

Managing Risk

B:log 69: Architect Innovator Series

Most of the buildings that make up our surroundings have been achieved by someone managing risk; normally a financial one. Once it stands before us, we may consider what it cost, whether we think it attractive and what it enables, but we rarely think about those who instigated it.

Highest Bidder Consequences

Churches with surplus property can simply sell to the highest bidder and lose control. Some lament the improved value achieved by developers and wish they had done it themselves.

Staying In

If they carry out a *Joint Venture* with a developer they can gain more return and they can influence a layout or design so that enhances the mission of the continuing church life alongside. This can also bring greater financial return but involves risk.

Risk Managers

Churches are mostly Not-For-Profit organisations and naturally risk averse. Developers are widely experienced in managing risk. They break it down into the many parts of carrying out a project and seek to control each. These skills could be provided for a fee. The church can engage a development adviser as a consultant and take the risk themselves or joint venture (JV) with a developer, sharing the risk. Any JV should be independently legally advised.

Advice

Churches and NFPs have responsibility to their supporters to have integrity and be able to show it. Obtaining skilled advice from professionals who have responsibility to act in the best interests of their clients such as architects, lawyers and financial advisers supports this principle. It can cover opportunity, exposure and cost.

*An element of stewardship of the resources that we have received is wisdom in achieving good value when they are sold. There are plenty of people who would like to take them off the church's hands for a low market price, enabling them to make a very significant profit through imaginative development. However, imaginative development design is carried out by architects with advice from developers. Those professional skills are available to the church for a modest fee and could be applied to identify the potential before sale. It is known that any bank lending funds to a developer for a project will expect to see profit of between 17% and 20%. At this level the project is viable and attractive. By building this calculation into the development spreadsheet, together with the other projected costs and the projected sales revenue, a reasonable residual site value for the church can be identified. This requires an imaginative concept design by an architect with developer advice.**

**Excerpt From
Making Property Serve Mission
By Fred Batterton*

See also Chapter 42 *Releasing Property Value* in [Making Property Serve Mission](#)
Feedback welcome



A potential development of church land to enhance the setting of the church in the community

