



Mark the Evangelist Futures

*Strategic Property Options Analysis Report (SPOAR)
August 2016 (DRAFT)*

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1. Executive Summary

1. Options explored (page 6)

A total of three main property options were explored: Option 1 to sell the whole site (and purchase, lease or amalgamate elsewhere); Option 2 to develop then sell the entire site (and purchase, lease or amalgamate elsewhere); and Option 3 to stay and sell, or develop and sell, two thirds of the site and renovate the Church. Following the initial assessment, four additional options were explored at the request of MtE Congregation: Option 5.a to stay and sell 2/3's of the site including the Uniting Memorial Church (UMC); Option 6.a Stay and sell 2/3's (minimal works); Option 6.b Stay and develop then sell 2/3's (minimal works) and Option 7.a Stay and sell 2/3's of site including the Hall. All options are analysed against the Status Quo or "as is" position of Mark the Evangelist. A further Option 4 was discounted in the preliminary stages.

2. Heritage and Planning Advice (page 8)

High-level Heritage and Planning advice to inform the Property Options has been obtained from consultants who are experts in their respective fields. The preliminary advice received has been integrated into the Property Options assessment and has informed the assumptions used in this report. Following the inclusion of the additional Property Options, further Heritage and Planning advice was obtained in relation to the creation of new mission space on site that was not previously considered.

3. Building Concepts (page 13)

Concept designs have been prepared by Interlandi Mantesso Architects. The designs have been informed by the Planning and Heritage advice received which looks to maximise the development potential of the site where possible. Site measurements have been used to inform the opportunity to convert the heritage-listed buildings into alternative uses. Under Option 2 (develop whole site) 100 new homes and 112 car spaces (within a basement) are provided. Option 3 (develop 2/3's of the site) would provide 81 new homes and 88 car spaces (within a basement). The concepts are subject to Heritage Victoria and City of Melbourne approval.

4. Risk and Opportunity Analysis (page 17)

The common challenge applicable across all Property Options is that of not acting during this period of market buoyancy. Swift action is required to take advantage of the market opportunity, and the risk of not doing so is that maximum value may not be achieved from the Options proposed. Property Development 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, to offset the cost of restoration of parts of the site.

1. Executive Summary

5. **MtE Mission Objectives** (page 19)

The Mission Objectives confirmed (Aug 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. This report includes an assessment of how each option satisfies the MtE Mission objective.

6. **Financial Feasibility of each Option** (page 23)

Detailed financial feasibilities have been compiled and analysed by SEMZ. The feasibilities are the collective input of the consultant team including an Architect for drawings, Planning and Heritage specialists, and a Cost Planner 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 (MtE) upon the completion of a given Property Option. It also looks into the detail of the operating income deficit, cash at bank and the depletion of MtE financial resources. This analysis shows Option 1, Option 5.a, Option 6.b and Option 7.a to be the most likely Options given the financial performance results which emerge.

7. **Operational Cash Flow Analysis** (page 25)

The financial objective is that the Property Option will generate sufficient proceeds to support MtE and their Hotham Mission expenses. The Operational Cash Flow Analysis overlays the proceeds from the Property Options onto the business operation of MtE. 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 MtE.

1. Executive Summary

8. Site Development Program (page 29)

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) indicatively would involve a year long process. Alternatively a residential development could indicatively take up to four years until proceeds are realised (given the approvals and permits which would be required).

9. Overall Feasibility Assessment (page 31)

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 Option report discounts Property Options 2 (develop site and sell), 3.1 (sell 2/3 of the site and restore church), Option 6.a (Sell 2/3's of site – minimal works) 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.

10. Conclusion – the four Options for consideration (page 33)

Following the investigation that was undertaken as part of the Strategic Property Options report, the Options that best satisfy MtE mission objectives for consideration by MtE are:

- Option 0 – Status Quo, remain as-is
- Option 1 – Sell the whole site then purchase, lease or amalgamate with another Congregation
- Option 5.a – Stay and sell 2/3's of site including UMC.
- Option 6.b – Develop then sell 2/3's and stay (minimal (UMC) Restoration Option)
- Option 7.a – Stay and sell 2/3's of site including the Hall

1. Executive Summary

11. Possible Relocation Option alternatives (page 34)

MtE may be able to purchase or lease an appropriate 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 (to retain MtE's distinctive identity); or
- b. A UCA or ecumenical merger.

12. Next Steps (page 35)

- a. SPOAR v14 to PCG Meeting for consideration – 26 August 2016
- b. SPOAR v14 to Church Council for recommendation to Congregation – 1 September
- c. SPOAR v14 to Congregational Meeting for its consideration – 4 September
- d. SPOAR v15 to Church Council for recommendation to Congregation – 6 October
- e. SPOAR v15 to Congregational Meeting for its indicative decision – 23 October
- f. MtE Church Council formalises Congregation decision – 3 November
- g. Draft Business Case review by MtE Church Council – 1 December
- h. Draft Business Case review #2 Synod Advisory – TBC
- i. Business Case Report to PCG – December
- j. Business Case Report to MtE Church Council – 2 February 2017
- k. Business Case Report to MtE Congregation for indicative decision – 19 February 2017
- l. MtE Church Council approves Congregation indicative decision – 2 March 2017

2. Options Explored

The options considered in this report are:

- Option 0 – Status Quo. No redevelopment of the site, the congregation remain as-is
- Option 1 – Sell 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, and renovate church
 - Option 3.2 Stay, develop and sell 2/3 site from manse to Queensberry, 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, Sell 2/3's of site and UMC
- Option 6.a – Stay, Sell 2/3's of site, Undertake Minimal UMC Restoration
- Option 6.b – Stay, Develop 2/3's of site and sell, undertake Minimal UMC Restoration
- Option 7.a – Stay, Sell 2/3's of site and Hall, undertake Minimal UMC Restoration

3. Heritage and Planning Advice

Heritage Advice – Green Heritage – Property Options (1,2 & 3)

Green Heritage is a cultural heritage consultancy based in Melbourne and has provided professional heritage advice and services in relation to this project. Their core business is the delivery of all heritage works required for Cultural Heritage Management Plans (CHMPs) and Cultural Heritage Permits, Project Archaeologist services for Heritage Victoria Permits and Consents, and Professional Historian services. Should the project proceed to be implemented, the services of Green Heritage will be required for the liaison and reports required by Heritage Victoria for a project of this nature.

Green Heritage (Barry Green) is a professional archaeologist and historian with over ten years of industry experience in Europe and Australia. To date, Green Heritage has attended project consultancy meetings, reviewed the existing site plans, attended a site meeting and conducted background research. From this Green Heritage has compiled the following requirements, advice and program items.

Requirements	<ul style="list-style-type: none">• All buildings and land on the site are registered on the Victorian Heritage register and City of Melbourne Overlay• Any development of the site will require a Heritage Permit from Heritage Victoria who will consult with City of Melbourne• A bond will have to be paid to ensure conservation works are carried out to Heritage Victoria's satisfaction. The bond will be returned once conservation works are complete.• Changing use of the buildings to residential/ commercial should be fine as long as the use does not impact the heritage value of the place• Removal of significant external fabric to facilitate change of use will be difficult to get approved.• Development options could range from the ambitious, such as the removal of the Edwardian terrace to the easy such as only the removal of non-significant elements.• There is an argument for the ambitious approach if it can be argued that it is necessary in order to finance the conservation and restoration of the significant buildings. Initial research has indicated that a former service station is on the site.• Building height and placement will have to be considered carefully so as to not overwhelm existing buildings and so as to not have a visual impact on adjacent heritage buildings
Advice	<ul style="list-style-type: none">• It is advisable to prepare a Conservation Management Plan (CMP) for the entire site in tandem with an Architect when preparing to submit a Planning Permit• The CMP will accurately identify the heritage values and significant buildings and fabric on the site and will recommend appropriate conservation and management of significant elements.• The CMP will also identify the non-significant elements which can be removed or demolished.• The CMP will provide a recommended development footprint that respects the heritage values of the site. This document provides a blueprint for what you can and cannot do existing buildings and their fabric minimising time delays with Heritage Victoria.• Sell site subject to permit
Program	<ul style="list-style-type: none">• Once the CMP and finalised development options are complete a Heritage Permit can be applied for.• It is advisable to have a pre-application meeting with Heritage Victoria to discuss the preferred development option.• The CMP and a Heritage Impact Statement (HIS) will accompany the permit application. The HIS will assess the impact of works to the heritage values of the site and to adjacent heritage buildings/ places in the immediate area.• The permit will be issued with conditions likely including significant conservation works.

