

Congregation of Mark the Evangelist

Special Congregational Meeting

4 December 2016

Agenda

- 1. Opening**
- 2. Attendance and Apologies**
- 3. Business**
 - a. Correspondence received**
 - b. Consideration of Proposal**
 - i. Church Council Amendment of 23 October Proposal**
 - ii. Consideration of Amended Proposal**
 - c. Next Steps**
- 4. Close**

Congregation of Mark the Evangelist

Mark the Evangelist Futures Project

Discerning a Preferred Option

4 December 2016

Preamble

On 4 December 2016 following worship the Congregation will meet to finalise its discernment of the preferred accommodation option from those identified by the Mark the Evangelist Futures Project feasibility study which began in August 2015. The range of options under consideration are still those found by our feasibility study to be viable from financial, commercial and mission points of view. These are Options 1, 5.a., 6.a., 6.b., and 7.a., as described in material circulated for the 4 September and 23 October meetings. (This documentation can be found on our website

www.marktheevangelist.unitingchurch.org.au/spoar. The most accessible outlines are in the ‘SPOAR v14.2 Summary’ and the ‘Feasibility Assessment Table’ on that web page).

At the direction of the 23 October meeting, Church Council has consulted with and received requests from the small number of members who were unable to support the proposal as amended at that meeting. Two additional requests have been received in response to the Church Council Chair’s invitation to all members. Church Council’s intention was not to seek fresh ideas on property options to be explored, but to discover what members would find helpful in their further consideration of the proposal. A summary of the responses received together with Church Council’s commentary has been distributed via the MtE SPOAR website.

Some of the requests relate to the meeting process itself, and they have been taken into account in the planning for this 4 December meeting.

The most common request expressed both at the 23 October meeting and in response to the Church Council invitation, was that consultations be undertaken with the Education Department to ascertain whether they might consider purchasing part of the site for the announced new North Melbourne primary school. A preliminary approach has been made to the Victorian School Building Authority which has carriage of this government initiative. In Church Council’s consideration of how a formal enquiry could be presented to the Authority, only one viable approach has emerged, namely that the School Building Authority be asked to consider purchasing the whole of the portion of the site to be divested under Option 5.a.. Church Council is convinced that the alternative approach – the Government’s purchase of the northern portion not including the Church (either Option 6.a. or Option 7.a.) – is unworkable because no government authority could contemplate paying the necessary premium above the estimated commercial value to enable these options to become as financially sustainable as Option 5.a.. For Option 6.a. the premium would need to be \$4 million while for Option 7.a. it would need to be \$2 million. This conclusion has been confirmed by the MTEFP consultant, SEMZ Property Advisory. Church Council is continuing with its approach to the Education Department, subject to the decision of the Congregation as to whether Option 5.a. is preferred. The Congregation can therefore continue with its consideration of the option to be preferred.

The proposal for the congregation to consider is essentially that resulting from the discussion and amendments agreed at the 23 October meeting. Church Council proposes to amend the proposal to make it clear that it is the Hall, the Supper Room and the Cottage which are to be developed under this option. Church Council also proposes not to proceed with the lease possibility. The wording of the amended Proposal will be put to the Congregational Meeting for approval. The Meeting is proceeding with consideration of Option 5.a. because of the substantial level of support it received at the October meeting.

The meeting will again be conducted using the consensus decision-making process. The Chair will emphasise that this is a prayerful process, in which we are seeking to discern God's will. He will briefly outline the process, ensure that all members are able to participate fully, and ensure that decisions are made in a process of genuine dialogue. Please note that there can be no proxy votes brought to a meeting. Members must be present to vote, although correspondence can be received and read to the meeting. Only confirmed members and members-in-association can make determining votes. The meeting will be conducted within a set time limit, finishing by 1pm at the latest. If no decision has been reached by the time we are approaching this limit, as before we will determine whether a decision is necessary at that time or can be left to a subsequent meeting. Approval of the final proposal will be sought by "consensus" or "agreement". "Consensus" means that all voting members agree to the proposal; "agreement" means that *not all agree* with the proposal but that all are willing to *live with* it. More detail about these procedures is given in the accompanying Meeting document, "Consensus Procedures".

In our earlier conversation groups and meetings two things have emerged as being particularly important to a large number of members:

- That MtE maintain its community, worship style, and particular characteristics, whatever shape its future takes.
- That the work of Hotham Mission be continued in North Melbourne and the surrounding suburbs.

These were identified by most participants in our various small group conversations as being 'deal breaker' concerns for them. The Church Council and its working group are very keen to see that these desires are met in this process. What follows is designed to assist us all to that end.

Amended Proposal

That the congregation resolves to express its preference for proceeding under Option 5.a. to sell the portion of the property which includes Union Memorial Church, the Manse, and the Curzon/Queensberry commercial and residential properties for the purpose of development of the portion retained including the Hall, the Supper Room and the Elm St Cottage to achieve adequate meeting space and facilities for its worship and mission.

Key Points

- Church Council proposes that the Proposal on the table at the end of the 23 October meeting be amended to make it clear that it is the Hall, the Supper Room and the Cottage which are to be developed under this option.

- Church Council proposes that the 23 October Proposal also be amended to remove the possibility of leasing out the portion of the property which is not to be retained. The MTEFP consultant, SEMZ Property Advisory, has advised that it is extremely unlikely this method of dealing with the northern portion including Union Memorial Church (under Option 5.a.) will return anything like the proceeds from a direct sale of that portion of the site.
- We are again addressing this proposal – essentially Property Option 5.a., which retains the Hall, the Supper Room and the Elm St Cottage – on account of the level of support it received during the September and October coffee discussions, a Church Council discussion, and the 23 October Congregational Meeting. The support for Option 5.a. carries the essential qualification that adequate meeting space and facilities need to be gained in the renovation process. Further imaginative architectural work will be required as the business case is finalised.
- This proposal focusing on Option 5.a. involves selling the northern portion of the site, including Union Memorial Church. This would result in sufficient property sale proceeds to achieve three objectives – to renovate and integrate the three remaining buildings on the southern section of the site to maximise the floor space and facilities available and thereby maximise our mission opportunities, to ensure that the Congregation of Mark the Evangelist is financially sustainable into the future, and to share part of the sale proceeds with the wider church.
- Option 5.a. enables the congregation to continue to be accommodated on a site of which it already has beneficial use and which, as many members have indicated, is not only familiar but appropriately modest and welcoming as a worship and office space.
- As illustrated in the Feasibility Assessment Table among the papers for this meeting, under Option 5.a. the financial, missional and commercial goals of Mark the Evangelist, Yarra Yarra Presbytery, and Synod Property Services are all acceptably achieved.
- The subdivision and sale of the northern buildings would take around 2 years after which the renovation of the retained buildings would take another year or so.
- There are challenges for the congregation in this option involving the task of overseeing the project, heritage and planning approvals for the subdivision, property sales, and acceptable building renovation plans and costs. However these challenges are nowhere near as great as those presented by all but Option 1. That ‘sell all’ option carries property sale and off-site accommodation identification challenges of its own.
- On the other hand, this site provides an exciting opportunity for the first time in over thirty years for the development of the original Supper Room into attractive medium scale meeting and hospitality spaces with workable kitchen and adequate toilet facilities. Upgrading of the Hall, especially of the sound system, will be undertaken. Expansion of the kitchen and meeting room section of the Elm Street Cottage will be planned. With creative architectural attention the entrances, spaces and linking structures between the three buildings to be retained will be transformed to create an integrated, flexible and attractive set of worship, mission and office venues.

