

NORTHMINSTER **UNITED CHURCH**

FEASIBILITY STUDY

ORIGINALLY PREPARED BY



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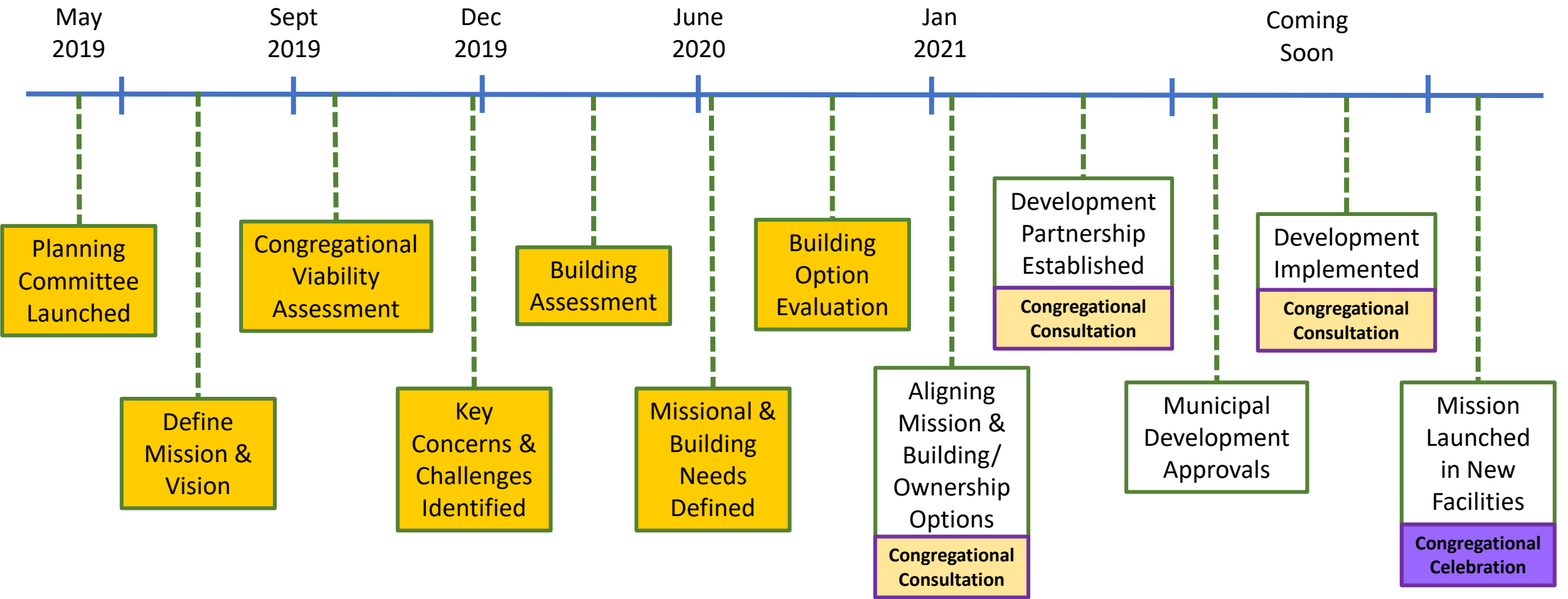


BACKGROUND – THE PREVIOUS STEPS

- Exploration and creation of a new Mission & Vision Statement for Northminster
- Discussions with Edge of the UC of Canada and receipt of a proposal on how best to move forward
- Meetings with local Chinook Winds regional representative lead to a discovery of what Northminster is truly about
- Discovery of our missional perspectives received from the congregational responses to 6 key questions
- Grant received from Chinook Winds Region to complete a formal building study
- The building study or resultant “Change of Use & Costing Report” identified many shortcomings and significant costs to bring our building up to code
- Four themes or options emerge as pathways on how best to move forward and secure our financial future
 - 1.) Keep Going on as We are Now
 - 2.) Keep Going in Existing Building but Found Significant New Ministry Initiatives
 - 3.) Mission / Capital Partnership and Adaptation of Existing Building
 - 4.) Remove Existing Building, Redevelop New Space / New Ministry Functionality
- Option 4 was selected by votes from the congregation and Board approval for funding was secured to further investigate this option
- Quantum Place Developments were contracted to produce a Feasibility Report for Redevelopment Opportunities



