

**Recommendation of the Real Estate Task Force
to the Executive Board
September 7, 2023**

Summary

Due diligence has been exercised in determining the fair market value of the RD Mize property. The fair market value of the RD Mize property is between \$2.6M and \$3.3M. An offer of \$3.25M by Harvest Baptist Church equals or exceeds the fair market value of the property.

Background

At a Special Voters' Meeting on March 26, 2023, the following motion carried with 122 yes ballots, 48 no ballots, and 2 abstentions: "The Executive Board moves to authorize the Executive Board to determine fair market value for RD Mize campus and accept an offer that equals or exceeds fair market value." Immediately following the meeting, the Church engaged Hoffman Appraisals, Inc. to provide an Appraisal Report of the RD Mize campus at 425 NW RD Mize Road. In a report dated April 26, 2023, Roland Hoffman opined that the "current as is market value" of the property is \$3.33M, or \$64.86 per square foot.

Potential Purchases Emerge

The RETF was informed that several parties had expressed interest in looking at the RD Mize campus. Tours were set-up with ReHope, Marion Hope School, Gateway Church, and a possible partnership between Gateway Church and Plaza Heights Baptist Church. By approximately June 6, 2023, it was learned that ReHope and Marion Hope School did not have the financial resources to pursue a purchase of the property. Gateway Church and Plaza Heights Baptist Church were not able to put together a workable plan to purchase the facility.

Harvest Baptist Church emerged as an interested party shortly thereafter. They arranged for a tour and later followed up with a second tour for their Church's board of directors, pastoral staff, and several other Church leaders and members.

Real Estate Task Force

Shortly after the Special Assembly Voters' Meeting, Congregational President Diane Mayfield contacted members of the Next Generation Real Estate Task Force (RETF) and other Church members for purposes of assisting the Executive Board in carrying out the mandate of the above-mentioned motion. An original member of RETF, Tyler Shaffer, declined to continue in his role. The following individuals agreed to join original member Gary Storck as members of the RETF: Bill Ekey, Gary Flandermeyer, Corey Koenig, and Diane Mayfield. At the initial meeting of the RETF, Diane Mayfield asked Mr. Ekey to chair the RETF. Upon concurrence of the other members, Mr. Ekey accepted the role as chairman.

Broker Candidate Pool

In order to develop a list of potential commercial real estate brokers, Mr. Ekey contacted Jeremy Taylor, a Timothy member and former colleague of Mr. Ekey at The Commerce Trust Company. Mr. Taylor is the real estate manager for The Commerce Trust Company. He provided the following list of real estate agents: Lea Fitzgerald (CBRE), Alli Moran (Colliers), Gib Kerr (Cushman Wakefield), Andrew Clemmons (Newmark Zimmer), Natalie Downs (Reece Nichols), and Audry Navarro (Clemons Real Estate). Tours of the RD Mize campus were arranged for each of the interested real estate brokers between June 27 and July 27, 2023. After the tours, each broker provided information about his/her firm, brokerage fees, and, in some cases, broker's opinion of value for the property.

Broker Fee Schedule

The fee schedule for each of the brokers is 6% of the sale price for a sale that is consummated as a result of his/her efforts. If a potential buyer is excluded from the brokerage agreement, but a sale to that party is completed, each of the brokers would expect a commission that ranges from 3% to 3.5% of the sale price.

Broker Selection

After meeting with each of the potential brokers and reviewing the materials provided, including his/her standard listing agreements, broker opinions of value, if any, and ancillary sales and marketing material, Mr. Ekey further recommended that Cushman Wakefield be engaged to market the property. Mr. Ekey further recommended that Clemmons Real Estate and Colliers were both acceptable alternatives. The matter was discussed with RETF, and the group authorized Mr. Ekey to take the steps necessary to engage Cushman Wakefield. Before an agreement could be consummated with Cushman Wakefield, Harvest Baptist Church indicated that they had a strong desire to purchase the facility. At the direction of the Executive Board, a decision was made by the RETF to hold off executing an agreement with the broker until on or before October 10, 2023, to give Harvest an opportunity to formalize their plans. Mr. Ekey will follow up with Cushman Wakefield on or after October 10 to take further actions as may be necessary.

Broker's Opinion of Value

As an informal opinion of value, Colliers stated, "Our gut is telling us we should list around \$55-\$60 per square foot . . . On the higher end, 51,339 sf = \$3,083,940." Cushman Wakefield said, "We would estimate a value in the range of \$2.6M to \$3M, or \$50 - \$58 per square foot. The church's decision-makers should be prepared to consider an offer in this range to a qualified buyer . . ."

Market Statistics

Information compiled from the Appraisal Report, a marketing flyer prepared by Cushman Wakefield, and an information packet from Colliers revealed that there are 33 church properties that have recently sold or are currently on the market. These church properties range in size from a tiny 1,680 square foot facility to 80,000 square feet. Prices range from \$100,000 to \$4,750,000. The average price for listed properties is \$63.38 per square foot. The median price per square foot is \$62.22. Church properties included on the list have been listed for sale for an average of 563 days.

Letter of Intent from Harvest Baptist Church

In a proposed Letter of Intent dated August 31, 2023, Harvest Baptist Church has proposed, among other things, to enter into an agreement to purchase the RD Mize campus for \$3,250,000 (\$63.30 per square foot), subject to certain conditions as specified in the Letter. Closing is proposed to occur on or before December 8, 2023. The Letter of Intent has been reviewed by the RETF and legal counsel for the Church.

Recommendation

The Real Estate Task Force recommends that the Executive Board determine that the fair market value for the RD Mize campus is \$3,250,000, and that it take the step necessary to enter into the Letter of Intent and to enter into a subsequent agreement to sell the property to Harvest Baptist Church for \$3,250,000, subject to adjustments as specified in the Letter and Agreement.

Supporting Facts

The appraisal and the brokers' opinions of value place the value between \$2.6M and \$3.33M. The amount offered of \$3,250,000 falls well within that range. The amount of \$63.30 per square foot is

slightly below the appraisal but significantly above the lower end of the brokers' opinions of values. It is higher than the median amount for recent sales and for churches currently listed for sale. The market data suggest that if we need to list the property, there is no assurance that it will sell in the short term. The average time church facilities have been on the market is 563 days, with some being listed for years. While this property may have some distinguishing characteristics, there is no way to know if a viable candidate will come along anytime soon. Harvest Baptist Church apparently has or will have the means to make this purchase within the time frame indicated in the Letter of Intent. There will be no need to wait for a capital campaign, loan processing, or other delays due to financing red tape. Neither party has engaged the services of a real estate broker. As a result, there will be no broker fees at closing. This will result in savings of \$195,000 on this transaction.

Respectfully submitted,
Bill Ekey
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Corey Koenig
Gary Storck
Diane Mayfield