CONSENSUS PROCEDURES FOR CHURCH MEETINGS

1. Why do we have meeting procedures at all?

- to facilitate the work of the meeting;
- to enable all members to participate fully;
- to assist the meeting to reach the best outcome possible.

2. Why use consensus procedures?

- to help us as we seek to understand what is God's will on an issue;
- to ensure we listen carefully to each other's unique insights;
- to ensure participation is possible for all;
- to work towards mutual solutions;
... and in the process -
- to strengthen the faith community;
- to move away from an adversarial approach, where some will feel defeated;
- to encourage broad ownership of the outcome of any resolution.

3. What does consensus mean?

- a prayerful process, seeking to discern God's will;
- seeking a common mind about the wisest way forward for the Church at this time;
- decisions are made without voting in a process of genuine dialogue;
- being respectful, mutually supportive and empowering of all entitled to participate.

4. When is consensus achieved?

- there is unanimous support for a proposal; or
- there is general support, with a few able to accept the outcome even if not their first choice.

5. What does 'agreement' mean?

- a decision generally supported by the meeting;
- the small number unable to accept it agree to live with the outcome so the matter may be resolved;
- agreement is not 'we all agree on the proposal' (which would be consensus) but 'we all agree to live with this' (which records 'disagreement we can live with').

6. What happens when consensus or agreement cannot be reached?

Possible options (among many) include the meeting deciding (by consensus):

- there's a deeper issue to affirm;
- some aspects can be agreed - the rest need further work or should not be decided at all;
- to adjourn discussion, perhaps with more work before reconsideration;
- to refer the issue to another group to deal with, or to advise;
- to decide it is unnecessary or inappropriate to continue dealing with the issue;
- to declare that there are diverse views which Christians may hold with equal integrity;
- (rarely) to decide to resolve an urgent matter by formal majority vote.

7. What is the role of the person chairing during consensus procedures?

- to assist the meeting to discern the will of God as far as possible;
- to meet the needs and purposes of the meeting and its members;
- to be familiar with, and experienced in, the use of the procedures;
- to be alert to the guidance of the Holy Spirit as members contribute;
- to be ready to pause for prayer or buzz group reflection as appropriate;
- to encourage trust and integrity in contributions;
- to ensure care for those whose honesty or minority voice may leave them vulnerable;
- to encourage response to speeches from members, reflecting the mood of the meeting;
- to suggest or encourage creative modifications of a proposal, picking up insights expressed;
- to summarise discussion from time to time to assist in focusing the discussion.

Reference: Synod of Victoria and Tasmania, Consensus Training, Jill Tabart, 31 Jan 08

UCA MANUAL FOR MEETINGS

THE DECISION SESSION *

6.5 DISCUSSION OF A SPECIFIC PROPOSAL

The benefits and disadvantages of the proposal are now canvassed by various speakers. It is important to hear from those with enthusiasm for the proposal as well as from those indicating disquiet or disapproval. Members are encouraged to indicate their agreement or disagreement.

Minor changes of wording may be agreed by the council from time to time as viewpoints are heard and considered.

From time to time the chairperson may check whether the council is nearing consensus. After summing up where it seems the council is heading:

(A) "What is your response to this proposal?" may be asked of the council.

6.6 CHECKING FOR CONSENSUS

When the chairperson believes that consensus has been reached (whether to support or to not support), the council is asked to affirm this. The chairperson states an understanding of the position reached and asks for an indication of agreement or disagreement. Typical questions could be:

(B) "Do you believe we have consensus in support of this proposal?" or

(C) "Do you believe we have consensus to not support this proposal?"

If there is no strong response to this checking for consensus, discussion may continue to enable doubts and questions to be raised and further viewpoints to be shared.

If there is unanimity to support or to not support the proposal, then consensus has been reached and the council proceeds to the declaration of the consensus result.

However, there is a third possibility. After vigorous sharing of ideas, there may be strong but not unanimous support for the proposal. In order to estimate the strength of opinion, the chairperson may ask questions such as:

(D) "Who supports the proposal?"

(E) "Who does not support the proposal as your first option, but is prepared to accept it?"

(F) "Who is not prepared to accept the proposal?"

If there is no response to the last question **(F)**, the chairperson may ask the council:

(G) "Is further discussion needed?"

(H) "Are you prepared to have the issue declared resolved by consensus?"

If all agree to the chairperson declaring that a consensus has been reached, the council moves to that step.

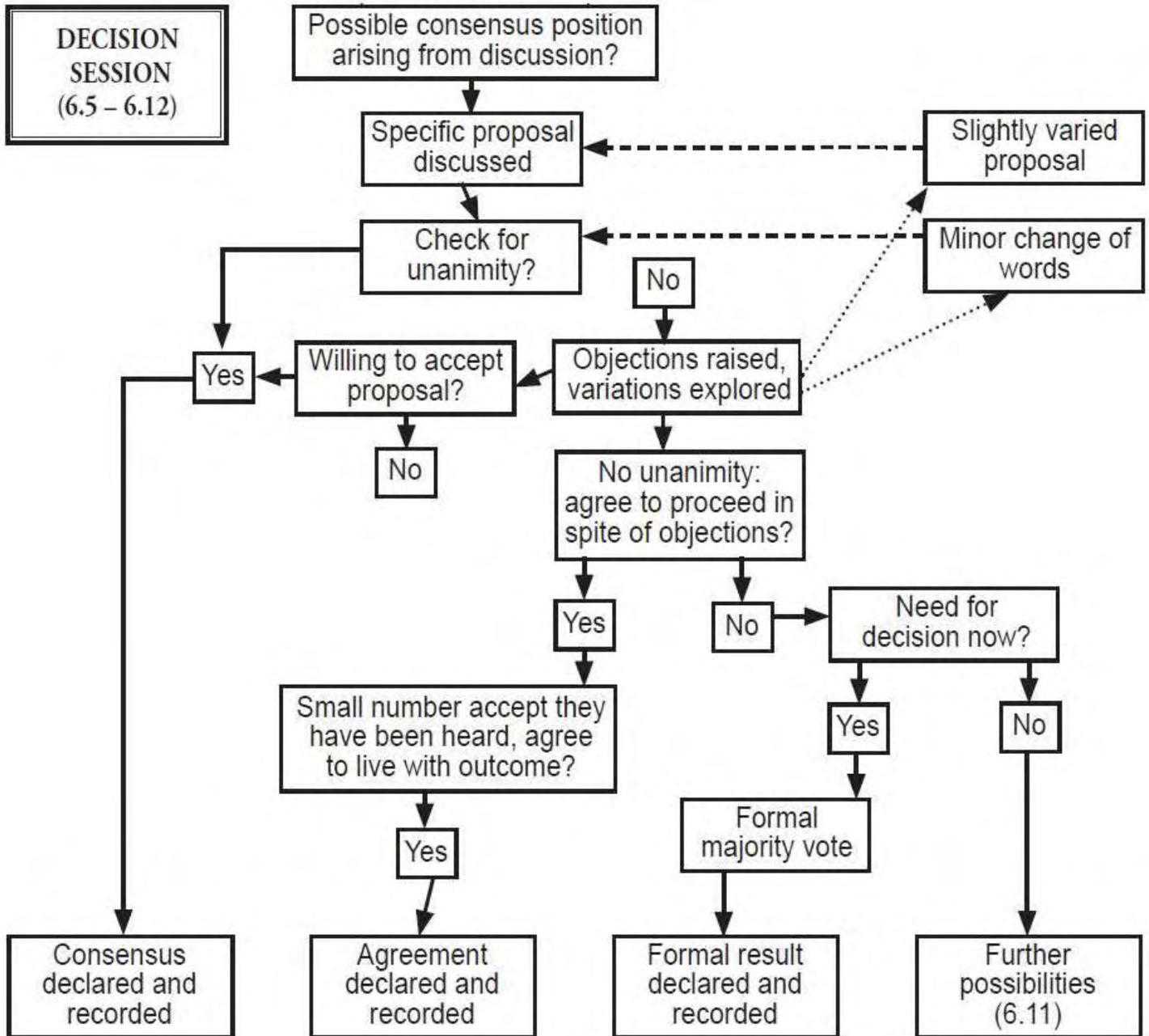
If there are those not able to accept the proposal (response to question **(F)**), the chairperson invites these people to share their misgivings directly with the whole council and discussion can continue. Where a small number is unable to agree with the majority after a reasonable time, the council may move on to the formal voting procedures. Skilful chairing is necessary here, to enable the council to be not unduly delayed at this point.

