

Woodlake United Methodist Church

Proposed Land Sale

Frequently Asked Questions

Can you provide some details on the church's property?

- Our property, located at 15640 Hampton Park Drive, was acquired on September 6, 2000 for \$1,200,000. The site is 23.73 acres zoned I-1 (Light Industrial) which permits conditional church use. The site is divided into two parcels:
 - **20.05 acres** - developed parcel which includes the church building and other improvements like the soccer field and chapel trail. The assessed value is \$12,482,300 (building = \$3,854,000, land = \$8,628,300).
 - **3.48 acres** - undeveloped parcel with an assessed value of \$485,500.
- We are exempt from real estate tax on the developed parcel, but pay a \$4,466 tax on the undeveloped parcel, since it is technically not being utilized for church use at the moment.
- We are required by VDOT to build a turn lane on US Route 360 (Hull Street) for any future expansion of our building or new structures. Estimated cost of road work is \$1 million.

Who owns the church's property?

Technically, the United Methodist denomination ("UMC") owns the church's property. The trust clause states the local church owns the property in trust for the entire denomination. This limits the ability for congregations to leave the UMC but keep their church property. This structure was purposely put in place by John Wesley.

Does the potential split of the United Methodist denomination affect this sale?

Being debt free sooner makes Woodlake UMC ("WUMC") nimbler if/when faced with the possible decision to leave the UMC, and more resilient to future challenges from a potential denominational split (ex. reduced giving due to member attrition).

If the UMC owns the church's property, do they have a say in what happens with the land?

Yes. The UMC District Board of Church Location and Building ("DBCLB") must approve any transaction involving church property per the United Methodist Book of Discipline ("Book of Discipline") which is the rulebook for the UMC, revised every 4 years. WUMC met with DBCLB 8/3/22 and received their support. No further approvals are needed from DBCLB

Aside from the District Board, who makes the final decision?

The UMC Book of Discipline requires approval at a Charge Conference. In laymen terms, this means the WUMC Church Leadership Council ("CLC") has the authority to make this decision on their own. However, it is more appropriate for the congregation to make the final decision at a Church Conference where all attending WUMC members vote. A simple majority is required for approval. Finally, the WUMC Board of Trustees ("Trustees") needs to review and sign any agreement made on behalf of the church.

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What is the Church Leadership Council (“CLC”)?

The CLC is the governing body of the church, like a Board of Directors for secular organizations. The Book of Discipline requires every United Methodist church have four committees – Trustees, Lay Leadership, Finance, and Staff Parish – which report to the CLC.

Who is on the CLC?

There are 11 members selected through a nominating process led by the WUMC Committee on Lay Leadership for 3-year terms. For 2022, the members are:

- **Laura Brawley**, Chair
- **Steve Gerencser**, Recording Secretary
- **Don Vaught**, Lay Leader
- **Nikki Karnes**, Lay Leader
- **Dwight Hargrave**, Trustees Chair
- **Jocelyn Leahey**, Lay Leadership Vice Chair
- **Steve Holliday**, Finance Chair
- **Paul McCray**, Staff Parish Chair
- **Charlene Whitfield**, At-Large Member
- **Rev. Gordon Pruitt**, Lead Pastor
- **Jimmy Lee**, Executive Director

What is the Board of Trustees (“Trustees”)?

The Trustees are the fiduciaries of the church who manage, safeguard, and steward the physical assets of the church. They are one of the four Book of Discipline committees and report to the CLC. Any agreements involving the sale of church property must be reviewed and signed by the Trustees.

Who is on Trustees?

There are 7 members selected through a nominating process led by the WUMC Committee on Lay Leadership for 3-year terms. For 2022, the members are:

- **Dwight Hargrave**, Chair
- **Corey Boggs**
- **Greg Chapman**
- **Susan Custer**
- **John Mahaney**
- **Bob Newell**
- **Jim Tschantz**

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So, when is the vote on the potential land sale?

The vote is scheduled for 2pm on Sunday, August 21st in the Worship Center at WUMC. Voting will be in-person only. No electronic or proxy voting allowed.

