

FAQ

North Adelaide Redevelopment Project



LUTHERAN CHURCH
OF AUSTRALIA

where love comes to life

For everything, there is a season.

and a time for every matter under heaven:

a time to be born,

and a time to die ...

a time to plant,

and a time to pluck up what is planted ...

a time to break down,

and a time to build up ...

a time to throw away stones,

and a time to gather stones together ...

— from Ecclesiastes, chapter 3

General Synod will be asked by General Church Council to endorse the North Adelaide Redevelopment concept and authorise it to oversee the detailed master-planning and implementation of the project.

This FAQ booklet provides information about the project for delegates and other members of the LCA.

The proposal before General Synod may be downloaded from the Synod website:
www.lcasynod.org.au
(Convention Business)

What is the reason for this redevelopment?

The existing facilities have served the LCA well over the years. There have been upgrades to the buildings from time to time in order to address particular issues and needs. The point has been reached, however, where piecemeal and/or limited renovations will not be sufficient to meet the current needs—and certainly not the future requirements—of Australian Lutheran College (ALC) and the ministries based in the LCA national office.

While a number of informal or, at best, partial development proposals and ideas have been considered over the last ten years, none of them has maximised the potential of the properties to meet the long-term needs of the LCA's various ministries.

Site redevelopment has now become both important and urgent in order to address the constraints created by less than satisfactory facilities, and to alleviate the financial pressure caused by buildings that incur significant maintenance costs.

Accordingly, the redevelopment proposes very substantial changes that aim to deliver benefits for the entire LCA, as well as deliver on local needs. Some key mission outcomes are outlined below.

Why has this option been chosen?

This option has been chosen because it offers the potential to release the full value of this already valuable piece of real estate in North Adelaide. It is also influenced by the strong historical and financial view that the LCA should not sell the 'family farm'.

The option of selling the properties and establishing purpose-built facilities on another site has two significant disadvantages.

- It is unlikely that the sale proceeds would generate the capital necessary to purchase land and build facilities that meet the requirements of LCA ministries that have emerged during the concept design stage.
- There would be no prospect of a sustainable funding stream to meet

the ongoing maintenance and upgrade costs, which the ALC General Convention report has demonstrated is a key issue affecting its viability.

The current option addresses these two major issues, and the LCA's desire to retain the properties, not for the sake of it, but in recognition that their location presents significant advantages which, if exploited to their full potential, offer the prospect of long-term benefits for our entire church.

The alternative option—to renovate the existing buildings—will not address the short- or long-term needs of our church. At best, such a strategy may be able to offer interim solutions for ALC and the other national ministries, but such an approach is not considered cost-effective.

Who will be the beneficiaries and users of the redevelopment?

The design concept seeks to support the ministries of the LCA through the provision of new facilities and resources, so they can effectively serve the congregations, schools and agencies of the whole church. They include ALC (including the ALC student community), Board for Mission, Department for Lay Ministry, Lutheran Media Ministry, Lutheran Education Australia, Lutheran Archives and the Office of the President.

What are the key benefits that are expected to flow from the redevelopment?

Australian Lutheran College (local)

The LCA has been faithfully served by ALC. It has trained and equipped pastors, teachers and other church workers, who have served in the congregations and schools of our church. It is vital that the LCA's congregations and schools continue to be served by these leaders long into the future.

The teaching staff are critical to this endeavour. It is essential, though, that they and the student body also have access to well-designed facilities that will meet current and future needs.

It is recognised that the ALC of the future needs an 'intelligent campus' that addresses the reality of a student body that can engage with ALC through distributed learning.

It will also need to be suitable for the needs of on-campus students. The redevelopment seeks to provide thoughtfully designed public spaces, staff areas and student centres which will bring people together for conversation and reflection in order to enhance the learning experience.

The plans seek to foster a sense of community, which is particularly important for students who come to Adelaide from other parts of the country or from overseas.

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Importantly, the availability of new buildings will help to ensure that ALC's resources can focus on teaching staff and related training needs. As existing buildings get older the cost of maintaining them will inevitably increase pressure on limited budgets, the funding of which comes from the congregations of the LCA.

Australian Lutheran College (international)

The congregations and schools of the LCA have a long history of supporting and being actively involved in mission overseas. It is important that the redevelopment is able to complement this growing commitment and has the potential to do so in two key ways.

Australian Lutheran College is a gift that extends beyond the LCA. Our partner churches have benefited significantly through the training of pastors and leaders at ALC. The provision of modern, state-of-the-art facilities at ALC positions it well to respond to the calls from our partner churches in mission for Lutheran teaching.

The LCA's Board for Mission facilitates these educational opportunities through its

close cooperation with a number of partner churches, primarily in Papua New Guinea and South-East Asia.

