



CAPITAL PROJECTS: IT'S HARDER THAN YOU THINK!

Criteria for Real Estate and Property Development

Edition: April 8, 2021

Basic Principle Underlying Assumptions

All property is owned by the Diocese of British Columbia. The diocese' role in this process is to advocate for the long-term interests of the diocese, as a whole. Anything we do, or do not do, with our property has implications for future generations. Generally speaking, buildings have a minimum life of 25 years before they need significant renewal and reinvestment.

The church is the people—not buildings—and as such our primary work is ministry, not property development. Capital projects take an inordinate amount of time and resources, both human and financial, at the parish and diocesan level. Property development is not our primary work or expertise.

Real estate development is a trifecta of timeline, cost and scope. At best, it is difficult to control or predict all three without professional resources.

Editor's Note: This is a live document. Changes and improvements will occur from time to time.

Diocesan Vision and parish vision

A clear and concise statement is required that links a proposed development directly to the Diocesan Vision and the parish's vision. A clear link and reason "why" must be front and center to keep the project on the right track from the get-go.

Funding and risk analysis

First and foremost, a legitimate source of capital and operating funds needs to be clearly identified at the beginning of the journey.

Property development is very expensive and very risky. Moreover, there are considerable expenses incurred in the 'feasibility' phase to even find out if a project is viable. These costs cannot be recouped if the project does not proceed. Consideration must be given, at the very beginning of a project, as to how the feasibility costs are to be written-off should the project not be approved.

In simple terms the **Feasibility Phase** would be at least 10% of the overall fees.

So, for example:

\$1,000,000 construction x 10% would be \$100,000 for overall fees; 10% of the \$100,000 would be \$10,000. **So, the Feasibility Phase would be around \$10,000.**

\$5,000,000 Construction x 10% would be \$500,000 for overall fees; 10% of \$500,000 would be \$50,000 for Feasibility Phase.

Property Development, especially when the church is involved or the development is associated with public funds, is time-consuming, so any funding proposals must take inflation into account and have a large contingency. If the project takes three years from conception to shovels in the ground, costs may increase substantially. What starts out as a \$3-million project may well be a \$6-million project by the time you go to tender.

Encumbered land

The proposal must not encumber the property for future use. The proposal must demonstrate maximum flexibility and convertibility to some future use should the program end.

References

At least three examples must be provided to prove the operational viability of the proposal from a program delivery and financial perspective.

Business case

Ideally, a development manager is to be on board to help create a holistic business case that details all the key elements of a proposed development.

Local authorities

The development clearly needs to be tested against all local authorities’ requirements. A check of the official community plan, zoning, subdivision, development permits and codes is required.

Project champion

A project champion, or project sponsor, is required up front. This resource needs to be with the project from inception to completion.

Project manager

A project manager, or in some cases, a prime consultant, such as an architect, is required to lead the project team through all the various stages of a project as outlined in the AIBC Sequence and Scope of Services Chart.

Programmer planner

A professional programmer planner will guide the project team in with the identification of the program requirements, needs and wants and a multitude of front-end questions and answers.

Project team / building committee

The project team needs to be diverse and made up of professionals and lay people that clearly understand the complexities of project development and execution.

Communication and public relations

A well-established communications and public relations plan needs to be in place to help promote and clarify the goals of the proposed development. Someone well-established in this field needs to be on the project team or immediately accessible to the team.

Presentations

When all the above are in place and working well, only then will the committee take a proposal to Finance Committee and Diocese Council for consideration and approvals to proceed to the next steps.

Finance Committee and Diocesan Council

As per Canon, all projects greater than \$20,000 are presented to Finance Committee and Diocesan Council for consideration and approval.

These projects are submitted with a “project brief” that highlights the significant elements of the project. A sample “project brief” format can be found in Appendix A of this document.

The diocese has prepared a guide known as the “Project Management Guidelines, Policies and Procedures,” updated to January 10, 2021.

Refer to *Canons Regulation 6.3.01.b Respecting building or structural alterations* for the first and second steps in the process.

Typical steps in the feasibility phase of a project

The Architectural Institute of British Columbia (AIBC) has a simple one-page document entitled “Sequence and Scope of Services Chart” that highlights the various tasks and resources required to take a project from inception to approvals and beyond:

- Project Inception / Predesign
- Project Feasibility / Schematic Design

These first two steps lead to the Concept Approval phase.

Visit the [AIBC website](#) for more details.

