

# Report on the Utilization of OSLC Property

Prepared by Peter Metcalf on behalf of the Facilities Audit Committee

Submitted to OSLC Council on Tuesday, November 14, 2017

## Summary Report

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## Overview

### Summary of Investigation Process

The team was tasked with assessing how Our Savior's Lutheran Church facilities could be better utilized to advance the ministry. The team would then make recommendations to Council. For this investigation, enhanced utilization could mean generating more income by renting out part of our facilities. This money would in turn fund our ministry activities. It could also mean more active use of the space for ministry itself. This may be ministries led by OSLC or in conjunction with partners. Or it could mean a blending of both direct ministry and generation of rental or facility use income.

The team met four times. We used a "Guide to Utilization of Church Property," a guide produced by the Episcopal Diocese of Massachusetts, to jump start its investigation. The team first discussed various goals, concerns, and considerations we needed to be aware of during the process. We then conducted a thorough analysis of our existing property (see, *Facilities and Grounds Inventory*). Substantial discussion followed about the types of users we would like for the building, the limits of the facility, fiscal considerations, current use considerations, and what, if any, capital improvements we would consider. Potential building plans, commercial rental rates, and additional information as needed was sought. A final report was compiled that includes our findings and recommendations.

The committee unanimously recommends the council proceed with implementation of the findings in this report. Specifically, we recommend the council endeavor to improve the utilization of our facilities in such a way that it advances our mission, enhances the vitality of our community, and provides additional revenue to support our budget.

### Team Members

The team consisted of:

- Peter Metcalf, Chair
- Pastor Eric Huseh
- Warren Hampton
- Janelle Schiller
- Lydia Perry
- Damion Barnett

## General Considerations for OSLC Council

### Rental Management Questions

*If we increase our rental income, will there be a tax consequence?*

So long as OSLC generates less than 10% of its income from rent, there are no tax concerns. The ELCA provides more information on its website. The FAC recommends consultation with a tax expert or other legal advisor through the Montana Synod prior to moving forward.

*What insurance costs and coverages do we need to consider?*

All renters will be required to have their own insurance. An indemnification clause should be included in rental agreements. The FAC recommends consultation with a property management and insurance professional.

*Who will supervise the renters or other facility users?*

An increase in facility utilization will create new property management duties, such as the oversight of contract(s) and communication with renters/partners. The FAC suggests creating a stipend Facilities Manager position that incorporates the current Buildings and Grounds manager positions' responsibilities. The funding for this position should come from facility-generated income. This position should not be a volunteer position.

*What security concerns need to be considered?*

Currently, any user group has access to the entire church except Pastor's office. Unless a separate entrance to the basement is developed, the Council should consider interior locks for the conference room and potentially the kitchen and sanctuary. This decision should be based on an analysis of fire exit requirements and potential building users.

*Do we want to rent the parsonage to a commercial/NGO user or retain it as a residential property?*

The FAC does not have a strong recommendation... while we likes that the parsonage is rented as a residential property, we think we should be open to opportunities that arise. Parsonage could be a good facility for counseling, medical etc...

*Before the parsonage is converted to a non-residential use, what should the council consider?*

The tenants in the parsonage currently provide security and light custodial duties. Replacing these services would need to be built into the expected operating budget.

*How should increase in costs associated with an increase in facility utilization be covered?*

Staff, security, custodial and any other anticipated costs should be built into the facility operating budget and covered by income generated by renters or user groups. It should not come from member's general offerings.

## Capital Costs

*Should the Council consider facility improvements or only uses/users compatible with the existing facility to attract users, renters or future partnerships ?*

Primarily owing to the condition of the basement, the existing facility is severely limited in its capacity to attract tenants, user groups, or ministry partners. The FAC recommends that capital improvements to the basement and the parsonage be considered a necessary part of this process if either facility is to be rented.

*Are modifications to make buildings ADA compliant necessary?*

Yes. Both the parsonage and the church basement would require updates.