3. Heritage and Planning Advice

Heritage Advice – Green Heritage – Property Options 5.a and 6.a

Option 5.a

- Any proposed subdivision and annex will require a permit from Heritage Victoria
- A Conservation Management Plan (CMP) should be prepared for the entire site prior to the permit application
- The CMP will accurately identify the heritage values and significant buildings and fabric on the site and will recommend appropriate conservation and management of significant elements
- The CMP will also identify the non-significant elements which can be removed or demolished.
- The CMP will provide a recommended development envelope that respects the heritage values of the site.
- The CMP will assist in developing a suitable design for an annex within the recommended development envelope.
- Detailed architectural drawings and a schedule of works for the annex must accompany the permit application.
- A Heritage Impact Statement must accompany the permit application which demonstrates that the subdivision and annex do not have a negative impact on the heritage values of the site as a whole.
- The permit may contain conditions on conservation works to the significant buildings in the retained portion.
- Should conservation works be required, a bond to the value of works, will have to be paid to HV prior to commencement which will be returned on completion to the satisfaction of HV.

Option 6.a

- Any proposed subdivision and annex will require a permit from Heritage Victoria.
- A Conservation Management Plan (CMP) should be prepared for the entire site prior to the permit application.
- The CMP will accurately identify the heritage values and significant buildings and fabric on the site and will recommend appropriate conservation and management of significant elements.
- The CMP will also identify the non-significant elements which can be removed or demolished.
- The CMP will provide a recommended development envelope that respects the heritage values of the site.
- The CMP will assist in developing a suitable design for an annex within the recommended development envelope.
- Retention of the church building will trigger a considerable volume of documentation and conservation works, particularly if adaptive re-use is considered.
- The quantum of conservation works will be informed by the CMP.
- The creation of an integrated complex of heritage buildings through the construction of this form annex will require a sophisticated design solution to achieve HV support.
- Detailed architectural drawings and a schedule of works for the annex and alterations to existing buildings must accompany the permit application.
- A Heritage Impact Statement must accompany the permit application which demonstrates that the subdivision, annex and alterations have a minimal impact on the heritage values of the site as a whole.
- The permit will contain conditions on conservation works to the significant buildings in the retained portion.
- A bond for the value of conservation works will have to be paid to HV prior to commencement which will be returned on completion to the satisfaction of HV.

3. Heritage and Planning Advice

Heritage Advice – Green Heritage - Property Options 6.b and 7.a

Option 6.b

- Any proposed development of the site will require a permit from Heritage Victoria.
- A Conservation Management Plan (CMP) should be prepared for the entire site prior to the permit application.
- The CMP will accurately identify the heritage values and significant buildings and fabric on the site and will recommend appropriate conservation and management of significant elements.
- The CMP will also identify the non-significant elements which can be removed or demolished.
- The CMP will provide a recommended development envelope that respects the heritage values of the site.
- It is likely that the scale of the proposed development will provide significant challenges in achieving support from HV.
- In all cases where demolition of significant fabric is required a compelling supporting argument will need to be put forward.
- Massing and scale will need to be carefully considered in terms of potential visual impact on the site as a whole and each individually significant building.
- The new development will have significant tests to meet in order to have a minimal heritage impact.
- The CMP will assist in developing a suitable design to meet those tests.
- Detailed architectural drawings and a schedule of works must accompany the permit application.
- A Heritage Impact Statement must accompany the permit application which demonstrates that the development has a minimal impact on the heritage values of the site as a whole.
- Archaeological works, managed under a separate Consent from HV, may be required if the CMP identifies archaeological potential in the development envelope.
- A landscape management plan may also be required.
- The permit will contain conditions on conservation works to the significant buildings.
- A bond for the value of conservation works will have to be paid to HV prior to commencement which will be returned on completion to the satisfaction of HV.

Option 7.a

- Any proposed subdivision and new building will require a permit from Heritage Victoria.
- A Conservation Management Plan (CMP) should be prepared for the entire site prior to the permit application.
- The CMP will accurately identify the heritage values and significant buildings and fabric on the site and will recommend appropriate conservation and management of significant elements.
- The CMP will also identify the non-significant elements which can be removed or demolished.
- The CMP will provide a recommended development envelope that respects the heritage values of the site.
- The CMP will assist in developing a suitable design for an annex within the recommended development envelope.
- Retention of the church building will trigger a considerable volume of documentation and conservation works, particularly if adaptive re-use is considered.
- The quantum of conservation works will be informed by the CMP.
- The creation of an integrated complex of heritage buildings and a new building will require a sophisticated design solution to achieve HV support.
- Detailed architectural drawings and a schedule of works for the new building and alterations to existing buildings must accompany the permit application.
- A Heritage Impact Statement must accompany the permit application which demonstrates that the subdivision, new building and alterations have a minimal impact on the heritage values of the site as a whole.
- The permit will contain conditions on conservation works to the significant buildings in the retained portion.
- A bond for the value of conservation works will have to be paid to HV prior to commencement which will be returned on completion to the satisfaction of HV.

3. Heritage and Planning Advice

Planning Advice – Pro Urban – Property Options (1,2 & 3)

ProUrban is a specialist urban planning consultancy that provides advisory and management services to property developers and land owners.

Tim Ryder has eleven years of international experience in urban planning, project management and development strategy. He has worked extensively in the urban development sector in Australia, the UK and New Zealand for a range of corporate clients, property developers and government agencies. Since being appointed, ProUrban has attended project consultancy meetings, reviewed the existing site plans and has also attended a site meeting. From this they have compiled initial advice regarding key opportunities, planning controls and constraints.

<h3>Planning Controls</h3>	<ul style="list-style-type: none"> • General Residential Zone – Schedule 1 • Heritage Overlay – Schedule 92. This is a site specific Heritage Overlay which relates to the “Former Presbyterian Union Memorial Church Complex, 49-61 Curzon Street, 2-22 Elm Street, 579-589 Queensberry Street, North Melbourne” • Parking Overlay – Precinct 12. This Overlay applies a ‘maximum’ car parking standards of one space per dwelling to new development. • The site is listed on the Victorian Heritage Register – Reference: H0007
<h3>Site Constraints</h3>	<ul style="list-style-type: none"> • The site features a number of significant heritage buildings which will require full or partial retention in any new development. • Future new development on the site will need to be appropriately sited, setback and scaled to ensure that the impact on the retained heritage buildings is not adversely affected. Advice from a suitably qualified heritage specialist will be required in this regard. • The development potential of the southern part of the site appears to be significantly limited by the existing heritage buildings and the need for new development to be setback from these buildings. • The open space in front of the central eastern portion of the site will likely need to be retained respect the heritage significance of the buildings to the west and south of this area. • The surrounding land to the north, east and west across Curzon St and Queensberry St is affected by Design & Development Overlay – Schedule 31. This planning control imposes a mandatory height limit of 10.5m that will restrict the number of storeys that will be permitted .
<h3>Site Opportunities</h3>	<ul style="list-style-type: none"> • The site is not affected by any planning controls which provide specific guidance regarding the future development of built form on the site. It is noted that ResCode would technically apply to development of four storeys or less, however given the scale of the site ResCode will become more of a guide, than mandating specific requirements. As such, the acceptable scale of future development will be primarily predicated on the surrounding context. • Development of three to four storeys is likely to be achievable in the north-western and central-western area of the site, to the south of the terraces fronting Queensberry St. A key determining factor in the allowable extent and scale of this development in this location will be the need to retain or demolish the terraces. • Development of four storeys should be acceptable in the north-eastern corner of the site where the existing commercial building is located. The fourth level may need to be recessed in order to reflect the prevailing three storey development potential of the surrounding area (which is controlled by the height limit associated with DDO31) • There may be an opportunity to seek approval for a fifth level if it can be demonstrated that the financial return associated with the additional yield is required to provide for the restoration of the existing heritage buildings and that it does not adversely affect the significance of the retained heritage buildings. • This principle could potentially be applied in other areas of the site (for example, to garner support for the demolition of the Victorian terraces fronting Queensberry Road) if a ‘master planned’ approach is taken to the redevelopment of the site. We understand from discussions with Barry Green of Green Heritage that Heritage Victoria have been supportive of similar approaches in the past