There may be some who are uneasy about a proposed way forward, yet not able to verbalise their concerns. The prompting of the Spirit may be expressed in disquiet as much as in creative suggestions for wording a proposal. All people are worthy of respect as they indicate their position, and no-one should feel pressured into agreeing with a position against their better judgement.

(* This is an extract from the UCA Manual for Meetings (pp.30,31), a full copy of which can be found at <https://assembly.uca.org.au/images/MfM2015.pdf>.)

CONSENSUS PROCEDURES

DECISION SESSION FLOW CHART *



(* Extracted from the UCA Manual for Meetings (p.32))

**CONGREGATION OF MARK THE EVANGELIST
CHURCH COUNCIL**

MTEF Project SRN 0275

Summary of Responses to Invitation for Further Information

The purpose of this note is to summarise the eight responses from ten members to Church Council's invitation for requests for further information following the Congregational Meeting held on 23 October. This summary is presented under headings arising from the emails received. The dot points are the requests or views from members, slightly edited or combined. The 'Comments' represent the thinking of Church Council in response.

1. Serious examination of strong minority views

- Those with strong minority views need to know that we really took their views seriously.
- How much do we spend, in both extra time and money, to show we've considered all the views?

Comment:

The strongly held views of some members of the congregation, the grounds for these views, and the possibility that these views will continue to be held, are acknowledged with respect. Those with strong minority views indicated at the 23 October meeting that their views had been heard. They have since expressed their appreciation for being contacted by phone and being given the opportunity to identify additional information that may help their and the congregation's discernment. Church Council has seriously endeavoured to make sure that all of the requests for further information have been addressed.

2. Education Department involvement

- Could we have a clearer view of what the Education Department might be interested in?
- Would any public authority buy such clearly religious buildings in this secular age, particularly when they require millions of dollars of public money to be spent before they can be used in any way at all?
- Could we propose an idea to the Education Department about a middle school for grades 5-8 at our site?

Comment:

To clarify the possibility of Education Department involvement, Church Council has resolved to base its enquiry to the Department on the minimal Mark the Evangelist requirements under Option 5.a., namely that the sale must include Union Memorial Church (UMC), and must return the going market value of the part of the site to be divested. More detail will be presented in the preamble to the Proposal being presented to the next Congregational Meeting. Discussions with the Victorian School Building Authority are ongoing and the Congregation will be kept informed of developments. The specific use of the site could be raised when the enquiry is taken up formally by the Education Department.

3. Other third party involvement

- Could we start exploring options with the planning department of the Melbourne City Council?
- Is Melbourne City Council interested in co-developing the site with regard to any of the 'restore' options?
- Are there any educational groups interested in developing or occupying part of the space with regard to any of the 'restore' options? This should extend to approaching likely private providers.

Comment:

Questions have been raised about the possible involvement of other parties on the site including the Melbourne City Council and educational groups including private providers. Education Department interest is being explored first, so that what we learn from this approach can inform other potential approaches. Discussions with the Victorian School Building Authority are ongoing and the Congregation will be kept informed of developments.

4. Heritage buildings

- Are we confident of the heritage and architectural advice received so far, and do we have sufficient specific advice in these areas?
- Could we seek independent advice, including the costs and benefits, on the likelihood of Heritage Victoria letting us remove or coat the steeple, and add a second floor to Union Memorial Church to expand its usage and free up the Hall for alternative development use?

Comment:

SEMZ Property Advisory is the primary consultant which Synod Property Services recommended us to use. This Property Services recommendation was based on positive Synod experience with this consultant on other Uniting Church property development projects. Mark the Evangelist had previously had a very positive experience with one of the partners of SEMZ. By means of a transparent selection process, SEMZ subcontracted for heritage, planning and architectural consultancy services. The MTEF Project Control Group (with MtE, Presbytery and Synod membership) has had no reason to question the soundness of the consultancy advice being provided to Mark the Evangelist. The specific advice received so far is regarded as adequate for the current stage of the Mark the Evangelist Futures Project. Mark the Evangelist has been commended by Presbytery and former Synod office observers for the thoroughness of its feasibility study and the full extent of congregational participation which has been facilitated. Separate independent advice is seen as unnecessary and would be hard to justify as a further expense. The exploration of alternative ways of restoring the church is not necessary at this stage given the 23 October indication of majority support for proceeding with Option 5.a. which involves divesting the church.

5. Option 5.a.

- Even the best design could not make those 3 buildings large enough or really convenient.
- If UMC was sold to a commercial developer, then Option 5.a. becomes very difficult. We would have no control over how UMC would be used. It could be impossible being next to it in its new form.
- The question 'who will be our neighbours, and can we live with them?' could be helped by further conversation with the Education Department.
- Can we keep more of the property under Option 5.a. as a money making enterprise or for further mission?

- This option does not represent faithful stewardship of the resources entrusted to us and therefore cannot be supported in any way.
- Once the questions raised have been explored, if the majority still prefer Option 5.a., that outcome would be acceptable.

Comment:

The three buildings being retained under Option 5.a. will present a range of positive affordable opportunities for development which are summarised in the last point of the rationale for the Proposal to be presented to the next Congregational Meeting. In the process of renovating these three buildings every endeavour will be pursued to maximise the revenue or mission opportunities of those buildings. ‘Faithful stewardship of resources’ means different things to different members. For some faithful stewardship involves restoring the church; for others it means not spending funds on the heritage requirements imposed by society at large. In relation to the use by MtE of additional buildings beyond the three buildings retained under Option 5.a., the non-viable Option 3.3 has demonstrated that there is insufficient return from ‘developing and retaining’ alternatives to justify that way of proceeding. Church Council is currently pursuing the possibility of the Education Department being our neighbour. Beyond that, the complexion of our neighbour is one of the risks that a preference for Option 5.a. involves.

6. The ‘Restore UMC’ Options

- The restoration of Union Memorial Church is the highest priority, so Options 6.a., 6.b. and 7.a. are preferred.
- Option 6.a. is too expensive – it leaves us with an unacceptable deficit.
- Are there ways in which the operational budget can be reduced to make Option 6.a. more viable?
- For Options 6.a. or 7.a., we have to cut the costs of the church to us or, through what we do to it, to liberate some other income generating part of whatever of the property we retain.
- On Option 6.b., there is no stomach for a ‘develop and sell’ approach.
- Any possibility of the virtues of Option 7.a. being presented have been eliminated by the ‘hard’ focus on Option 5.a.. There seems to have been an element of ‘railroading’ in considering only Option 5.a..
- In relation to Option 7.a., the church hall and supper room remain much more valuable to a developer or the Department of Education than the UMC building itself.
- Under Option 7.a. the church building could be enhanced by a joining structure to the cottage, with improved toilet facilities and kitchen in the modified cottage and joining structure, leaving space inside the church building for offices or the development of better youth facilities.