Can I vote if I am not a member?

No. Per the Book of Discipline, only members of the church can vote at a church conference. Members include youth who were confirmed at WUMC. If you have any questions about your membership status, please contact Tracy Garner at tgarner@woodlakeumc.org

What are the exact terms of the offer from the developer?

- The developer wants to purchase 9.5 acres of our land fronting US Route 360 (Hull Street) for \$4,000,000 (including a \$25,000 non-refundable deposit which WUMC keeps if the sale does not move to closing). This leaves the church a separate 2-acre site for future sale to another commercial developer. A total of 11.5 acres will eventually be sold.
- The developer will seek rezoning of the property from I-1 (Light Industrial) to Multi-Family Residential.
- Multi-Family Residential zoning would allow the development of a 130-unit community for residents age 55+ on the 9.5 acres.
- The developer will cover all costs associated with rezoning, site approval, VDOT approvals, etc. These costs are significant.
- The developer will take care of all road work, including the “turn lane” on Hull Street (at an estimated cost of \$1 million) and an entrance from Hampton Park Drive.
- The developer commits to close on the agreement no more than 315 days after signing.

Do we have enough land for future expansion if we give up 11.5 acres?

- This acreage gives us the space to add an additional 38,766 square feet to our building, which is more than double the existing space.
- Based on some preliminary work with Huff Morris, the architectural firm that designed our Worship Center, this footprint could accommodate a multi-purpose room, chapel, classrooms, expanded children and youth spaces, larger gathering space, additional parking, and a prayer garden. This acreage also enables us to keep the existing playgrounds. To be clear, we are not making any decisions on future expansion plans at this time.
- We don't know what church will look like in the future or what additional spaces we might need, but the remaining land enables most of the expansion we've heard church members request, which in many cases were part of our original building plan and got descope due to budget constraints.

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Will we lose any existing property improvements if we sell the 11.5 acres?

- Yes. We will lose the soccer fields, garden, firepit, and chapel trail.

Can we build a replacement activity field?

- Yes. Our civil engineers confirmed that a replacement 75 x 50 ft. activity field can be constructed on the remaining site in two potential locations.
- The conservative estimated cost of the replacement field is between \$100k and \$150k, but could end up costing less, depending on how the field is constructed.
- Our NextGen Team has confirmed that most activities can be conducted on a 75 x 150 field.

How do we know this is the best offer we could get?

- Short answer is that we don't know.
- Our commercial real estate broker, Taylor Long, did a detailed market study resulting in a listing price of \$5,750,000 for 11.5 acres. This was based on the "highest and best commercial use" of the land. However, not all commercial uses may be aligned with the best interests of the church and local community. So, some price concession in exchange for a more favorable use may be prudent to consider.
- The potential buyer is offering \$4,000,000 to construct a 55+ community on the 9.5 acres. All things considered, we believe this is a relatively favorable use of the land since it does not increase the number of school-aged children enrolled in schools and generates relatively little car traffic or noise.
- The estimated value of the remaining 2 acres is \$1,200,000 to \$1,600,000. The 2-acres command a higher price per acre, since it will be on the corner of Hull St. Rd. and Hampton Park Drive.
- The combined potential sales price is between \$5,200,000 and \$5,600,000 which is relatively close to the listing price of \$5,750,000.

What about the 2-acre site? How do we ensure that development will be compatible?

- The potential buyer of the 9.5-acre site will impose restrictive covenants on the 2-acre site that are harmonious with the 55+ community. Their draft list of exclusions aligns well with WUMC's interests. Some examples of exclusions (not exhaustive) include bars, night clubs, CBD shops, vape shops, auto dealerships, adult bookstores, storage facilities.
- The final list will be negotiated during the due diligence phase, prior to closing, and the reviewed and approved by our Board of Trustees before executing.
- Even with the imposition of the restrictions, there are many remaining commercial uses that support a potential sales price of \$1,200,000+ such as a Chick Fil-A restaurant.

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What is the ministry purpose of a potential sale?

