

Good Shepherd Lutheran Church Property Plan: The Next 50 Years



Continuing the Mission of GSLCC

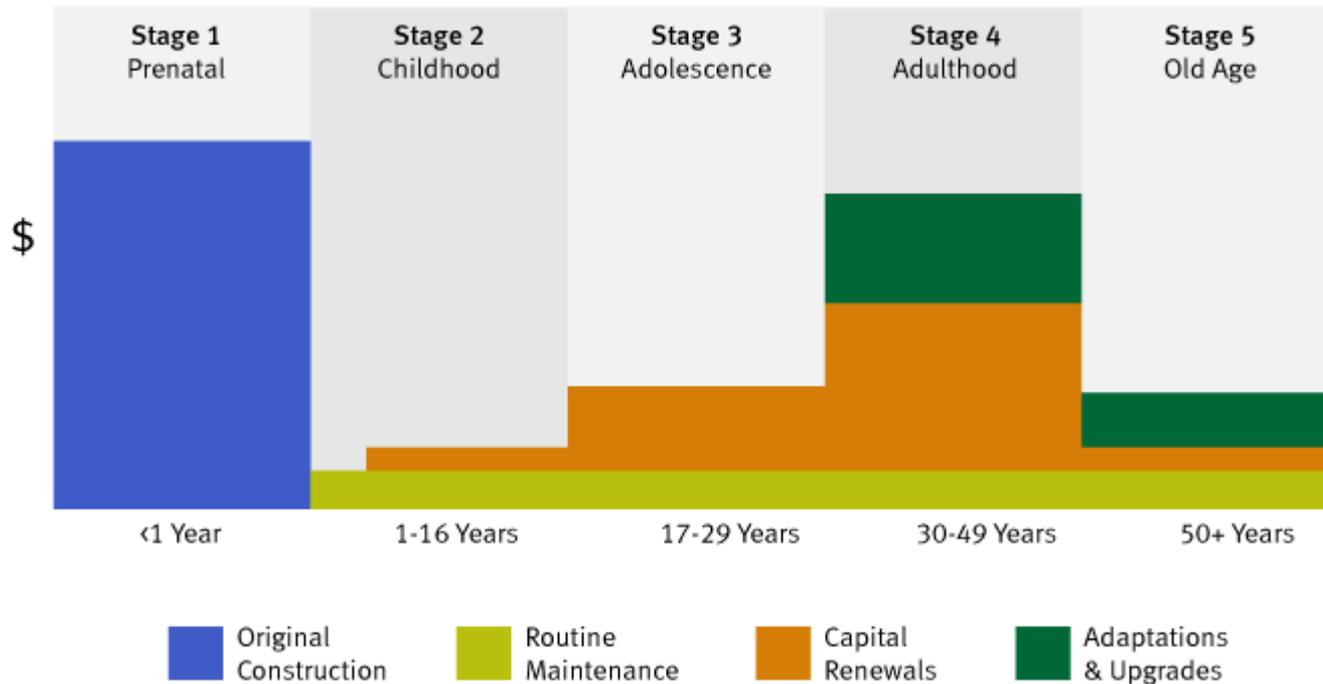