3. Heritage and Planning Advice

Planning Advice – Pro Urban – Property Options 5.a, 6.a, 6b, 7a

Subdivision & Setbacks	<ul style="list-style-type: none">• There are no specific provisions within the Melbourne Planning Scheme that provide guidance or instruction regarding the setbacks from streets and existing buildings that would be necessary in any future subdivision.• The subdivision of a site listed on the Victorian Heritage Register will require approval from Heritage Victoria and heritage matters will form the key consideration in determining the most appropriate manner in which the site could be subdivided. In this respect, setbacks will be primarily dictated by the need to provide appropriate spacing between heritage buildings and any new development (or potential development). The extent of this spacing, and thus the setbacks, requires advice from a heritage specialist.
Height Restrictions	<ul style="list-style-type: none">• There are no specific planning controls that apply to the site which provide guidance or instruction about height. It is noted that ResCode would technically apply to development of four storeys or less, however given the scale of the site ResCode will become more of a guide, than mandating specific requirements. As such, the acceptable scale of future development will be primarily predicated on the surrounding context.• Development of three to four storeys is likely to be achievable in the north-western and central-western area of the site, to the south of the terraces fronting Queensberry St. A key determining factor in the allowable extent and scale of this development in this location will be the need to retain or demolish the terraces (a matter which is subject to specialist heritage advice).• Development of four storeys should be acceptable in the north-eastern corner of the site where the existing commercial building is located. The fourth level may need to be recessed in order to reflect the prevailing three storey development potential of the surrounding area (which is controlled by the height limit associated with DDO31)• There may be an opportunity to seek approval for a fifth level if it can be successfully argued that the financial return associated with the additional yield is required to provide for the restoration of the existing heritage buildings and that it does not adversely affect the significance of the retained heritage buildings.• This principle could potentially be applied in other areas of the site (for example, to garner support for the demolition of the Victorian terraces fronting Queensberry Road) if a 'master-planned' approach is taken to the redevelopment of the site. We understand from discussions with Barry Green of Green Heritage that Heritage Victoria have been supportive of similar approaches in the past.• We note that this opportunity for support from Heritage Victoria is likely to be lost if the site is to be sold to a developer, rather than developed by the Uniting Church (potentially with a development partner). Although this matter is potentially mitigated in Option 5a and 5b where the Church is included within the parcel of land to be developed or sold (i.e. an argument could still be advanced that the refurbishment of the Church was to be funded, in part, by the additional yield associated with development of the NE part of the site).• In relation to the likely height of any new 'annex' buildings located in the southern part of the site, we envisage that these would need to be of limited scale so as to appear subservient, in terms of scale and appearance, to the adjoining heritage buildings. The scale of built form that can be achieved will be dictated by the quality of the architectural design response and this will likely require input from a specialist heritage consultant/architect.
Car Parking	<ul style="list-style-type: none">• Car parking rates for the additional annex building will be guided by Clause 52.06 of the Melbourne Planning Scheme which indicates that for a 'place of assembly' 0.3 spaces for each patron must be provided. We have reviewed a recent planning permit application to extend a place of assembly and this was the parking rate adopted and required by Council. An argument could be made to support a small parking shortfall; however it is likely that this would be most successful if it could be demonstrated that a number of patrons used public transport, cycled or walked to the church facility.

4. Key Assumptions

	Option 0 Status Quo	Option 1 Sell Site (1.1 Purchase new site, 1.2 Lease new site)	Option 2 Develop Whole Site and Sell (2.1 Purchase new site, 2.2 Lease new site)
Key Assumptions	BOMAR has been included on the basis of the BOMAR Policy that includes relocation costs and property costs of \$150,000 p.a.		
	<ul style="list-style-type: none"> No Redevelopment Continued Church occupation within their current location MtEF operations and mission continue 'As-Is' 	<ul style="list-style-type: none"> Continue Church occupation throughout sales and marketing process Land sold 'as-is' without a development permit Assumes land area of 4,882 sqm to be sold Estimated Selling Price provided by Colliers International and CBRE is \$12m - \$15.5m. \$12.205m has been adopted as a conservative estimate based on the lower end of the estimates received Fees to be paid from sales proceeds <ul style="list-style-type: none"> Legal fees – Contract of Sales Marketing fees Valuation Land surveying Management Fee GST Sales Commission Form 3i costs (funded by MtE cash at bank.) 	<ul style="list-style-type: none"> 81 apartments (over 4 levels) in new buildings 4 apartments in the converted Manse 3 townhouses in the converted Church Hall 12 apartments in the converted Church A total of 112 car spaces in the basement car park A total of 100 apartments/townhouses and 112 car spaces provided across the whole site Assumes demolition of 5 x Victorian cottages that are heritage listed buildings is permitted Assumes all heritage listed buildings can be converted to residential use Assumes equity contribution equal to input Land Value Planning permit approval (detailed planning advice to be obtained) Redevelopment to occur in two stages MtE relocate prior to construction commencing Form 3i costs (funded by MtE cash at bank.)

4. Key Assumptions

	Option 3.1 Sell 2/3 site	Option 3.2 Develop & Sell 2/3	Option 3.3 Develop & Retain 2/3
Key Assumptions	BOMAR has been included on the basis of the BOMAR Policy that includes any relocation costs and new build mission property costs		
	<ul style="list-style-type: none"> MtE continue to worship in the current Church Hall until such time that the Church Restoration is complete. 2 Elm Street to be continue to be occupied as office Land sold 'as-is' without a development permit Assumes land area of 3,080 sqm to be subdivided and sold \$9.219m has been adopted as a conservative estimate based on the lower end of the estimates received Fees to be paid from sales proceeds <ul style="list-style-type: none"> Legal fees – Contract of Sales Marketing fees Valuation Land surveying Management Fee GST Sales Commission Form 3i costs (funded by MtE cash at bank.) 	<ul style="list-style-type: none"> 81 apartments (over 4 levels) in new buildings 4 apartments in heritage listed manse building A total of 88 car spaces in the basement carpark Assumes manse can be converted to residential use Assumes equity contribution equal to input Land Value at 2/3's of the site Planning permit approval (detailed planning advice to be obtained) Assumes demolition of 5 x Victorian cottages that are heritage listed buildings is permitted Redevelopment to occur in one stage Church Restoration is separate to the commercial development, and will occur once proceeds from the commercial are realised to avoid and minimise further debt requirements and costs. Form 3i costs (funded by MtE cash at bank.) 	<ul style="list-style-type: none"> 81 apartments (over 4 levels) in new buildings 4 apartments in heritage listed manse building A total of 88 car spaces in the basement carpark Assumes manse can be converted to residential use Assumes equity contribution equal to input Land Value at 2/3's of the site Planning permit approval (detailed planning advice to be obtained) Assumes demolition of 5 x Victorian cottages that are heritage listed buildings is permitted Redevelopment to occur in one stage Assumes Church Restoration is separate to the commercial development, and will occur once proceeds from the commercial are realised to avoid and minimise further debt requirements and costs. Assumes average rent of \$437 per week Assumes occupancy rate of 90% Assumes 50% of 1bed and 50% of 2 bed – not market tested and TBC Form 3i costs (funded by MtE cash at bank.)