PROCESS OVERVIEW – the best we understand today

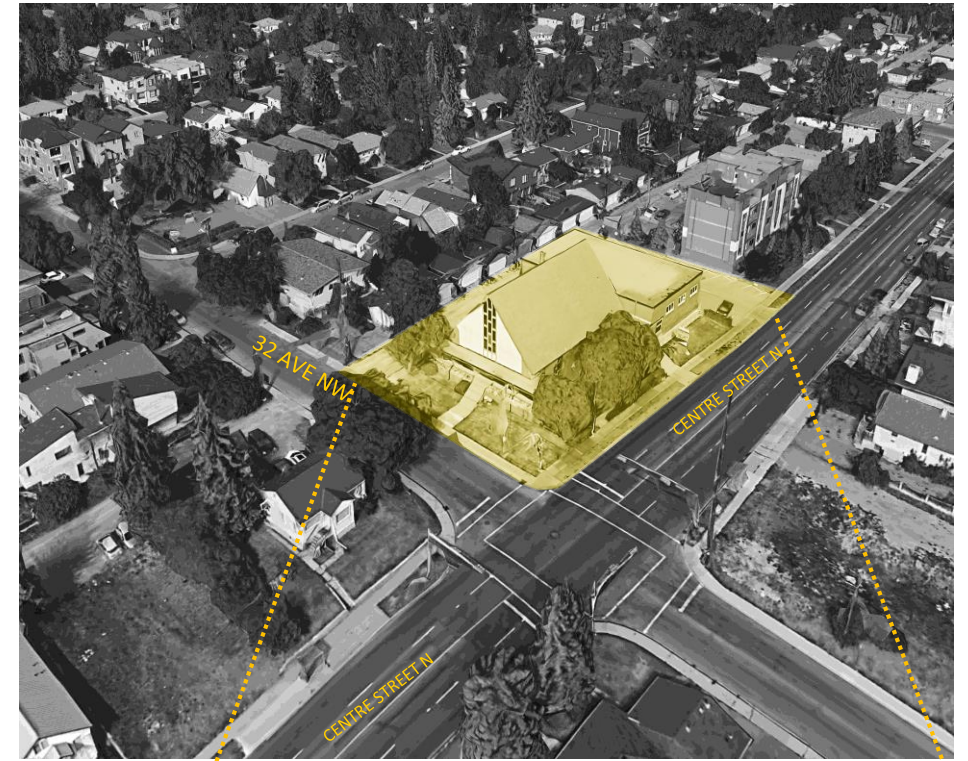


WHAT WE HAVE LEARNED SO FAR

- We approached Quantum Place to do a Preliminary Market Analysis for redevelopment on our property
- They looked at the neighbourhood around the church to understand what the city , community associations and other developers were doing in the area
- Recommended that the zoning for our property be changed to Mixed Use General to provide more development opportunity
- They looked in detail at our property location including benefits and drawbacks for a new development on our property
- They compiled preliminary business case for 2 of the most promising options for development on our property.
- Now, let's walk through their findings

REDEVELOPMENT IN OUR NEIGHBOURHOOD

- Completed review of various City development plans:
 - Municipal Development Plan (MDP)
 - North Hill Communities Local Area Plan
- Proximity to current Primary Transit routes like the #3 bus and close to a future Green Line LRT.
- Located on an important Main Street with a direct connection to the downtown, SAIT and the University of Calgary; fits with City preferences for multi-storey buildings on transit routes.
- Few physical constraints would limit redevelopment.
- Prime location for development on a corner lot with lane access and upper floors may have unencumbered view of the mountains and downtown.
- Would be looked on as a favourable redevelopment project by City Administration and Council.
- Servicing studies would be required to confirm surrounding infrastructure capacity (water main and sewer pipe sizes and age, mostly).



