

June 25, 1999

To: Tommy Pinkard and Rambie Briggs, Capital Funds  
Committee

From: Paul Deisler, for the Site Selection and Building  
Program Committee.

Acting as Chair Pro Tem of the Site Selection & Building Program Committee (SS&BPC) in the absence of Dave Ashton, Chair, I am transmitting to you the information needed by you to plan a fund-raising campaign for obtaining a site for the construction of a new church (or the modification of an existing facility at a new location).

These figures have been examined by the SS&BPC at their June 24, 1999 meeting; they were approved at that meeting for transmission to you as the best figures available for your use in planning a fund-raising campaign short of actually having a site, knowing what size loan we can obtain, and having a site-specific design for a facility with all direct and ancillary costs. The Board of Trustees, which is undertaking the preparation of a site-loan application, plans to have discussions with UCC representatives during which it may be possible to determine what the size of loan might be.

If the SS&BPC can be of assistance in clarifying these figures, we will be pleased to do so or to assist you in other ways.



cc: Dave Ashton  
Fran Briggs  
George Lemley  
John Moore  
Yoshi Kaneda

A. ESTIMATES OF COSTS OF BUILDING AT A GREENFIELD SITE AS OF JUNE 24, 1999 FOR USE BY THE CAPITAL CAMPAIGN COMMITTEE IN PLANNING A FALL PLEDGE DRIVE.

At this point in time we have the following:

- (1) From the architects, the basic building programming part of the preliminary, schematic design is complete (master plan and several alternative Phase 1 designs) with costs estimated using dollar per square foot factors taken from current-experience statistics on Austin building costs. The remaining part of the schematic design and the further work needed to prepare for construction cannot proceed further without having the specific site where building is to take place in hand. Better building cost estimates will not be available until this schematic design is completed. The best knowledge of costs prior to receiving the final bill for the construction cannot be obtained until we have a firm, accepted bid in hand for a fixed bid construction contract.
- (2) Figures from the realtor on ranges of current prices for sites at least approximating our criteria. These ranges are confirmed by the prices of sites already inspected seen. No better figures can be available until we have a site on which the price is agreed.

Two financial cases are presented (construction costs rounded to \$100,000):

CASE I for building the \$1.2 million Phase 1 (sanctuary with large narthex to serve as a fellowship hall and to accommodate expansion of seating as the membership grows, with five classrooms, offices, etc.; fellowship hall and more classrooms to be built later). (Some non-construction costs such as insurance, performance bonds, etc... are not included; cost with these approximates \$1.3 million). No allowance is included for the case that the City of Austin might require a water retention pond (approx. est.: \$100,000).

CASE II for building a \$1.0 million Phase 1 (smaller, expandable sanctuary with smaller narthex to serve as interim fellowship hall, four classrooms, etc., with sanctuary expansion, fellowship hall and more classrooms, etc. later):

Developed land, ready for grading and building, is assumed in both cases. Land requiring development will be cheaper to buy, per acre but development costs will be high.

In each case given below no particular time line is assumed.

It is assumed that the funding of the actual construction will be a separate consideration; if all goes well, the funds obtained from the sale of the present property will cover construction costs and, if not, an additional loan, at interest, or additional pledges have to be obtained to fill the gap.

The costs for each case are those that will be incurred up to the point of signing a construction contract. No particular time line is assumed, however, since, in reality, any time line that might be developed will very likely be found to be speculative at best. The "fast track" time line already developed and presented at the ROC and Trustees meetings is very likely faster than we will be able to proceed, for many reasons. For example: we may not make the loan application this August but will have to wait until next February; we may not receive a loan and may have to try again or look elsewhere (at interest); the loan received might be less than the loan requested; the needed funds from pledges might not materialize; permitting might take longer and be more costly than average; or, having acquired the site, we may decide to take more time to decide just what we wish and can afford to build there; and so forth.

About all that can be said is that to make further progress on the design, a specific site must be in hand (preferably, owned and not merely secured for a time by either earnest money or, more costly, an option, since a different site would necessitate re-design at further cost). And, to acquire a specific site, the funds must become available, or a commitment to supply them must be in hand. Without funds or the promise of funds we will not be able to close the deal on a site.