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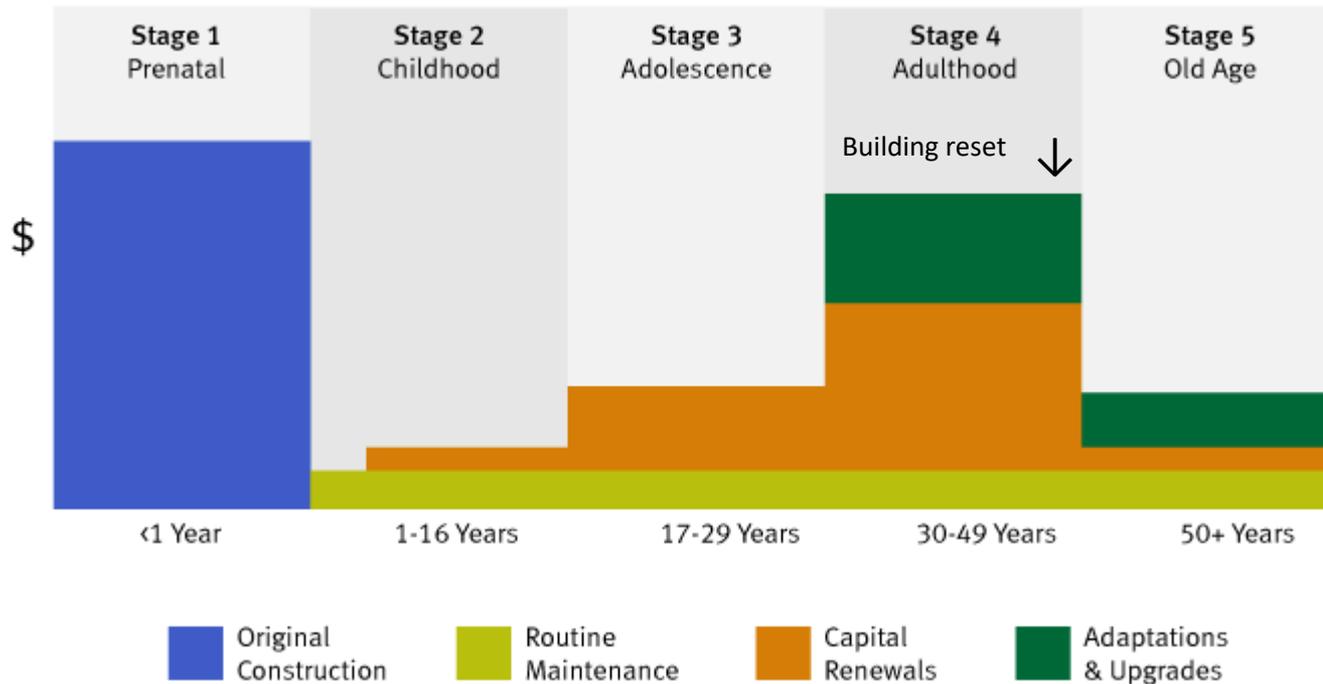
1- A Building Maintenance Framework for the Lower Mainland