POTENTIAL OPTIONS

- Redevelopment of the site to accommodate a mixed-use apartment building
- Northminster congregation on the ground floor with space that will accommodate offices, flexible Sanctuary / meeting space and a kitchen
- 2-3 Commercial retail units would be located at-grade along Centre Street
- Apartment building above grade (floors 2-6)
- Construction costs account for a six-storey wood-frame building (floors 2-6 would be wood construction) with a concrete main floor
- Underground parkade (single level, open cut excavation construction)
- **Option A: For-sale (Condominium) apartments**
- **Option B: Purpose-built market Rental apartments**
- **Option C: Office Building – removed from consideration due to significant excess office capacity in Calgary**
- **Option D: Seniors Housing – removed from consideration due to complexity and cost of development**



ASSUMPTIONS FOR THE PREFERRED OPTIONS (page 1 of 2)

Building and Gross Floor Area Assumptions

- 6-Storey wood-frame construction = \$160-210 per sq.ft. (Altus Groups 2020 Canadian Cost Guide).
- Commercial main floor height is assumed at 4.5m (15ft).
- Residential floor heights assumed at 3.5m (11ft) per floor.
- Underground single level parking, open excavation which has an average construction cost of \$115-135 per sq.ft.
- Demolition estimated at \$175,000 for the existing church and administration building.

Parking Arrangement and Amenity Space Calculations

- Building would require 67 - 89 onsite car parking stalls.
- Surface parking will be limited for congregational use in this infill development.
- 48 bicycle parking stalls required onsite.
- Amenity space required would be 475 sq.m. of building floor space, assumed as a shared rooftop amenity.

ASSUMPTIONS FOR THE PREFERRED OPTIONS (page 2 of 2)

Congregation Space Assumptions for overall Development Business Case

- Congregation space up to 5,200 sqft - to be determined based on ministry and missional needs
- Cost to build & outfit the congregational space was estimated at \$300 per sqft
- This includes:
 - Flexible Sanctuary space
 - Two office spaces
 - Additional space for meeting rooms
 - Suitable kitchen facilities – details to be determined

Market Assumptions

- The Feasibility Study examined market comparables for similar condominiums, rental apartments, commercial spaces, etc. to appropriately assume the prices to add to the financial proforma analysis.
- A market study was included in the report and determined the need, sale price and approximate rental rates of different types of uses and space in the building.
- For-sale apartments were \$379 per sqft.; Rental apartments were \$2.00 per sqft./month; and retail space \$28.00 /sqft. net with \$10.00 /sq.ft operating costs.

OPTION A : SIX STOREY FOR-SALE

Option 1: Pro Forma Summary

Total Revenue	\$29,464,452
Total Costs	\$25,818,157
Profit	\$3,646,294
Profit Margin on Revenue	12.38%
Profit Margin on Costs	14.12%
Total Cash Equity Required	\$4,494,136
Return on Equity	81.13%

Conclusions

- Most important is the “Profit Margin on Costs”.
- This determines if the gross profit margin is good enough for a developer to consider moving forward with the project.
- Typically developers need this to be a minimum of 15%.
- **Option A would be looked at as having a substandard rate of return for a Developer and would require revisions to be considered.**



OPTION B : SIX STOREY MARKET RENTAL

Pro Forma Summary

	15 Year Horizon
Market Value	\$23,444,897
Equity	\$11,019,770
Balance on Debt	\$6,758,478
Capital Rate	5%

Conclusions

- Most important point to look at for this option is the Capitalization Rate.
- The Cap Rate is the ratio of the Net Operating Income (N.O.I.) to the property asset value.
- View a Cap Rate the same as the return on a mutual fund or stock.
- Good rates of return on commercial real estate investments are often 2-3% annually.
- **Option B yields a Cap Rate of 5% within the first 4 years. This is a healthy rate of return for a Developer and would be considered a good project/investment.**



SCENARIO COMPARISON

Option A: Six Storey For-Sale

Benefits

- Sale of residential units will provide faster return on investment for the developer.
- Residential units can be priced competitively and there is a market for this type of product in the Northhill Communities.
- Building would be managed by a property management group or professionals.

