

Ridgewood Church - Congregational Meeting

Illuminate – Building Restoration Project – Executive Summary

3-31-19 at 11:30 AM



illuminate

Purpose and General Statement:

Consideration of motion to amend 2019 budget to include funding for the building restoration project as part of the Illuminate initiative.

The Board of Stewards has voted to approve a project budget of \$2.76M to execute Phase 1 of the proposed plans that were developed by Station 19. The Phase 1 plans reflect a reduction of overall scope, bringing the project budget down from \$6.3M to \$2.76M. This adjustment of scope partially responds to the giving level while maintaining a project that provides a cohesive and impactful refresh, critical functional improvements, and space enhancements to create new opportunities for daily use. The goal of the Illuminate initiative was to raise funds for two years-worth of operating and ministry expenses plus funds for the construction project. Total funds expected in that two-year window, pledged and projected, are \$3.7M.

As a result of the reduced project scope and the amount of the expected funds, completion of the Phase 1 project at a value of \$2.76M will require additional funding by way of a loan of \$1.36M. In summary, the funding and expenses are estimated as follows:

Pledges & Projections (2 yrs)	\$	3,700,000	Illuminate Campaign Results
2019 Budget	\$	(1,174,000)	Approved budget per January congregational meeting
2020 Budget	\$	<u>(1,126,000)</u>	Expected budget (2019 budget + 2020 budget = \$2.3M per Illuminate campaign info)
Projected Project Funds	\$	1,400,000	Pledges & Projections minus 2 years of operating budgets
Construction Loan	\$	<u>1,360,000</u>	
Project Costs (phase 1)	\$	2,760,000	Budget established by Station 19 with confirmation by Larson Builders

The Board of Stewards believes that pursuing the Phase 1 project in this manner is responsive to the original project requirements and goals, provides a cohesive renovation package with restraint, and positions Ridgewood as a more effective and inviting place for ministry and equipping towards our mission. Additionally, the project maintains the ability to complete Phases 2 and 3 with minimal disruption, avoiding rework of Phase 1 efforts and yielding a completed project in a shorter timeframe. Pursuing Phase 1 now also gives us potential cost advantages against what would likely experienced in the following years with remobilization costs and continued cost escalation in all aspects of the construction market. Reference the site and floor plan drawings provided for the definition of the phases.

The potential motion: The Ridgewood Church Board of Stewards moves to amend the 2019 budget. The proposed budget amendment would enable the implementation of the Illuminate Phase One Building Restoration Project. The total Illuminate project cost will be \$2,760,000, amending the 2019 budget to be \$3,939,650.



Background Information:

Project Scope (refer to floor plan drawings for additional information):

The revised Phase 1 plans successfully provide the spaces and features originally established as priorities. The original priorities included first impressions (monument sign by 101, parking lot renovation, covered drop off, entry/image enhancement), hospitality (lobby renovation, café improvement, elevator upgrade, handicapped bathrooms and access, signage), children's security and safety (secure children zones, check-in control points and safe, fresh spaces). As executed in the plan, those priorities have been included as follows:

1. New monument sign (out by the street on 101)
2. North parking lot replacement (paving, curbs, lights, sidewalks, landscaping)
3. North entry canopy – provides protection over curbside condition (not a two-lane drive under canopy)
4. North entry façade enhancement – integrated into canopy
5. Main lobby renovation
 - a. Corner of main offices opened up to create shared, multipurpose greeter desk
 - b. Fireside and former library spaces removed to open up the lobby and café areas; new seating and gathering spaces developed under newly exposed skylights
 - c. Exposed-to-deck ceiling condition with new lighting and acoustic treatment (remove ceiling tiles to expose the structure and systems above the ceiling for a sense of increased openness)
 - d. New café counter (utilizing existing back counter services)
 - e. New coat racks (permanent) in flanking hallways
 - f. New carpet, base trim, paint throughout, including flanking halls
6. New handicapped accessible, modern elevator
7. Central bathrooms upgraded for better access and code compliance
8. Fireside room function reestablished in new form at current room 102
9. New children's program check-in with secure threshold at entry to K-5 zone
10. New children's program check-in with secure threshold at entry to 0-4-year-old zone
11. New "family" bathroom with adult changing table
12. Renovated classrooms and gathering space on Level 1 for primary grades
13. Renovated classrooms and gathering space on the Lower Level for primary grades, with flex use
14. New secure thresholds in the Lower Level for K-5 zone
15. New room and directional signage throughout

Depending on how final pricing comes in, other priority items that could be pursued include:

1. South entry canopy
2. South lot resurfacing and striping
3. Lower level connector between gym and central meeting rooms.
4. New carpet and paint in north meeting rooms on First Floor.



