



# CUMULATIVE QUESTIONS ARISING FROM INFO SESSIONS WITH PRESBYTERIES

## MONEY FOR MISSION COMMENTS AND QUESTIONS

Provided by PWV Admin Chair ahead of information session 22 August 2020

### WHAT IS THE THEOLOGICAL BASIS FOR MONEY FOR MISSION FUND?

#### Q1. What are the numbers in the Uniting Church likely to be in 20, 30, 50 years' time?

Likely less than today. If the UCA continually reshapes itself as the Basis of Union encourages, as the Spirit calls us to do, fresh words and deeds, then the UCA may well be active in 50 years time. Probably what we can be more certain about is that if it is active in 50 years time, and we have accepted the invitation to reshape ourselves as the Spirit's call, the UCA won't look like it does now.

#### Q2. How many congregations are there likely to be?

Likely less than today. It may be that we will witness a different expression of congregations – more communities of faith or house churches, that will not be defined as Congregations as currently outlined in the UCA Regs..

#### Q3. Is the UCA likely to become very small in numbers, but with massive investment funds?

Potentially fewer in number, but with sound resourcing of mission support activity in our community as well as sound, safe, well maintained assets to support and resource mission. If we spend on mission balanced with support for our own needs a better phrase might be "sufficient" investments that support mission.

#### Q4. Are we aiming to live and be church as Christ would have us live?

The ultimate call on the UCA is to follow Christ and partner God in mission. That is always the challenge and the invitation. To simply allow the current oversupply of property to absorb our resources and finances and to not address this "large elephant in the room" is a failure of effective stewardship. It also hampers our capacity to follow Christ, wherever he may lead – into missional opportunities that don't revolve around property.

### FOCUS ON MANSES NOT SUITABLE FOR PWV

#### Q5. In PWV most buildings likely to be sold in the next 5-10 years will be churches.

Correct, and also maybe some (ex-) manses as well

#### Q6. Please explain how M4M Fund will work for those buildings, halls and vacant land.

These building types are dealt with as described in FAQ 35 - Non Residential Rental Properties approach. This approach compares the return from an IOMF formed from post sharing sales proceeds to a return from investing in the MFMF. The latter is mathematically set to produce a greater return to the investing body than the IOMF. Income from the MFMF may be utilised as the Responsible Body desires.

The calculator is available now (it was not at the time of the booklet being prepared) and can be used to step through the IOMF pathway and the MFMF one to show the different returns etc. Please contact Peter Thomas ([peter.thomas@victas.uca.org.au](mailto:peter.thomas@victas.uca.org.au)) or **0410 487 373** for access to the model in these early stages.

For example, the table below shows the benefit from MFMF investment compared to an IOMF at varying sales proceeds levels, assuming earning levels of 3.5% (IOMF) and 4% (MFMF):

Net Sales	IOMF Return on Post Sharing Net Sales Proceeds to RB	Proposed MFMF Return on Net Sales Proceeds to RB	% Increase MFMF to IOMF	\$ Increase MFMF to IOMF	Wider Church \$ income MFMF
100,000	3,150	3,800	20.6%	650	200
200,000	6,300	7,600	20.6%	1,300	400
300,000	8,400	9,800	16.7%	1,400	2,200
400,000	10,500	12,000	14.3%	1,500	4,000
500,000	12,600	14,200	12.7%	1,600	5,800
600,000	14,700	16,400	11.6%	1,700	7,600
700,000	16,800	18,600	10.7%	1,800	9,400
800,000	18,900	20,800	10.1%	1,900	11,200
900,000	21,000	23,000	9.5%	2,000	13,000
1,000,000	23,100	25,200	9.1%	2,100	14,800

**Q7. Answer to question 35 (page 17 in Booklet) is vague**

Yes as at the time of writing the booklet (Mid July) - we now have more clarity as above.

**Q8. Please explain how a return would be calculated. In Q35 paragraph 6 mentions a calculator. When will this be available?**

Please see notes in question above.

**Q9. Please illustrate calculations, as one congregation in the Presbytery has been holding off on Property Sales Proceeds to determine whether to use M4M or IOMF.**

Please see section above, and the congregation in question is welcome to get in touch with Peter Thomas ([peter.thomas@victas.uca.org.au](mailto:peter.thomas@victas.uca.org.au) or 0410 487 373) with their specific circumstances.

**INTEREST CALCULATIONS**

**Q10. Why is the investment going to be Australian equities: enhanced cash = 90%:10% when most IOMFs are 70%:30%? (page 11, bottom of column 1).**

Intent is over the longer term to benefit from a higher overall return, which is in turn driven by a greater proportion of investment for the MFMF in equities rather than cash or cash based instruments as compared to the IOMF investment ratios.

This for the most part explains the minimum investment term for MFMF investment – to balance the risk being greater in seeking higher return the timeframe of investment extends to promote the likelihood of average returns being higher.

**Q11. The figures given in the document seem to be definitive. (Table p7 mentions 2% Metro and 2.5% regional)**

The table uses these rates as illustrative returns showing how the return rate would likely exceed the present net rental return, and how the wider church also benefits from the greater earning overall in the MFMF. Typically, yields are higher in the regional/rural areas (in %) thence the example reflects this.

The MFMF also recognises this regional/rural differential in the “boost” above net rental returns and the higher “cap” applied to returns as explained in FAQ 10.

## Q12. What allowance would be made if interest rates rise?

The MFMF terms of reference require the managers of the MFMF to review the returns being provided on invested residential and non-residential property sales proceeds no less than every two years, with one of the review criteria being the relative rate of return compared to market movements.