There are three ministry purposes of a potential sale:

- **Outreach** - be in ministry with the 130 households in the new 55+ community.
- **Grow & Reach New People** – pay off the church’s debt, increase the church’s operating budget, and lay the foundations for future expansion and growth initiatives.
- **Tithe** – give generously to the local and international missions of the church; explore opportunities to mitigate the environmental impact of potential development on our land.

What is the church’s building debt?

- Our peak year-end loan balance, at the end of 2013, was around \$5,000,000.
- Our debt was refinanced in December, 2016 with Towne Bank. There are two loans: Discipleship building loan (\$2,000,000 loan, 25-year term, fixed at 3.69% for 7 years) and Worship building loan (\$1,857,000 loan, 10-year term, fixed at 3.50% for 5 years).
- We have the option to pay interest-only on the Worship building loan, which gives us flexibility in months where cash is tight. However, our default is to pay both principal and interest each month, so we don’t slow down the amortization of our debt.
- The outstanding loan balance as of 6/30/22 was \$2.272 million:
 - Discipleship building loan balance was \$ \$1,698,763
 - Worship building loan balance was \$573,400

Will the proceeds pay off the church’s building debt?

- Yes, the proceeds would pay off the church’s building debt with roughly \$2,000,000 in additional funds remaining for tithing and other strategic investments.
- It is our expectation these proceeds would accelerate the repayment of the church’s debt by around 9 years, saving a significant amount in interest payments and accelerating our ability to build new structures by 3-4 years, since we will not have to pay for the turn lane.
- All told, we expect this will accelerate our ability to expand the church’s building by at least a decade if that is what the congregation desires in the future.

How does paying off our debt increase our operating budget?

- In 2022, the church moved from two annual funds – Operating and Building – to a single, combined fund. Giving commitments were made to that single fund.
- Today, mortgage payments come out of that combined fund.
- If we had no mortgage payments in 2022, our operating funds would be \$252k higher.
- The increase in operating funds would put our budget in line with churches of similar congregational size and reduce the need for ad hoc fundraisers like the Wall of Generosity.

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Once we pay off the church's debt, what is next?

- Paying off the church's debt enables us to dream about expanding the existing church building, building reserve funds (for example, for the future maintenance needs of our building), expanding our missions and programming, or some combination of the three. These are not mutually exclusive.

What do we mean by tithing?

Given we are selling consecrated church land, the CLC voted to tithe 10% of the net proceeds for missional uses that are aligned with the strategy of the church. A lay-led team will be commissioned to direct these funds, but here are illustrative examples of what we could do:

- **Belmont Community Resource Services ("BCRS")** – provide seed money to convert existing parsonage at Belmont UMC into a community resource center for BCRS.
- **Communities in Schools of Chesterfield ("CIS")** – fund an additional CIS coordinator at L.C. Bird for 2+ years.
- **Three Notch'd District Missions** (formerly known as the Richmond & Charlottesville Districts) – fund District initiatives in Central VA that support the least, lost, and lonely.
- **Guatemala / Haiti** – provide one-time capacity building grant to international partners.
- **Local Benevolence** – increase funds available to help local residents with emergency needs.
- **Environment** – purchase 11.5 acres of rural conservation land to offset the sale of our land.

When do we anticipate closing and receiving money?

- The anticipated closing date is between 255 and 315 days from the signing of an agreement:
 - 180-240 days for due diligence.
 - 240-300 days for zoning change and site plan approval (concurrent with due diligence).
 - 15 days for closing.
- Assuming we sign the agreement in late August 2022, the closing date would be somewhere between May and July of 2023.
- At the time of closing, the church would receive the \$4,000,000 payment from the developer minus commissions, closing fees, and other payments.

What are the projected expenses related to this potential sale?

- 6% brokerage commission.
- ~\$25,000 in legal fees.
- Cash consideration to remove the restrictive covenants on the land. The agreement to remove restrictions has been reached verbally, pending signatures by both parties.

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How does the deposit work? And is this something we can spend?

- The developer offered a \$25,000 deposit. This money will be held in escrow until closing. Funds are available to WUMC if the developer terminates the deal prior to closing. So, this is not an “advance” that the church can spend now.