Budget:

Initial budgets prepared by Larson Building, based on the preliminary drawings and scope narrative (written description of the work) established an estimated cost of \$2,759,625. The estimate included three cost categories – hard construction costs, contingency funds and soft costs. Hard construction includes the materials and labor provided by the contractors to demolish, renovate, replace and install all built elements of the site and the building. It includes general construction and HVAC, plumbing, electrical and fire suppression systems. Contingency funds are established as a percentage of the hard costs, based on the contractor’s experience with renovation projects. The funds are used to address unforeseen conditions in the field and to cover the gaps between a preliminary estimate and a final bid, often related to discoveries during design. Unused contingency funds belong to the owner (Ridgewood) and can remain unused or can be used to add scope to the project after the unknowns have been flushed out. Lastly, soft costs are carried as 20% of the cost of the first two items. This percentage is based on the architect’s experience with these types of projects. Soft costs include the architectural and engineering design fees, survey work, city fees, legal and financing fees, furniture and fixtures, low voltage systems (audiovisual, voice, data and security systems) and similar items not defined as hard costs, but required for a complete project. As owner, Ridgewood has the ability to control many of these items but many of them are predetermined or determined by others, i.e. bank or city.

The budget that is being brought forward is essentially in alignment with the Larson Building estimate and Station 19 budget summary, but the detailed budget developed by the team details each of the items that fit into the soft costs category, eliminating the vagueness of the summary budget. There are a few items in the soft costs category that will fluctuate, so those line items will be updated as the design work progresses to keep the overall budget on track. In addition to the contingency funds carried in the initial estimate, the detailed budget includes a project contingency that serves as a safety net to accommodate unexpected cost corrections, commonly seen in the soft costs category, as the project continues to be refined.

Please refer to the attached summary budget prepared by Station 19. For those that are interested in the greater detail, the detailed budget is also included.

Funding Approach:

Having reworked the project to reduce the overall cost and scope significantly, the package being presented reflects a modest but cohesive project that meets the original objectives well. Breaking the project down to lesser portions to reduce the budget into more phases that might align with cash in-hand would result in a piecemeal approach that would linger for several years before the cohesive, final package would be realized. Additionally, breaking the project into smaller phases results in cost inefficiencies for the contractor and designers and puts the project at risk for seasonal escalation costs which are often between 5% and 7% per year. Premiums for remobilization by both the architect and the contractor could also be in range of 2%-3%. Doing the phase 1 project all at once will result in the most efficient building timeline (shortest duration and least disruption) and a more distinct and impactful improvement in our daily and weekly ministry efforts and in the operation of the facility.

Ridgewood Church - Congregational Meeting

Illuminate – Building Restoration Project



illuminate

As presented, the motion proposes that the full project cost be added to this year's budget to allow the project to move forward this summer and to be completed late this year or early in 2020. With the full cost of the project being added to this year's budget, flexibility would be provided to accelerate construction, if the contractor can do so and Ridgewood can accommodate the disruption. If the project carries over into 2020, any construction funds required would be carried over from the 2019 budget to the 2020 budget. By adding the project cost to the 2019 annual budget, the operating budget approved in January is not altered. Operating funds will track with their originally allocated values and the construction project will track with its given value. Our generosity consultant, Generis, will aid us by setting up a tracking tool that will ensure that, as funds are received, they are properly allocated to the two primary categories of the Illuminate campaign – ongoing mission (operations) and the vision for the future (the building restoration).

The financing package will be established with two phases. A construction loan would be secured and used to pay for the construction work as it progresses. The costs for that loan are for origination fees and interest during the construction (no principal). Upon completion of the construction work, the construction loan would be rolled over to a longer-term loan that would be paid off over time. A typical term would be 15 years and could be paid off early without penalty, as is the expectation. The long-term loan would only be equal to the amount of the construction loan used, not necessarily the full value of the initial loan, in the case that final expenses come in less than budgeted or that accrual of Illuminate funds allow for construction-specific payoff during construction.

