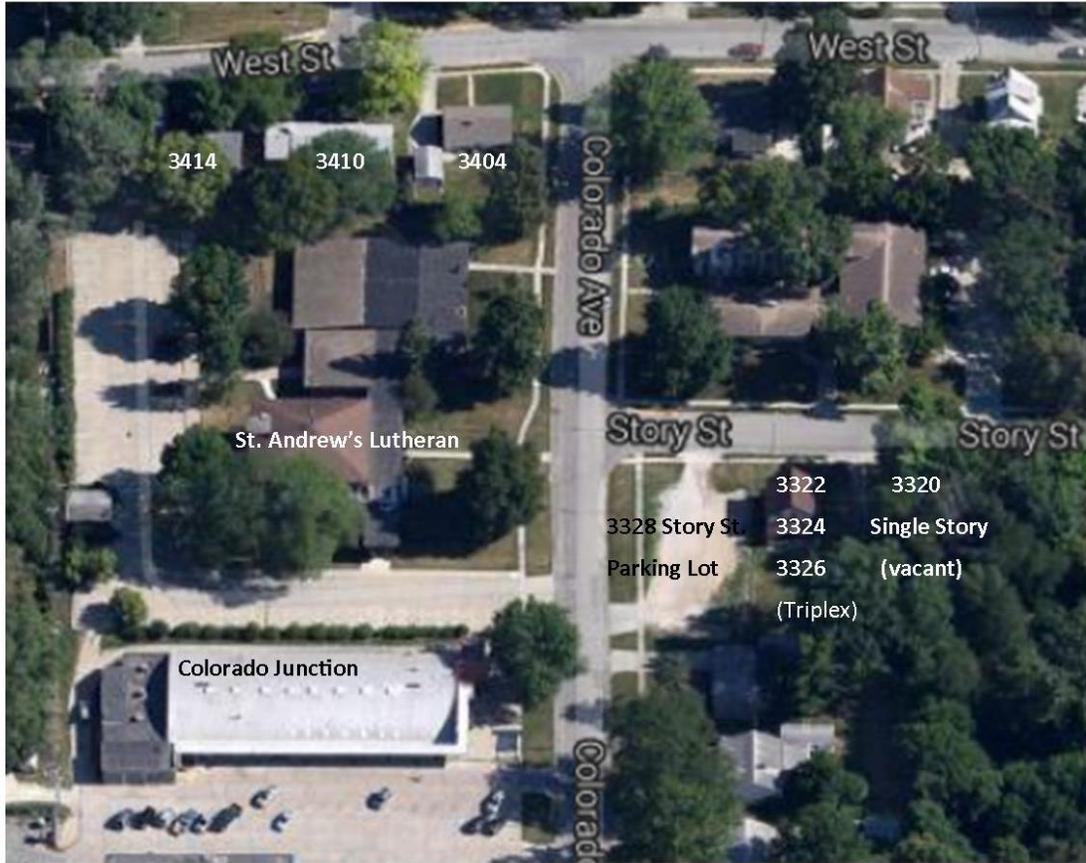


St. Andrew's Properties - FAQ
March 21, 2014



What properties are included in St. Andrew's Rentals? Why were they purchased?

Over the history of St. Andrew's Lutheran Church, several properties around its perimeter have been purchased when the opportunity arose to provide flexibility for expansion of St. Andrew's "in the future" and to control the property immediately surrounding the church. Presently, these properties include the church building and grounds, five houses, the gravel parking lot, and Colorado Junction (See map)

What is the history of St. Andrew's purchase of Colorado Junction?

In 2010, an unexpected opportunity to purchase the Colorado Junction commercial building was presented to St. Andrew's. A lower than expected sale price and favorable interest rates made the purchase of Colorado Junction possible. With congregational approval, it was purchased in September of 2011 with the initial plan to continue to operate it as a commercial property "as the congregation works through the facility planning process in the next few years" (Crossroads Campaign FAQ).

How are the Rental Properties used?

The rental houses have been used: as ministry to low income tenants by charging lower than market rent; as a home for church interns; and for income to pay expenses of the property. At this time one house, 3404 West Street, is rented below market. The other houses are rented at market except for 3320 (single story house) which is no longer rented due to its condition. Colorado Junction is presently 76% rented commercial, 15% vacant (unrented) commercial and 9% SALC usage (unrented).

