



October 23, 2020

#### An FPC Properties Update.....

As you know, we have been working for several years to discern a way to faithfully steward our rental properties on the southwest corner of our block. Liability and maintenance issues have become too much for our church to manage, and we actively discussed many opportunities to find a solution that provides maximum benefit to our church, our neighborhood, and our important Mission. In our September 18 update to you, we described how at its September 15th meeting, Session authorized the Property Discernment Team to negotiate with a developer for a senior housing facility. The Property Discernment team has now been negotiating a Buy/Sell agreement with this developer, who just happens to be FPC's own Mike and Rachel Robinson. The Robinsons have formed an entity, Hogan Senior Living LLC, to develop the project. For context, here is a brief review of the project.

Much has been written about the lack of affordable housing in Missoula, and this is especially true for seniors. The proposal we are reviewing plans to offer quality housing, with a life-enriching social environment, in a prime location to serve seniors' needs at more affordable rates than other options available in Missoula. The benefits of the FPC location are:

- Walking and wheelchair access to First Presbyterian Church
- 500 feet from the senior center
- Walking distance to grocery store
- Three blocks from Missoula Aging Services
- Adjacent to Missoula Community School, allowing for potential inter-generational shared activities such as story time and art projects
- Central Missoula location will allow for convenient family visitation

The proposal would raze the existing structures on Lots 7, 8, and 9 and construct a three-story, approximately 30 - 35 unit, independent-living apartment building for seniors. Approximately one third of the living space would be shared living to facilitate and encourage social interactions among residents. Individual units would include both studio and 1-bedroom apartments, modest in size and construction finishes in order to keep rents affordable. All units would have their own bathroom and kitchenette. Shared spaces would include a large common kitchen, meeting and dining spaces, exercise and activity rooms, laundry room, and an outdoor community garden. Other than building and yard maintenance, and regular cleaning of common spaces, there would be no paid staff to assist residents.

After a successful negotiation, the Team presented a buy/sell proposal to Session for their review and approval at the October 20 Session meeting. Session unanimously approved the agreement and asked the Team to provide detailed information to the FPC congregation for **a congregational meeting scheduled for Sunday, November 1, at 11:30am by Zoom**. (We will provide information on how to participate.) **Please plan to participate. If there is great support for the proposal, a congregational vote to sell the property will take place at this meeting.** (Or, if necessary, after the Zoom meeting, the Session could meet again to consider discussion points before authorizing an additional congregational meeting for vote on the proposal at a later date.)

In the negotiations, the Team evaluated the financial return to FPC, our long-term parking (we have analyzed our parking needs for when the Missoula Public School Administration building lot is no longer available), capital gains tax, the Missoula Community School (MCS) Lease, the playground on lot 10, and

the loss of the green garage (storage and work shop) when lot 8 is sold. We thank Colin Lane for the many hours he has spent in developing numerous options, and the proposal we are presenting provides optimal return from and use of our properties. Please refer to the diagram on the last page when reviewing the following.

**Analysis:** When the garage is demolished on lot 8 and a new structure is constructed on lot 9, lot 9 provides no efficient parking options for FPC. However, as you can see on the diagram, it does provide traffic flow to allow optimizing parking spaces. It also allows for a slightly larger footprint for the Senior Living Center increasing the number of living units from the previously mentioned 28 to 30 - 35. And most importantly, with FPC being given permanent easements on lot 9 for the new garage structure and vehicle traffic, it allows FPC to sell lot 9. This provides additional revenue to FPC without losing any functionality.

The playground on lot 10 would need to be moved to the front of the CE building as shown on the diagram. The current lease with MCS:

- Permits the playground through 2020 (even though the school lease extends beyond)
- Requires equipment to be removed by the school when the lease is terminated
- Allows FPC to utilize the playground when school is not in session. Appropriate gates will be included in the fence to facilitate this.
- Requires MCS install only non-permanent equipment.
- Requires FPC and MCS to reach mutual agreement on relocating the playground equipment. We look forward to a dialog to determine what equipment will provide a safe, fun, playground experience for children, while also working within the limited space available. We also understand that the visibility of the playground at the front of the school contains opportunities attract new families (for our church and for the school!), as well as possibilities for an eyesore. For example, our Property Discernment Team and Session may have an issue with the large wood structure. We also intend to closely review the design for the fence. If the Congregation approves the sale, we will begin negotiations with the school to determine the best playground design.
- Lot 10 also would be used for queueing construction material and equipment for the senior living structure. This would allow us to negotiate for the developer to share in the moving costs for the playground.

Income:

\$ 780,000 (Lot 7 \$300k, Lot 8 \$300k, Lot 9 \$180k)  
\$15,257 (Rental Net Income through September 2020)

Expenses:

\$ 175,441 maximum capital gains tax (still being analyzed)  
\$ 15,000 demolition of green garage  
\$ 10,000 slab for garage  
\$ 60,000 new garage (storage structure)  
\$ 1,500 closing costs  
\$ 2,000 est. FPC portion attorney fee to be split 50/50 with developer  
\$ 12,280 est. property taxes through 11/30 based on 2019 taxes

Additional costs for the development of the parking lots:

\$ 260,000 est. for rework of existing parking lot, construction of lot 10 parking including all sidewalk work, permitting and other associated costs

\$ 12,000 est. decorative fence surrounding playground in front of CE building

\$ x,xxx misc. assistance to MCS for moving existing playground, not known until negotiations complete

\$ 247,036 Subtotal (Income minus Expenses)

\$ 30,000 Contingency for all categories (including any playground expenses)

**\$ 217,036 Net to FPC**

Footnotes:

- 10% or \$78,000 due to FPC on closing
- \$ 702,000 due to FPC upon start of construction, or 16 months, whichever comes first
- Demolition of existing structures is estimated to be around April 1 due to permitting timelines with the City of Missoula

Note that the above costs are estimates by our team. We know that the exact costs will not exactly match our estimates, with some of the numbers not being finalized for several months. For example, the final costs of building a parking lot will not be known until the project is bid out, likely sometime in the spring. Codes have changed which will affect the new garage structure which increases cost. It needs permitting, electrical inspections, and if there is any heating, it must meet new energy codes (even if the heat were minimal).

The diagram shows a large increase in the number of parking spaces with various driveways, sidewalks, etc. However, the exact layout and number of parking spaces will be left flexible at this time. We would anticipate using the time within the developer's construction schedule to develop a specific plan.

Our team anticipates that construction of the additional FPC parking could be included as part of the senior living project. There may be an opportunity for some cost savings. Hogan Senior Living has indicated a willingness to complete these improvements as part of their construction project, with payment coming from a reduction in the sales price. This too will have to be negotiated, but we look forward to improving our remaining lots without incurring new debt or managing multiple projects at once.

The Hogan Senior Living facility would take the place of FPC's Hogan House and three rental houses just as we celebrate the opening of the \$8 million Meadowlark Center for housing homeless families to which our church has contributed significant leadership and financial gifts.

One last point, from the documents distributed at last year's annual meeting: "When asked, the congregation said FPC should limit our liability as property managers, put our properties to use for kingdom purposes, make room for some additional parking, and do it in a manner that is financially prudent." We believe the above proposal and the diagram below fulfills all of these requirements, and we are excited about the possibilities ahead! We look forward to a continued dialog with you on November 1<sup>st</sup>.

Yours in Christ,

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