*What improvements are necessary to the basement?*

The FAC recommends remodeling the entry to the church to build a foyer with a defined entry and stair into the basement with ADA accessibility. This would remove the stair in the narthex and increase the floor space for fellowship and sanctuary overflow. This would also provide a dedicated entry to the basement that does not allow access to the main floor of the church facility. The basement bathroom would need to be made ADA accessible. Flooring, lighting, window, and electrical upgrades would also be necessary. The downstairs kitchen should be either remodeled or removed depending on future direction of basement. Egress windows could be added for light but are not needed for fire code due to the existence of two separate exits. (See attached plans)

*What improvements are necessary for the parsonage?*

Overall, the parsonage is in good shape as a home. At a minimum, the parsonage needs to be made ADA compliant. This would entail an ADA ramp, front porch remodel/covered landing, wider doors, and restroom. Direct access to an enclosed yard is necessary if used as a preschool/daycare. Electrical and technological upgrades (e.g. wiring for high speed internet) likely required. Other remodel needs may be identified based on future tenants.

*What about the kitchen?*

Our kitchen is currently classified as a warming kitchen. This limits the type of food preparation that is legally allowed. For example, the congregant meals for Missoula Aging Services cannot be prepared onsite. Upgrading the kitchen to a commercial kitchen could allow for additional ministry partnership or user groups. The requisite hoods, fire suppression infrastructure, and a warming case would likely run \$10,000. St. Paul recently upgraded their kitchen and rents it. Inquiry should be made about the cost return on this investment. However, as a warming kitchen our kitchen still presents opportunity for greater utilization for ministry. For example, we could partner with after school home economics programs in conjunction with the school. In addition to the commercial upgrades, the Dream Team originally contemplated including an service counter to the sanctuary (which would have become a fellowship hall).

*Are there any other improvements to the church facility to consider?*

Non-Kitchen improvements that should be considered in any major building project include: replacing the wood paneling in the Sanctuary to lighten up the space; replacing some or all of the pews with chairs to make for easier rearrangement of worship space or conversion to fellowship uses; and an improved opening (e.g. a retractable wall or multiple sets of doors) between the Sanctuary and the Narthex for overflow services. The FAC recommends considering including these potential improvements in any future building plans.

*How much might these improvements cost?*

The remodel of the entry with the basement stair would cost an estimated \$75,000. Upgrades to the basement, including flooring, lighting, paint, kitchen, and bath remodel would cost an estimated \$30,000. Upgrades to the narthex associated with removing the stairs would cost an estimated \$5000. Sanctuary upgrades would cost an estimated \$40,000 for chairs, lighting, new wall covering, folding walls to the Narthex, and an access counter to the kitchen. Parsonage costs for the exterior ram and entry porch rebuild would cost an estimated \$5000. The remodel of the bathroom and other ADA requirements would cost an estimated \$2500. When combined with

parsonage, kitchen, and sanctuary, total cost is estimated at \$167,500. This is less than cost of a modest three bedroom home.

*How would capital costs be funded?*

In 2005, OSLC previously qualified for a loan of up to \$300,000 at 5.25% through the ELCA's Mission Investment Fund. Given our growth and financial health, it is reasonable to assume we would qualify for a similar low interest loan through the MIF today.

*Will these costs be recoverable?*

It depends on what costs are included and the final remodel plan and use priorities. The basement plan, as presented in this packet, would likely not be recoverable through rental income alone. This proposal should be approached as benefiting the congregation primarily, with any additional user or rental income a bonus. The committee recommends this approach. However, other possible remodel and use arrangements exist that could change this calculus. These arrangements would likely severely curtail the ability of OSLC to use the basement space as most of the square footage would need to be dedicated to rental/user groups. When one considers the Parsonage, capital improvement costs are likely quite recoverable through rental income. In fact, the committee recommends that any improvements to the Parsonage be conducted only if cost recovery is calculated.

*Will the user reliably pay rent?*

They must be able to reliably pay rent. The church should not be in the position of assisting a business or other user group. Evaluate with each tenant.

## Types of Users

*What type of users/renters should we seek?*

The FAC recommends dedicated tenants who rent space. Tenants should demonstrate potential for long-term tenancy/partnership. Facility user groups (e.g. weddings, homeowner association meetings, Boys and Girls Club) could use the facility as space and schedule availability allow.