## PROCESS FOR APPLICATION TO FUND

### Q13. Is there a form for applying for M4M. If not, when will it be available? Please explain the process. (eg form to Presbytery, then to PART or a simpler process?)

A form has been developed, which will combine process and approvals.

The form has one side that is sent once completed to Property Services and details:

**Property Information** – address, title details, responsible body, residential or other, contact details for further information e.g. for current rental information that is required to determine current net rental income (see FAQ 4)

**NB** – in the case of an IOMF rollover an IOMF is Property as defined in the UCA Regulations so we will try to cater for this form of investment on the same form.

**Preceding Council Approval** section (i.e. the councils of the church before PART considers on behalf of Synod):

- ▶ Church Council approval to sell and invest proceeds in MFMF – resolution and date
- ▶ (The relevant council will need to liaise with Property Services to understand the present net rental return on a residential property and that which would be received from the MFMF in arriving at this decision, or the relative return on sales proceeds from a non-residential property)
- ▶ Presbytery Approval - resolution (by committee or delegated to a role/person, TBC by individual presbyteries)

### Pre PART processes by Property Services

For proposals set out on the form that need to be presented to PART, Property Services will assess and develop further information as necessary, in a collaborative approach with the applying Responsible Body and/or presbytery.

Specific information (mostly from Property Services) needed for the PART committee to approve the sale includes:

- ▶ For residential properties Current Net Rental return calculation (as this must be recorded in the PART resolution for the MFMF underwriting to be effected)
- ▶ For IOMF rollover - details of the IOMF
- ▶ For all properties, a minimum sale price, with evidence supporting this recommendation
- ▶ A clear statement that shows investing Responsible Bodies how their net sales proceeds (or other funds as relevant) are to be invested, which would also be provided to U Ethical when net sales proceeds are available for investment
- ▶ As may be relevant, assessment of any development potential that may justify actions being taken before sale of a property e.g. planning permit or subdivision, and a proposal for approval of this and the associated costs
- ▶ As relevant, costs approval for any required subdivision or specific property/legal activities associated with the sale (eg. Planning, Co-commission, legal costs) (to be recovered from gross sales proceeds)

## QUESTIONS ABOUT FAQ ANSWERS

**Q14. No 12. (page 13) states that “Capital Funds will be retained in the Fund” if a Responsible Body that sold the property ceases to exist. This is consistent with p10 column 2, “Consistent with M4M funds,.....”. However the following paragraph on p10 mentions what can happen if a congregation consolidates with another etc. Please clarify.**

If a congregation closes or is otherwise dissolved and does not amalgamate with another, any investment held in that congregation's name will from the date of dissolution/closure be redirected to/be for the benefit of the Wider Church i.e all income from the total invested goes to the wider church from then on.

However, if two congregations merge or amalgamate into a (new) single congregation then any investment in the MFMF that either congregation might hold may be “carried forward” into the new arrangement, or voluntarily redirected to wider church in whole or in part as part of the arrangements of merger/amalgamation.

**Q15. Would it be advisable for money in M4M to be in the name of a region (eg Corangamite Otway) rather than a congregation, to simplify matters if several congregations close over a period of time?**

There is no reason this should/could not be done. However, each movement of funds from individual current Responsible Bodies to the new or “shared” investment Responsible Body investment would need to be documented clearly, and would require clear terms of management and application of income for the new shared entity responsible for the grouped investment (eg the relevant Presbytery in the construct that has been suggested)

**Q16. No18.3 (page14 of Booklet) Will Synod Property/ Legal be aiming to charge a fee to lodge proceeds in the M4M fund?**

The answer is in two parts:

### **1. Simple sale of a Property**

For sales over \$500K the property Services team would charge a fee of 0.5% of sale proceeds to manage the transaction through to completion. For sales below this level a variable fee between \$500-1,000 should be assumed. This is a sales based fee and is for the activity required to gain approval for, structure and manage the sale itself that generates the sales proceeds. It is NOT a fee for investing in the MFMF.

There are no commissions paid by the MFMF to any Synod support body such as Property Services or UCA Legal if that is where the question is directed.

UCA Legal Services charge fees that they set themselves related to contract preparation, Section 32 preparation, deposit release and settlement processing. Property Services will work to establish a standard fee schedule for the Legal support required to sell properties in simple transactions. This fee would be disclosed as part of the approval process.

### **2. More Complex Sales of a Property**

Where subdivision is required before sale, or there is an opportunity to add value via a town planning application (eg for a permit to develop in a particular fashion, or a rezone/permit application) a feasibility needs to be prepared to understand the cost benefit relationship and further, to assess the risk/return equation.

This required specific work and skills, some within the UCA, and some from outside. For properties where this might be required, a specific assessment of the work required would be established and discussed with the relevant Responsible Body to settle and agree the “right” course of action.

If a rezone/permit/development value add approach were to be decided, there would be Property Services and (whether internal or external) legal fees and consultant costs that would need to be deducted from eventual sales proceeds. We anticipate for projects with value to be gained, these costs might be able to be funded by Synod in situations where the selling body does not have resource to fund such costs. If drawn from General Reserves an interest charge would be levied on this advance funding.

**Q17. No 27b - “from the first sale of some or all of RB units, held, the RB will cease receiving income from the Wider Church units.” From earlier info (eg table page7) I thought that RB did not ever receive proceeds from Wider Church units. Please explain.**

The income from Wider Church Units in the case of residential property sales may be used in part to pay the minimum return plus “boost” payment to the relevant Responsible Body (see FAQ 10).