Comment:

Options 6.a., 6.b., and 7.a. have all been analysed on the basis of minimising the cost of the renovation of Union Memorial Church. The negative financial viability of Option 7.a. already takes into account the higher value of the Hall and the Supper Room as compared with UMC. Improved toilet facilities and kitchen in the modified cottage and joining structure would enhance Option 7.a. but that is likely to reduce further its financial viability. Options 6.a. and 6.b. include the potential for maximising income from buildings when they are not in use by the Congregation. For Option 6.a. to reach a balanced budget in 2021, around \$134,000 would need to be cut from the budget of Mark the Evangelist including Hotham Mission, which in 2017 is expected to total \$580,000. Alternatively, Option 6.a. would need to bring in extra income, but that does not seem feasible because that would require further development of UMC or the Hall which would incur additional offsetting costs. The advantages of options such

as 7.a. are outlined to the same extent as those for other options in the Strategic Property Options Analysis Report. They were not the focus of attention or discussion at the 23 October Congregational Meeting because a significant number of members had already indicated their preference for Option 5.a. in the small discussion groups. We are continuing to focus on Option 5.a. because a majority of those at the 23 October meeting indicated their preference for this option. The only ‘restore’ option that is currently financially viable is Option 6.b. and that depends on developing and then selling at commercial rates the northern two thirds of the site.

7. Option 1

- Selling the whole site and moving to another permanent site in North Melbourne sounds very interesting.

Comment:

It appears that if Option 5.a. were not to be preferred by the Congregation, Option 1 may be the next in priority for some members, but be strongly opposed by others.

8. Budget reduction for Financial Sustainability

- How does Church Council intend to hold to the principle of linked worship and mission, when the proposed funding arrangements permanently put the mission at arms length from the worship?
- Why does Church Council believe that the Hotham Mission budget should be protected while worship resources are savagely cut?

Comment:

The relationship between the Congregation and its ‘incorporated’ agency is determined by the UCHM Constitution which is approved by the Congregation. The Congregation determines the UCHM budget. The Interest Only Mission Fund (IOMF) is only the vehicle being used to channel that portion of the property sale proceeds decided by the Congregation into mission activities.

While UMC can be seen as a worship resource, it was not one of the “deal breaker” requirements indicated in congregational conversations, which were identified as preserving the integrity and identity of MtE and the maintenance of UCHM at a level comparable to its present operations. Option 5.a. honours these intentions within a balanced budget for the Congregation and UCHM as a whole.

9. Communication

- Communicate to the Congregation more clearly.

Comment:

Church Council has endeavoured to maximise effective communication with the Congregation. A considerable amount of effort has been devoted during meetings - formal and informal, large and small - and on the website to ensure that feasibility study information is accessible and widely shared. A number of the most recent (constructive) delays to the feasibility study process have been due to Church Council recognition and implementation of views and ideas expressed by the Congregation. The responses in this summary are the latest example of Church Council’s encouragement of maximum two-way communication.

10. Vision for the Future

- What grand/radical/salty things do we believe we ‘as future saints’ are called to do and how can we use our current unique opportunities to make them happen?

Comment:

This is a key question and was the starting point for our feasibility study. Before engaging a consultant we were determined to endeavour to spell out our vision of a “Mark the Evangelist Future”. Have we been ‘grand, radical, or salty’ enough? That is a continuing challenge for the Congregation and more attention will be devoted to it as we firm up our preference based in no small part on the financial feasibility of what we want and are able to do as a Church community.

Church Council
6 November 2016



STRATEGIC PROPERTY OPTIONS ANALYSIS (version 14.2)

SUMMARY REPORT

This is a summary of the draft Strategic Property Options Analysis Report v14.2 (the Report) which was first presented to the Congregation on 4 September. Members who wish to do so may separately access a copy of the full 36 page Report (as a PDF document), either with or without the 115 pages of appendices. These various versions have been available on the MtE website since 29 August.

Note that the headings used in this Summary Report correspond to those in the full Report.

Much of this version 14.2 of the Report is similar to that of the version we considered in March and April. This Report differs in two significant ways. First it covers the additional four sets of property options that have been raised by the Congregation since April. Second, on advice from Property Services, the financial analyses are based on existing BOMAR Property Sales Proceeds policy, with separate sensitivity analyses included in the appendices to show the impact of BOMAR acceptance of MtE's proposal that mission activities should also be allowed as a pre-sharing deduction.

A further Congregation Meeting has been scheduled for Sunday 4 December at which members will identify their preferred option. Church Council will subsequently formalise the preference of the congregation.

1. Executive Summary (Full Report pp.2-5)

Instead of an Executive Summary, an outline of 'key issues' is provided here for this Summary Report.

- a. In addition to the original three sets of options, at the congregation's request four additional sets of options have been examined and analysed in this report.
- b. The Cash Flow analysis for each option shows that Mark the Evangelist needs urgently to establish a balanced budget because it is currently living beyond its means and will use up its cash reserves over time. This is regardless of which option is preferred by the Congregation.
- c. Given the financial performance results which emerge, the most likely options for consideration are as follows.
 - i. Option 0 (Status Quo – do nothing);
 - ii. Option 1 (sell the whole site);
 - iii. Option 5.a (stay with the Hall, Supper Room and Cottage and sell the rest);
 - iv. Option 6.b (stay with the Church, the Hall, the Supper Room and the Cottage and develop then sell the rest); and
 - v. Option 7.a (stay with the Church and the Cottage and sell the rest).

2. Options Explored (Full Report p.6)

The options considered in this report are:

Option 0 – Status Quo, no redevelopment of the site, the congregation remains as-is

Option 1 – Sell Whole Site

- Option 1.1 Sell site and purchase new site
- Option 1.2 Sell site and rent alternative space

Option 2 – Develop Whole Site and Sell

- Option 2.1 Develop whole site, sell, and purchase new site
- Option 2.2 Develop whole site, sell, and rent alternative space

Option 3 – Stay and part sale/develop

- Option 3.1 Stay, sell 2/3 site from manse to Queensberry St, and renovate church
- Option 3.2 Stay, develop and sell 2/3 site from manse to Queensberry St, and renovate church
- Option 3.3 Stay, develop, renovate church, and retain whole site

Option 4 – Develop a worship centre on a central strip that includes the Manse, and sell the sections north and south of that strip;

Option 5.a – Stay in Hall with walkways to cottage and refurbished Supper Room, sell 2/3 of site and UMC

Option 6.a – Stay, sell 2/3 of site, undertake Minimal UMC Renovation works and walkways

Option 6.b – Stay, develop 2/3 of site and sell, undertake Minimal UMC Renovation works and walkways

Option 7.a – Stay, sell 2/3 of site and the Hall and the Supper Room, undertake Minimal UMC Renovation works and link to cottage

The seven groups of options which have been examined are set against Option 0 - the Status Quo for Mark the Evangelist - that is the 'do nothing' position, the base case for comparison with the options explored to achieve financial sustainability.

3. Heritage and Planning Advice (Full Report pp.7-11)

Pre-application Heritage and Planning advice to inform the Property Options explored has been obtained from consultants who are experts in their respective fields. The preliminary advice received has been integrated into the proposed Property Options and has informed the assumptions used in this Strategic Property Options report.

Heritage and planning advice in this Report has been expanded to cover the additional property options. The expanded sections provide more useful advice but do not significantly change the approach presented in March.

4. Key Assumptions - Building Concepts (Full Report pp.12-15)

The building concepts have remained as they were in March for the second and third set of options. In relation to the additional property options, provision has been made as appropriate for passageways between buildings at the southern end of the site, and for toilets and a kitchen to be provided next to the Supper Room.

