NAVIGATING
CHURCH
OPERATIONS & REAL
ESTATE DURING
ECONOMIC
INSTABILITY



RELIGIOUS, EDUCATIONAL & NOT-FOR-PROFIT GROUP



To Our Friends,

First and foremost, we hope that you, your family and your employees are staying well. We understand how stressful this can be and how quickly the situation is evolving. Please know that we are praying regarding this situation and the impact on the church.

Amid this time of uncertainty, we continue to monitor this evolving situation and provide our partners with support and resources. Our experience in guiding churches through every stage of the lifecycle, has taught us the importance of taking a proactive approach to real estate strategy and decision-making. Crises like this can have immediate and drastic effects on churches; we hope to be a resource in helping you steward these Kingdom assets.

This document is intended to provide some resources, helpful tips, and an overview of topics to consider as churches are faced with property specific issues. We are here to serve you in any way we can, whether it be providing additional knowledge, brainstorming creative solutions, or working collaboratively to address this crisis.

We are encouraged and take comfort that this is not the first challenge the Church has faced and are reminded that the Kingdom of God is never in trouble. We have reflected on the following passage from Hebrews 12:28, "Since we are receiving a Kingdom that is unshakable, let us be thankful and please God by worshiping him with holy fear and awe." We are here to help you be the best steward possible with the real estate that God has entrusted to you and we would love to help you in any way we can.

Peace & Blessings,

Matt Messier

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# HISTORICAL TRENDS



Based on our experience with previous cycles and keen understanding of church properties, here are a few key trends that may affect churches in the immediate and long-term future:



#### Churches with Schools or Tenants

- What did we see before?
  - Many private schools permanently closed after sustained economic downturn
  - Churches were left with vacant properties and sudden loss in revenue
- What are we seeing now?
  - Schools have suspended operations indefinitely
  - Many are beginning to ask for rent relief or lease terminations
- Creative Solutions? refer to Recommendations for Landlord Page
  - As a landlord, can you receive a portion of rent until the economy is back on track? How can you be proactive?
  - Don't Sell Yet Foundry is here to brainstorm options that allow for a recovery without desperate action.



#### Churches with "Fresh Debt" or Financial Concerns

- Churches that took on new debt for an acquisition or capital improvement projects
  recently may begin to struggle servicing loans. In previous cycles, we saw many
  churches struggle with new debt as a result of insurmountable loss in attendance and
  revenue.
- Churches with financial struggles prior to COVID-19 will be affected by the disruption. In addition to potential loss of tenant revenue, many churches will be hit-hard by the loss in weekly giving as a result of physical meeting restrictions.
- For older-demographic churches who are faced with mounting deferred maintenance or barely meeting budget, the loss of revenue may pose immediate or near future risk to the financial viability of the church.



#### Impact to Aging Congregations and Buildings

- Tragically, COVID-19 is proving to be most detrimental to the health of our senior citizen population. In addition to the effects of the virus and public restrictions, the sudden financial downturn has affected individuals' personal savings and investments. The above factors are important to consider, since in many cases, senior citizens account for a sizable portion of membership and giving. We will most likely see additional church closures as a result.
- For churches that were struggling with deferred maintenance prior to COVID-19, the decrease in giving will greatly affect the ability to preserve the church's real estate assets Maintenance that is ignored often times leads to a significant decrease in property value.

## RECOMMENDATIONS FOR **LANDLORDS**





#### 1. During the check-in, ask questions such as:

- How are you seeing this impact your business?
- How are your employees?
- Are you maintaining a full staff?
- How do you see this impacting your business in the next 3-5 months? In a year?
- Helpful Hint: Now is a good time to review existing lease agreements and note any upcoming term expirations, options or extensions, as well as future rental increases.

#### 2. If Tenant Requests Rent Relief, Ask for the Following Info/Documents:

- Describe how the Covid-19 virus is impacting their organization. Please include all efforts to date to minimize impact such as staffing changes, reduced hours, etc.
- Describe how they are adapting their organization to the changing environment to find alternate revenue sources or ways to reach their customers.
- What is their path and recovery timeline based on information to date?
- The specific rent relief being requested.
- Detailed Income statement for the YE 2019 and YTD 2020.
- Prior 2 years Tax returns for both the Tenant entity and any guarantors.
- Current Financial Statement of the Tenant entity and any Guarantors.
- Number of current operating locations.

#### 3. When Managing Ongoing Tenant Relationship:

- Schedule periodic check-ins between Landlord and Tenant
- Evaluate the relationship. Are there opportunities to help each other out and cross-promote events or initiatives?
- Review expenses and operational costs to determine potential areas of savings.

# REAL ESTATE MANAGEMENT TIPS





#### Cutting Costs on Landscaping

- Postponing landscape enhancements
- Adjusting cutting schedule to minimum (ex. Every 3 weeks)
- Adjust water sprinkler to a minimum
- Perform smaller landscape task inhouse



#### Janitorial

- Consider not cutting out completely, but utilize volunteer work
- Cleaning high traffic areas as a priority
- Cleaning touch points
- Manage Janitorial supplies that are needed
  - Buy concentrate instead of premixed solutions
  - Cut out less nonessentials such as urinal screens



#### Bidding out Vendors

- Postpone or hit pause on major projects
- Re-bid any outside vending services including insurance and verify they are bonded & insured
- Consider performing smaller/ medium projects inhouse
- Consider performing projects that would have normally been performed offseason.



