

Project Management Committee (PMC) Report

Informational Meeting

August 31, 2010

Latipac's new construction estimate

On August 20, we received the newest construction estimate for the Third Street Meetinghouse renovation project from Latipac contractors. It includes our requests for specific finish materials like the windows and insulation we requested, and gives real costs for a lot of the expenses that they had been guessing about on the first estimate.

Here are the figures:

- * The original estimate was \$330,000
- * The revised estimate is \$390,000
- * Coincidentally, present estimates for total project cost exceed income estimates by \$60,000

The major increases in the new estimate are for flooring and ventilation; that is, the ventilation system that the tight foam insulation we have requested requires in order to insure adequate air exchange in the building.

This may sound like bad news, but it isn't necessarily bad news. This estimate reflects a lot of hard work and careful negotiation on Latipac's part. There are several numbers in the estimate—the sprinkler system, for example, and anywhere else you see a minus sign next to the amount—that are actually lower than the original estimate. Latipac went to their subcontractors and got very good prices for us. By submitting this estimate and holding their fall schedule open for us, Latipac is demonstrating their commitment to this project.

Our fundraising efforts have produced pledges of \$285,000—more than even our most optimistic forecasts predicted—and we are feeling pretty confident that the sale of the Route 79 land to the City of Ithaca will produce another significant chunk of money to contribute to the project. We don't know with certainty what the City is prepared to offer, but our real estate agent estimated the value of the land at roughly \$80,000 to \$90,000, and we know that there is precedent for the City paying market value for properties it purchases. For budgeting purposes, we have been using the figure of \$75,000 for net proceeds from the sale.

There is still a shortfall, though. This meeting is being held to allow the Project Management Committee to present its recommendations of items we can cut from the project in order to stay within our available funding. We anticipate adding all these items back in sooner or later. Some of the expenses are things we can do ourselves while others would be deferred. Some of the deferred items could be put back into the project later in the construction if funds are available at that time.

It is important to note before we look at the list that even the \$390,000 does not include some things we might have liked such as a lift between floors and a commercial kitchen. We didn't expect to have enough money for those so we didn't ask Latipac to estimate them. Furthermore, the building code forces us into some expensive requirements if we build a full kitchen. If we installed a stove, we would be required as a non-residential, quasi-public facility to provide a special stove hood with its own sprinkler system, and to install a commercial-grade dishwasher which can sterilize dishes. Since we had never allocated money for a commercial-grade kitchen, and since we have been told that it's pretty unlikely that the City of Ithaca will give us permission to install a residential-grade kitchen, we are anticipating a skeletal kitchen with a refrigerator, dishwasher, sink, and microwave, but no stove or oven.

PMC'S recommended cuts

If we delete *interior and exterior painting* from Latipac's scope of work we save \$30,000. The PMC believes we can do the interior painting ourselves. Scott Smith, of Latipac Builders, assures us that the

sheetrock and trim will be primed, so the building will not look naked before we are able to coordinate painting crews. Whether we can do the exterior painting ourselves or whether we should let professionals handle this job is something we can decide further down the line.

If we delete *finish flooring on the second floor* (to be installed at a later date) we defer \$14,400. The second floor interim flooring material would be luan (the layer that goes underneath the finish layer) until we eventually put down the Marmoleum. Scott and Claudia Brenner, our architect, felt this was a perfectly good finish floor for now, though there is the potential for splinters if kids are running round in stocking feet. We may want them to wear slippers.

If we delete *interior trim* we defer \$5,000. This is probably not work that we can do ourselves, unless we have someone experienced who can dedicate many hours to it. It is skilled work. This would leave the building looking unfinished but completely functional until we are able to afford finishing.

If we delete the *kitchen casework*—the countertop and cabinet installation—we defer \$2,000.

If we delete finish flooring in the kitchen and hall outside the first floor bathrooms, we defer \$2,200. This is a small reduction because PMC was unable to come up with a suitable “green” product for this location and had planned to propose that Meeting accept vinyl tile in these areas.

Large construction projects need a contingency budget; a portion of the construction costs which is set aside for unanticipated expenses. It is common on rehabilitations of this scope to set aside 15% of the total construction cost as contingency. We are setting aside 10% for these unanticipated costs, on the advice of our architect, because the structure of the building has been exposed, reducing the risk of major unforeseen conditions. This figure changes as the cost of the project changes. Thus the roughly \$54,000 in cuts suggested above would reduce the contingency by \$5,400.

Removing all of the above items from the scope of the initial construction would result in a reduction in cost of about the \$60,000 needed. Some of these items, such as the interior painting, represent permanent savings. Others we would do as funds became available. If this happens before the end of construction then they can be put back into the initial project. Otherwise we would do them after we move in to the building.

There are some other minor costs that are not included in the budget. For example, Scott did not include sound insulation in the walls between classrooms upstairs (it was missed in the specifications), and we are pretty sure that we would like small groups to be able to talk in the classrooms without being overheard next door or in the hall. If so, that will increase our cost by about \$2.25 per sq ft of interior wall area (Scott hadn't done the calculation yet, so we don't have an exact figure yet).