4. Key Assumptions

	Option 5.a Sell 2/3's and UMC (Hall)	Option 6.a Sell 2/3's (Minimal Renovation)	Option 6.b Sell 2/3's (Minimal Renovation)
Key Assumptions	BOMAR has been included on the basis of the BOMAR Policy that includes any relocation costs and new build property costs		
	<ul style="list-style-type: none"> MtE continue to worship in the current Church Hall 2 Elm Street to be continue to be occupied as office Land sold 'as-is' without a development permit Assumes the original land area of 3,080 sqm plus the UMC to be subdivided and sold \$9.319m has been adopted as a conservative estimate based on the lower end of the estimates received Fees to be paid from sales proceeds <ul style="list-style-type: none"> Legal fees – Contract of Sales Marketing fees Valuation Land surveying Management Fee GST Sales Commission Hall extension to include kitchen and bathroom amenities will be undertaken following the sale of 2/3's of the site. Form 3i costs Heritage Victoria to approve subdivision during 3i process 	<ul style="list-style-type: none"> MtE continue to worship temporarily in the current Church Hall 2 Elm Street to be continue to be occupied as office Land sold 'as-is' without a development permit Assumes the original land area of 3,080 sqm to be subdivided and sold \$9.219m has been adopted as a conservative estimate based on the lower end of the estimates received Fees to be paid from sales proceeds <ul style="list-style-type: none"> Legal fees – Contract of Sales Marketing fees Valuation Land surveying Management Fee GST Sales Commission Church Restoration will occur following the sale of the land to avoid and minimise further debt requirements and costs. Form 3i costs (funded by MtE cash at bank.) Di Mase cost plan assumption applied as applicable (amount and inflation) 	<ul style="list-style-type: none"> 81 apartments (over 4 levels) in new buildings 4 apartments in heritage listed manse building A total of 88 car spaces in the basement carpark Assumes manse can be converted to residential use Assumes equity contribution equal to input Land Value at 2/3's of the site Planning permit approval (detailed planning advice to be obtained) Assumes demolition of 5 x Victorian cottages that are heritage listed buildings is permitted Redevelopment to occur in one stage Church Restoration is separate to the commercial development, and will occur once proceeds from the commercial are realised to avoid and minimise further debt requirements and costs. Form 3i costs (funded by MtE cash at bank.) Di Mase cost plan assumption applied as applicable (amount and inflation)

4. Key Assumptions

	Option 7.a Sell 2/3's and Hall, stay with Minimal Renovation
Key Assumptions	<p>BOMAR has been included on the basis of the BOMAR Policy that includes any relocation costs and new build mission property costs</p> <ul style="list-style-type: none">• 2 Elm Street to be continue to be occupied as office• Land sold 'as-is' without a development permit• Assumes the original land area of 3,080 sqm plus the Blue Stone Hall to be subdivided and sold• \$10.269m has been adopted as a conservative estimate based on the lower end of the estimates received• Fees to be paid from sales proceeds<ul style="list-style-type: none">• Legal fees – Contract of Sales• Marketing fees• Valuation• Land surveying• Management Fee• GST• Sales Commission• Church Restoration will occur following the sale of the land to avoid and minimise further debt requirements and costs.• Form 3i costs (funded by MtE cash at bank.)• Di Mase cost plan assumption applied as applicable (amount and inflation)

5. Risk & Opportunity Analysis

	Option 0 Status Quo	Option 1 Sell site	Option 2 Develop whole site & sell	Option 3 Stay/part sale and develop
Common	<ul style="list-style-type: none"> - Market (current market is buoyant, risk of not acting) 			
Risk	<ul style="list-style-type: none"> - Maximum value may not be realised due to existing parcel potential - Financial position worsens - Buildings deteriorate further and increase liability 	<ul style="list-style-type: none"> - Sales price achieved - Lack of Interest - Niche developer market 	<ul style="list-style-type: none"> - Planning - Heritage approval - Sales - Delivery - Equity requirements - Contamination 	<ul style="list-style-type: none"> - Planning and subdivision - Heritage approval - Sales & Rental (3.3) - On going maintenance liability (3.3) - Delivery - Equity requirements - Debt serviceability (3.3) - Contamination
Risk Mitigation	<ul style="list-style-type: none"> - Act swiftly 	<ul style="list-style-type: none"> - Act swiftly - Ensure appropriately experienced & professional team to manage the sales and marketing process - Establish realistic sales budget and program - Fixed price contract 	<ul style="list-style-type: none"> - Act swiftly - Ensure appropriately experienced & professional team are appointed to manage high risk areas - Establish realistic planning & sales budget and program - Presales - Fixed price contract - Conduct thorough ground survey prior to implementing strategy 	<ul style="list-style-type: none"> - Act swiftly - Ensure appropriately experienced & professional team are appointed to manage high risk areas - Establish realistic planning & sales budget and program - Presales - Ensure rental cover is sufficient to service debt prior to implementing strategy (3.3) - Fixed price contract - Conduct thorough ground survey prior to implementing strategy
Opportunity	N/A	<ul style="list-style-type: none"> - Opportunity for early exit with minimum risk / equity - Early delivery of alternate solution 	<ul style="list-style-type: none"> - To realise increased value through development - Using increased development yield to offset cost of restoration 	<ul style="list-style-type: none"> - To realise increased value through full development

5. Risk & Opportunity Analysis

	Option 5.a Sell 2/3's (Hall)	Option 6.a Sell 2/3's (Minimal Renovation)	Option 6.b Develop, Sell 2/3's (Minimal Renovation)	Option 7.a Stay and Sell 2/3's and Hall (Minimal Renovation)
Common	<ul style="list-style-type: none"> - Market (current market is buoyant, risk of not acting) 			
Risk	<ul style="list-style-type: none"> - Sales price achieved - Lack of Interest - Niche developer market - Heritage - Subdivision 	<ul style="list-style-type: none"> - Sales price achieved - Lack of Interest - Niche developer market - Heritage - Subdivision 	<ul style="list-style-type: none"> - Planning - Heritage approval - Sales - Delivery - Equity requirements - Contamination 	<ul style="list-style-type: none"> - Sales price achieved - Lack of Interest - Niche developer market - Heritage - Subdivision
Risk Mitigation	<ul style="list-style-type: none"> - Act swiftly - Ensure appropriately experienced & professional team to manage the sales and marketing process - Establish realistic sales budget and program - Fixed price contract 	<ul style="list-style-type: none"> - Act swiftly - Ensure appropriately experienced & professional team to manage the sales and marketing process - Establish realistic sales budget and program - Fixed price contract 	<ul style="list-style-type: none"> - Act swiftly - Ensure appropriately experienced & professional team are appointed to manage high risk areas - Establish realistic planning & sales budget and program - Presales - Fixed price contract - Conduct thorough ground survey prior to implementing strategy 	<ul style="list-style-type: none"> - Act swiftly - Ensure appropriately experienced & professional team to manage the sales and marketing process - Establish realistic sales budget and program - Fixed price contract
Opportunity	<ul style="list-style-type: none"> - Opportunity for early exit with minimum risk / equity - Early delivery of alternate solution 	<ul style="list-style-type: none"> - Opportunity for early exit with minimum risk / equity - Early delivery of alternate solution 	<ul style="list-style-type: none"> - To realise increased value through development 	<ul style="list-style-type: none"> - To realise increased value through full development

6. Mission Objectives

The Mission Objectives were confirmed at PCG No.1 on 18th August 2015. The Mission Objectives confirmed are:

Mission No.	The MtE Mission Objectives		Property Objectives
1	Being Served: Faithful Christian Worship	<ul style="list-style-type: none"> To worship God publicly with all of our being, being fed and nourished by the Spirit of God, telling the story of God's love and grace as we have experienced this through our Lord, Jesus Christ. 	<ul style="list-style-type: none"> To provide a worship space for approximately 50 to 60 persons with options to increase capacity for events (i.e. Wedding, Funerals and Baptisms etc.) up to 200
2	Being Served: Diverse spiritual expressions	<ul style="list-style-type: none"> Develop diversity of opportunities to meaningfully connect with God and grow spiritually in addition to Sunday morning worship. To exercise pastoral approaches to formation and discipleship while equipping people for mission, mindful of the transition the congregation is undertaking. 	<ul style="list-style-type: none"> To provide a worship space and flexible meetings and community areas. (Size requirements to be confirmed by the MtE Space requirements.)
3	Serving the Community – Service	<ul style="list-style-type: none"> Through UnitingCare Hotham Mission, to provide support and accommodation for asylum seekers, homework's clubs and financial education assistance for children, food bank services for disadvantaged people, and funding local English-language programs for immigrants and asylum seekers. To sponsor public conversations on matters of public interest and develop other perspectives and community service activities at the local, national and international levels. 	<ul style="list-style-type: none"> To provide a base for the UCHM Community workers (Size requirements to be confirmed by the MtE Space Requirements) Provide a flexible community space with audio and visual equipment for activities and presentations To provide facilities to serve hot and cold food and beverages.
4	Serving the Community – Evangelism	<ul style="list-style-type: none"> To create or find appropriate spaces for dialogue – not necessarily in our own space – which is central to telling the story of God-in-Jesus effectively. To create ways for members to involve themselves in conversation relating to faith themes already taking place in the community. 	<ul style="list-style-type: none"> To provide flexible community space, divisible into smaller class rooms and meeting areas.
5	Serving the wider Church	<ul style="list-style-type: none"> Using resources within the congregation to make a positive contribution to the life of the UCA and the wider church. To resource and equip members for leadership of the church, and their participation in God's mission where they are. 	<ul style="list-style-type: none"> To provide flexible community space, divisible into smaller class rooms and meeting areas. Provide facilities to serve hot and cold beverages and food serving facilities.

6. Mission Objectives

Mission No.	Option 1	Option 2	Option 3.1	Option 3.2	Option 3.3
1	✓	✗	✓	✓	✓
2	✓	✗	✓	✓	✓
3	✓	✗	✓	✓	✓
4	✓	✗	✓	✓	✓
5	✓	✗	✓	✓	✓
Accruing Cash Reserve	✗	✗	✗	✗	✗
Positive surplus (balanced budget)	✗	✗	✗	✗	✗
A suitable site that meets the Space Requirements is required in order to meet the Mission Objectives		Grey shaded Option denotes an unviable project	All Space Requirements under 3.1, 3.2, and 3.3 are to be provided within the existing facilities site.		

6. Mission Objectives

Mission No.	Option 5.a	Option 6.a	Option 6.b	Option 7.a
1	✓	✓	✓	✓
2	✓	✓	✓	✓
3	✓	✓	✓	✓
4	✓	✓	✓	✓
5	✓	✓	✓	✓
Accruing Cash Reserve	✗	✗	✗	✗
Positive surplus (balanced budget)	✗	✗	✗	✗

All Space Requirements under the above options need to be reviewed by MtE.

7. Status Quo

Status Quo Position of Mark the Evangelist

The below table outlines the current financial position of MtE and their forecasted position over a five year period should they remain 'as-is'. The status quo position identifies the base case upon which each potential Property Option can be assessed to ensure financial sustainability for MtE and to achieve their misional objectives.

Type/Year	2016	2017	2018	2019	2020	2021
Fixed Revenue	\$136,000	\$137,200	\$138,418	\$139,654	\$140,909	\$142,183
Fixed Expenditure	\$164,000	\$167,615	\$171,338	\$175,174	\$179,124	\$183,193
Variable Income	\$463,500	\$449,780	\$455,235	\$460,511	\$465,587	\$470,443
UC Hotham Mission Expenditure	\$171,500	\$175,145	\$178,899	\$182,766	\$186,749	\$190,852
Congregation Expenditure	\$293,000	\$301,790	\$310,844	\$320,169	\$329,774	\$339,667
Total Variable Expenditure	\$464,500	\$476,935	\$489,743	\$502,935	\$516,523	\$530,519
Net Operating Position	(\$89,000) Includes Feasibility Study \$60K	(\$57,570)	(\$67,428)	(\$77,944)	(\$89,151)	(\$101,086)
Cumulative Cash Reserves	\$2,462,529	\$2,404,959	\$2,337,531	\$2,259,587	\$2,170,437	\$2,069,351

The above figures have been and updated and provided to SEMZ by MtE on 12.08.16.

The table above forecasts that income will continue to increase in line with rental inflation, and costs and expenses escalate at a greater rate which results in MtE forecasting to lose on average circa \$78k per annum over the next five (5) years. On this basis, the cash reserves will support MtE until approximately 2031 should the trend continue.

8. Financial Feasibility and Assumptions

The table below outlines the key Development Assumptions used within the feasibilities attached and are subject to further investigations and verification following approval of the business case.

TYPE	ASSUMPTION
Land Sale	Estimated Selling Price (under Option 1,3.1,5.a,6.a and 7.a) has been advised by Colliers International and CBRE as a reasonable assumption.
Planning	Upfront planning and heritage costs are a cost of the project and are funded and secured against the land.
	18 month planning period to include liaison and approval from Heritage Victoria
	Head works allowance of 1% of construction costs (UCA Formula)
	Development Contributions & Open Space Levy @ 5% of Land Value
Construction	Mix of Commercial, Domestic build and conversion of existing heritage listed buildings(apartments, residential and communal areas). Rates used are to be verified by a Quantity Surveyor
	Conversions @ \$3,000/ sqm (GFA) (provided by MC Consulting)
	Apartments @ \$2,400 / sqm (NSA incl. balconies) (provided by MC Consulting)
	Basement @ \$1,400 / sqm (provided by MC Consulting)
	Circulation @ \$2,400 / sqm (provided by MC Consulting)
Contamination	Remediation @ \$250,000 (estimated total works)
Refurbishment	Structural Repair work \$5.3 million (As per Di Mase Cost Plan inflated by 4% per annum for 4 years). Minimal restoration works estimated at \$3,048,195 (As per Di Mase Cost including only Critical and Accessibility 1 items).
Sales & Marketing	Apartments @ \$9,500 / sqm (NSA) Estimate provided by Colliers

TYPE	ASSUMPTION
Sales & Marketing	Sales and Marketing commission and fees @ 5% of Gross Revenue (4% Commissions and 1% Marketing).
Project Financing	Loan to Cost Ratio (LCR) @ 75%
	Loan to Value Ratio (LVR) @ 65%
	Equity Contribution based on achieving the required LVR / LCR in the model, calculated by Estate Master on the basis of Project and Finance Costs Inc. Interest fee and net of GST.
	Development Interest @ 7% to include the Line Fee and Establishment below
	Line Fee (% of total debt) @ 0.5%
	Establishment Fee (% of total debt) @ 0.5%
Project Contingency	UCA Development Contingency between 3-5% of costs (UCA Formula - construction / Stats / Sales & Marketing / Selling Costs)
	Construction Contingency @ 5%
Financial Sustainability	Maintain a balanced budget
BOMAR	Using UCA calculator including UMC and any relocation costs when applicable
Manse	The sale of the manse has been considered and since discounted as apartments would not meet manse specifications and purchase costs may not be less than current minister housing cost.
Sensitivity	A sensitivity analysis has been undertaken. Please refer to Attachment I.

