

## Buildings and Mission - Development Agreements

Here is a scenario. Your church has identified that some of its property is no longer effective for its mission in the 21st century and it has decided that there is an opportunity to gain value from allowing development, so that funds can be redeployed in mission. Some churches will choose to provide the property at a lower cost for use in a mission-based purpose such as affordable housing. Others will see it as good stewardship to allow development that maximises value back to the church. In both cases, design solutions should enhance the basic mission of the church and not push its remaining activities to an obscure corner of the site.

The cost of taking the whole development proposal to a full planning application is often beyond the means of the local church and a partnership with someone experienced in handling risk is needed.

Hugh Watson of Moores Legal advises:

*Where a church has identified development potential for its property, the church may decide it is best served by working with a developer to realise that development potential. Such a decision may be driven by a range of considerations, including:*

- *gaps in the church's knowledge and resources;*
- *the ability to take on debt; and*
- *the risk appetite of the church.*

*Irrespective of what is driving the church's decision to work with a developer, the following are some key things to bear in mind:*

- 1) It is essential to formally document the relationship with the developer. A properly prepared development agreement (which is the name commonly given to the contract between a church and the developer) will give both parties clarity and certainty about their risks and responsibilities. When, for example, will the church need to provide a mortgage over its land to secure the finance for the project? What church and other buildings will be built on the land? How will proceeds from the development be shared?*
- 2) There is no right or wrong approach. How the church's land will best be developed will depend on the nature of the land, the church's objectives, etc. The church should work out what it wants and ensure that this is reflected in the development agreement with the developer. Too often developers propose a model that works best for the developer and churches feel they have no alternative. There are always alternatives and it is the church's land so the church is in a strong position to get what it wants.*
- 3) Get advice. Developing church land can be a complicated and risky business, and once a development starts it is hard to stop. Related to item 2 above, churches should therefore consult widely before they proceed with a development and certainly before they enter into a development agreement. No one has all the answers, but if a church consults with its architect, lawyers and other relevant consultants (eg a development manager), the church will be in a far better position to determine the optimum development approach for the church.*

As the church of today, we are the custodians of its property and we Christians are tasked with taking responsibility for our mission. (Matt 28 18-20). Being responsible with the churches property may mean putting the value of it into effect elsewhere. We will need help to get there, but we should remain in the driving seat.

Next time: Selecting a Building Contractor

Hugh Watson can be contacted at 03 9843 2185. Fred Batterton's book "[Making Property Serve Mission](#)" is available worldwide as [ebook or paperback](#)



*Development illustration for church land into retail, and housing with church retaining some property.*