For investment of non-residential property proceeds there is never any return to the RB from Wider Church Units.

Once some or all of the residential property sales proceeds are redeemed (which can only be via redemption of RB units) all return from wider church units goes to the wider church and the RB only gets the actual return from any remaining units in the RB name.

**Q18. No 37 (page 17 of Booklet) re the LIP payment: states that the Responsible Body “gets the benefit of earnings upon 100% of the invested funds”. But I thought from reading earlier (eg table page 7) that half the proceeds were invested in units for the Wider Church. Please explain.**

The benefits of:

- a) Being able to invest 100% of sale proceeds without sharing for residential properties that supports the return to the investing RB to higher than current levels
- b) For non-residential property sales proceeds, being able to gain a higher return than that via investing in a post sharing IOMF, with spending flexibility to boot
- c) Receiving an underwritten minimum return equal to your current rental return
- d) Further receive a premium return of up to 0.5%(metro) or up to 0.75%(regional) over the minimum return subject to a cap on total return as set out in FAQ 10
- e) Have complete flexibility as to use of the income received from the MFMF

all underlie the MFMF not allowing a LIP deduction on sales proceeds to investing bodies

This is a question of balance essentially, and also keeping one eye on the fact that one of the foundational planks for the MFMF is to generate funding for the wider church mission as well as for the investing bodies.

[Please note – this FAQ was written before some of the fine detail was decided and it deserves a slight re-write]

## **YARRA YARRA PRESBYTERY MONEY FOR MISSION PRESENTATION**

**Saturday 29 August 2020 Responses to comments and questions**

**Q19. Can it be explained in more detail how congregations without surplus property can benefit?**

- a) the funding of Presbytery activity to support congregations in their geographic area
- b) specific grant availability which would be expected to be funded once the MFMF has reached critical mass and has surplus funds after meeting core beneficiaries needs (refer FAQ 13 and Page 10 of the Booklet)

**Who manages the distribution to wider church? Such projects are important. [Further related Comment/Question: Re support/grants to local missional projects I think it is the case that presbytery will distribute funds in this way]**

Refer last paragraph on Page 10. The Terms of Reference for the Fund define the P&O Committee, M&M Committee and Standing Committee as being the bodies that will decide allocation of grants etc. Presbytery also have a role in discerning and deciding how grants to Presbytery might be distributed. FAQ 32 addresses this question, as does FAQ 7.

**The congregations with surplus property will be the longstanding ones i.e. Anglo. How can we ensure that the growing CALD congregations have access to the common wealth of funds to ensure they have the full time ministry that then need? I know there are relationships that form between Anglo and CALD congregations but where does the power lie when the CALD congregation is relying on the Anglo congregation's 'generosity'? I wonder if this program would be an opportunity to address those power issues.**

This is a far-reaching question that is asked about cultural issues but could well be asked about generational issues as well. These are important questions for the whole church to address.

**When can we take this to church councils? Church buildings are sometimes more than just buildings for congregations.**

This can be taken to CC's now. It is suggested that it would be helpful for key congregation council members to attend the wider Q&A session being established to assist informed CC discussions.

With regards about property being "more than just buildings for congregations" we would suggest that if a compelling missional vision is placed within the heart of the Responsible Body, emotional attachments to property can be overcome. A process of casting a vision and also honouring the legacy of those who have gone before us will assist any attempt to unhinge the future from property excess to current and future missional needs.

**Q20. Question about what happens if a manse is sold and then a minister is called who needs a manse? [Further related Comment/Question: If there isn't a manse you get a manse allowance to find your own accommodation.]**

Refer FAQ 6 and 25. Income from invested sales proceeds could also be used to support rental of a manse, or a borrowing to purchase one suitable to the "needs of the minister and of the day" at some future point.

**Are they then unable to access the funds again for seven years?**

Correct. In reality it is highly likely that if a manse is long-term vacant now it is highly unlikely that it will be needed as a manse in the future. However, if this were required, "Manse for Manse" access to funds is available between 7 and 10 years. Refer FAQ 25.

**Is there a danger that people will use up the capital when it becomes available after seven years?**

See FAQ 26

Access to capital via sale of Responsible Body Units is subject to having an appropriate missional capital project to direct the funds toward, as is the present PSP use of capital. It could be assumed that the discernment process and involvement of Presbytery would act to limit unrestricted use of capital after 7 years.

**Would it be wiser to invest the funds through a few ethical fund managers to minimise risk?**

Present UCA policy as approved at Synod is to invest via U Ethical.

**Q21. What circumstances does the minimum 7 years rule apply to?**

All circumstances. It should be assumed that any investment in the MFMF is for a minimum term of seven (7) years.

**Q22. Loss of future flexibility. Once a property is sold it is gone.**

**Exactly the situation now.** We sell a property, spend the capital in non-income producing manners, and it is gone. The principle and the concept of the MFM program is to repurpose the physical asset into a financial asset and preserve the capital invested and resource mission and ministry off the income stream generated from the fund for future generations to come.