The contract we'll be signing with Latipac is a “not to exceed” amount, meaning that Scott can charge us up to, but not more than, the contract amount. If his actual costs come in LOWER than the contract amount, he can only charge us that lower cost, not the full contract amount. This may result in our having some extra money at the end of the project which would allow us to add some work back in. It's also possible that we won't spend our full contingency on unforeseen problems, which would again mean we could add some desired work back in to the contract. If this occurs, the PMC's recommended priorities for adding these items back would be:

Interior trim (\$5,000)
Second-floor finish flooring (\$14,400)
Exterior paint (\$10,000)
Kitchen casework: (\$2,000)
Kitchen and bath hall finish flooring (\$2,200)

Q&A

Why are we cutting things out of the project? Why not just hold off on the construction for six months and try to raise more money from the Meeting? We could do another round of fund-raising.

We feel pretty certain that folks who pledged looked hard at their household budgets and ability to donate when we made our first appeal. We are not aware that there was a lot of holding back, and we're not sure that a second appeal would raise a significant amount. (On the other hand, if you yourself are feeling that you understand the scope of the project better now and are willing to increase your original pledge, please speak with Mike Simkin! He would love to hear from you.)

In addition, Latipac has made time for this project in their schedule starting in October, and they've turned down other projects so they can keep their word and do this one for us. We're not legally obligated to start at a time that's convenient for them, but they've extended themselves for our sake, they're committed to the project, and we want to return the respect they've shown us.

How about holding more fund-raisers?

Fund-raising events are wonderful publicity for the project, but they generally pull in relatively small amounts of money overall – maybe \$2,000-3,000, in comparison to the five-figure amounts that are required. We'd have to hold a fund-raiser every month for quite a while to gather the funds we need.

Why can't we take out a mortgage? It wouldn't have to be a big loan. Even an extra \$50,000 would help.

We asked people during the pledge drive if they could increase their annual donations, and they responded to this request, but at a rate which tells us that all of the extra funds will be just enough of an addition to our budget to cover the annual maintenance costs for the new meetinghouse, for utilities and repairs and so on. We have done projections and forecasting, but at this point we can't see how the annual contributions we forecast will increase enough to cover the thousands of dollars in interest payments annually that a mortgage would require of us. Even for a \$50,000 loan, we'd need an extra \$5000 a year for the foreseeable future for payments.

Why don't we rent space in the building and cover the extra costs that way?

Trustees have talked about this. There has often been a sentiment expressed that we don't want a building that stands empty six days a week. We want to find ways to share our facilities with the community, and that sharing may involve some income. It's a complex issue, though, and there are many things we'd have to decide before going ahead: who we'd rent to, the conditions and rules we'd set for tenants, and so on. And there's plenty of space for rent in Ithaca right now at competitive rates. It's not clear that renting our space to the kind of tenants we'd be likely to favor would provide a dependable enough income stream to pay interest on a mortgage. We can take this question up when we get closer to a certificate of occupancy.

Meetinghouse Finances		Budget	Actual through 7/31/10	Assumptions/Notes
Income				
Cash on hand 3/1/2010	245,000	245,000		
Pledged Contributions	285,000	114,000		Overlook: 34,906; New Building: 88443; Oliver: 93220; Stock eventually sold for 28,450
Sale of Rt. 79 Land	75,000	0		This is a somewhat conservative estimate of our net proceeds once the land sells
Sale of Contents	3,572	3,572		
2010 IMM Budget Transfers	10,000	5,000		\$1K/month through 2010 starting on 3/1/2010
Fundraisers	2,000	160		Benefit concert, bake sale, silent auction - All estimated
	620,572	367,732		
Expense				
Acquisition				
Purchase Price-Land & Bldg	180,000	180,000		
Demolition	4,947	4,947		dumpsters and supplies for our demolition in June
Evaluation	1,000	1,000		pre-purchase evaluation by Claudia
Legal - Acquisition	1,710	1,710		
Bank Fees	280	280		
Repairs	761	761		primarily roof around the time of closing
	188,698	188,698		
Construction				
Basic Construction Contract	389,380	0		Current Latipac estimate
Construction Contingency	38,938	0		10% of basic construction contract
Permits, Fees & Hookup Charges	3,485	0		Bldg permit & Certificate of Occupancy 2,485; fire hook-up 1,000?
Development Period Utilities	2,000	0		We'll be paying the electric bill and the heat in winter construction months once the furnace is working
Furnishings	2,500	0		Estimated placeholder on the assumption that something will be needed and that we don't need to purchase tables and chairs
Appliances	2,500	0		This hasn't been discussed - estimated residential refrigerator, microwave(s)
	438,803	0		
Other Development Costs				
Architect & Engineer	15,840	4,173		\$12,640 architect, \$2K mechanical, \$1,200 structural
Short Term Loan Interest	21,000	0		Estimated - this represents interest on a \$200K loan for 36 months @ 3.5% interest
Legal	0	0		None anticipated
Real Estate Tax	14,000	5,845		City tax, school tax, town and county tax from closing until we can be tax exempt
Fund raising expenses	200	70		Mailings, concert expenses
Insurance	2,700	984		\$850 Bidrs Risk, \$980 Dryden Mutual, \$850 for Church Mutual through 6/2011 when the annual premium will be due
	53,740	11,072		
TOTAL EXPENSE				
	681,241	199,770		
	(60,669)	167,962		
Income - Expense				