- “RDH Building Science” is a local engineering firm that specializes in building design & renovation;
- RDH research tracked 1,651 Lower Mainland buildings over a 20-year period and created a ‘best practices’ framework for maintenance of local buildings; see www.rdh.com
- RDH found that all building types last 100+ years and go through 5 similar maintenance life stages:

RDH Schematic Framework



RDH Schematic Framework



Three 'Best Practices' of Building reset

- Carry out a 'preventative replacement' of all major systems near the 50-year anniversary:
 - ↓ roadways, electrical system, plumbing;
 - ↑ roof, sidings, sewer line, floors;
- Piggyback adaptations and upgrades onto capital replacements whenever possible (economy of scale);
- Establish a long-range fund early, to pay for the 50-year building reset.

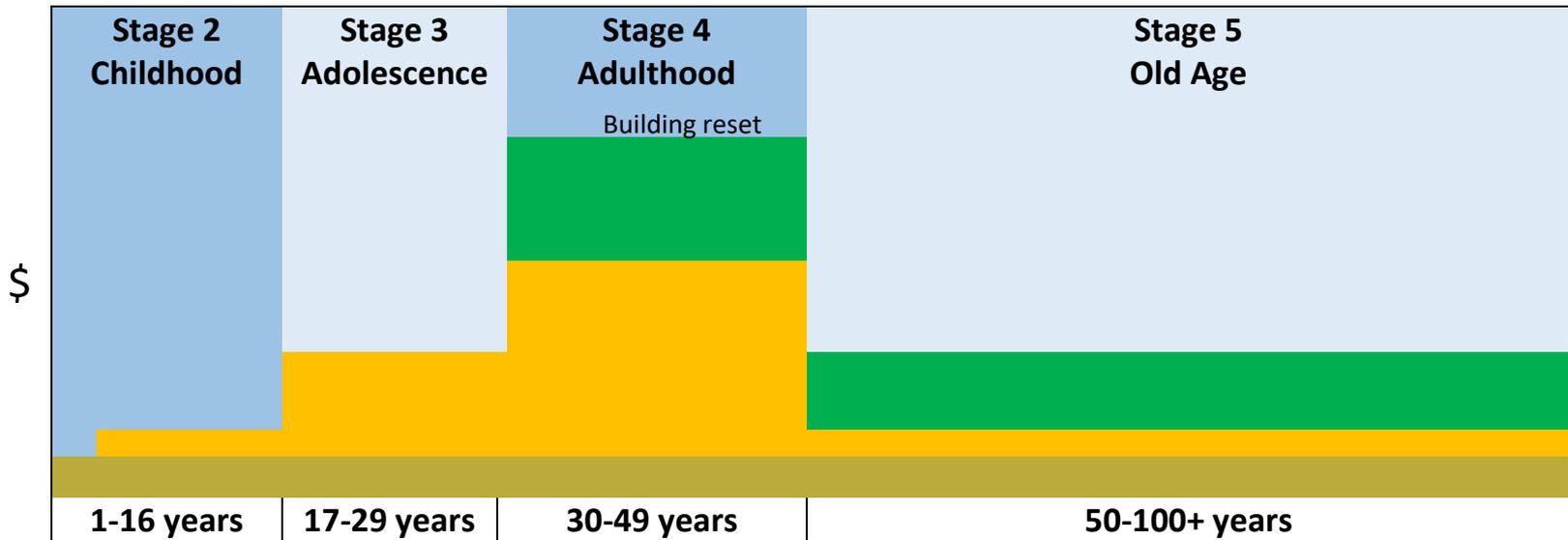
Two Benefits of Building Reset

- An integral 50-year reset ('preventative replacement' and adaptations) rejuvenates a building; it is an instrument that **maximizes its mission, functionality, security and durability**;
- An integral 50-year reset **is economical**; it 'trades off' reset costs for considerably reduced capital renewal expenditures over the remainder of the building's useful life (Old Age stage); it **maximizes affordability**.

Why a RDH framework at GSLCC ?

- The main building is structurally sound (Oberti Interiors, 2009);
 - The building rests on a concrete foundation;
 - The building envelope includes a metal roof that has 50+ years to go;
 - The ceiling of the Sanctuary and Fellowship Hall is built from durable 3-inch cedar planks and engineered Douglas Fir beams;
- It is over 50 years old and most major systems are in need of renewal
 - Sewer line
 - Plumbing
 - Parking lot and sidewalk
 - Electrical system