At a local level, the proposed presence of the Louise Fierl Museum (and Lutheran Archives) presents opportunities to share the LCA's rich mission heritage with congregations and schools which foster increased interest in and support for the work of mission overseas.

Lutheran Media Ministry

Lutheran Media Ministry, which has a potential audience of one million people a week, is limited by its audio/visual facilities. The development of state-of-the-art media facilities will enable Lutheran Media Ministry to expand its outreach of sharing the good news of God's love in Christ.

Furthermore, Lutheran Media Ministry's interaction with a co-located congregation and ALC will help in the generation of content (eg recorded worship services) that can be distributed throughout our church as a resource for use by congregations and schools.

What are the other key features of this redevelopment?

- No existing land or properties are to be sold
- Greater effectiveness through a better integration of ministries located in the North Adelaide precinct, including that of the Office of the President
- New and more appropriate 'on campus' ALC student accommodation and associated amenities
- The development of a community with the co-location of retirement living, a vibrant congregation and ALC body
- Relocation of Lutheran Archives into a purpose-built facility, incorporating a temperature-controlled repository
- Retention of a suitably upgraded Hebart Hall available for lease to an appropriate tenant.

How has this concept been developed?

As outlined in response to the second question, a number of discussions have taken place over the past decade to consider options for the future of the precinct.

In August 2012 a concept plan for the redevelopment of the North Adelaide properties was presented to General Church Council (GCC).

GCC approved the concept 'in principle', subject to the consideration of a number of issues, including: consultation with key LCA ministries, financial analysis, funding mechanisms and project management.

A project team—with representatives from Queensland, New South Wales, Victoria and South Australia—convened by the Executive Officer of the Church, worked with Arkvale Architects and other independent specialist consultants to address these issues. The objective was to provide assurance that the concept had sufficient merit to proceed to a detailed design process, subject to endorsement by General Synod. The LLL provided a grant to fund this initial concept design phase.

The following consultants were engaged to provide specialist advice:

- Deloitte (financial modelling)
- Rider Levett Bucknall (quantity surveyors)
- MRL Group (legal and structure)
- Optimum Retirement Services (demographic and market research)
- Leedwell Property (risk assessment)
- Bruce Harry and Associates (heritage consultant)
- Connor Holmes (private town-planning consultant).

The following ministries were involved in the consultations:

- Australian Lutheran College
- ALC student representatives
- Board for Mission
- LCA Administration
- Immanuel Lutheran Church
- SA/NT District

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- Lutheran Education Australia
- Lutheran Schools Association (SA/NT)
- Lutheran Media Ministry
- LLL
- Lutheran Homes Incorporated
- Lutheran Archives.

How was the development of the concept funded?

Following a request from GCC, the LLL approved a grant to enable further investigation and development of the concept.

As outlined in the first question, it was considered essential that, for a proposal on this scale, enough due diligence was completed in order to establish that the concept had sufficient merit to proceed to a detailed design process, subject to endorsement by General Synod.

How much will the project cost?

The project is expected to be self-funding. By releasing the full value of the land, it will be

possible to fully fund the estimated \$23m cost (in today's dollars) to build new facilities for the ministries of the LCA, including a new 300-seat church that can expand to a capacity of 600.

The total cost of the project is estimated at \$135m (in today's dollars). The objective is to have no debt at the conclusion of the building program. However, if there is a residual debt, the repayments will be met from recurrent income.

How will it be funded?

The primary strategy is to build 115 retirement apartments on the main western end property (excluding the LLL site), which will be supported by the provision of aged-care services. This provides income in two ways:

- from initial sale of the retirement apartment (as a 'licence to occupy')
- from the turnover of the retirement apartment when an existing occupant leaves and a new one moves in.

It is expected there will be demand based on a number of factors:

- modern apartments located in a prime, central location

- the access to on-site aged-care services with the prospect of lifelong care through transition to other facilities provided by the aged-care provider located elsewhere (eg nursing home)
- opportunity to be part of a community, including the ALC staff and student body, and the local congregation.

The concept also includes provision for office space to be let on commercial terms. This will be part of a new building where the LCA national office will be located. It is recognised that commercial developments carry specific risks, and so a careful feasibility analysis and risk assessment would be undertaken before this stage proceeds.

If it is successful, the resources will be used to support the work of the LCA, consistent with its stated objectives and in accord with its priorities.

Deloitte Touche Tohmatsu was commissioned to undertake a high-level feasibility assessment of the concept, based on a number of assumptions including:

- Retiree apartment sale price range of between \$700,000 and \$1,300,000 (these are indicative figures, in today's dollars) depending on size, location and quality
- Use of Capital Share Deferred Management Fee option
- Staged construction (still subject to further refinement):
 - Stage 1 – retirement Apartments
 - Stage 2 – ALC and Church facilities
 - Stage 3 – retirement apartments

Stage 4 – retirement apartments

Stage 5 – LCA national office commercial offices

Stage 6 – retirement apartments

(LLL site, subject to LLL Board approval)

- A mix of LLL and commercial debt funding.