For Options 6.a., 6.b., and 7.a. the restoration of the church has been reduced in cost to focus only on infrastructure which is critical for it to become usable.

5. Risk and Opportunity Analysis (Full Report pp.16-17)

The Risk and Opportunity Analysis is unchanged from March. As was stated at that time, the common risk applicable across all Property Options is that of not acting during this period of market buoyancy as advised by real estate agents consulted. Swift action is required to take advantage of the market opportunity to achieve maximum value from the Options proposed. Development of the site carries a higher than usual challenge given the heritage value, size, and type of development proposed. Lengthy consultation periods with Heritage Victoria may be required and time will increase costs and reduce project viability. However the opportunity is to realise increased value through residential development and either sale or rental. Restoration of the church involves significant heritage risks and risks of unforeseen renovation work that may be required. Even a restored heritage church carries significant risk for its future maintenance.

6. MtE Mission Objectives (Full Report pp.18-20)

The Mission Objectives confirmed in August 2015 relate to serving the community evangelistically through worship, spiritual expression and service, and using resources to make positive contributions to the wider UCA Church and community. While most options could enable the congregation to meet all of these objectives, some such as the Hall Option 5.a. would only meet the mission objectives if MtE revised downwards its space needs for the future.

Alongside the Mission Objectives, it is critical to note the effect of the assumption that BOMAR Property Sales Proceeds policy is not varied to provide for UnitingCare Hotham Mission activities being allowed before the proceeds are shared with the wider Church. Under none of the options would cash reserves increase, and by 2021, none would have achieved a positive operational result from the returns.

7. Status Quo Position of Mark the Evangelist (Full Report p.21)

The Status Quo position is unchanged from March. This section outlines the current financial position of Mark the Evangelist (starting from the 2016 budget) and our forecast cash flow position over a five year period should we remain as we are and take no action in relation to our properties.

This section explains that if we do nothing about our current situation, MtE is forecast to lose on average around \$78,000 per annum over the next 5 years. On this basis, our cash reserves will support Mark the Evangelist until approximately 2031 should the trend continue. However in February 2016, alongside the feasibility study process, Church Council resolved that MtE in future should plan for a balanced budget in order that the congregation can achieve financial sustainability.

8. Financial Feasibility of Each Option (Full Report pp.22-24)

Detailed financial feasibilities have been compiled and analysed by SEMZ. The feasibilities rely on the collective input of the consultant team including an architect for drawings, planning and heritage specialists, and a quantity surveyor for cost estimates of the works. The financial analysis shows the

outputs of each Property Option in terms of the net proceeds realised for Mark the Evangelist upon the completion of a given Property Option.

COMMERCIAL METRICS	Option 1	Option 2	Option 3.1	Option 3.2	Option 3.3
Total Revenue	\$12.2m	\$58.5m	\$9.2m	\$44.0m	\$1.5m
Total Costs (incl. finance)	\$1.6m	\$52.0m	\$1.3m	\$37.3m	\$1.2m
Land Value	\$0	\$12.2m	\$0	\$9.2m	\$0
Net Profit	\$10.7m	\$6.5m	\$8.0m	\$6.6m	\$0.4m
Total Equity Required	-	\$12.2m	-	\$10.0m	\$9.2m
Additional Equity Required	\$0	\$0	\$0	\$0.8m	\$0
Project ROC	N/A	12.07%	N/A	16.99%	N/A
Equity IRR	N/A	8.74%	N/A	14.69%	N/A
Project IRR	N/A	7.15%	N/A	9.79%	N/A
Project NPV (Discount Rate 15%)	N/A	(\$5.0m)	N/A	(\$2.5)	N/A
PROCEED METRICS	Option 1	Option 2	Option 3.1	Option 3.2	Option 3.3
Church Restoration Works	-		\$5.4m	\$5.4m	N/A
Relocation Costs	\$3.6m		-	-	
3I Costs	-		\$30k	\$200k	
BOMAR Contribution	\$3.5m	N/A	\$1.0m	\$5.3m	N/A
MtE Net Proceeds (Profit + Land – Church Works & BOMAR)	\$3.6m	N/A	\$1.5m	\$5.0m	N/A

In this initial set of property option feasibilities, the grey shading indicates that Options 2 and 3.3 are not financially viable.

Option 2 does not meet the required commercial and UCA-set criteria - Project Return on Capital (ROC), Equity Internal Rate of Return (IRR), Project IRR, Project Net Present Value (NPV) - to be a viable project. Option 2 would not be considered viable for approval by the UCA or for debt funding by banks.

Option 3.3 produces a net annual profit from the rental of \$0.4m, however it does not provide funds to pay for the cost of the church restoration or additional proceeds to generate revenue in an investment account for ongoing financial sustainability.

Despite it returning a small profit after the Church restoration has taken place, Option 3.1 also does not meet financial sustainability criteria. It does not provide sufficient proceeds for an ongoing operational surplus once the income producing assets (terrace cottages and commercial building) have been sold, and as a result the forecast operational cash flow shows a large annual deficit.

Of the first set of options, Option 3.2 indicated the most favourable outcome for MtE in terms of the net proceeds realised. However on 1 May the Congregation determined that it would not proceed with this ‘development and sell’ approach to restoration of the Church.

The financial feasibilities of the four additional options examined subsequently are as follows.

COMMERCIAL METRICS	Option 5.a	Option 6.a	Option 6.b	Option 7.a
Total Revenue	\$9.3m	\$9.2m	\$43.9m	\$10.3m
Total Costs (incl. finance)	\$1.1m	\$1.0m	\$36.9m	\$1.1m
Land Value	\$9.3m	\$9.2m	\$9.2m	-
Net Profit	\$8.2m	\$8.2m	\$7.0m	\$9.1m
Total Equity Required	\$0.9m	\$5.8m	\$8.0m	\$5.6m
Additional Equity Required	\$0	\$0	\$0	\$0
Project ROC	-	-	18.32%	-
Equity IRR	-	-	18.11%	-
Project IRR	-	-	10.89%	-
Project NPV (Discount Rate 15%)	-	-	-	-
PROCEED METRICS	Option 5.a	Option 6.a	Option 6.b	Option 7.a
Linkage/Church Works Costs	\$0.9m	\$4.8m	\$4.8m	\$4.4m
Relocation Costs	-	-	-	-
3I Costs	\$30k	\$30k	\$200k	\$30k
BOMAR Contribution	\$3.6m	\$1.5m	\$5.8m	\$2.2m
MtE Net Proceeds (Profit + Land – Church Works & BOMAR)	\$3.6m	\$1.9m	\$5.4m	\$2.5m