8. Financial Feasibility and Assumptions

	COMMERCIAL METRICS	Option 1	Option 2	Option 3.1	Option 3.2	Option 3.3	
Grey shaded Option denotes an unviable project	Total Revenue	\$12,205,000	\$58,537,663	\$9,219,000	\$43,919,592	\$1,548,747	Option 3.3 produces a net annual profit from the rental of \$494,778, however it does not provide funds to pay for the cost of the church restoration or additional proceeds to generate revenue in an IOMF account for ongoing financial sustainability
	Total Costs (incl. finance)	\$1,552,529	\$52,014,867	\$1,254,789	\$37,321,245	\$1,159,436	
	Land Value	\$0	\$12,205,000	\$0	\$9,219,000	\$0	
	Net Profit	\$10,652,471	\$6,522,796	\$7,964,211	\$6,598,347	\$389,311	
	Total Equity Required	-	\$12,205,000	-	\$10,049,000	\$9,219,000	
Option 2 does not meet the required commercial and UCA set metrics to be a viable project. Option 2 would not be considered viable for approval by the UCA or for debt funding by banks.	Additional Equity Required	\$0	\$0	\$0	**\$830,000	\$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	(4,998,883)	N/A	(2,530,540)	N/A	
	PROCEED METRICS	Option 1	Option 2	Option 3.1	Option 3.2	Option 3.3	
	Church Restoration Works	-		\$5,388,938	\$5,388,938	N/A	
	Relocation Costs	\$3,562,945		-	-		
	3I Costs	-		\$30,000	\$200,000		
	BOMAR Contribution	\$3,539,239	N/A	\$1,039,900	\$5,265,625	N/A	
MtE Net Proceeds (Profit + Land – Church Works & BOMAR)	\$3,550,287	N/A	\$1,505,373	\$4,962,784	N/A		

- A detailed Feasibility is contained in Appendix B.
- ** Requires additional equity to be viable

8. Financial Feasibility and Assumptions

COMMERCIAL METRICS	Option 5.a	Option 6.a	Option 6.b	Option 7.a
Total Revenue	\$9,319,000	\$9,219,000	\$43,919,592	\$10,269,000
Total Costs (incl. finance)	\$1,074,932	\$1,022,471	\$36,884,338	\$1,138,925
Land Value	\$9,319,000	\$9,219,000	\$9,219,000	-
Net Profit	\$8,244,068	\$8,196,529	\$7,035,254	\$9,130,075
Total Equity Required	\$906,386	\$5,780,196	\$8,020,000	\$5,568,300
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	\$929,656	\$4,830,514	\$4,830,514	\$4,401,117
Relocation Costs	-	-	-	-
3I Costs	\$30,000	\$30,000	\$200,000	\$30,000
BOMAR Contribution	\$3,646,427	\$1,474,808	\$5,813,057	\$2,224,427
MtE Net Proceeds (Profit + Land – Church Works & BOMAR)	\$3,637,986	\$1,861,207	\$5,410,683	\$2,474,531

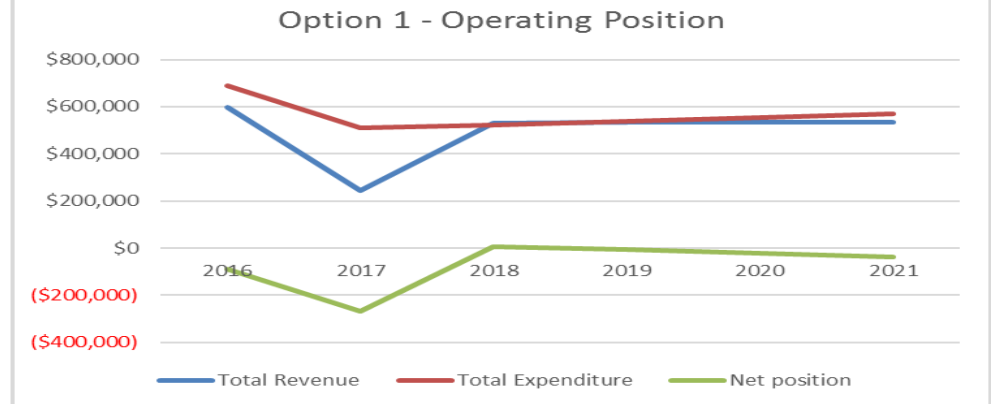
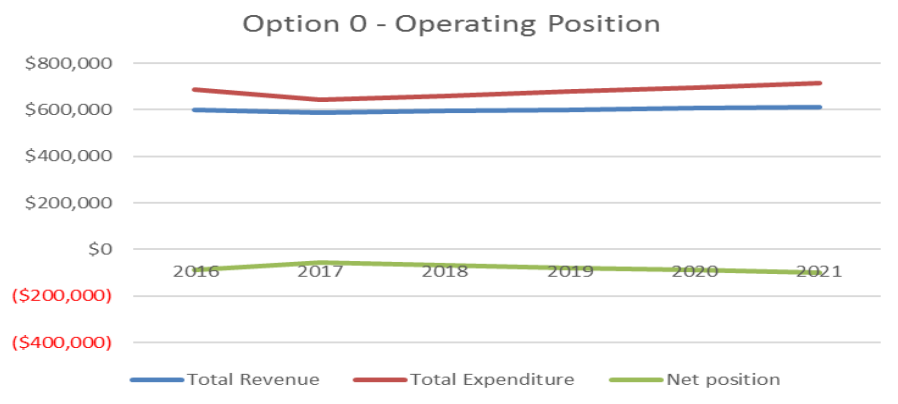
- A detailed Feasibility is contained in Appendix B.
- ** Requires additional equity to be viable

9. Operational Cash flow Analysis

	Option 0 Status Quo	Option 1 Sell Whole Site
Net MtE Proceeds (Land + Project Profit – Church Works & BOMAR)	\$0	\$3,550,287
Cash Reserves (Year 2021)	\$2,069,351	\$5,689,994
Operational Surplus/(Deficit) (Year 2021)	(\$101,086)	(\$36,825)
Comments	Cash Reserves decreasing	Cash Reserves decreasing
MtE Net Proceeds last until	Start 2032	End 2033

The table above outlines the key operational cash flow figures for each Property Option.

The graphs opposite demonstrate the operational cash flow position throughout the life of the project.

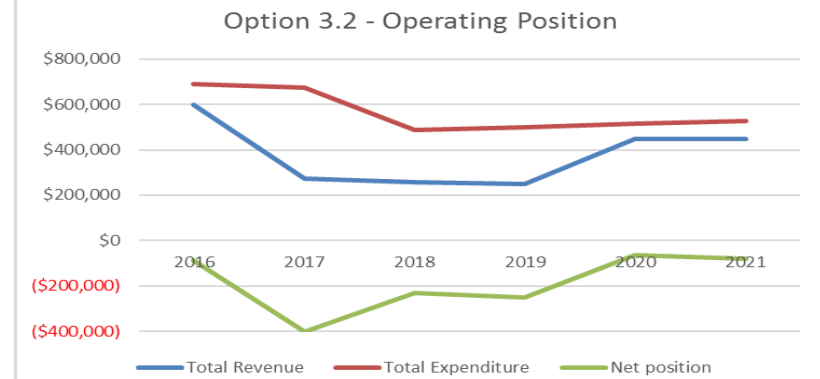
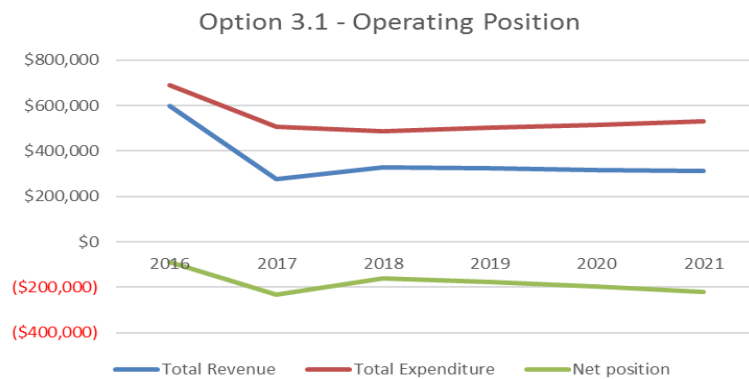


9. Operational Cash flow Analysis

	Option 3.1 Stay, Sell 2/3 site, renovate church	Option 3.2 Stay, develop 2/3 & sell. Renovate church
Net MtEF Proceeds (Land + Project Profit- Church Works & BOMAR)	\$1,505,373	\$4,962,784
Cash Reserves (Year 2021)	\$2,984,417	\$6,397,679
Total Operating Surplus/(Deficit) (Year 2021)	(\$218,822)	(\$80,929)
Comments	Cash Reserves decreasing	Cash Reserves increasing at a decreasing rate
MtE Net Proceeds last until	Start 2027	Start 2030

The table above outlines the key operational cash flow metrics for each Property Option.