RDH Framework at scale

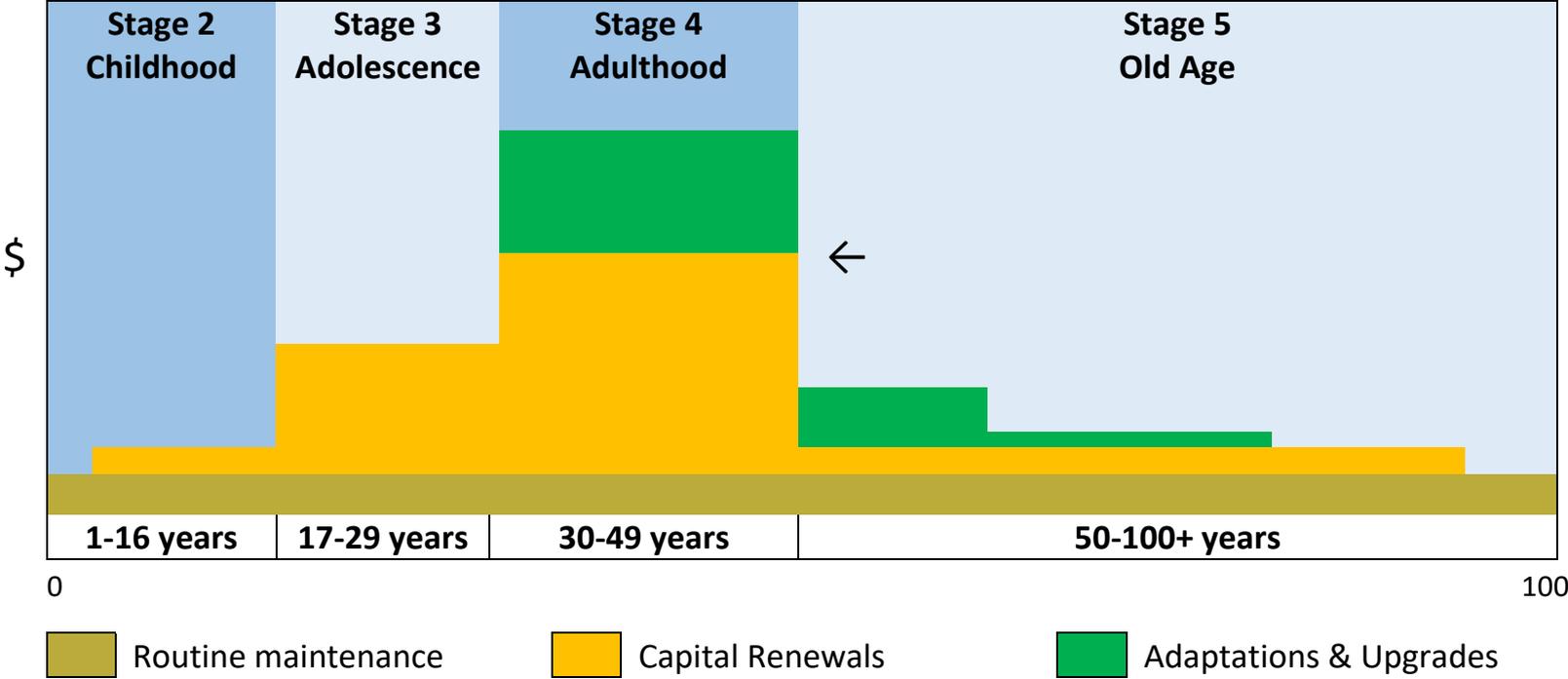


 Routine maintenance

 Capital Renewals

 Adaptations & Upgrades

RDH Framework: GSLCC proposal



The alternative is “Failure Replacement”

- Reactive Approach (Patch & Fix)
- Disadvantages
 - More frequent use of Line of Credit for big ticket items
 - Higher costs for goods and services due to inflation
 - Collateral damages when failures occur (floods due to plumbing failures, sewage back-up, electrical mishaps, etc.)
 - Chronic challenges of system breakdowns (impact on fundraising, caretaker, Property Team, volunteers)
 - Wasteful; some systems new and some obsolete, at end of life.
- Conclusion
 - ‘Failure replacement’ would have lower costs early on, but it has higher overall costs over a 50-year horizon.

2- GSLCC Property Inventory “The Main Building”

- Approx. 14,400 sq ft, on two floors;
- Located on 77,398 sq ft lot; zoned P1: Special Institutional;
- Principal uses: worship, dinners, church activities, meetings, pre-school/daycare, rental facility;
- Assessed Value (land and building): \$3,147,900;
- Assessed Value (building): ≈\$1,875,000;
- Existing upgrades: roof, sanctuary, kitchen, memorial shed, windows
- Age:
 - 58 years; 48 years for office, Fireside room, janitor room, and washrooms area.

2- GSLCC Property Inventory “The Parsonage”

- 2,016 sq ft residence;
- Located on 7,960 sq ft lot; zoned R1: Single Family Residence;
- Lot represents 9.3% of total church lands;
- Principal use: rental property (has been used as a parsonage approximately 10 of the last 30 years);
- Assessed value (land and building): \$1,166,700;
- Existing upgrades: torch-on roof
- Age: 58 years.

2- GSLCC Property Inventory “The Little House”

- 1,440 sq ft residence ;
- Located within main church lot of 77,398 sq ft; zoned P1: Special Institutional;
- Principal use: rental property;
- Assessed value (building only): \$52,900;
- Existing upgrades: siding, window, roof (?)
- Age: >60 years.

3- GSLCC Building Reset Proposal

- A “Mixed Replacement” property plan; why ?
- Because...
 1. we did not establish a long term fund and we have limited human resources (resources crunch);
 2. our buildings are already 58+ years old (we are late...)
- The proposed compromise is to do one project per year, starting next year:
 1. 2019: Start with Main Building major systems, by rank of highest impact of failure;
 2. 2023: Parsonage systems, in a lump
 3. 2024: Little House systems, in a lump; and
 4. 2025: Finish with the Main Building system that carries the lowest failure impact (cladding/siding).