Maybe also consider:

- ▶ No maintenance issues or responsibility
- ▶ No tenancy problems or need to manage property in ageing and shrinking congregation
- ▶ No negative cashflow for unrented/vacant property – whether residential or other
- ▶ Flexibility in use of income from investment

- ▶ No need to keep abreast of a rapidly changing and tightening regulatory environment
- ▶ Reduced liability and risk exposure related to property ownership
- ▶ Lower insurance premiums
- ▶ Greater returns than presently being received or from alternative pathways
- ▶ Capital appreciation of units in the longer term
- ▶ The warm feeling from supporting the wider church and its mission
- ▶ A positive legacy being left for our successors – not a millstone

**Q23. Is the rental guarantee indexed - or is it only a guaranteed that investment income return will be equivalent to rental income at the time of sale of property?**

The MFMF Terms of Reference (approved by the Synod Standing Committee) require a review no less frequently than every two years of the returns to investing Responsible Bodies for rental and non-rental properties, which amongst other measures, requires consideration of prevailing market conditions and returns. For the time being it is fixed as per the information in the booklet.

**Q24. A property may be underutilised but in a strategic location that could never be regained. [Further related Comment/Question:**

Agreed. In some areas, the actual property is needed in order to contribute to local mission needs.]

Ultimately, the right decision for a Responsible Body may well be to stay exactly where you are with what you have. Remember, this is opt in.

It is true, the location cannot be necessarily be replaced. However, there may always a better one depending on your needs and purpose reset to today's needs and not those of 20 or 50 years ago.

Consider this against any maintenance challenges, lack of income or other factors that may weigh heavily on the congregation or Responsible Body. Maybe also look at from the perspective of "Great location producing no money, costing us an arm and a leg. What else could we and the wider church do with this value invested in different manners, and producing income to serve mission?"

**Q25. Deemed "net" rental counts every possible deduction, perhaps more than many congregations would incur... is this reasonable?**

Yes, it is absolutely reasonable for a Responsible Body to work out and know exactly what the costs of being Responsible Body are in respect of rental income. Each consideration will be assessed on a case by case basis.

Clearly, not every line of the costs mentioned will apply to every Responsible Body. Land Tax for example would rarely apply to regional or rural properties.

Too often it is poorly understood that:

- a) there are responsibilities attached to using common wealth UCA property, and
- b) The gross rent you get from a tenant is not what you actually have left after costs
- c) Maintenance must be factored into returns - whether it is being done or not.
- d) The Synod Standing Committee has previously made clear its direction that 15% of rental proceeds should be set aside for maintenance. (How many Responsible Bodies actually do this?)

**Q26. Three questions:**

**1. Would be good to see some examples.**

Agreed, examples can be provided. We also have calculators that show how returns are calculated on both residential rental properties and other properties if they were to be sold.

We can also work with individual congregations on their specific properties to make the explanation local and relevant to their situation.

## **2. What is a property had been rented at under market value or peppercorn rent prior to sale what would this mean?**

Without creating precedent, this would need to be assessed individually.

- ▶ One way might be to take an approach of adopting the average yield in the relevant metro or regional area to establish a baseline return. Refer second last paragraph on page 6 of the MFMF Program booklet for current yield averages, which are sourced from actual information on all rented ex-manse properties.
- ▶ Another way would be to just sell the property and treat the sales proceeds as a non-residential property and then decide whether to share up front and establish an IOMF or to invest the funds in the MFMF Program, receiving a percentage of the invested capital total as Responsible Body Units and in future, the income from these units.

Refer to FAQ 35 which covers the main thrust of this question - little or no current income.

## **3. Many of the group felt their congregations may be interested but need more answers first.**

Understood – and we are happy to assist.

This is the start of a longer-program to establish a permanent and solid footing for the UCA of the future, not a one-off event and it is expected that such a change of approach needs careful, compassionate, patient and transparent explanation.

Please:

- ▶ spread the word about the information sessions.
  - also ask people to read the MFMF Program Booklet **cover to cover** - especially the Frequently Asked Questions starting on Page 12.

## **Q27. Interesting hopeful idea, has missional opportunity but how can Presbytery implement?**

The call on the Presbytery, as Davis McCaughey states, “is to know the congregations and love them”. This of course firstly implies relationship and trustworthiness and includes, above all else, a pastoral and missional posture of listening. This listening is so as to genuinely join the congregation in discernment. The presbytery can encourage participation by continuing to build authentic relationships.

### **And needs a transparent strategy to do so.**

A strategy can assist but “culture eats strategy for breakfast everyday”. That is, the first step even prior to a strategy, is to build a generous and rich conversation and narrative that sustains congregations as they discern their future mission. Building a narrative of hope and generosity is the best strategy.

## **Q28. Access to capital after 7 years - more info on process and any restrictions please.**

Please read the Booklet (page 10, FAQ 6, FAQ 18.1, FAQ 25, FAQ 26, FAQ 27, FAQ 31)

## **Q29. Will Property Services redevelop properties if they have potential?**

### **Subdivision**

There will be a need in some cases for subdivision to create a saleable parcel. It's expected that Property Services would assess the feasibility of a subdivision and the associated costs. Funding for this could be drawn from Responsible Body reserves and reimbursed at sale, or potentially from Synod resources, again to be reimbursed from sale proceeds. A service fee of some form would also be payable to PS for the work performed.

### **Development/Planning/Rezoning**

One of the activities that will be required is an assessment of development potential for sites that may be surplus to mission. This might be a “value enhancing” planning permit or a change to zoning or in some cases, might extend to partnered or UCA instigated development activity.

In simple terms, we will take a measured approach, decisions around sale timing and what is being sold will be considered and informed. Ultimately a cost-time-benefit discussion will be had between the Responsible Body, Presbytery and Property Services to mutually agree a specific approach on such properties. Such agreement would contemplate funding needs and sources in any proposal presented for approval to a Synod body (the P&O Committee or PART for example).