As the budget and funding options have been developed and evaluated with Generis, the generosity consultant, it has been stated time and again that a typical result of a capital or funding campaign such as we have undertaken often results in retained, increased giving of well over 50% for churches with our composition and growth projections. In our funding models we have used modest growth projections and the most conservative estimates and assumptions in our work with Julie. The Board believes that the balance of any long-term loan can be paid off in a matter of four or five years. If a 15-year term was established, paying the project off over that time frame would likely increase our annual budget by 10% to 15%, depending on final values and rates at the time of inception, over the full duration of the term.

We have been investigating financing sources to inform the budget presented. Minnesota Bank, Sunrise Bank and Converge have all provided feedback and information to guide our decision-making process and to help build the soft costs budget. Additionally, each has provided insights into how a loan might be structured and what kinds of due diligence tasks might be required to secure a loan. While Minnesota Bank and Sunrise Bank are traditional lending institutions, Converge Worldwide offers a compelling structure by which all interest paid on any loan goes back into the resource bank of Converge to aid other congregations in their efforts. Final proposals will likely be considered from each for comparison.

Ridgewood Church - Congregational Meeting

Illuminate – Building Restoration Project



illuminate

Next Steps:

Upon approval of the motion, the Board and the Building Team will re-engage and pursue the following:

1. Release the architect to continue with design documentation and the city approval process for site and exterior improvements.
2. Engage Larson Building as a project partner to assist the architect with mechanical, electrical, plumbing and fire protection design, saving on engineering costs overall. Larson will also provide cost monitoring during the design phase.
3. Pursue multiple funding avenues as described above.
4. Complete additional due diligence activities (Phase 1 environmental inspection, ALTA Survey)
5. Work with architect on interior and exterior design elements at a detailed level.

Construction could start as soon as August of 2019 as currently projected.

PRELIMINARY PROJECT BUDGET

Ridgewood Church

2019 Building Refresh



illuminate

Project Number:
Issuance: March 26, 2019
Revised:

Phase 1 Renovation	16,800	USF
Phase 2 Renovation	?	USF
Phase 3 Renovation	?	USF
Project Gross Area:	16,800	GSF

	Targeted Budget	DD Budget 2/20/19	DD Pricing	CD Pricing
A. CONSTRUCTION COSTS				
General Construction/Mechanical/Electrical Cost				
- Remodeling		\$ 1,266,000		
- Site work, parking, monument sign		\$ 406,000		
- North Canopy Extension		\$ 165,000		
#NAME?		\$ 170,000		
Construction Cost Subtotal:		\$ 2,007,000		
Contractor Fees/Construction Contingency				
- Construction Contingency (10% Allowance)		\$ 200,700		
- Contractor's Fee		included		
- General Conditions		included		
Contractor Fee/ Contingency Subtotal:		\$ 200,700		
Project Fees				
- Permits (included)		\$ -		
- SAC & WAC Fees (assumed not applicable)		\$ -		
		\$ -		
Project Fees Subtotal:		\$ -		
Design Contingency				
- Design Contingency (0%)		\$ -		
Subtotal:		\$ -		
CONSTRUCTION COSTS (A):		\$ 2,207,700		
B. INTERIOR CONSTRUCTION - ALTERNATES				
General Construction/Mechanical / Electrical Cost				
- Alternate 1: Phase 2: Carpet/Paint balance of Main Level	\$ 122,400	\$ -		
- Alternate 2: Phase 3: Lower Level Renovation (Youth)	\$ 351,000	\$ -		
Subtotal:		\$ -		
INTERIOR CONSTRUCTION - ALTERNATES (B):		\$ -		
C. A/E FEES				
Architectural & Interior Design Fee				
- Architectural & Interior Design	\$ 23,196	\$ 107,369		
- Equipment Coordination		\$ -		
Engineering Fees (C,L,S) - confirm this		\$ 40,000		
Furniture, Fixtures & Equipment - Coordination/Specs		\$ -		
Project Management (mark-up)		\$ 4,500		
A/E FEES Subtotal:		\$ 151,869		
Estimated Reimbursables Expenses (Allowance):		\$ 18,000		
A/E FEE Total (C):		\$ 169,869		
PROJECT SUBTOTAL: (A-C)		\$ 2,377,569		