We may be at some disadvantage with respect to other buyers in that we will likely have to pay for the land at closing with the UCC loan funds and have to pay the rest over time as pledges come in; also, any prudent seller might increase the price if it were necessary to wait to receive the full price (we could not assume a loan from the seller as an alternative to such an increased price, then, because of the necessity of being free of such encumbrances in order to qualify for the UCC loan).

If the current property were to be sold early enough, funds would be available to pay for the non-loan-covered portion of the price of the land and, possibly, site-loan payments for some time to come; however, this money would all have to be replaced by pledges so as to be available for building.

The risks must be considered for each contingent scenario, including the risk of losing membership -- and therefore financial support, not to mention moving away from our objective of increasing membership -- by being housed in some kind of temporary quarters for a very long time until a new facility becomes available. Early sale of the present property should not

be considered in planning a fund-raising campaign, therefore, even though it is a possible contingency.

The figures herein are presented without any contingency (for example, for the likelihood that pledges will not prove to be firm and larger total pledging will have to be sought to allow for this contingency). The UCC may be able to advise the Capital Campaign Committee on this based on their own statistical experience).

Notes following the two cases shed further light on the uncertainties associated with the costs presented in each case.

**CASE I:**

1. For land purchase, at \$5.5/ft <sup>2</sup> :	\$718,740
Less an assumed loan of:	<u>(\$300,000)</u>
Net other funding needed for land purchase above loan:	\$418,740
2. Cash to pay 36 months' loan payments:	\$60,000
3. Evaluation of sites (due diligence on 2 or three likely sites, including the chosen one (\$5,000), survey of chosen site (\$2,500), soil tests on chosen site (\$2,500)	\$10,000
4. To pay the architect's 7% fee (\$84,000 less \$6,300 already paid and less the amount (\$16,800) due after start of and during construction):	\$60,900
5. Legal costs (contract evaluation, etc...):	\$2,000
6. Costs to remove stained-glass and replace with clear glass to remove items of current furniture (\$50,000); and to store these items for three to four years (\$8,000):	<u>\$58,000</u>
TOTAL FUNDING NEEDED ABOVE LOAN BEFORE CONSTRUCTION BEGINS:	<u>\$609,640</u>

**CASE II:**

1. For land purchase, at \$5.5/ft <sup>2</sup> :	\$718,740
Less an assumed loan of:	<u>(\$300,000)</u>
Net other funding needed for land purchase above loan:	\$418,740
2. Cash to pay 36 months' loan payments:	\$60,000
3. Evaluation of sites (due diligence on 2 or three likely sites, including the chosen one (\$5,000), survey of chosen site (\$2,500), soil tests on chosen site (\$2,500)	\$10,000
4. To pay the architect's 7% fee (\$70,000 less \$6,300 already paid and less the amount (\$14,000) due after start of and during construction):	\$49,700
5. Legal costs (contract evaluation, etc...):	\$2,000
6. Costs to remove stained-glass and replace with clear glass to remove items of current furniture (\$50,000); and to store these items for three to four years (\$8,000):	<u>\$58,000</u>
TOTAL FUNDING NEEDED ABOVE LOAN BEFORE CONSTRUCTION BEGINS:	<u>\$598,440</u>

**NOTES ON ITEMS, BY NUMBER, IN THE GREENFIELD CASES:**

1. Land in our preferred Central Austin area meeting our criteria reasonably well can cost between \$5 and \$8/ft<sup>2</sup> (lower costs, perhaps as low as \$2/ft<sup>2</sup> for very undesirable land with high development costs may be available; higher cost land, up to \$15/ft<sup>2</sup>, is available (the latter figure is for premium, commercial sites for office buildings, condos, etc.). The \$300,000 loan is an assumption based on discussions with UCC representative Barbara Reynolds last year and supposing that her replacement might not stretch as far for us as she might have. The Board of Trustees, who are preparing the loan application forms for submission, plan to hold discussions with the UCC as soon as possible to see if a different figure is more likely. If so, the pledge requirements can be altered by the difference between \$300,000 and the newer, more likely figure.