**Q30. The manse allowance has not been discussed. In the example the congregation would receive not \$27,400 but about \$9,000 after paying a manse allowance of \$18,000, however Synod still receive the full \$27,400. Why not split the manse allowance?**

A rhetorical response might be: “**Why** split the Manse Allowance”

The **example** also shows that as a congregation, you would receive approximately \$7,200 p.a. (or 35%) **more than you would presently receive** from the rental property.

Even if you had to support the manse allowance from the income received you would still have a significant surplus. The MFMF Program is also unashamedly, openly and transparently being proposed to establish a sound funding base for the **whole of church** from **common wealth property**, as well as providing increased and more flexible financial return to investing Responsible Bodies compared to their present situation or alternative investment pathways.

If a Responsible Body does not wish to participate it does not have to. The wider church misses out on a legacy opportunity to resource core activities and fund future mission by such a decision.

**Q31. Distributions to wider church - how will they be allocated, who makes decisions, request for commitment to transparency and accountability.**

Please refer to Page 7 above the Table, FAQ 13, FAQ 18, FAQ 32. The MFMF Program Terms of Reference (approved by the Synod Standing Committee) also direct how income is to be distributed consistent with the purpose of the fund.

**Q32. What support will there be for property poor congregations that do not have properties to sell?**

Refer to answer to Q1 above

Part of the benefit of the MFM Fund is to share resources across the breadth of the church. This means that Responsible Bodies with property excess to missional needs can share the common wealth with property poor congregations.

**Q33. What theological reflection has there been?**

The discernment process at both a local and Presbytery level should include the work of theological reflection. As this is an opt-in program, it is up to the discernment from local people of God's call to mission.

**Q34. Is the rental replacement subject to annual index as would happen with a rental property.**

See Question 5 above.

**Q35. Does this property sale address the "stolen land" issue?**

A portion of the wider church distribution will be towards support for UAICC work and ministry – and is acknowledgement that we have benefitted from and had property to sell that was originally under the custodianship of the First People, who were dispossessed of the land on which they dwelt.

**Q36. Could allow severing of attachment to property.**

Agreed, yes. That is an outcome.

**Q37. House churches with financial resources.**

Yes, this fund also further allows the possibility of different forms of church. This could potentially include churches meeting in houses with financial resourcing through the sale of property that becomes excess to needs if communities are meeting in houses or shared/rented facilities.

**Q38. We can become dependent on buildings rather than being church at mission.**

Yes, this program would free you from many of the burdens of ownership.

### **Q39. What is directing what?**

Yes, this is a question for theological reflection. What is it that is driving mission? The property needs to serve the mission of the church, not maintenance of the building being perceived as the mission and objective of the church.

### **Q40. How is the actual maintenance calculated in the calculation of net income?**

Over what period is it averaged?

It is the higher of 15% of gross rental income or actual maintenance expenditure. An allowance is factored in for maintenance due in the next two years e.g. you know the roof is leaking but have not fixed it as you don't have the money .

### **Q41. Will U-Ethical offer to give estimates of rental valuation in advance of opt-in decision, to guide decision making by church councils?**

No, U Ethical will not. Their job is to invest the funds and get maximum long term return. However, **Property Services** will work with Responsible Bodies in the leadup to decision on whether to sell or not, and part of this will be to establish likely levels of underwritten return based on current net rental against potential sale prices. The same sort of advice will be provide for non-residential properties.

It's essential that investing bodies understand the returns they might get as part of their discernment.

### **Q42. We need to acknowledge and address the past issues with property sold in the past to pay for ACACIA issue.**

The "past issue" at the heart of Acacia College failure was about a poorly managed project with poor governance and no single point of accountability that led to the Trust being liable for a debt and obligations created by others. The Trust and the UCA had to act to fill a debt.

The Money for Mission Program is completely different, and is founded in positivity, preserving the capital invested. It is about creating a future where we live and resource our mission and ministry by living on investment income earnings and not by consuming capital.

### **Q43. We believe this issue will come up again in congregations.**

Yes it will and it has.

#### **Would this elephant in the room be addressed (and how?) to the church community?**

Yes, by polite, firm and consistent responses. This is Synod, Presbytery and Congregations working together for the whole of church in Vic Tas. We also should not tolerate people who want to live forever in the past on this. In Whitlam's words, "It's Time"

### **Q44. Why not simplify the process by determining an external benchmark regarding a typical/average % rental return?**

By setting returns at an individual Responsible Body's return this approach is equitable and recognises the differing nature of specific property returns. If returns were averaged, there is the real risk of penalising those with well-maintained higher returning properties, by cross subsidisation of those who have not maintained as well for example. Individual assessment also allows higher yield returning properties to be recognised in rural/ regional areas.

### **Q45. Given possible impact of Pandemic on property values, will congregations be offered any support in choosing strategic time to sell, in order to maximise value?**

Sale timing will be part of the discussions with parties considering sale. It will help in planning actions if we have early rather than late vision to properties that may be available for sale. This will allow time for development needs/value assessment, and also to a degree allow a managed and steady flow of properties to market – somewhat akin to the "dollar cost averaging" approach some use in equity investing.

No-one quite knows the next 12-24 months of property market direction. The best thing we can do is be prepared to move quickly if opportunity or market conditions present favourably.

This means the “ideal” situation would be having a pool of “ready to go” properties that we can cycle to the market at the time our own experience and the advice of external specialists indicate is optimum.

It should be noted that there can be a contrarian movement of equity market and property values – for example it would have been opportune to sell Property in February this year and invest in equities in March for example, with the share market having bounced quite strongly in the period since February 2020, while the property market is uncertain and has shown signs of a correction – with the magnitude of the correction yet to be fully ascertained.