Drawbacks

- The development would have to be fully funded through the development partnership as there are not many grants or funding programs for residential home ownership.
- Condo setup of mixed-use buildings can be complicated
- Unit owners of condos will demand that the mixed-use portion of the building (Northminster) pay “its fair share”.
- One parking stall per residential unit would be the market preference which cannot be accomplished on this site.

Option B: Six Storey Rental

Benefits

- This option yields a good rate of return: there is a relatively strong rental market in the wider community.
- Building would be managed by professionals.
- Grants available for specialized housing rental units offered by a variety of government and non-governmental organizations if deemed appropriate with development partner.
- Parking regulations make more sense for market rental buildings.
- Independent decisions can be made about the operation and maintenance of the building without condo board vote or consent.

Drawbacks

- Financing a rental project can be challenging if interest rates shift higher.
- Equity return outlook for the builder and/or operator is long-term.
- Ultimate purchase of the asset must be arranged after construction financing has ended. An entity must own and operate (with or without management company assistance).

RISKS

Building Demolition Risks

- Potential hazardous materials being present onsite (asbestos likely present).
- Demolition cost approximately \$175,000, could increase somewhat due to hazardous materials.

Infrastructure Risk

- Investigation on utility servicing and engineering costs could uncover substandard water and sewer pipe connections.
- Infrastructure may require upgrading to accommodate the increase in density proposed.

Development Risks

- Contingency budget of 7% was used to account for potential cost overruns. 7% is generous but having an experienced development and construction partner is important to make sure cost overruns are minimized.
- Site is likely not contaminated from previous uses, but further exploration would be needed to ensure that is correct.

Re-zoning of Property

- MU-2 zoning would be required for a mixed-use 6 storey building. This process could be lengthy and contentious in the neighbourhood

PRELIMINARY FINANCIAL SUMMARY

Existing 2020 Budget (without COVID)

Cost Categories	Cost
Personnel	152,691
Building	65,500
Programs	9,390
Other	19,501
Total	247,082

Revenue Categories	Cost
Local Donations	125,000
Fundraisers	30,000
Rental	50,644
Other	9,000
Total	214,644

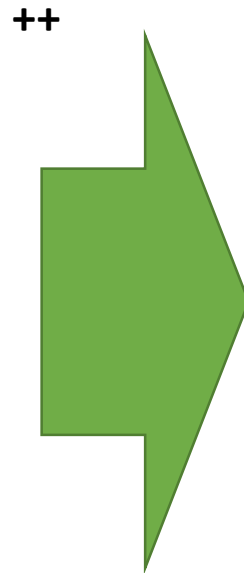
Surplus / Deficit	-32,438
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Potential Budget in new building (without COVID)

Cost Categories	Cost
Personnel	152,691
Building	46,800
Programs	9,390
Other	19,501
Total	228,382

Revenue Categories	Cost
Local Donations	125,000
Fundraisers	30,000
Rental	50,644
Other	9,000
Total	214,644

Surplus / Deficit	-13,738
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Assumes 5,200 sft
@ \$9/sft opex

3,670 sft would
reduce building
costs by \$32K to
balance budget

All existing
revenue sources
need to stay the
same to get
closer to a
balanced budget

++ - Significant risk of escalating building maintenance costs as building ages

WHAT'S NEXT

- Based on this preliminary analysis, there are many questions the committee still needs to research
 1. Congregation space requirements to meet the mission & vision goals
 2. Detailed analysis of expected congregational operating costs in new building model
 3. Detailed expected revenue analysis including rental and fundraising contributions
 4. Define how new building development & financials fit into Northminster missional objectives
 5. Design modeling for congregational space
 6. Northminster demolition cost assessment to address abatement cost risk
 7. Congregational space & property ownership model review - **
 8. Bank financial viability assessment - **

**** - These steps require Chinook Regional approval / participation**

NEXT STEPS

- **Suggested Congregational Motion:** Direct the Trustees to communicate with Chinook Winds Region to authorize Northminster to create a detailed plan to redevelop the church property, including but not limited to:
 - Ownership model
 - Design modeling
 - Regulatory feasibility
 - Bank financial viability
- Board approval will be required once a budget is defined for this detailed plan.