The graphs opposite demonstrate the operational cash flow position throughout the life of the project.

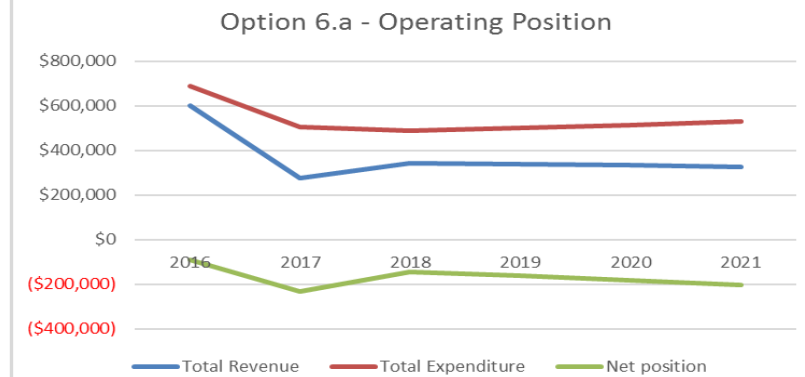
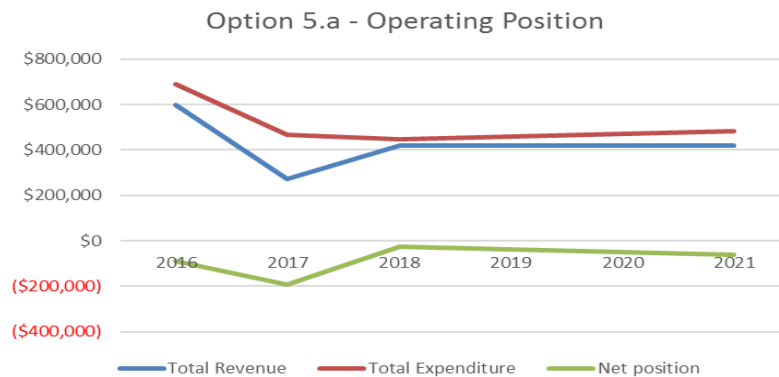


9. Operational Cash flow Analysis

	Option 5.a Sell 2/3's (Hall)	Option 6.a Sell 2/3's (Minimal Renovation)
Net MtEF Proceeds (Land + Project Profit- Church Works & BOMAR)	\$3,637,986	\$1,861,207
Cash Reserves (Year 2021)	\$5,733,357	\$3,403,708
Total Operating Surplus/(Deficit) (Year 2021)	(\$62,657)	(\$201,883)
Comments	Cash Reserves increasing at a decreasing rate	Cash Reserves decreasing
MtE Net Proceeds last until	End 2033	Mid 2027

The table above outlines the key operational cash flow metrics for each Property Option.

The graphs opposite demonstrate the operational cash flow position throughout the life of the project.

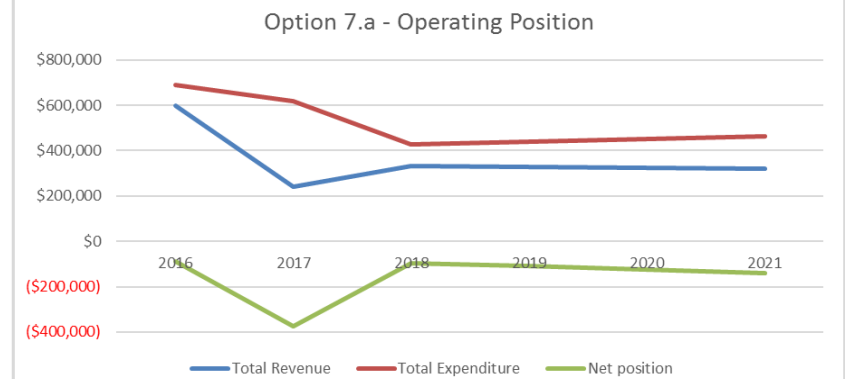
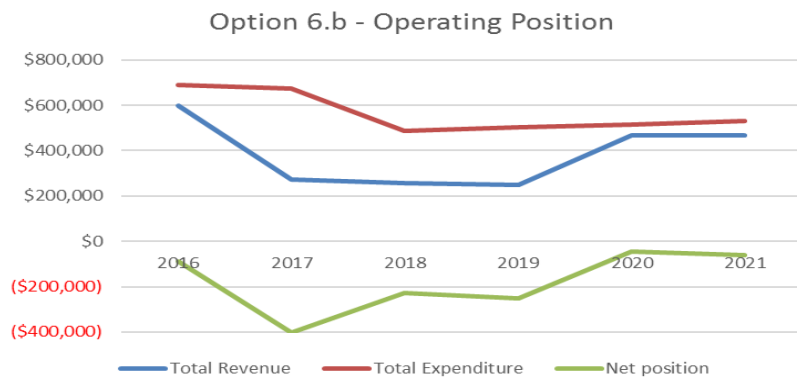


9. Operational Cash flow Analysis

	Option 6.b Sell 2/3's (Minimal Renovation)	Option 7.a Stay and Sell 2/3's and Blue Stone Hall
Net MtEF Proceeds (Land + Project Profit- Church Works & BOMAR)	\$5,410,683	\$2,474,531
Cash Reserves (Year 2021)	\$6,884,085	\$4,092,425
Total Operating Surplus/(Deficit) (Year 2021)	(\$61,279)	(\$139,960)
Comments	Cash reserve increasing at a decreasing rate	Cash Reserves decreasing
MtE Net Proceeds last until	Start 2031	Mid 2029

The table above outlines the key operational cash flow metrics for each Property Option.

The graphs opposite demonstrate the operational cash flow position throughout the life of the project.



10. Site Development Program

A indicative program associated with each of the Property Options is shown below. In each scenario it is assumed that relocation (via purchase, lease, or amalgamation) and any Church Restoration (where applicable) will be carried out once proceeds from the commercial development have been realised in order to minimise additional debt required to fund the works.

MtEF Property Options - Preliminary Programs	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Option 1 - Sell Site							
Stage 1: Business Case							
Stage 2: Sales & Marketing Period (Until end of EOI)							
Stage 3: Evaluation, Approvals, Settlement & Legals							
Stage 4: Relocation (Purchase or Lease)							
Option 2 - Develop Whole Site and Sell, rent/purchase							
Stage 1: Business Case							
Stage 2: Design, Heritage & Permit							
Stage 3: Sales & Marketing							
Stage 4: Remediation/basement works							
Stage 5: New Apartment (development)							
Stage 6: Settlements and Legal							
Stage 7: Relocation (Purchase/Rent)							
Stage 8: Sales & marketing							
Stage 9: Church works							
Stage 10: Residential conversion (development)							
Stage 11: Settlements and Legals							
Stage 12: Sale of 2 Elm Street							
Option 3.1- Stay, sell 2/3 site & renovate church							
Stage 1: Business Case							
Stage 1: Subdivision & Permit							
Stage 2: Sales & Marketing							
Stage 3: Evaluation, Approvals, Settlement & Legals							
Stage 4: Church works							
Option 3.2 - Stay and develop & sell 2/3, renovate church							
Stage 1: Business Case							
Stage 2: Design, Heritage & Permit							
Stage 3: Sales & Marketing							
Stage 4: Remediation works							
Stage 5: New Apartments & Manse (development)							
Stage 6: Settlements, Approvals and legals							
Stage 7: Church works							
Option 3.3 - Stay, develop, renovate church & retain whole site							
Stage 1: Business Case							
Stage 2: Design, Heritage & Permit							
Stage 3: Sales & Marketing							
Stage 4: Remediation/basement works							
Stage 5: New Apartment/Manse (development)							
Stage 6: Settlements and Legal							
Stage 8: Church works							

Grey box denotes unviable option.

10. Site Development Program

A indicative program associated with each of the Additional Property Options is shown below. In each scenario it is assumed that relocation (via purchase, lease, or amalgamation) and any Church Restoration (where applicable) will be carried out once proceeds from the commercial development or sale of the subdivision has been realised in order to minimise additional debt required to fund the works.