3- GSLCC Building Reset Proposal

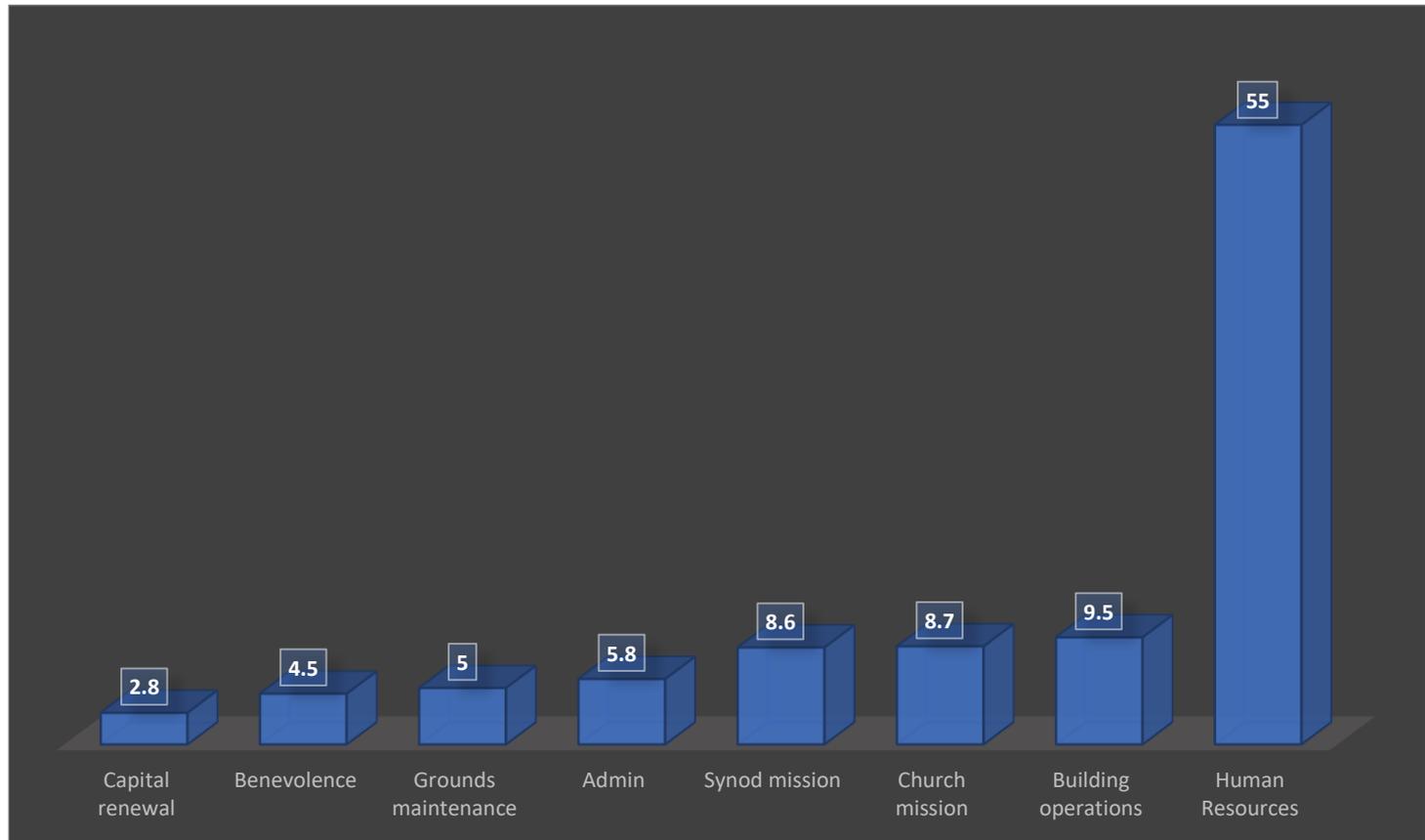
Year	Risk	Project	Cost, \$
2018	low	Fellowship hall floor	-
2019	high	Sewer line	35,000
2020	high	Parking lot pavement, entrance sidewalk	89,000
2021	high	Plumbing and southwest corner electrical upgrade	30,000
2022	high	Electrical upgrade (rest of building)	20,000
2023	medium	Parsonage improvements	54,500
2024	medium	Little house improvements (assess, upgrade or remove)	40,000
2025	low	Cladding/sidings	32,000
Total			300,000*

* Approximately \$336,000 with tax

How much is \$336,000 in perspective?

