

# Facility Options: What can we do with the money available?

Several members asked the Facility Team what is possible with each of the options using the money that we can realistically count on. We feel that this is an excellent question for two reasons. First, it helps us make the facility decision. Second, if NEC decides to decline the Holland option or if Holland falls through we will need a "Plan B".

NEC currently has \$550,000 cash on hand that can be used for its facility, provided that the church is able to achieve a balanced budget by the end of this year. Based on other church sales it is reasonable to guess that Lowry might sell for around \$500,000.

Estimating a sale price for 13<sup>th</sup> is trickier because we don't know how the sanctuary condition will affect the price. It could end up anywhere between \$300,000 and \$800,000 so we'll assume \$450,000 for this paper.

For Holland, the lenders we've talked with tell us that a charter school lease with \$264,000 annual rent can support a mortgage of \$2,250,000 at 7% interest and 20-year amortization. The annual principle and interest is \$209,400, which leaves \$54,600 annually for a building reserve fund.

Renovation cost estimates were developed by two NEC facility teams based on building investigations, data from various sources, and, in the case of 13<sup>th</sup>, information from several engineers and architects.

Our benchmark is the enclosed "Permanent Facility Program and Criteria" that was affirmed by NEC in June, 2007. The Program and Criteria describes the features of a facility that will fit the congregation and help it achieve its mission.

## Possibilities for the 13th Building

Funds Potentially Available: \$1,050,000 (\$550,000 cash on hand plus perhaps \$500,000 for Lowry.)

Work that could be possible within that amount:

Below is the cost estimate is from HGA:

|                                      |                    |
|--------------------------------------|--------------------|
| Urgent trusses, bell tower, roofs    | \$ 630,000         |
| Other exterior (brick, windows, etc) | \$ 600,000         |
| Mechanical and interior work         | <u>\$1,400,000</u> |
| Total                                | \$2,630,000        |

The interior estimate includes urgent heating, fire warning, mechanical, kitchen and ventilation work. It

also provides updating, a new welcoming entry and remodeling the sanctuary to create a gathering space.

These estimates were based on pre-recession costs. Actual bids might hopefully be less due to the economy, and an experienced contractor may identify additional cost savings. If cost savings end up at 15% and no further problems are uncovered it would be possible to complete the exterior work within the money available. We caution, however, that most rehab projects on 100+ year-old buildings encounter cost overruns. The fact that the original builders of 13<sup>th</sup> apparently cut corners increases this risk. There would be no money remaining for heating, mechanical, or any other interior work, and no money available for a reserve fund for emergencies. With some good luck, however, the money available could stabilize and preserve the exterior of the building.

Actual 2008 Operating Costs: \$59,130.

How does this result fit the Program and Criteria?

*Good fit for:* overall size; steeple, beautiful sanctuary, rooms and room arrangement, adequate sized fellowship hall, handicapped accessibility, historic compatibility, and visible location in an area underserved by ELCA churches. *Not good fit for:* size and inflexibility of sanctuary, air conditioning, welcoming sanctuary entry, gathering space, outdated interior, and high on-going maintenance needs. No off-street parking or lawn area, but Logan Park makes up for both to some measure. The combination of urgent work not done (such as boilers) and the lack of a reserve fund potentially puts the church at high risk.

## Possibilities for the Lowry Building

Funds Potentially Available: \$1,000,000 (\$550,000 cash plus perhaps \$450,000 for the 13<sup>th</sup> building.)

Work that could be possible within that amount:

The Lowry building is basically sound so the money available would be more than adequate to update and remodel the building, add air conditioning, and replace mechanical equipment such as the heating unit in the basement. Our earlier cost estimate for this work was \$200,000.

Making the Lowry building handicapped accessible is extremely difficult. The building has 5 different floor levels plus the balcony and no obvious place to add an elevator. The layout makes it difficult or impossible to meet other handicapped requirements.

In 2003 St. Paul's explored the idea of an addition to the west by buying the 2 lots between the church and the Dairy Queen. There isn't enough money to do this now, but in theory there might be enough money to buy the lot at 716 Lowry and build a smaller 2-story addition. The maximum addition allowed by zoning is 1,400 square feet on each floor. The cost of the lot, demolishing the house, construction and soft costs is approximately \$690,000 not including an elevator.

We say "in theory" because any addition over 1,000 square feet in Minneapolis triggers requirements inside and outside both the existing building and the addition that would be impossible to meet with the money available. Parking is the most difficult. Zoning requires 81 off-street spaces. The city is likely to reduce this somewhat, but they will undoubtedly require off-street parking because of the shortage of nearby spaces, especially since parking will probably be further reduced on Lowry Avenue.

The church could buy one or both of the adjoining lots for parking without building an addition. The per-space expense is very high because of the cost of buying and removing houses and meeting the landscaping requirements. Removing houses for parking is sometimes controversial. Alternatively the church could buy one adjoining house to use for extra space, such as Sunday School rooms. Unfortunately it is not likely to be legal to connect this house to the church and this arrangement is not likely to be appealing to prospective new members.

With only 8,266 square feet the Lowry building is too small for the congregation now and provides no room for other ministries or for growth in membership.

Actual 2005 Operating Costs: \$21,812.

How does this result fit the Program and Criteria?

*Good fit for:* beautiful sanctuary, bell tower, visible location, air conditioning, energy efficiency, fairly low maintenance, and compatibility with nearby buildings. *Not good fit for:* overall size, adequate spaces, flexibility, absence of welcoming entry, lack of gathering space, poor space for nursery and crying room, inadequate fellowship hall, handicapped accessibility, and parking. Located fairly close to two

other ELCA churches but not close to the new townhomes and condominiums by the river.

## Possibilities for the Holland Site

Funds Potentially Available: \$3,750,000 (\$550,000 cash plus \$950,000 from the sale of Lowry and 13<sup>th</sup> plus \$2,250,000 from a mortgage.)

Work that could be possible within that amount:  
Create a beautiful new sanctuary under the skylights  
Remodel the multipurpose room into a gathering area and fellowship hall  
Equip a complete kitchen  
Add a new church entry with elements like a bell tower and/or steeple  
Nice landscaping, parking lot and grounds improvement  
Adapt other spaces for church use (quilting, music, food shelf, etc.)  
New finishes in the church portion of the building  
Security and separation of building areas  
Assure that all building systems are up to standard

Estimated costs:

|                          |                   |
|--------------------------|-------------------|
| Acquisition              | \$2,000,000       |
| Construction Phase 1 & 2 | \$1,005,000       |
| Other costs              | \$ 195,000        |
| Contingency              | <u>\$ 100,000</u> |
| Total                    | \$3,330,000       |

Construction can be done in 2 or 3 phases. The first phase will start in August and will include the sanctuary and some other spaces. (NEC can move into the building before next Christmas.) The second phase can start when one of the other buildings is sold. Based on estimates from an experienced contractor, this construction budget should be adequate for the work listed. It is possible, however, to have a third phase with some finishing touches after the second building is sold. This could include features like stained glass or moving the pipe organ.

Projected 2010 Operating Costs: \$46,400.

How does this result fit the Program and Criteria?

Good fit for everything except visibility of location.

**Prepared by the Facility Planning Team of  
Northeast Community Lutheran Church.**

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