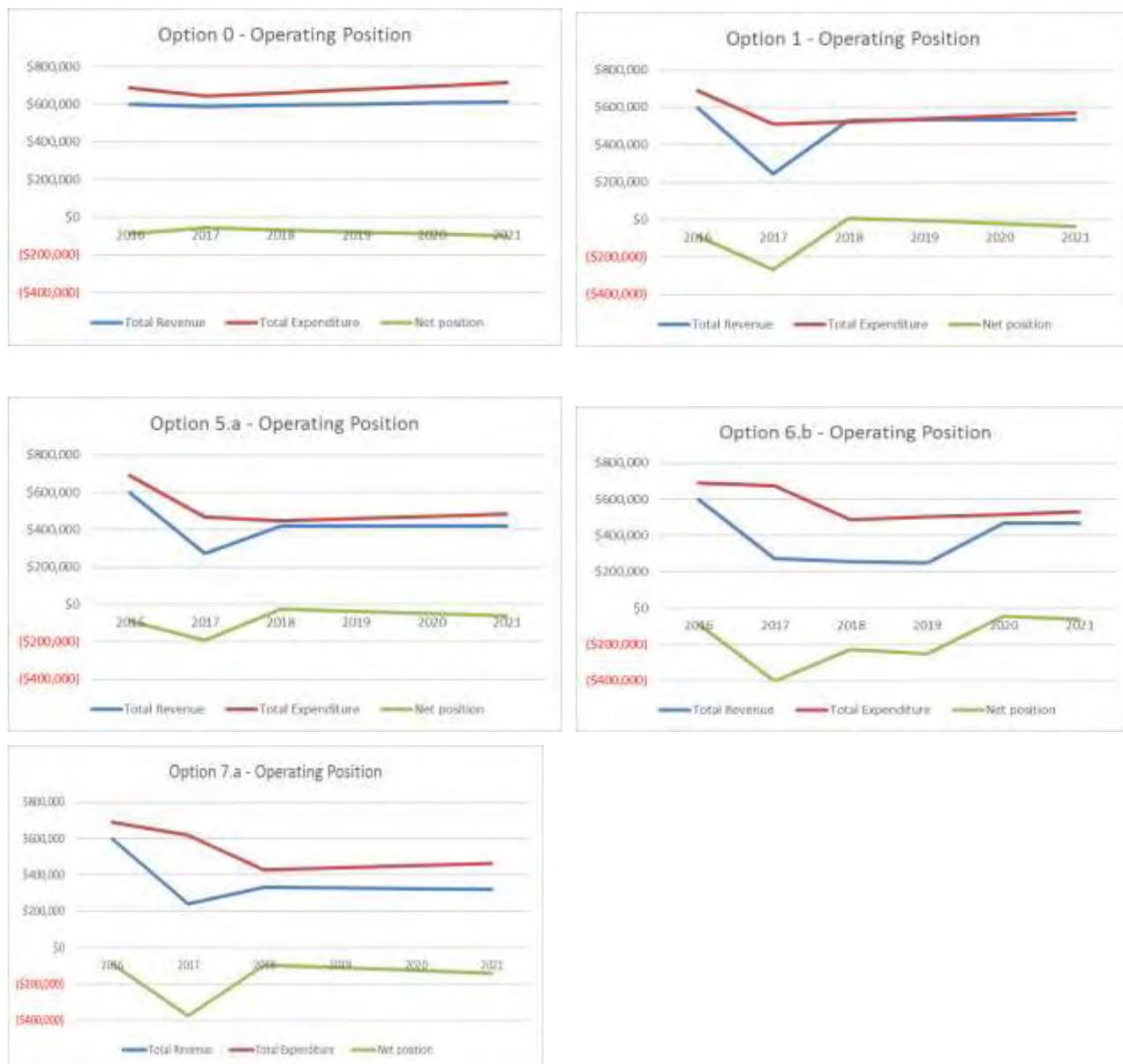
Option 5.a produces a solid financial outcome with MtE disposing of two thirds of the site, along with the Church. By including Union Memorial Church within the sale, it eradicates the additional costs associated with the restoration, thus increasing the financial return after BOMAR sharing.

Options 6.a. and Options 7.a. are particularly problematic due to being unviable financially and not producing sufficient net proceeds after mission costs to support MtE’s operational expenditure.

Option 6.b produces comparable returns to Option 3.2 generating \$5.4m in net proceeds from developing and selling two thirds of the site. However, this option (as with Option 3.2), carries a much higher risk profile (in terms of heritage, planning, construction and sales risk).

9. Operational Cash Flow Analysis (Full Report pp.25-28)

The Operational Cash Flow Analysis overlays the returns to MtE from the Property Options onto the day-to-day operations of Mark the Evangelist. For each option, total income, total expenses and the net operating position are calculated. The purpose of this exercise is to show the impact of the proceeds of each Property Option on the operational performance of Mark the Evangelist. The financial objective is that the Property Option should generate sufficient proceeds to support Mark the Evangelist including their Hotham Mission expenses.



The Status Quo (do nothing) option involves a decreasing cash balance (due to increasing deficits) and so is unsustainable. The net position for Options 5.a., 6.b. and 7.a. is negative and at 2021 it continues to decrease for all. The net position of Option 1 is positive in 2018 but it also decreases from there and continues negative to 2021.

10. Site Development Program (Full Report pp.29-30)

Each Property Option has an indicative time line that shows a delivery date for the proceeds of that option to be realised. Where the Property Option is to sell, the proceeds are realised significantly earlier than under any Property Option that involves building development. Selling the site (including disposal of a portion) and relocating indicatively would involve a year to 18 month process. Alternatively a residential development could take up to four years until proceeds are realised (given the approvals and permits which would be required). Only then could the church renovation be started, and this would take a further 12 months.

11. Overall Feasibility Assessment (Full Report pp.31, 32)

Each Property Option has a number of financial criteria that must be met in order that it may be deemed viable. It must be commercially viable and meet UCA development criteria for internal Synod approvals. It must also achieve specified development return rates so that it is an attractive proposition for a bank to fund the large costs involved. The Strategic Property Options Analysis Report rejects Property Options 2 (develop site and sell), 3.1 (sell 2/3 of the site and restore church), and 3.3 (develop site and restore church) on the basis that they are not viable and therefore would not receive Synod approval, or because it is unlikely a bank would provide the necessary debt funding.

In relation to Option 3.2, at the Special Congregational Meeting on 1 May 2016, the Congregation resolved by consensus

“not to proceed under Option 3.2 to sell the northern two thirds of the property after development and renovate Union Memorial Church for the purpose of returning to it for worship.”

The remaining options for consideration are presented in the table below.

Options for considn	Comml	Finl	Missn	BOMAR Contribn	Net Proceeds	Cash Reserves 2021	Operating Result 2021
Option 0 – Status Quo*				-	-	\$2.1m	(\$63k)
Option 1*				\$3.5m	\$3.6m	\$5.7m	(\$37k)
Option 5.a				\$3.6m	\$3.6m	\$5.7m	(\$63k)
Option 6.b				\$5.8m	\$5.4m	\$6.9m	(\$61k)
Option 7.a				\$2.2m	\$2.5m	\$4.1m	(\$140k)

12. Conclusion (Full Report p. 33)

All options show a negative operating result in 2021. This indicates that regardless of which option is preferred by Mark the Evangelist, action will have to be taken to eliminate the budget deficit from 2017. Under any option, without further budget action MtE will continue to reduce their cash reserve by an average of \$78k per year.

Option 1 provides the lowest financial risk of the options explored, generating the lowest operating deficit of the options considered. It meets the commercial needs of MtE but unless the budget deficit is eliminated its financial performance will continue to deteriorate. A further concern is relocating to a suitable facility. Relocation of MtE would require careful consideration of space needs and appropriateness. This option does take into consideration a one-off removal cost and \$150k p.a. for relocation costs.

Option 5.a gives MtE the best opportunity to remain onsite with the least risk. Its cash reserve in 2021 is comparable to that for Option 1 but again without budget action it also produces an operational deficit in 2021. If this option is preferred, MtE will need to revise their space requirements and consider the impact this will have on the scope of their future mission work.

Option 6.b. meets the commercial needs of MtE. MtE would also retain one third of the site (the cottage, UMC and the hall), which enables them to meet their space and missional needs. This option generates the highest net proceeds of those considered. However it also produces an operational deficit and comes with the additional substantial heritage, building and sale risks associated with the development and sale of the northern two thirds of the site and the restoration of the heritage Union Memorial Church.

Option 7a carries the highest risk and largest operational deficit of the sale options. It produces the lowest property option net proceeds due to UMC being retained. However it meets MtE initial space requirements better than does the Hall Option 5.a.

