approved by the authorising committees with the provision that construction will proceed as funds are available.

F.7 FINANCIAL PLAN FOR PROPERTY ACQUISITION

The plan of finance for each project shall include:

- (a) A detailed estimate of costs or a tender submitted by a competent contractor, with proper provision for contingencies and increase of prices.
- (b) A clear indication of the amount and source of the funds necessary for the completion of the project.
- (c) In no case should the construction work proceed where sufficient funds are not available for the work contemplated. Should it be found during the construction of a building that there is a shortage of funds due to rising costs, unforeseen circumstances or unprovided-for emergencies, work must be stopped when the available funds are exhausted, unless the conference/mission and/or union organisations are able to supply that lack by additional appropriations, or in the case of a church, the local congregation is able to make the provision.
- (d) If after consultation with, and authorisation from, the next higher organization, permission is granted for an over-expenditure, the appropriate controlling board or executive committee shall make full financial provision for meeting the over-expenditure by way of a first call on available funds.
- (e) Plans when approved, shall be adhered to and no significant alterations shall be made except by consent of the committee/s which approved them.
- (f) All permanent construction work should be done under the supervision of the building committee with representatives of boards and committees concerned, and where possible, laymen qualified in the field of construction.
- (g) Conditions under which projects shall be approved are as follows:
 - (i) Projects involving estimated costs of \$150,000 or above shall require counsel with and authorisation from the union.
 - (ii) Projects involving estimated costs of \$300,000 or above shall require counsel and authorisation from the Division.
 - (iii) Projects involving borrowing of more than \$500,000 or funding from General Conference appropriations of more than \$500,000 shall be referred by the Division to the General Conference for approval or review and counsel.
 - (iv) The Division shall inform the General Conference regarding building projects that when completed are estimated to cost more than \$500,000 which will be financed from locally generated funds.
 - (v) Any project for which cash is not in hand as provided in (g) (i)-(ii) above shall include the value of donated labour and materials as well as that part of the cost of any land procured specifically for the project that is above one-third of the estimated cost of the project's construction.