How are the properties managed?

The St. Andrew's Property Committee oversees all St. Andrew's Properties. Triplett has been hired to manage the rental properties.

In what ways has St. Andrew's benefited from having the Rental Properties?

St. Andrew's ministries benefit greatly from the usage of the three rooms/suites in Colorado Junction. These spaces store Madrigal items, quilting supplies, SALC seasonal items, puppets supplies, Pine Ridge ministry clothing, and Backpack Buddies supplies. Our church building does not have space to meet these storage needs. The rental value of these spaces is worth about \$15,000 per year. St. Andrew's "General Fund" has not been contributing money toward the cost of these spaces or toward low rental housing ministry (presently equivalent to \$1,200 per year). Therefore the rentals are subsidizing these costs.

St. Andrew's also uses the parking lot of Colorado Junction for overflow parking for church events. The previous owner of Colorado Junction had requested that St. Andrew's not use the parking lot for our church activities.

How are the Rentals financed?

The rental properties were all put under one mortgage of \$613,000 at 5.35% when Colorado Junction was purchased on Sept. 1, 2011. The maturity of the loan is September 10, 2016. As of Dec. 31, 2013, the mortgage had been reduced to \$469,275 through income from the rentals and the \$104,890 raised by the Crossroads Campaign.

What was the Crossroads Campaign?

This campaign began at the time of the purchase of Colorado Junction. Its goal was to raise money over the life of the mortgage to reduce the loan principal which would reduce the interest expense. As stated previously, as of Dec. 31, 2013 \$104,890 has been raised and applied to the mortgage through the Crossroads Campaign.

How are the Rentals expenses paid? Is the church's General Fund affected?

Triplett manages the income and the expenses of the rentals (except for the mortgage and property tax payments). Each month Triplett transfers the net profit into St. Andrew's "Rental" bank account. From this bank account the mortgage and taxes are paid. This is separate from the "General Fund" bank account. The church accounting system keeps separate spreadsheets for the "General Fund" activity and "Rental Fund" activity.

Over the history of the rental houses, the "General Fund" made payments for or transferred money to the "Rental Fund" for expenses. Since Colorado Junction was purchased through December 2013, the rentals have essentially paid all their expenses including property taxes, insurance and mortgage. In March 2014 however, the General Fund will need to help pay for the property taxes. This has been brought to Council which has given approval. Reasons for the shortfall include vacancies, one house no longer rented due to condition, higher than expected expenses this past year (ie heating/cooling) and a new furnace purchase. The "Rental Fund" is to repay the "General Fund" within two years. Before Colorado Junction was purchased, the rental houses contributed to their expenses in part with St. Andrew's "General Fund" contributing also. St. Andrew's "General Fund" has not contributed money to the cost of the spaces in Colorado Junction (equivalent to \$15,000 per year) or its low rental ministry (equivalent to \$1200 per year), therefore the rentals are subsidizing these costs.

What about a sign for St. Andrew's on the Colorado Junction sign board?

The city of Ames has an extensive signage code. The Property Committee is presently exploring options for St. Andrew's signage on this board.

What is the plan for the Rentals and church repairs going forward? Why is it taking so long?

As previously mentioned, the church realized it would take a few years to work through a facility planning process and would continue to rent the properties. The Council set up a task team in 2012 "to begin exploring and studying long term facility planning with emphasis on designing processes through which the congregation would be able to examine its facility needs, develop a timeline and budget". The team concluded its work by recommending the congregation "fine tune its ministry before continuing the facility discussion". (Quotes from 2013 Annual Report)

In early 2013 the Council formed the Facilities Assessment Task Team with the directive to develop and perform a process for assessing the main facility needs and the rental properties, and present an alternative analysis. A 50 page report was delivered to Council in Feb. 2014 after a year of gathering financial, usage and structural information; identifying the congregation's vision focus; and developing recommendations. On March 1, 2014 Council met with the Facilities Assessment Task Team to discuss the report. Council is now in the process of studying the information in the report.

What are the next steps?

The Council will seek input from experienced people as needed and refine the recommendations of the Task Team. Council is giving this top priority and strives to present option(s) as soon as possible.

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