APPENDIX A

SAMPLE FORMAT FOR PROJECT BRIEF

Parish/Church: St. Peter, North Pender Island

Updated to: 2020 May 24

Project Lead:

SCOPE

Affordable Housing; 26 units, varied sizes, low to moderately low income. 26 units is the maximum number of units that can be supported by a Septic System. More than 26 units would require a full-blown Sewer System.

On 1-2 acres of 10-acre site.

Land Lease/Rental, the lease term would be long enough to justify the Capital expenditure; Annual Lease Rate would be affordable and enable the total project cost to be within limits that allow the project to be feasible. Land on the island is very valuable so the expectation is that the Land Lease Rate would not be "market" to make the project viable.

If a long-term lease was the chosen method, the leased portion would need to be subdivided from the balance of the Church/Hall site so that the remaining portion would not be encumbered by a long-term lease. Lease payments would not start until the Units were occupied and revenue from the units started flowing.

The Church building was moved to this site from another site in 1985 and water and septic systems were 'over designed' in anticipation of future expansions.

Current zoning is for Community Service, for Church use. CS (a); Lot 1, Section 11, Plan 27405; only permitted use is Church; Land Use Bylaw #103, 1996.

Existing Church and Hall are serviced by a 1985 6" Drilled Well (225 feet; 3 GPM; confirmed by Brent Marsden 2020 May 7) and the Septic System. The existing well provides a surplus of quantity and quality for the existing Church and Hall. A new well may be required to service the proposed development.

The existing Church and Hall are heated by Electric Heat. (need to confirm if the site is serviced by Single Phase or Three Phase power).

There is no Natural Gas system; propane is used.

Diocese to retain ownership of the Land. The new building(s) would be owned by the Diocese.

COST/FUNDING

First Phase of this project will cost in the order of \$5,000.

Development Manager has been retained to prepare a "Request for Pre-Feasibility Study" as support for a funding application to BC Housing. The Architectural Institute would call this current phase "Predesign".

Total Project Cost is undefined at this point. Cost of Construction could vary from say \$250/sf to \$400/sf depending on the quality of the development. Any Total Project Cost estimates at this stage of the project would be +/-25% accuracy.

This development is not meant to be a "money making" endeavor. The Diocese would receive annual revenue from the Land Lease. Not sure what, if any, revenue from this development would be received by the Parish.

Potential Sources of Capital Funds:

(ongoing annual Operating and Maintenance Costs would be a totally separate topic).

- Capital Regional District Grand in Aid.
- Pender Island Lions Club.
- BC Housing.
- CMHC.
- Vancity.
- National Church.
- Parish.
- Diocese Vision Fund; \$5,000.
- Private Individuals.
- Credit Unions.
- Banks.
- Federal Government.
- Provincial Government.
- CRD- no grants at this time.

SCHEDULE

2019 May; Bishop tours site.

2019 August; Executive toured site.

2020 January 21; Meeting.

Presentation and Approval of Project Plan; First Phase; June 2020.

Confirmation of approval to proceed with Application to BC Housing for Funding; June 2020.

Phases of a Project from an Architect's point of view:

Predesign, (current phase of this project)

Schematic Design,

Design Development,

Construction Documents,

Tender and Award,

Construction,

Post Construction.

QUALITY

"Affordable" implies many things to many people. The design requirements of the development and the method of procurement for the construction phase greatly impact the overall cost of the project.

Terms such as 'not fancy', 'not luxury', 'decent accommodation' have been used to define the quality of the development.

PROCUREMENT

Design Build?

Construction Management with Work Packages?

General Contractor; Lump Sum/Stipulated Sum/Stipulated Price Contract?

Selected Bidders/Bidders List is required. Need to confirm that this project would not go out to Public Tender, even though we would be using Taxpayer's money to fund the capital costs.

RISK MANAGEMENT

Check successful contractor for Insurance and WorkSafe BC.

Contingencies for Scope Changes (changes requested by the Client) and Design Changes (changes required by the Consultants).

Bid Depository.

Bid Bonds, Performance Bonds, Labour & Material Payment Bonds.

HUMAN RESOURCES

Project Lead/Project Sponsor:

Project Manager/Development Manager:

Architect/Prime Consultant:

Rector:

Wardens:

Parish Treasurer:

Pender Island Housing Society:

Southern Gulf Islands Community Resources Centre:

CRD:

Islands Trust:

Steering Committee:

COMMUNICATION & PR

Public Relation efforts to date:

Communication forms and forums.