The \$5.5ft<sup>2</sup> used in the estimates is about what we might have to pay for our site but may be optimistic: on the low side. For reasonably suitable land at around \$4/ft<sup>2</sup> we will have to go beyond the extreme north edge of our expanded, less preferred area (Braker Lane and beyond) or into some parts of South Austin (but possibly within our expanded but less preferred area: no further south than Ben White Blvd.).

2. Cash will be needed as soon as the loan is taken out, monthly. If the loan is all paid out to buy the land and the rest of the cash for the land is to come, over time, from pledges then, unless the current property is sold early, cash from pledges needs to be available to make loan payments. Three years is assumed on the basis that it might not be desirable to mount another pledge drive any sooner (a second pledge drive will be needed in any case to pay off the loan and, possibly, a third one later). If funds used from the sale of the current property are used for monthly loan payments, they will have to be replaced from pledges to fund the construction.

3 & 4. Specific figures from the architects.

5. Estimated (ca. 10 hours at \$200/hour for contract examination there is some, but not much, negotiation).

6. Two years ago Renaissance Glass roughly estimated the cost of removing, making ready for storage and replacing with ordinary glass as lying between \$30,000 and \$50,000. Two years have passed so that costs have gone up and past experience with Renaissance Glass shows that their first estimates have usually been low; thus the higher figure has been used. Storage costs have been estimated assuming approximate current prices of non-air-conditioned, public storage.

COMMENTS ON THE GREENFIELD CASES. Approximately \$600,000 in pledges is needed, a sum which includes the amount already obtained in early pledges and contributions to the building fund, according to the scenarios of Cases I and II (with some portion paid in early in cash to begin the loan repayments). It is a staggering sum for a small congregation. The probability of raising it includes knowing whether the sum pledged during the recent "pre-pledge" period came mainly from givers who normally give the most, anyway, and whether the pledges are for this year, only, or if the pledgers, -- or most of them -- have made pledges for up to three years. Depending on the answers to these questions, there may be enough pledging capacity remaining to raise the required sums or there may not.

A larger loan or lower land costs are the primary, possible, mitigating factors, the first possible (perhaps as much as \$350,000 might be borrowed) but the second much less likely unless we look much farther afield for developed, buildable land (e.g., along or near highway 290, east of town or other similarly and currently remote locations). Aside from selling assets of the current Church (horrible thought: the stained glass windows, which might bring in a substantial sum) strong pledging is what is needed. Such a large sum may have to be pledged over more than three years (five or more) to be sustainable by the Congregation. In any case, alternative funding strategies must be developed for a large, not a small, sum, now that some measure of the total needed is in hand, to see if any feasible strategy emerges short of scrapping or completely redefining the project.

B. BROWNFIELD SITES. In addition to searching for greenfield sites, the realtor is looking for brownfield sites: properties with existing but unused buildings, church properties, properties on which buildings have stood, and the like. These he believes will be available in Central Austin and, although the prices may be high per square foot, the amount of land needed will be less because the existing "footprint" may cover much of the site, allowing for space for our facility and parking. Permitting for such properties will generally be much simpler than for greenfield sites.

There is no way to estimate the costs for this kind of venture until a site is available which we can tie up long enough to allow the necessary, preliminary construction program estimates to be made comparable to those now available for our greenfield cases. One thing is clear: the cost of the land and that of the existing building cannot be separated as in the greenfield site, paying for the one now and the other later (although the renovation/modification costs can be separated). The initial price for acquiring such a piece of property might well be higher than for clear land. For example, the asking price for the one such site so far seen is \$1.1 million, with alterations and rebuilding yet to come. On the other hand, the

case of a site complete with church is known to us: the United Christian Church at Cameron Road and Reinli was recently sold for \$600,000. Thus, whether the pledges needed for a brownfield site need to be larger or can be smaller, now, cannot be said. Using the same figure would be a good start, for now, since considerable funding will likely be needed.