Do we have a sufficient buffer between the church and adjacent 55+ community?

- Maybe. What is construed as a “sufficient buffer” is highly subjective and personal. So, we can’t really answer this question in a manner that speaks for every church member.
- County landscaping standards will make the space between the two parcels more visually appealing, but will not achieve complete visual separation.

Have we thought about other uses for the land?

- Yes, in a less public way. In 2018, Pastor Gordon formed an “Alternative Income Committee” that evaluated lots of different ways WUMC could monetize the existing building and land. This committee included members from the WUMC Trustees and Finance Committee.
- We invited guest speakers and subject-matter experts from various disciplines to help us brainstorm different possibilities.
- Some examples of ideas considered included cell towers, columbarium (place to store funerary urns), preschool expansion, retreat center, more aggressive rental of our building to various groups. We even spoke to a consultant (Ethnos Development) that helps churches develop “for profit” enterprises on their property to fund Missions and Ministries.
- After evaluation of these ideas, the conclusion was that none of these opportunities was a good fit for WUMC for one or more of several reasons: 1) didn’t provide meaningful revenues for the amount of effort, 2) conflicted with existing programming, 3) created significant legal and compliance risk, and/or 4) required the church to pay significant up-front costs, including the turn lane, and borrow additional money.
- Subsequently, Next Level Innovations (NLI) recommended that WUMC: “Consider how the current property, with its abundant acreage, might be used to serve the present and ongoing financial health of the congregation”. The congregation voted 251-13 to adopt all of the innovations, including this one.
- Aside from a land sale, there is no known feasible alternative that honors the intent of the NLI innovation to “serve the present financial health of the congregation.” Anything that we might do ourselves to develop the land will require us to wait at least 10 years before the church’s debt is repaid.

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Are there possible unintended consequences from rezoning or sale, such as taxes?

- As mentioned previously, we pay \$4,466 in real estate taxes each year on undeveloped land. We are responsible for any tax increases between now and closing on the 9.5 acres. That could be as high as \$31,759 if the property is rezoned immediately at FMV and we close in 315 days ($\$4,000,000 * 0.92\% * 315/365$). The more likely scenario is that reassessment happens much later in the process.
- Worst-case scenario, the 9.5-acre property gets rezoned, but the sale does not go through. WUMC would have a higher tax bill, but our property would be significantly more valuable.
- It is also possible that the remaining 2-acre site is reassessed based on our new intent for the site. That could result in as much as \$6,694 in incremental taxes (\$11,160 per year minus the \$4,466 that we currently pay) from the time of reassessment.
- We reviewed other potential tax situations with our CPA and law firm, including UBIT (Unrelated Business Income Tax) or capital gains. Neither applies to the proposed sale. We have retained our CPA to obtain an IRS private letter ruling to formalize this understanding.

What are the key dates for the congregation?

- Town Hall Meetings (5) – DONE!
- Time of Congregational Prayer and Fasting – 8/1 to 8/21 – IN PROGRESS
- District Board of Church Building and Location – 8/3 at 4pm – COMPLETE (approved)
- Church and Charge Conference – 8/21 at 2pm to 3pm - SCHEDULED

What happens if the congregation decides not to move forward?

- We will push really hard for debt reduction over the next 10 years through a series of focused capital campaigns.
- Concurrently, we will identify the best possible uses of the undeveloped land that do not require the church to pay for the turn land and/or borrow additional money.

What happens if the congregation decides to move forward?

- In a prayerful and diligent way, we would immediately begin a process of discernment about how to utilize the proceeds of the sale with the goal of developing a specific plan.
- The church would also become a stakeholder in zoning and site plan approval discussions.
- A committee, comprised of representatives from Trustees, Finance Committee, Stewardship Committee, and a couple of at-large subject-matter experts would be tasked with forming a recommendation on how to invest the proceeds of the sale for approval by the CLC.

¹¹ For I know the plans I have for you,” declares the LORD, “plans to prosper you and not to harm you, plans to give you hope and a future. **Jeremiah 29:11 (NIV)**