#### **Q46. If a congregation ceases with a balance in the fund, does that go to the Presbytery as now?**

**A clarification first** – There is no “automatic” reversion of property (real or otherwise) from a dissolved or ceased congregation going to Presbytery. Whilst that is commonplace, it is not mandated and should not be assumed. Presbytery is required by the UCA Regulations to care for the Property of a congregation in this situation until the final home for the Property is discerned and recorded.

The Terms of Reference and information booklet for the MFM Program are clear – if a congregation ceases, any holding in the MFM Fund goes to the Wider Church – except in cases of amalgamation where the holdings may go to the newly amalgamated entity in whole, or in part, with the balance being redirected to the Wider Church.

Refer to FAQ 11 and FAQ 23 also and Page 10, third and second last paragraphs.

#### **Q47. Congregations don't legally "own" property. Will they "own" the Units in the fund?**

Investments in the U Ethical products are legally held in the name of the relevant UCA Property Trust.

A Responsible Body will be noted as the recipient of distributions related to Units in the fund in the Responsible Body's name. In the case of rental property returns, some of the income from Wider Church Units issued for these sales proceeds may from time to time be added to the earnings of the Responsible Body Units to ensure the investing Responsible Body receives the amount of the underwritten rental amount, plus, if income permits, the “premium” return up to the relevant metro or regional cap.

Refer Page 10, FAQ 10 and FAQ 14

#### **Q48. We need time to talk to our church councils before the briefing session, please.**

Make this known to your Presbytery committee members who are arranging the future meeting. Individual sessions may be organised if necessary or to talk through specific local issues.

Refer to FAQ 8 c) also.

## **MONEY FOR MISSION COMMENTS AND QUESTIONS**

**Provided by PPE Team Leader following information session 9 September 2020**

#### **Q49. What happens if a Congregation wants to use money in the future for maintaining other property?**

This would be an acceptable use of the income received from the MFM Program.

After 7 years it might be possible to redeem some units if the expenditure on maintenance activity were to be agreed as missionally founded, as it the present process for spending PSP capital.

#### **Q50. Questions are:**

##### **7 year period**

This is required to give greater certainty in U Ethical's investing of funds for maximum return while balancing risk and managing short term investment performance and market fluctuation.

##### **Wider church sharing of income.**

Refer to FAQ 13 and FAQ 23 for the beneficiaries of wider church income, and a description of how it will be effected. Bodies such as the P&O Committee and the M&M Committee will be involved in determination of grants etc for wider church sharing as they are under present arrangements.

### **Who does the selling?**

Property Services will manage the sale process

### **Is Mornington Pen metro or regional?**

Regional based on Dromana, Rye and Sorrento Postcodes

### **Who decides that?**

It is decided by postcodes drawn from an ABS classification of regional/rural vs metro postcodes and is the same split used by UCA Insurance in determining excess levels under the UCA group cover.

### **Q51. If a decision is made to sell a property that would be in need of repairs to be used as a residence - would a lesser sale price be accepted or would repairs be made prior to sale and who would pay for repairs?**

It would vary depending on specific circumstances. Each property would be assessed individually. Any expenditure would be considered on a cost/benefit basis. The time required for repairs might also be a factor, as would the likely purchaser use of the property e.g. invest or demolish and redevelop.

### **Q52. There are varying definitions of 'manse' - for MFM purposes is a former manse that is now rented out counted as a 'manse'?**

Essentially no, as it is more considered an "investment property", and the longer it has been so, the less "manse" it is. The invested sales proceeds do still qualify for limited "Manse for Manse" eligibility – refer FAQ 25.

### **Q53. Our Parish comprises church buildings in 3 locations, plus a manse and an Op Shop. Bone of our sites recently sold land and completed renovation of an 80 year old church & replacement of hall, kitchen & toilets.**

This appears to be more of a statement than a question. This demonstrates the benefit of a more fluid and innovative use of property, which is what the MFM Program is proposing, but from a different perspective.

### **Q54. What about the concept of Ground Lease of property?**

It's not one size fits all. Sometimes a ground lease might be the best outcome for a Responsible Body as it also, like the MFM Program, uses property to generate income that is used on a continuing basis rather than "eating" capital sale proceeds.

In general however, the properties that are likely to be surplus to mission are less attractive for ground leasing, and the returns from invested capital in the MFM are likely to exceed a ground lease income. The MFM does not cater for ground leasing of candidate properties.

### **Q55. When you calculate the income currently being received from a property, how much do you assume is deducted from rent for maintenance costs etc? This would affect the amount received from MFM for the responsible body.**

Correct, costs of owning and operating property do reduce the return and actual income you are left with.

The costs deducted from gross rental income are set out in FAQ 4. Maintenance is the greater of actual cost or 15% of gross rental income. If there are known and significant maintenance liabilities there may also a deduction made on the basis of provision for these future costs on an amortised basis.

### **Q56. The availability of the new form. Can we see this?**

The form is now available. It is in two parts:

**MFMF - PART A** – essentially a nomination form which can be submitted following discussion at local and Presbytery level. It does not commit you to sale - it just starts the process of evaluation for the property, and determination of a range of questions and information that are fed back for a formal approval process.

**MFMF - PART B** – is the form that actually commits to a sale process. It is prepared by Property Services in a collaborative manner with the Responsible Body and Presbytery. It will contain detailed information necessary for the sale, and in particular will establish key return/income levels such as the underpinned return, the premium to be provided to the yield on the investment etc.