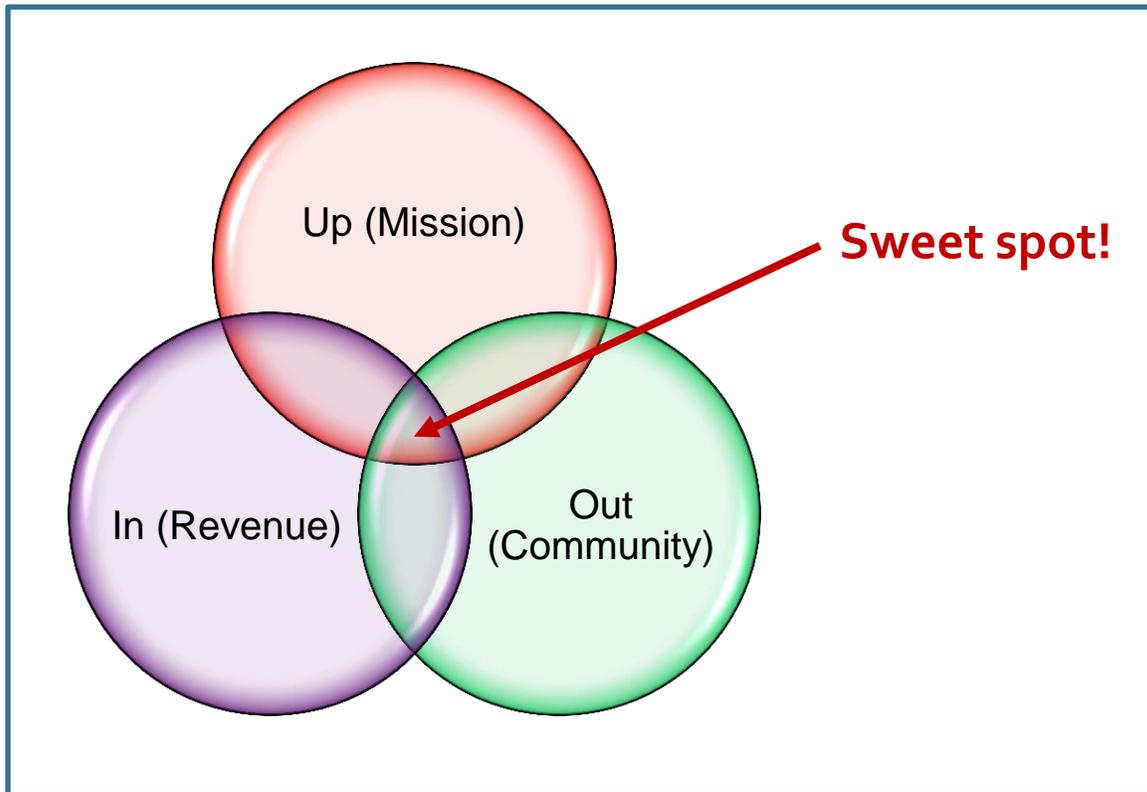
*What characteristics should we seek in renters?*

The FAC recommends preference to tenants who are also partners in ministry, that is they align with our mission and our community ministry goals. Ideally we would like to see ministry partnership, income, and greater vibrancy (e.g. more people) result. We recommend prioritizing ministry partners over maximizing income opportunity. See Figure 1.

*What about community groups?*

The FAC recommends including community user groups in future facility utilization plans. However, we don't see the basement being an event space that generates regular income. These types of groups could "fit in" around whatever dedicated tenants we find.

**Figure 1. Ideal Partners for Facility Use**



Ideal partners provide Revenue (internal benefit to OSLC), serve the Community (Greater Bonner area), and advance our Mission (rooted in the Gospel).

*A far from exhausted sample of users*

I. Mission Oriented

- Faith-focused Preschool
- Food pantry
- Rummage sale storage
- Feeding ministries
- Family or youth programs with a faith component
- Youth Drop-in center
- Outreach storage
- Emergency Shelter (e.g. Family Promise)

II. Community Uses (e.g. Vibrancy)

- AA
- Neighborhood Association Meeting
- Book Store
- Coffee House
- Art Guild

- Rotary
- Community Concerts
- Recitals
- Community Theater
- Crafts Fair
- Daycare

### III. Primarily Financial

- Exercise classes
- After school programs
- Rental of spaces
- Event space
- Office rental (i.e. Bill's Tuxedo Shop)
- Preschool

### Some Big Ideas

*The team came up with a few "Big Ideas" for potential partnerships. In every case, these ministries or services would be operated by an outside partner, NOT the congregation itself. They are as follows.*

