

# Congregation Meeting St. Mark's Lutheran Church

June 27, 2021

# Narthex Renovation Project Update

Congregation Meeting

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# Project Timeline

Date	Item
Jan 2019	Council approved statement of work for architectural services and approved Narthex working group
Sep 2019	Congregation selected design concept and authorized development of the preliminary design Initiated fundraising pledges 2020-2022
Aug 2020	Congregation voted to proceed with engineering design, permits, and construction bids
May 2021	Invitations to Bid were issued
June 2021	Bids Received

# Project Status

- ✓ Design - complete
- ✓ Engineering technical testing - complete
- ✓ Asbestos abatement - complete
- Fairfax County building permits approval – in process
- ✓ Invitation to Bid – issued
- ✓ Construction bids – received 3 bids
  - Not Affordable
  - Not Compliant with terms of our Request For Proposals

# Bid Summary

	Company A	Company B	Company C	May 2021 Project Budget
Base bid including alternate(cheaper) foundation option	\$1,605,955	\$1,899,096	\$1,718,121	~ \$888K
Time to Complete	360 days	403 days	210 days	-
Honor bid for 90 days as stated in RFP?	No. They want to confirm pricing when contract is signed.	No. They will hold until July 15, and have a material escalation clause and time extension clause.	No. They will hold for 15 days and have an escalation clause.	-

- Bids were 2X construction cost, raising total project budget from \$1.1 M to \$2M
- Bids have very short valid dates for contract award
- None of the bidders offer fixed price as requested. All would transfer risk of price increase to St. Mark's

# What do we know about the project costs?

- What do we know?

- Several factors contribute to the high bid costs
  - High volatility in construction material prices and uncertain supply chains
  - Labor shortages in the construction industry
  - Our project is not simple to construct (access to courtyard, lot grading for ADA full compliance, etc.).
- The fundamental economics have not changed.

- What don't we know?

- How quickly will construction costs stabilize?
- How far will labor and material costs come back down?
- What design approaches could provide more affordable options?
  - Would alternatives allow us to proceed with the project sooner?
  - It will take some time to explore ideas between the congregation and the architect.

# Narthex Renovation Finance Update

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# Fundraising Status

- Fundraising exceeded all expectations
- Fundraising goal for kickoff to proceed from concept selection to the design phase was \$300,000 over three years (2020-2022)
- Members pledged \$566,000 - nearly twice as much
- \$413,000 received to date
  - Equals 95% of amount pledged for 2020 and 2021
- Fundraising will continue



# Fundraising Status

Year	Pledged	Received	Percent
2020	\$276,000	\$256,000	93%
2021	\$156,000	\$157,000	101%
2022	\$134,000	TBD	TBD
Total	\$566,000	\$413,000	73%

# Project Estimated Costs

- Estimated construction costs exceed available funding
- Construction costs are the biggest part of the overall project budget
  - June 2021 construction bids would increase Project Cost to \$2.0 - 2.2M
  - Twice architect's estimate
- By December 2022, total funds available for the project should reach \$947,000
  - Capital Improvement Fund Balance
  - Continued contributions from operating budget
  - 100% of 2022 pledges
- Shortfall between funds available and June 2021 bid project cost is \$961,000

# Funding Availability

2021	Capital Improvement Fund Balance (June 2021)	\$684,000
	Operating Budget Contributions (July – December 2021)	\$43,000
	<b>Estimated Funds Available (December 2021)</b>	<b>\$727,000</b>
2022	Operating Budget Contributions (January – December 2022)	\$86,000
	2022 Pledge Anticipated Receipts	\$134,000
	<b>Estimated Funds Available – December 2022 (100%)</b>	<b>\$947,000</b>

<b>Total Estimated June 2021 Bid Project Cost</b>	<b>\$2,000,000</b>
<b>Less: Fees Paid through June 15</b>	<b>\$(92,000)</b>
<b>Estimated Remaining Costs</b>	<b>\$1,908,000</b>
<b>Estimated Shortfall to Execute June 2021 Construction Bids</b>	<b>(\$961,000)</b>

# Financing Considerations

- Why don't we just finance the difference?
- Financing current shortfall is not feasible
  - Shortfall is too large (\$961,000)
  - Would require encumbering the church with long-term debt (15-20 years or more)
- Operating budget contributes \$7,140 monthly to capital improvements
- Finance Committee recommends this amount as ceiling for any debt service
  - Amount appears sustainable
  - Anything more is unaffordable
  - Opportunity cost of not using the money for other ministries

# Financing Considerations (cont.)

- Future financing a consideration when markets stabilize and prices return to more normal levels
- Financing depends upon
  - Interest rates at the time of loan initiation
  - Duration of loan

# Finance Committee Recommendation

- Reject current bids
  - Cost exceeds levels supportable by prudent management of our finances
  - Prices bid are not a realistic value for the work to be performed
  - All bids would transfer the risks of cost increases to St. Mark's
- Delay project up to one year
  - Consider alternatives
  - Allow markets to stabilize
- Consider short term loan, if needed (3-5 years)
- Limit monthly debt service to no more than current contribution from operating budget (\$7,140)

# Narthex Renovation Council Recommendations

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# Council Recommendation-1

- **We stand behind the congregation's vision for an updated Narthex Renovation, as realized by the chosen design.**
- **We believe that there is no reason to consider canceling the project.**



# Council Recommendation-2

- **The Finance Committee's analysis is that this amount is not affordable.**
- **In light of our current financial condition, it would be irresponsible stewardship for us to award a construction contract for the Narthex Renovation for the amounts submitted by the bidders.**
  - The current spike in construction costs would put a high premium on any work we proceed with in the near future.
  - We do not see any compelling urgency to proceed and pay twice the normal value for any near-term complete project work or descoped options.

# Council Recommendation-3

These considerations point us toward various options of using our time to find an affordable, desirable solution.

- **We can freeze the present design and wait for market conditions to improve, and we don't know how long that will take.**
  - Delaying beyond a year would result in some additional costs for new permits. When we can rebid this work, the existing design may cost more than our May 2021 budget estimate due to inflation, but still be affordable.
- **We can explore alternate design approaches that can make the design more affordable when labor and material costs return to normal.**
  - These design options are not likely to make the project affordable now, but might contribute to make it affordable sooner. Changes that have the potential to result in large savings would require additional congregation approval of big design changes.
- **We can carry out *both* approaches at the same time.**
  - There is a cost involved with exploring design options. Council will work within our existing spending authority to begin exploring available alternatives.

# Council Recommendation-4

Council submits the following resolution for approval by the Congregation:

***Be it resolved that:***

***We, the Congregation of St. Mark's, commit to discussions in the months ahead about how best to move the Narthex renovation project forward.***