# YARRA YARRA PRESBYTERY MONEY FOR MISSION PRESENTATION

“On Notice” Questions prior to PYY Information Session held on 29 September 2020

## Q57. Will MFM apply only to out-and-out sales, or also to redevelopment projects such one our congregation is considering, where a large block of land could be subdivided and redeveloped into a manse plus other properties to be sold?

It will be possible to invest sale proceeds from any realisation in the MFM Program. In the example given, it would be likely that the sales proceeds would be the net proceeds after development, and subsequent sale of the “other properties”. Example of this type would be assessed individually.

## Q58. If it will apply to redevelopment, who would handle financial analysis, funding of the redevelopment, sale of the final project and other details?

There are several questions here.

- ▶ **Financial Analysis** – Property Services – via an appointed Development Manager and the Project Finance Business Manager
- ▶ **Funding** – this would depend on specific case. Ranges from congregation to ASP fund to Synod General Reserves to U Ethical (i.e. Debt funding). All avenues would necessitate a commercial return being paid in any advanced funding.
- ▶ **Sale of project** – would again be handled by Property Services.
- ▶ Note that Development and Project Management services provided by Property Services would be on a fee for service basis.
- ▶ Would U Ethical and/or Property Services assist congregations with funding the redevelopment? – See Funding above.
- ▶ It is **unlikely** that U Ethical or Synod General Reserves will be a funding provider for significant sums (i.e. construction) in the current circumstances. This may lead to external JV relationships being required to facilitate development in the absence of congregational capacity.

## Q59. I would like to know where the money will come from for the above-market investment yield to participating congregations. Is it from U Ethical’s MFM Fund earnings above that the yield?

Yes. The MFM program provides return to the Responsible Body in invested funds from total distributions received with the surplus going toward wider church funding.

- ▶ For example, if the fund distributions were 3.75% in a year and the documented return to the Responsible Body was 2.1%, the balance of 1.65% would go to the wider church beneficiaries as set out in the MFM Program Booklet.

## Q60. If so, why is it better to participate in the MFM program than for congregations to sell the property and invest directly with U Ethical so as to receive the full yield, thus increasing their income and their capacity to directly raise their M&S Giving?

It comes down to exactly what the congregation has to invest and the base return on the investment.

- ▶ **Residential Properties** – the congregation gets the benefit of investment of the **full “pre-sharing” amount**, which can be used to top up via the premium return the net rental being received presently to a higher level.
  - If the property were sold and proceeds shared with investment of the net amount after sharing, it is probable that a lower return would be received due to the MFMF paying a return mathematically calculated to exceed that available from an IOMF investment of the same amount.
- ▶ Net sales proceeds from **other property sales or an existing IOMF** etc
  - For sales proceeds that arise from non-residential sales – either current or historical there is an increased return by investment in the MFMF Program compared to a new IOMF.

- There are pathways to invest existing cash or rolling over current IOMF which provide known returns but add greater flexibility in how funds are able to be used.
- ▶ In summary, the congregation gets:
  - more than that which they would receive from rental, or from investing post sharing funds in an IOMF.
  - In all cases income received from an investment in the MFMF Program is able to be used more flexibly than current IOMF income streams.

## A SERIES OF QUESTIONS THAT AROSE FROM THE PYY INFORMATION SESSION

### 29 SEPTEMBER 2020

#### **Q61. I am still uncertain about how much income a congregation (Responsible Body) might receive from selling say some land which was deemed to be non-essential or surplus to requirements, if there were agreement for the entire net proceeds to go into the MFMF.**

For this reply, we will assume the property sold is **not** a residential rental property, in which case the return to the Responsible Body is set by reference to the present net rental income.

For non-Residential property sales proceeds the total net sales proceeds may be invested in the MFMF Program.

Sharing is applied to both pathways available to a Responsible Body with such proceeds of sale.

The traditional way is sharing via the PSP Policy (see below) and the new alternative is via the MFMF program.

The key difference is that PSP Policy approach shares the net sale proceeds **capital**, before investment while the MFMF shares the invested capital based on **income** generated from the invested total net sales proceeds.

The MFMF will pay a return to the investing Responsible Body that is calculated to be slightly higher than that which would be available to the investing Responsible Body if they firstly shared the net sales proceeds pursuant to the UCA PSP policies and then invested the post-sharing funds in an IOMF.

The calculation:

- ▶ results in a split of the invested capital (into the \$ that is used to purchase Units for the Responsible Body and for the Wider Church) that is based on a sharing on the **income generated** by investing the whole of the net sales proceeds.
- ▶ ensures that at lower sales values there is a benefit to be realised by investing in the MFMF compared to an IOMF
- ▶ applies an almost identical approach to the sharing of capital sales proceeds to the sharing of income for consistency.

The income may be used as the congregation wish. For example, it does not need to be wholly used for purely missional purposes, and so, is more flexible in how it might be used.

The table below shows the comparative returns to the investing body between the IOMF pathway and the MFMF over a spread of sale prices.

This should give you a good feel for the returns to be expected, at a range of sale prices, and the additional return to be gained from the MFMF option compared to the IOMF.

#### **UCA PSP sharing policy**

Further information is set out in a booklet from 2011 which remains largely relevant which can be found and downloaded from:

[www.victas.uca.org.au/resources/property/forms-and-resources/](http://www.victas.uca.org.au/resources/property/forms-and-resources/)

Go to the base of the web-linked page and you can download the document shown in the clip below:

**Important Note:**

Please note that the sharing table set out in Section 4 of this booklet was changed by decision of the Synod Standing Committee in (I think) 2018. A fourth tier of sharing was added for sales over \$4M in value and the rate was changed from 55% to 60% for sales in the \$2-4m range. The table below shows the current sharing scales.