#### Cutting Down on Consumables

- Save unused candles, and reuse other consumables as appropriate
- Use less expensive paper products, and eliminate paper bulletins
- Don't print when electronic files suffice. Most documents can be signed electronically



#### Electricity Usage

- Use a timer or occupancy sensor
- Call and understand peak/off-peak hours
- Shut off all unnecessary lights



#### **HVAC**

- Set HVAC to one set point (ex. 76 degrees)
- Perform preventative maintenance inhouse
  - Filter changing
  - Inspect HVAC
  - Smaller repairs

#### **HELPFUL HINT:**

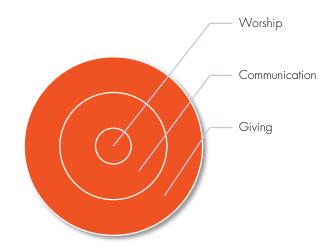
Could the property be leased to any other churches or groups in order to generate income during off hours?

## DIGITAL TOOLS



**TECHNOLOGY** IS MORE IMPORTANT THAN EVER BEFORE.

HERE ARE SOME **BASIC CONCEPTS** FOR CHURCHES
MOVING INTO THE DIGITAL AGE



#### Worship

- Hold LIVE streaming (via social media) worship services online (combined with interactive giving)
- Pre-Record audio/video and post to website including daily devotionals
- For smaller congregations or bible studies, think about a simple video/tele conference

#### Communication

- Setup communications for all channels (staff, volunteers, members, community)
- Leverage tools like Zoom or Facetime to communicate through video (See Resources Page)
- Keep communicating. It's important for members and unchurched in your community to know that your church is adapting and pressing forward in this crisis.

#### Giving

- Make it simple, easy to use and accessible
- Setup Text or Mobile giving options
- Follow-Up (thank-you & future updates)

## FOUNDRY COMMERCIAL TRACK RECORD



During the Great Recession, Foundry Commercial built a platform to assist lenders and denominations with real estate portfolio management. Church closures were commonplace and church facilities were often given back. These properties varied in condition, property type, and geography. During this time, Foundry Commercial developed a customized approach to managing church real estate portfolios which include services such as property analysis, brokerage, project management, entitlement, and developing overall asset strategy.

In this current unknown economic time, we would be honored to serve as your trusted guide. We understand this unique niche very well, have 50+ years of experience, understand the potholes and hurdles, and know how to source and qualify buyers. In addition, the Foundry Commercial team understands the importance of asset management and preservation, which requires sound advice and only spending money when and where necessary. We secure your property and make necessary recommendations, executing the strategy for the individual asset or entire portfolio, helping you be the best steward possible with the real estate God has entrusted you with.

#### **FOUNDRY GREAT RECESSION STATISTICS**



175

TOTAL REO ASSETS MANAGED



200+

REO PROPERTIES

SOLD



3 0

STATI



\$20K-\$30M

PROPERTY VALUE RANGE

#### **CASE STUDIES**



Foundry serves as the exclusive real estate broker, property manager and strategic partner for the lender's entire REO portfolio across the country. Foundry has been assisting ECCU since 2008 and has been successful in managing and disposing of bank owned assets. For ECCU and each property, we provide an analysis of the market and property analysis of the property in order to provide them the context necessary to develop an overall and individual market strategy., Properties within the portfolio have included schools, churches, land, retail, commercial and residential. To this day, the Foundry team is still honored to be ECCU's real estate consultant.



Urban Church Campus Sale Los Angeles, CA Church 97,397± SF on 2.15± AC

Client took possession of a partially completed church complex on a high-traffic corridor in Los Angeles. Foundry was engaged to both sell and facilitate reimplementation of building permits as well as securing the property and managing every aspect of it. The property ended up selling to a user out of New York at a price of \$28M.



Vacant Land Sale Longmont, CO Vacant Land 300± AC

The lender foreclosed on 300+ acres of vacant land and asked Foundry to assess and entitle the land. In addition, the property has a number a issues that needed to be addressed including, a lawsuit active oil and gas drilling and multiple ownership interest in part of the land. Foundry assisted in settling the lawsuits, annexed the property and obtained entitlements. The land was sold in parcels to maximize value Including a 50 acre site that was sold to Smuckers Co. Foundry worked with the state of Colorado to win the RFP for this new manufacturing facility.

# HELPFUL RESOURCES – OPERATIONAL TOOLS FOR CHURCHES



The below are clickable links that you may or may not find useful. Click on the below to learn more.

Church Specific Resources

Other Financial Resources

GOFUND ME

INTUIT QUICK BOOKS

SQUARE MERCHANT

Communication

ZOOM

MICROSOFT TEAMS

GOOGLE TOOLS

MASS TEXTING

PLANNING CENTER

Security

**FREE SECURITY KIT** 

Misc. Operational Resources

**FACEBOOK RESILIENCE TOOLKIT** 

## HELPFUL RESOURCES – CARES ACT



The below are clickable links that you may or may not find useful. Click on the below to learn more.

#### CARES ACT & HOW IT CAN HELP



The CARES Act provides significant funding for governments, businesses, hospitals, schools, and social support programs, among many other things. Below are key provisions of sector-wide interest to charitable nonprofit organizations.

KEY PROVISIONS FOR NON-PROFITS >



President Trump signed the third and final economic stimulus package into law. The law provides clear guidelines on what small businesses are eligible, and what their loans will look like. Here are the details.





Paycheck Protection Program FAQs for Small Businesses





What's Inside The Senate's \$2 Trillion Coronavirus Aid Package

HOW THE \$2 TRILLION BREAKS DOWN



Federal Reserve on the CARES Act

RECENT DEVELOPMENTS >

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