PRELIMINARY PROJECT BUDGET

Ridgewood Church

2019 Building Refresh



Project Number:
Issuance: March 26, 2019
Revised:

Phase 1 Renovation	16,800 USF
Phase 2 Renovation	? USF
Phase 3 Renovation	? USF
Project Gross Area:	16,800 GSF

	Targeted Budget	DD Budget 2/20/19	DD Pricing	CD Pricing
--	-----------------	-------------------	------------	------------

D. FURNITURE / EQUIPMENT / ACCESSORIES EXPENSES

Furniture Expenses

- Administrative Furniture	\$	6,000		
- Lobby & Classroom Furniture	\$	60,000		

Furniture Expenses SubTotal:		\$ 66,000		
-------------------------------------	--	------------------	--	--

Equipment Expenses (Allowances)

- General Equipment	\$	3,000		
---------------------	----	-------	--	--

Tel / Communication

- Phone System (existing with upgrades - estimated)	\$	5,000		
- Voice / Data / Wifi Installation (estimated)	\$	5,000		
- Audio-Visual Equipment (allowance)	\$	20,000		
- Other	\$	-		

Security Access Control System

	\$	30,000		
--	----	--------	--	--

Equipment Expenses SubTotal:		\$ 63,000		
-------------------------------------	--	------------------	--	--

Accessories Expenses

- Window Blinds	\$	-		
- Art & Accessories (est)	\$	3,000		
- Interior Signage (allowance)	\$	20,000		

Accessories Expenses SubTotal:		\$ 23,000		
---------------------------------------	--	------------------	--	--

FURN / EQUIP / ACCESS. EXPENSE TOTAL (D):		\$ 152,000		
--	--	-------------------	--	--

E. RELOCATION EXPENSES

Program Relocation

- Temporary Accommodations	\$	4,000		
- Moving company services	\$	-		

Relocation Expenses SubTotal:		\$ 4,000		
--------------------------------------	--	-----------------	--	--

Contingency (0%)		\$ -		
-------------------------	--	-------------	--	--

RELOCATION EXPENSES TOTAL (E):		\$ 4,000		
---------------------------------------	--	-----------------	--	--

F. Owner Soft Costs

Due Diligence Activities

- Phase 1 Environmental Inspection & Report	\$	3,000		
- ALTA Survey (essentially complete - allowance)	\$	2,000		
- Appraisal (allowance)	\$	2,000		
- Other	\$	-		
- Other	\$	-		

Project Expenses

- Loan Generation Fees (est. at .75% of loan value of \$2.76M)	\$	20,000		
- Construction Loan Service	\$	50,000		
- City planning review fees (allowance)	\$	4,000		
- Park Dedication Fees (allowance)	\$	4,000		
- Attorney Fees (allowance)	\$	2,000		
- Closing Costs (allowance)	\$	30,000		
- Builder's Risk Insurance (allowance)	\$	55,000		

Owner's Soft Costs SubTotal:		\$ 172,000		
-------------------------------------	--	-------------------	--	--

Contingency (0%)		\$ -		
-------------------------	--	-------------	--	--

PRELIMINARY PROJECT BUDGET

Ridgewood Church

2019 Building Refresh



Project Number:
 Issuance: March 26, 2019
 Revised:

Phase 1 Renovation	16,800	USF
Phase 2 Renovation	?	USF
Phase 3 Renovation	?	USF
Project Gross Area:	16,800	GSF

	Targeted Budget	DD Budget 2/20/19	DD Pricing	CD Pricing
OWNER'S SOFT COSTS TOTAL (F):		\$ 172,000		
Sub Total Project Costs: (A-E):		\$ 2,705,569		
Project Contingency (2%):		\$ 54,111.38		
TOTAL PROJECT COSTS: (A-E):		\$ 2,759,680		

General Notes:

- 1 The Total Project Cost includes a Project Contingency of 2%.
- 2 The Budget includes a Construction and Design Contingency of approximately 10%.