Wider Church Sharing			
10%	<\$200k	200,000	\$
40%	>\$200k <\$2m	2,000,000	\$
60%	>\$2m <\$4m	4,000,000	\$
80%	>\$4m	4,000,000	\$

**Advantage over PSP/IOMF per \$100k increments**

Net Sales Proceeds	IOMF Return on Post Sharing Net Sales Proceeds to RB	Proposed MFMF Return on Net Sales Proceeds to RB	% Increase MFMF to IOMF	\$ increase MFMF to IOMF	Wide Church \$ income from MFMF	WC % of income	RB % of income
100,000	3,150	3,800	20.6%	650	200	5.0%	95.0%
200,000	6,300	7,600	20.6%	1,300	400	5.0%	95.0%
300,000	8,400	9,800	16.7%	1,400	2,200	18.3%	81.7%
400,000	10,500	12,000	14.3%	1,500	4,000	25.0%	75.0%
500,000	12,600	14,200	12.7%	1,600	5,800	29.0%	71.0%
600,000	14,700	16,400	11.6%	1,700	7,600	31.7%	68.3%
700,000	16,800	18,600	10.7%	1,800	9,400	33.6%	66.4%
800,000	18,900	20,800	10.1%	1,900	11,200	35.0%	65.0%
900,000	21,000	23,000	9.5%	2,000	13,000	36.1%	63.9%
1,000,000	23,100	25,200	9.1%	2,100	14,800	37.0%	63.0%
1,100,000	25,200	27,400	8.7%	2,200	16,600	37.7%	62.3%
1,200,000	27,300	29,600	8.4%	2,300	18,400	38.2%	61.7%
1,300,000	29,400	31,800	8.2%	2,400	20,200	38.8%	61.2%
1,400,000	31,500	34,000	7.4%	2,500	22,000	39.3%	60.7%
1,500,000	33,600	36,200	7.7%	2,600	23,800	39.75%	60.3%
1,600,000	35,700	38,400	7.6%	2,700	25,600	40.0%	60.0%
1,700,000	37,800	40,600	7.4%	2,800	27,400	40.3%	59.7%
1,800,000	39,900	42,800	7.3%	2,900	29,200	40.6%	59.4%
1,900,000	42,000	45,000	7.1%	3,000	31,000	40.8%	59.2%

2,000,000	44,100	47,200	7.0%	3,100	32,800	41.0%	59.0%
2,100,000	45,500	48,800	7.3%	3,300	35,200	41.9%	58.1%
2,200,000	46,900	50,400	7.5%	3,500	37,600	42.7%	57.3%
2,300,000	2,300,000	48,300	7.7%	3,700	40,000	43.5%	56.5%
2,400,000	49,700	53,600	7.8%	3,900	42,400	44.2%	55.8%
2,500,000	51,100	55,200	8.0%	4,100	44,800	44.8%	55.2%
2,600,000	52,500	56,800	9.2%	4,300	47,200	45.4%	54.6%
2,700,000	53,900	58,400	8.3%	4,500	49,600	45.9%	54.1%
2,800,000	55,300	60,000	8.5%	4,700	52,000	46.4%	53.6%
2,900,000	56,700	61,600	8.6%	4,900	54,400	46.9%	53.1%
3,000,000	58,100	63,200	8.8%	5,100	56,800	47.3%	52.7%

**Q62. The table shown in [this document] on page 2 suggests if the net sales proceeds were \$1 million the IOMF Return on post sharing net sales proceeds to the RB would be \$23,100 pa, but if there were agreement for the net proceeds to be invested in the MFMF does this go to \$25,200? Am I reading this the correct way?**

Yes this is correct. The MFMF return would be ~9% or \$2,100 p.a greater than the IOMF pathway via PSP.

The extract on the previous page (above) gives this information for a wider range of sale prices, based on an assumption of 4% p.a. earnings in the MFMF compared to 3.5% p.a. in the IOMF which essentially reflects the differing balance between investment in Australian Equities vs Enhanced Cash.

**Q63. Can you send me the calculator referred to in FAQ35 re sharing the income.**

Your PMA has the calculator and can assist in advice on specific sales prices. Peter Thomas (**0410 487 373** or [peter.thomas@victas.uca.org.au](mailto:peter.thomas@victas.uca.org.au)) is also happy to run numbers on a specific sale price or prices. While there's no secrecy about how it works, we think in these early stages widespread use is best restricted a little so that the right explanation is given to accompany the results and to ensure correct inputs. This is especially relevant in the case of rental property sale calculations which are highly sensitive to the correct net rental income being calculated properly.

**Q64. Could you also send me the PSP document which was discussed this evening please?**

The document link is shown above.

**Q65. I am unclear whether if land were sold whether the congregation has to agree to a certain % being taken up front before the funds would be invested in the MFMF? Is this what the PSP dictates or is this now irrelevant under the MFMF?**

In considering whether to invest non-residential property sales proceeds in the MFMF or not, a congregation will be given information on the expected returns from the MFMF compared to other choices – and the decision is then in the hands of the Responsible Body.

The sharing is really a separate issue as both the MFMF and the PSP approaches each involve sharing with the wider church - just in differing manners. The rate of sharing is not a negotiable factor and is drawn from existing Policy.