MtEF Additional Property Options - Preliminary Programs

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Option 5.a						
Stage 1: Business Case						
Stage 1: Subdivision & Permit						
Stage 2: Sales & Marketing						
Stage 3: Evaluation, Approvals, Settlement & Legals						
Stage 4: Annex works						
Option 6.a						
Stage 1: Business Case						
Stage 1: Subdivision & Permit						
Stage 2: Sales & Marketing						
Stage 3: Evaluation, Approvals, Settlement & Legals						
Stage 4: Church works						
Option 6.b						
Stage 1: Business Case						
Stage 2: Design, Heritage & Permit						
Stage 3: Sales & Marketing						
Stage 4: Remediation works						
Stage 5: New Apartments & Manse (development)						
Stage 6: Settlements, Approvals and legals						
Stage 7: Annex/Church works						
Option 7.a						
Stage 1: Business Case						
Stage 1: Subdivision & Permit						
Stage 2: Sales & Marketing						
Stage 3: Evaluation, Approvals, Settlement & Legals						
Stage 4: Annex works						

Grey box denotes unviable option.

11. Overall Feasibility Assessment

The report identifies that should MtE remain 'as-is' (Option 0 – Status Quo) the Congregation will run out of surplus funds the end of 2031. Following analysis of the ten (10) Options outlined in this report, Option 2 (including 2.1 and 2.2) has been discounted from further analysis due to being unviable and not meeting commercial and UCA performance metrics (i.e. Return on Cost and Internal Rate of Return). Option 3.2 has been discounted by MtE Congregation due to the level of risk associated with development. Option 3.3 has also been discounted from further analysis due to the MtE's inability to generate sufficient funds from the rental income to provide financial sustainability and to cover the debt costs to fund the Church restoration. Option 4 was discounted in the preliminary stages as being not viable on both heritage and planning grounds.

From the additional Property Options, Options 6.a have been discounted from further analysis due to being unviable financially and not producing sufficient net proceeds after mission costs to support MtE's operational expenditure.

Option 0 (Status Quo) produces an annual operating deficit of circa 58K, which increases to approximately \$101K by 2021. If MtE Congregation remains on this path, their overall cash reserve will continue to diminish at an increasing rate, lasting until 2031.

Under Option 1 MtE disposes of the entire site, which provides a low risk option that yields net proceeds of \$3.55m, generating an operational deficit of \$36,825 in year 2021. There has been a notional allowance of \$150k per annum for relocation costs (lease or amalgamation).

Option 3.1 returns a small profit after the Church restoration has taken place but does not provide sufficient proceeds for an ongoing surplus once the income producing assets (terrace cottages and commercial building) have been sold which see the forecast operational cash flow produce a large annual deficit.

Option 5.a produces the second best financial outcome (behind Option 1) with MtE disposing of 2/3's of the site, along with the Church. By including UMC within the sale, it eradicates the additional costs associated with the restoration, thus increasing the financial return after BOMAR sharing.

Option 6.b produces comparable returns to Option 3.2 generating \$4.966m in net proceeds from developing and selling 2/3's of the site. However, this Option (along with Option 3.2), carries a much higher risk profile (in terms of heritage, planning, construction and sales risk).

Option 7.a produces the lowest net proceeds of \$2.474m. This option also generates the lowest cash reserve and the largest operational deficit (\$139,969) in 2021.

Impact of MtE Interpretation of the BOMAR Policy:

- The MtE Interpretation of BOMAR improves the financial performance of each property option, due to the reduced BOMAR contribution being made, which generates a greater net proceed amount for MtE.
- Comparative outcome of Options unchanged
- Improved operating result in 2021 for Options 1, 5.a., 6.b. and 7.a.
 - Option 1 produces a higher positive result in 2021
 - Option 5a produces a positive result in 2021 compared to a negative result previously.
 - Options 6.b. and 7.a. remains with a negative result in 2021

The outcome of MtE Interpretation of the BOMAR Policy can be seen within the Property Option feasibilities attached.

11. Overall Feasibility Assessment

Options for consideration	Commercial	Financial	Mission	BOMAR Contribution	Net Proceeds	Cash Reserves (2021)	Operating Surplus/(Deficit) (2021)	MtE Net Proceeds last until.	Comments	Delivery Date
Option 0 – Status Quo*				-	-	\$2,069,351	(\$63,432)	2032	If the status quo remains, MtE will continue to reduce their cash reserve by circa \$70k increasing.	-
Option 1*				\$3,539,239	\$3,550,287	\$5,689,994	(\$36,825)	2033	This option meets the commercial and financial needs of MtE. The only concern is relocating to a suitable facility. This option does take into consideration \$150k p.a. for relocation costs.	June 2018
Option 5.a				\$3,646,427	\$3,637,986	\$5,733,357	(\$62,657)	2033	Option 5.a gives MtE the opportunity to remain onsite. However, does not retain comparable cash reserve (2021) to Option 1. This option also produces a small operating deficit in 2021.	Dec 2018
Option 6.b				\$5,813,057	\$5,410,683	\$6,884,085	(\$61,279)	2031	This option meets the commercial needs of MtE. MtE would also retain 1/3 of the site (the cottage, UMC and the hall), which borders meeting their missional needs. However, this option does produce a higher operating deficit and also comes with the additional risk associated with the development of the site.	Sept 2021
Option 7.a				\$2,224,427	\$2,474,531	\$4,092,425	(\$139,960)	2029	This option produces the lowest property option net proceeds, due to UMC being retained. However, this option better meets MtE initial space requirements.	June 2018

12. Conclusion

The SPOAR concludes that the most likely options considering MtE's Mission Objectives and forecast financial position are:

- Option 1 – Disposal of the site
- Option 5a – Sell 2/3's and the UMC
- Option 6b – Develop and sell 2/3's and stay (minimal restoration)
- Option 7a – Sell 2/3's of the site and the Hall and stay (minimal restoration)

Option 1 provides the lowest financial risk of the options explored, generating the lowest operating deficit of the options considered, and delivering the funds the earliest. It would also provide MtE with the opportunity to revise their operational budget to meet their future needs at a new location. However, relocation of MtE requires careful consideration of space needs and appropriateness.

Option 5a provides the best option should MtE wish to remain on site on a minimal risk basis. Subdivision and sale carries a low to moderate risk in comparison to undertaking development (Option 6b) and produced net proceeds similar to that of Option 1 with the proceeds generated forecast to last until the same year as under Option 1; 2033. But space requirements will be limited under this option with the congregation envisaged to continue worshipping from the Hall.

Option 6b generates the highest net proceeds of the options considered but also carries the highest risk and longest delivery date of the options due to the development activities forecast with the residential development and restoration to the UMC. This option does however allow MtE to continue worshipping from the UMC and best meets the original space requirements set out by MtE.

Option 7a carries the highest risk and largest operational deficit of the sale options. This is due to retaining the UMC and the associated restoration works envisaged. But it does allow MtE to remain worshipping from the UMC which better adheres to their space requirements. The proceeds generated under this option are consumed by the operational deficit between 2-4 years earlier than the other options considered above.

It is recommended that MtE refine their operational expenses and budget under any scenario to further improve their ongoing cash position and financial sustainability.

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 congregation decisions to rule out the option that has occurred during this process.

13. Possible Relocation Option Alternatives

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 (to retain MtE's distinctive identity); or
- b. A UCA or ecumenical merger.

14. Next Steps

Items	REVISE THIS TABLE IN LINE WITH PAGE 5	When
Strategic Property Options Analysis Report (SPOAR) to MtE Church Council		September 2016
SPOAR v14 to MtE Congregational Meeting for consideration		September 2016
MtE Church Council formalises Congregation preference		September 2016
Draft Business Case for consideration by MtE Church Council		December 2016
Business Case Report to PCG		TBC
Business Case Report to MtE Church Council		February 2016
Business Case Report to MtE Congregation		February 2016
MtE Church Council approves Congregation indicative decision		March 2016

Disclaimer

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