

Build More Confidence in the Property Acquisition and Development Process

At some point, every religious institution or church discusses the possibility of developing a property—building a new church or campus to serve the congregation and accommodate future growth. These discussions are almost always enthusiastic and highly positive. Most of the comments center on the benefits of ownership to the church, such as the ability to expand the church's current ministries or reach out to the community with new ministries.

Moving beyond the discussion stage, a vision plan is developed and soon after, a search committee is usually formed. In our experience, the search committee is typically composed of members from within the church, but will often include at least one real estate developer or other professional who may also be a member of the church. This committee then reviews and presents possible properties to the church elders or board. The enthusiasm grows with each property considered, and over time, a property is selected, a purchase agreement is signed, and eventually, escrow is closed.

Not So Fast

One of the biggest dangers of the property acquisition and development process for churches is that all this enthusiasm for what the new property offers can interfere with the due diligence that must be conducted. Property purchases cannot simply be a matter of faith! After closing escrow and starting the development process, many churches have wished they could reconsider their purchase due to some unexpected obstacle. The search committee and the church realize too late that any property acquisition must be thoroughly investigated, evaluated and

- negotiated to optimize the chances for successful development.
- **A Highly Logical, Rational Plan**
 - To begin, churches should develop a checklist based on the experience of all building committee members, any outside real estate consultants, and reference resources such as this and similar articles. A number of experts are required to complete due diligence on the property, such as appraisers, title specialists, engineering consultants, developers, real estate agents, lawyers, and insurance brokers.
 - You may find some of these consultants among your church members. But not surprisingly, "inside" consultants can lead to their own set of challenges and difficulties. Impartiality and expertise are critical to a smooth process and successful end result. You should look to hire consultants who are experts in their respective fields and come with high recommendations. Appoint a team leader who will coordinate all consultant contracts and scopes of work, so that he or she can quickly assemble and interpret the required information, reports and findings during the due diligence process.
 - This team leader must also be capable of communicating well to the building committee and church, and be frank and honest in pointing out situations or issues that could be very expensive to mitigate or could potentially be a deal breaker.
 - The importance of following through with all requirements such as verifying a clear title, reviewing and/or initiating a complete survey of the property including locations of property lines, easements and access cannot be overstated.
- **Like Dirt Through Your Fingers**
 - But no matter how organized and diligent your building committee is, there often seem to
- be important steps and requirements that slip through your hands. Some of these apply to any property acquisition, while others seem to be unique to property purchases by churches and religious institutions.
- Here's a list of the most commonly overlooked requirements:
 - **City/County Zoning**—These requirements should be verified not only for the property's current use, but also for anticipated future ministries such as infant or child day care facilities, which may have special licensing requirements and property line setbacks from other businesses or residences. Other ministries such as food, clothing and temporary shelter may also require special use permits and public hearings for approval.
 - **Traffic Studies**—Studies may be needed for how the proposed development will impact roads or local traffic patterns. Any new roads or traffic signals that may be required as part of the overall master plan by the City or County could become a significant expense for your church.
 - **Environmental Compliance**—Requirements such as the preservation of protected plants and/or animals, streams, rivers, lakes, wetlands, special habitats, or even migration paths need to be given careful consideration.
 - **Soil Considerations**—Many buyers do not properly investigate geologic and hydrologic conditions that may impact a property. Borings and other tests can be conducted to determine if any costly mitigation measures will be needed prior to construction. For example, one buyer discovered that un-compacted fill dirt that was likely hauled in many years earlier to make the site more level needed to be removed. Another learned

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that a site was prone to liquefaction in an earthquake.

- **Environmental Pollution/Contamination**—Some properties may have been contaminated with natural or unnatural contaminants, which can only be identified using specialized assessment techniques. Examples of dangerous contaminants include natural asbestos in the soil or manmade substances such as fuels, oils, residential pesticides, or even debris from an old landfill. All of these can be problematic and may require mitigation prior to financing or permits being issued.

• **Archaeological Concerns**—A property's history must be carefully researched to ascertain that the site does not have significant community or cultural value, such as in the case of an Indian burial ground.

- **Electrical, Sewer, Gas, and Water**—Are adequate utilities already available at the site or will they need to be brought in specifically to serve the new development? If not available, what will be required to upgrade them, and will the utility companies or neighboring properties participate in the expense so that the entire burden doesn't fall to the church.

The key in any successful property acquisition and development process is knowledge and communication. Know what will be required of you and

communicate with the real estate professionals assisting you to ensure that your prospective purchase has been thoroughly reviewed. By doing this, you can build more faith into the process, and ensure that your purchase will fulfill the church's vision and serve your missions for decades to come. Of course, it goes without saying—a little prayer is always a good thing as well.

David Robison has extensive experience in the construction, construction management and property development industry. For over three decades his broad range of involvement has spanned from field operations through program, project and construction management for a diverse clientele, including churches and religious institutions.