

Summary of Investment Proposals

Westbow Capital and Western Canadian District

Further to our presentations from Nick of Westbow Capital and Steve representing the WCD and the respective submissions from members of our Fincom group, following are the summary “pros and cons” of each proposal.

Westbow Capital:

Pros:

- Established and reputable company since 1977 well grounded and experienced in real estate acquisitions.
- Have lived through several significant downturns in the real estate investment world and has measures in place to limit exposure
- Investors participate in the monthly cash flow as well as the equity appreciation of the property
- Very limited administration
- Ease of liquidating funds if required
- Good return of approx of 6% Return on Investment annually – additional 1% donation to Pacific District
- Method of investing fits within the Charitable status as defined by CRA guidelines
- Portion of cash flow can be used to fulfill mission and vision for the growth of the church and Kingdom

Cons:

- Does not provide for direct stewardship of district owned properties as the investments are typically rental properties
- To participate the district would have to initiate a loan based on the equity of portfolio of church properties. The loan becomes a liability however low level risk as capital can be recovered from Westbow.
- Loan may include a broad encumbrance on all church properties in the portfolio and prevent churches from initiating their own individual growth objectives and vision.
- Investments are outside of BC and do not contribute to improving access to rental housing for BC residents.
- Decision and control is solely directed by Westbow.
- More clarity on how rising interest rates would impact the cash flows from the properties while increasing the cost of debt servicing of the loan to Pacific District.

Western Canadian District – Development Participation

Pros:

- Helpful to mitigate loss of donations and property tax exemptions
- More flexibility to change course or objectives to coincide with government regulations specifically related to churches and their charitable status.
- Allows for more autonomy than the Westbow investment model and allows the district to better facilitate the utilization of church properties
- Facilitates community engagement in property utilization.
- Provides more options to individual churches for the utilization of their properties and the achievement of their ministry objectives.
- Financing may be secured on a project by project basis and not require a blanket collateral mortgage on all properties. Developers may provide some of the capital required for the project.

Cons:

- Requires a solid and reputable development partner with both the skills and experience as well as appreciating the objective of the ministry
- Significant administration – dedicated experienced individual willing to commit 10 – 20 hrs per week and up to 20 hrs/quarter on boards participation. In addition boards would be required for up to 4 organizations – Joint venture, general partnership, limited partnership and other
- Trustees to participate on boards would need to be sourced from experienced lay people willing to provide their time.
- Project Financing is a particular challenge, construction financing being the hardest. As such significant capital is required – in their case came from the sale of existing property.
- Larger capital requirements than the Westbow proposal.
- Land is permanently sold. No future jurisdiction.
- Long term investment – the ROE may take several years to achieve.
- Disbursements of the trust are not guaranteed but governed by the trustees.
- ROE not guaranteed
- Significant risk in the event of changes to the real estate market, economy, or anticipated revenue from the development