The independent analysis concluded the following:

- Peak debt of \$39.1m will occur at the end of Stage 1, prior to receipt of income from retiree apartment sales.
- Break-even point for Stages 1 to 4 (ie income from sales fund construction costs) will be achieved during Stage 4.
- Surplus capital will be \$11.9m approximately 12 months after end of Stage 4 construction.
- By 2032, revenue generated by turnover from apartments will achieve \$3.1m per annum. (This is gross revenue and distribution between aged-care provider and the LCA is to be negotiated.)

Stage 5 includes a significant commercial component. A full implementation of Stage 5 will occur only after a full financial assessment that demonstrates capacity to service residual debt. In other words, the lettable office space must be able to generate sufficient returns to repay the costs of its development, as well as surplus income to support the ministries of the LCA.

These findings do not provide a definitive assessment of financial viability but they do demonstrate sufficient merit to justify further

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analysis. The key issues will be to test the assumptions on which the feasibility modelling has been done.

It is for this reason that the General Convention resolution clearly includes in the resolution further analysis sufficient to satisfy GCC that financial viability is established.

How will the retirement apartments be managed and aged-care services provided?

The retirement apartments and related aged-care services will be managed by an aged-care provider. The project will proceed only if the LCA is able to come to terms with a suitable provider.

How have the project risks been addressed and mitigated?

The concept design has carefully considered the risks involved in a project of this size and complexity. The following issues have been considered:

- The order in which the various stages of the project are undertaken has been arranged to minimise disruption to the work of the various ministries, as well as to the local Immanuel Lutheran Church.
- Extensive market research will be completed in order to establish the demand for retirement apartments in the central Adelaide area.
- A detailed financial analysis, based on the final design, will be completed in order to determine if the project is viable.
- The building of the first retirement block, which will be located on the site of the current LCA national office, will commence only when the majority of the apartments have been pre-sold.
- The concept feasibility assessment has identified the first stage as carrying the highest risk for the LCA. It will therefore be self-contained, meaning that, in an unlikely worst-case scenario, the land and buildings would be sold and outstanding debt repaid from the proceeds of the Stage 1 sale.

- Each subsequent stage will commence only when it is appropriate and viable to do so.
- There will be a necessary investment to complete the final design and achieve the necessary planning approvals. If GCC determines that the project cannot proceed because all criteria cannot be met, the investment will not be wasted, as the value of the properties, with the development approvals in place, will be significantly higher than they are now.

What will happen to Hebart Hall?

It is recognised that Hebart Hall holds a special place in the heart of many people who have studied or had some connection with ALC over the years. It is an important part of the LCA's history and has served as a significant physical expression of the Lutheran Church's presence in Adelaide.

The LCA will continue to own the building. The current design allows for flexibility in how Hebart Hall may be used in the future. For example, this may include essential upgrade works in order for it to be leased to an acceptable tenant for a suitable purpose, or it may be used by the LCA for a future new ministry initiative.

What will happen to the old Löhe library building?

The Löhe building will remain, and is to be restored to become the Löhe Hall as an integral part of the new ALC and Immanuel Church co-location.

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What will happen to ALC student family housing?

The design includes on-site provision of new, larger three-bedroom apartments with large private courtyard spaces. They are positioned on the ground floor, enabling access to the proposed amenities, including attractive gardens and lawn areas which will be a feature of the precinct.

The current student housing located on Archer Street will be demolished to make way for retirement apartments. There are a number of functional issues with these units: inadequate acoustic separation between units; small courtyards for families and children; limitations in the internal design (some are only two bedrooms, with no separate space for study); and the existing second- and third-level apartments are not accessible to anyone with a disability.

These issues will become more acute as the buildings age, maintenance costs increase and reasonable standards of accommodation for students with families become increasingly difficult to meet.

What will happen to non-ALC student accommodation?

In 2013, ALC provides accommodation for 83 people, 42 of whom are Lutheran.

The current boarding facilities will not continue on the ALC site. However, the concept design provides for eight of the twelve

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2-bedroom units at the nearby Catherine Court to be extended to incorporate another two bedrooms each. In this way, the capacity of the building could be extended from the current 24 bedrooms to a total of 36, subject to further financial considerations.

It is acknowledged that this will not be sufficient to meet the current demand of around 40 Lutheran student boarders. The SA/NT District has committed itself to assisting country students to find accommodation and providing them with a worship home and community. It is proposed that local congregations be encouraged to become actively involved and use this service as an opportunity to invite students to participate in the life of the worshipping congregational community.

The aim is to retain a 'community' in North Adelaide and the CBD for students, even if it is not in the provision of a bricks-and-mortar building.

How long will the whole project take to complete?

The project timeframe is between ten and twelve years from commencement to completion.



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