- It is \$6,720/year on a 50-year horizon;
- Incorporating this annualized figure into the church's 2018 budget yields a proportion of 2.8% of annual expenses.

Proposed annualized capital expenditures as part of 2018 budget



4- Financing the Property Plan

- Option A. Mogens Hansen. Borrow \$336,000, or part thereof, and fund raise to repay the interest and principal over an extended number of years.
- Option B. Raise funds from the congregation project by project, over 7 years.
- Option C. Bob Knudson. Sell Parsonage and use the capital and interest to:
 - a) finance the Property Plan. By selling the Parsonage we save the amount for the Parsonage upgrade, right off the bat; the required funding drops from \$336,000 to \$275,000;
 - b) create a legacy fund to help build a new church in 2070.
- Option D. Louis Giguere. A mix of Options B and C.

Other Strategy

Pastor Eric. Consider re-developing the main church site. This would involve developing a vision for a new facility that could incorporate multiple uses in addition to church space, such as housing, or community space, or other socially oriented uses. This is emerging as a popular model for aging churches in the Lower Mainland seeking to re-purpose their physical plant in a more missional direction. There are developers who specialize in such re-developments.

Benefits of Selling the Parsonage from a Building Reset Perspective

- Elimination of:
 - Major upgrades and capital expenditures; est. \$54,500 + taxes;
 - Property taxes; est. \$260,000 over next 50 years.
 - Building maintenance and anticipated expenses; est. \$135,000 over next 50 years;
(trees, stove, fridge, furnace, hot water tank, sump pumps, fence)
 - Need to carry out Parsonage demolition at end of life; est. \$50,000;
 - Time invested by Caretaker; no estimate;
 - Time invested by Council, Property Team and volunteers in maintenance and other issues; no estimate;

Net loss of Selling Parsonage

- 50-year horizon

- + Annual rental revenue

 - +\$23,400/year

- Annual property taxes (\$5,185)

- Anticipated annual upgrades & capital expenditures (\$1,090)

- Anticipated annual maintenance (\$2,700)

- Anticipated demolition cost, pro-rated (\$1,000)

= loss of \$13,425/year in net revenue

(\$12,228/year if PST and GST are included)

Gain of Selling the Parsonage

- Revenue generation on investment of \$1,000,000 cleared from sale of Parsonage (after sales commission, easement adjustments, and taxes) over a 50-year horizon;
 - Guaranteed Investment Certificate at 2.75% (conservative)= \$3,090,000 over 50 years

\$61,800/year

Option A & B – Parsonage Investment Fund pays 50% and Project Contingency Fund pays 50%

Year	Key intervention	Fund Raising	Investment Transfer to Project	Investment Transfer to Budget	Investment Fund Balance
2018	Fellowship Hall	-			\$1,000,000
2019	Sewer Line	\$17,500	\$17,500	\$13,425	\$996,209
2020	Parking /Sidewalk	\$44,500	\$44,500	\$13,425	\$964,556
2021	Plumbing & Electrical (SW corner)	\$15,000	\$15,000	\$13,425	\$962,343
2022	Electrical (the rest)	\$10,000	\$10,000	\$13,425	\$965,207
2023	Little House	\$20,000	\$20,000	\$13,425	\$957,872
2024	Cladding/sidings	\$16,000	\$16,000	\$13,425	\$959,086
2025				\$13,425	\$976,868
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2040	---	---		\$13,425	\$1,474,255
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2069	---	---		\$13,425	\$4,893,341

5- Summary

- Buildings in the Lower Mainland typically last 100+ years. Well managed buildings should undergo significant capital and update expenditures near the 50 year mark.
- A “Preventative Replacement” approach yields lower long term costs. It trades off higher initial cost for considerably reduced cost over the building’s remaining life.
- Due to various constraints, a “Mixed Replacement” approach is recommended for GSLCC.
- Approximately \$336,000 is needed over the next 7 years if we choose to reset the church buildings for the next 50 years.
- Various financing Options were presented for discussion.

Thank you !



Q & A



Discussion