- Emergency Shelter (i.e. Red Cross)
- Preschool
- Day care
- Senior Care (A drop off day care center for the elderly)
- Social Service satellite office (e.g. TANF, Veterans Affairs, Missoula Aging Services...)  
NOTE: These service providers would likely only be "open" 1 day a week to as little as once a month. We would likely want to consider a space that these services could share
- Health Clinic (e.g. Dental, Medical, Mental Health/Counseling)
- Missoula Food Bank outpost
- After school program space for kids
- Non-profit office space (could be in Parsonage, built offices in basement)
- Farmers Market (in parking lot in summer)

### Additional Considerations

#### *Use of the Sanctuary*

The FAC feels strongly that the Sanctuary should be treated as the sacred space and focal center of our congregation that it is. Therefore, the FAC recommends that uses by outside groups be limited to those that are compatible with the character of this space. Examples of these uses include music recitals, community concerts, special ceremonies like weddings or Eagle Scout. It's use as a large group gathering space for meetings, exercise activities, children play space, or other social or business activities should not be allowed.

#### *OSLC Prioritized*

The FAC strongly recommends that OSLC Congregational life and ministry takes priority over any tenant or user group. Any dislocation of current OSLC activities necessary to recruit a tenant must be equitably accommodated. For example, the remodel of the basement would, at least

temporarily, dislocate the quilters. An equitable and mutually agreeable alternative would have to be identified prior to any dislocation.

#### *Minimizing Tenant Influence*

The FAC recommends the Council takes preventative steps to ensure that any tenant would have minimal influence over the life, ministry, and decisions of the Congregation. The Council will need to consider how rental income and building use may affect budgeting priorities and church politics. This may require drafting a policy statement.

#### *Security and Night Time Users*

Security concerns should be evaluated based on the tenant. If the basement remodel is completed, this would become a total non-concern as any user would not have access to the main level of the church.

#### *Specialized improvements of rental*

Some tenants may require additional improvements to make the space compatible with their needs. For example, counseling services may require a room that can protect confidentiality (e.g. sound proof). Some of these types of improvements could possibly be paid for by the tenant, especially for medical service providers. Non-profit may allow you to build improvements into your rent.

#### *Emergency shelter consideration*

Any use of the church as an emergency shelter (e.g. Family Promise, Red Cross) needs to take into account the proximity to the school. Appropriate monitoring protocols must be in place, especially if population served may have mental health concerns.

#### *Event space competition*

OSLC recognizes that our ability to compete for events like weddings, receptions, anniversary parties is limited by our facility and social trends. There are several other facilities with similar characteristics nearby, like the Hellgate Lions Park. The FAC recommends that we do not prioritize events as our target user group.

## **Moving Forward**

### Recommended Prioritization for Facility Use

- Consider the Facility as three spaces: Parsonage, Kitchen, Basement. Each space should have different priorities in terms of users and timelines
- Prioritize a remodel and partner ministry plan for the basement. This is the greatest immediate opportunity for improved utilization.
- Develop plans for the parsonage for the time when it becomes available.
- Consider opportunities for the kitchen as they arise.

### Recommended Next Steps

The FAC strongly recommends the further development of a plan to identify and recruit appropriate partners and/or tenants to improve the utilization of our facility and generate additional income. To that end we recommend the council take these action steps next:

- Empower a committee to act on the findings in this report and move this process forward with a strict timeline. At least one member of Council should be on the committee. The committee should be established with directives no later than the first of the year, preferably earlier. Responsibilities should include:
  - Gathering more information on outstanding questions
  - Surveying or otherwise gathering input from the Congregation
  - Identifying potential partners
  - Developing plans for any necessary capital improvements
  - Developing cost/income estimates
  - Reporting back to Council on progress
- Conduct a feasibility study of the basement and parsonage. We recommend looking for someone within the Lutheran community who can provide low/no cost guidance or else working with Emmaus or the Business School to draft a student to conduct the study as a project in order to limit our costs. Committee should be involved in feasibility study
- Council, with input from the committee, needs to create a vision for the congregation that imagines the desired outcome of this process.
- Prioritize this process as part of our strategic planning effort. Incorporate into and draw from the Community Ministry Framework throughout the process.