Options 0, 2, 3.1, 3.2, 4 and 6a have been discounted for further consideration, due to UCA metrics not being met, being options that do not pass preliminary heritage or planning assessments or would not be suitable for development funding, or because a congregation decision during this process has ruled it out.

It should be noted that, as indicated in the box on page 31, the impact of the MtE proposal for a variation of BOMAR Policy to allow for a deduction of the annualised cost of the UnitingCare Hotham Mission program of activities is that the financial performance of each property option improves. The reduced BOMAR sharing contribution enables a greater net proceeds amount for MtE.

13. Possible Relocation Option Alternatives (Full Report p. 34)

MtE may be able to purchase or lease a building on the open market, including funding of the fitout costs, for the sole use of MtE for worship and mission.

Possible additional options for alternative sites are:

- a. The lease of non-commercial premises for the sole use of MtE for worship and mission; or
- b. A UCA or ecumenical merger.

14. Next Steps (Full Report p. 35, updated 12 November 2016)

- a. Strategic Property Options Analysis Report (SPOAR) v14.2 to MtE Congregational Meeting to identify the preferred option – 4 December 2016
- b. MtE Church Council formalises Congregation preference – December 2016
- c. Draft Business Case for consideration by MtE Church Council – December 2016
- d. Business Case Report to PCG – January 2017
- e. Business Case Report to MtE Church Council – February 2017
- f. Business Case Report to MtE Congregation for comment and decision – February 2017
- g. MtE Church Council approves Congregation indicative decision – March 2017

**Alan Wilkinson
Rod Mummery
Craig Thompson
12 November 2016**

MARK THE EVANGELIST FUTURES PROJECT

STRATEGIC PROPERTY OPTIONS ANALYSIS REPORT (SPOAR) v14.2

Feasibility Assessment Table

(based on approved MtE BOMAR sharing policy exemptions)

This Feasibility Assessment Table summarises the results which are elaborated in each of the SPOAR v14.2 documents (the summary, the full version, and the full version with appendices) shared with members of the Congregation on the Mark the Evangelist SPOAR website in advance of the 4 September meeting.

The green, yellow, or red ‘traffic light’ boxes convey the extent to which each option meets the criteria set for the feasibility study – Commercial, Financial, and Missional. A green box indicates that the criteria have been fully met, yellow indicates acceptable achievement, and red indicates that the necessary criteria have not been met. The Commercial criteria are building development requirements set by Synod Property Services, the Financial are those to ensure the congregation is financially sustainable into the future, and the Missional are those arising from the MtE missional objectives for the project.

Mark the Evangelist has been advised by BOMAR that, at their meeting on 20 September, they approved both of the policy exemptions proposed by MtE Church Council.

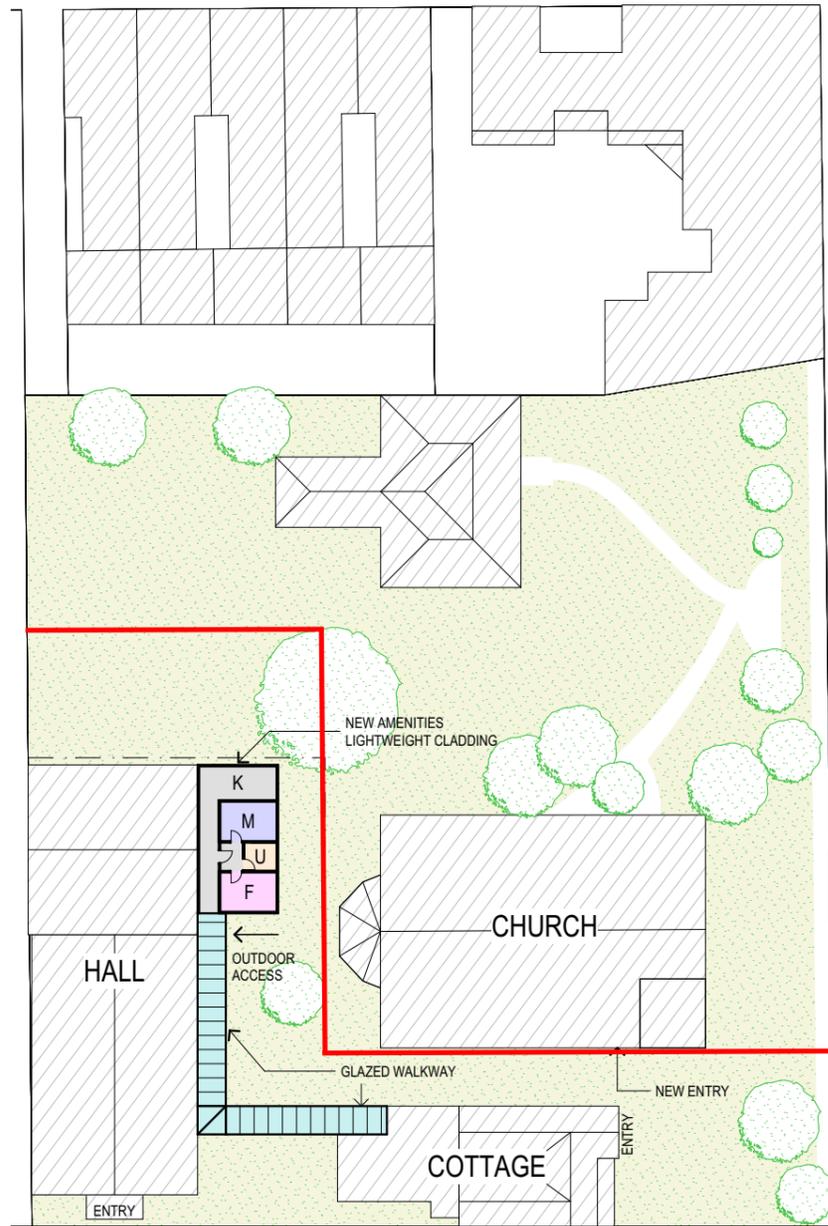
Accordingly the Feasibility Assessment financial results which are to be used to inform the decision of the Congregation on 23 October 2016 are confirmed as follows:

Options for consideration	Commercial	Financial	Missional	BOMAR Contribution	Net Project Proceeds	Cash Reserves 2021	Operating Result 2021
Option 0 Status Quo				-	-	\$2.1m	-\$63k
Option 1 Sell Whole Site				\$1.5m	\$5.6m	\$8.1m	\$60k
Option 5.a Hall, Cottage				\$1.6m	\$5.7m	\$8.2m	\$35k
Option 6.a Church, Hall, Cottage				\$0.1m	\$3.3m	\$5.1m	-\$134k
Option 6.b Church, Hall, Cottage (Develop/Sell)				\$3.8m	\$7.6m	\$9.3m	\$36k
Option 7.a Church, Cottage				\$0.3m	\$4.4m	\$6.3m	-\$49k

