

Questions & Answers

The following questions, unranked or prioritized, are questions participants in the workshop held on June 2, 2024 would like answered.

Because of the complexity of the property and its management, including the fluid nature of market valuations of the property, the Committee is providing answers to these questions in an independent, stand-alone document.

The answers were drafted and reviewed by the Committee and best reflects the knowledge of the committee as of June 11, 2024.

1. What will we do with the proceeds of the sale?

Because the entire property is used to secure our mortgage, the Church would likely have to satisfy (pay off) the entire mortgage in order to complete a sale. There will also be various legal fees and costs, such as recording fees. Any funds left over would be budgeted by the Wise Council subject to owner approval. Per Pastor Scott Martin's email on June 5, "this cash out would have three purposes: 1) Pay off our total mortgage loan, 2) Fix our current church's roof, 3) Create an account for future ministry growth."

2. How close to capacity are we?

The raw capacity in the Worship Center is 299 per the fire marshal. Current parking, including all spaces in the entire property, includes 129 spaces. However, as a practical matter, only approximately 100 are available on Sundays for Church use and less than that on mid-week due to other tenant use and special events such as funerals, conferences, weddings, etc. In addition, an oral agreement with the adjacent pool supply store (SCR) allows worshippers to park in their front lot on Sunday mornings. Adding services could increase our capacity, limited by staff and the constraints of other supporting ministries, such as E3KIDs.

3. Could we get a loan to leverage our equity and allow time for lease rates, CAM fees, and increased growth and tithing to take effect?

This option has not been pursued. The assumption is that the Church can secure a loan. However, while recovering, tithes are still lower than before the Pandemic (see table below), although they are recovering. (E3 shares this situation with most donor-drive nonprofits.) Tithes have stabilized and increased under Pastor Scott. Nevertheless, securing a loan may not be an easy task.

Fiscal Year	Tithes
FY20-21 (Pandemic Year, Pastor Transition)	\$403,697
FY21-22 (excluding pastoral fund)	\$386,387

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FY22-23	\$394,737
FY23-24 (Budgeted)	\$400,000

4. What is the current growth projection?

Within five years, at current growth rates, E3 could outgrow its current facility. Recent attendance has been as high as 175 not counting E3KIDS. Attendance is consistently 40% to 50% higher in 2024 than in 2023.

5. Is another campus available and affordable?

We are aware of several potential properties which could potentially be purchased or rented. However, we do not believe at this time that any of those sites would be less expensive than our current site. For example, the Good Samaritan UMC site on Capital Circle South is available at \$4.5 million.

6. If we rent at market value, would we be sustainable?

This answer depends upon several variables that are impossible to predict or project. Market forces and individual tenant finances drive the answer. The shortest answer is that rents at current market rates could produce a profit for the Church only if there is sufficient occupancy. Stated another way, cost and occupancy vary inversely. Lower cost normally equals higher occupancy. We are currently fully occupied, but may or may not remain that way as rent and CAM (common area maintenance) fees are increased to mirror market rates and actual CAM costs. The rent and CAM fees can only be increased when existing leases expire. A schedule of lease expirations is available.

7. What is the long-term plan for post-sale?

While the Church currently has adequate space, in the long-term, we are limited primarily due to parking. There are two avenues that our staff are beginning to investigate and prayerfully pursue: increasing the size of our home campus to a larger site, pursue a multi-site, or planting a new campus in and around Tallahassee.

8. What will happen with the roof?

We expect that wind insurance will, over time, become increasingly expensive and eventually will either be cost prohibitive or just not available. Therefore, the roofs must be replaced at some point. The most current estimates for the replacement of all three roofs is in the \$120,000-\$150,000 range. This will become more expensive as time passes, and insurance costs will increase, so it makes financial sense to replace the roofs as soon as practically feasible.

9. What are the financial implications of moving to a new campus?

Moving to a new campus has many pros and cons. Locating a space that meets our needs may be a long and difficult process. Mortgage rates for a new loan may be higher than what we pay on our mortgage now. Costs to move and the disruption of a move may affect operations and attendance. It is not clear that current tithes are sufficient to

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pay market costs for rental space. More specific analysis will be needed to give a more complete answer. In addition, the high percentage of rental income to the Church's revenue creates a complication for potential lenders because a move would likely entail the loss of this income to finance a new mortgage.

10. Could we have more offsite parking?

The existing property has 129 parking spaces distributed among the front and rear parking lots. A number of these spaces are used by employees and customers of our tenants, depending upon the time of day and the day of the week. An oral agreement allows the Church to use space next door at the pool supply store (north of E3) on Sunday mornings. It has been suggested that the Church might be able to obtain an agreement to use parking space behind (to the west) of the E3 building if the owners and tenants are amenable. The owners were contacted, but due to the industrial use of those units, the owners were not comfortable with the Church using that lot. The Church does not expect to be able to secure an agreement with the property owners to the south (roofing supply) for use of that parking space at this time.

11. Is there a timeline?

The existing purchase offer has an expiration but a specific date is not firm. At some point, the offer may be withdrawn. The Church can decline that offer and then offer to sell to that purchaser or place the property on the market at any time in the future.

12. May we see the financials?

The proposed FY24-25 budget shows two proposed budgets: one with the Church keeping the property and the other if the front two buildings are sold. Both optional budgets show a deficit unless tithing increases. The budget estimates that the cost of retaining the property is \$51,500 higher than if the front properties are sold. This budget will be distributed in preparation for the June 23 Annual Meeting.

13. Can we just rent the entire facility as an investment property and move elsewhere, using profits to help with costs at a new site?

We have not explored this option.

14. What is the financial viability for E3?

E3 has been spending more than it takes in for several years. Rents have slowly increased, as have costs associated with the property (most notably wind insurance and mortgage costs). Absent increased revenues to balance the expenses (primarily increased tithes, rental income, and CAM fees), the Church will slowly spend down its remaining reserve and go "into the red." Unfortunately, due to the structure of the leases, which are longer term, increasing CAM fees and lease rates suggest that significant restructuring of leases is unlikely to occur before 2029.