**Church Council
3 November 2016**

OPTION CONCEPT PLANS

QUEENSBERRY STREET

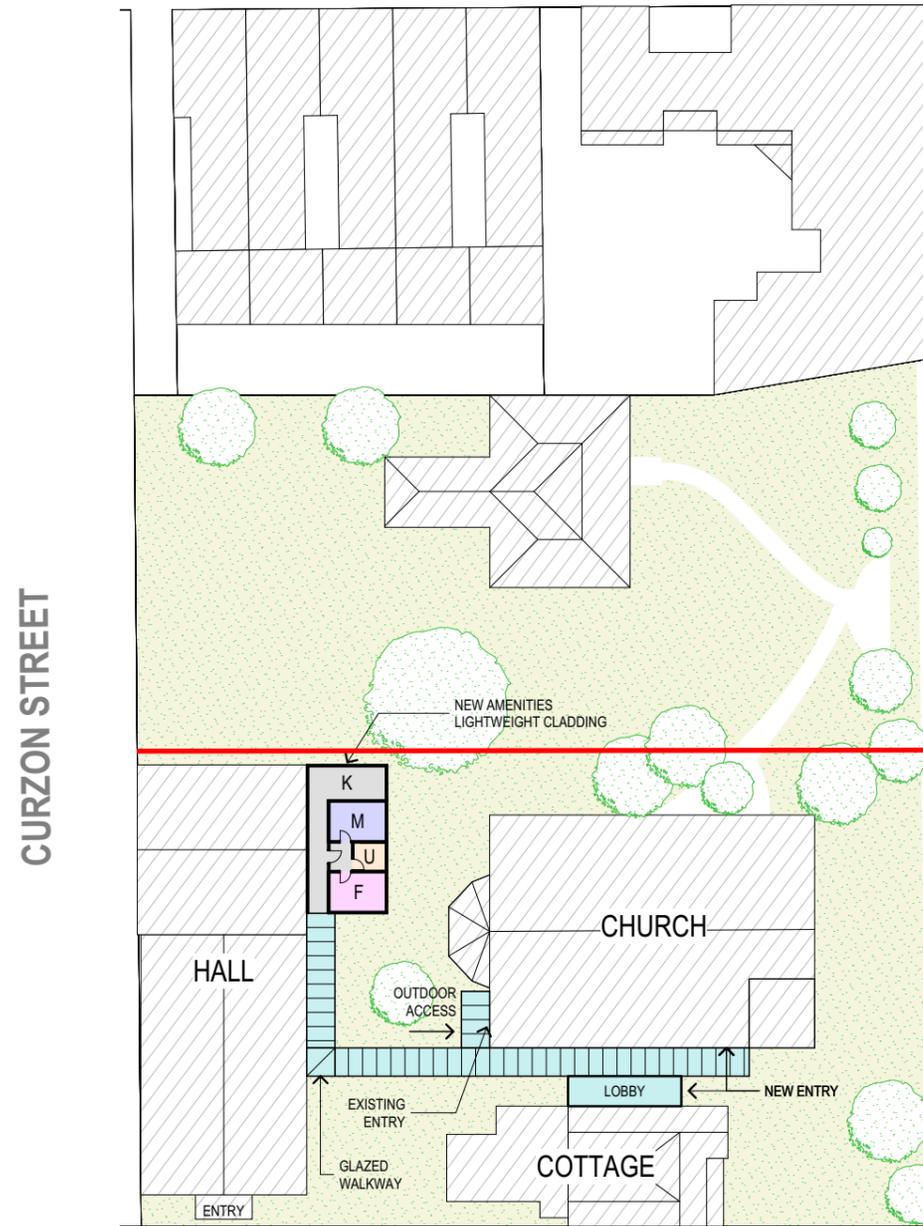


ELM STREET

OPTION 5A

		AREA
EXISTING	HALL	366.8 m ²
	COTTAGE	140.8 m ²
PROPOSED	AMENITIES	37.25 m ²
	LINKAGE	54.1 m ²
		598.8 m²

QUEENSBERRY STREET

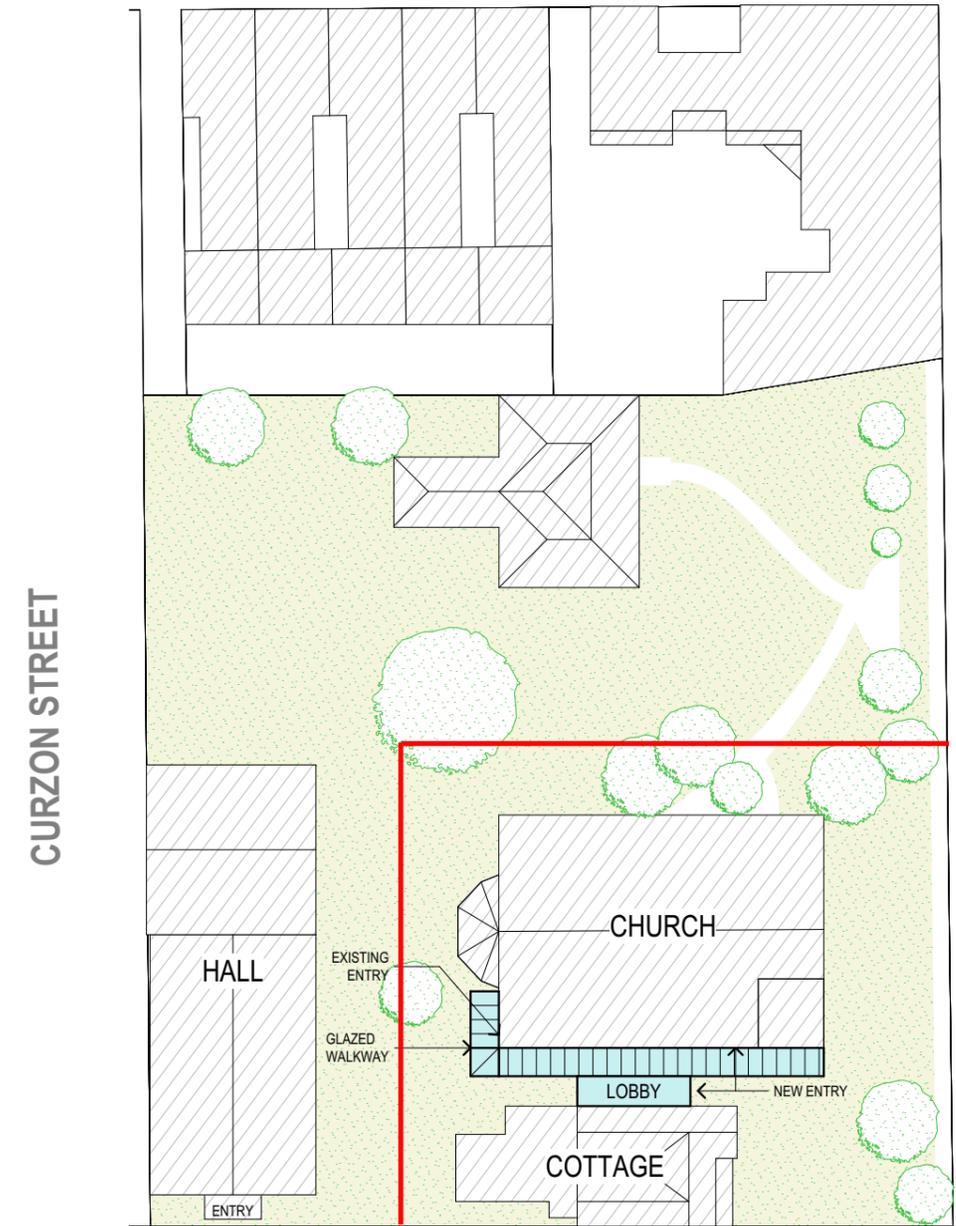


ELM STREET

OPTION 6A

EXISTING	HALL	366.8 m ²
	CHURCH	396.7 m ²
	COTTAGE	140.8 m ²
PROPOSED	AMENITIES	37.3 m ²
	LINKAGE	89.7 m ²
	LOBBY	16.9 m ²
		1048.0 m²

QUEENSBERRY STREET



ELM STREET

OPTION 7A

EXISTING	CHURCH	396.7 m ²
	COTTAGE	140.8 m ²
PROPOSED	LINKAGE	58.0 m ²
	LOBBY	16.9 m ²
		612.3 m²