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November 11 Town Hall Presentation
Project Scope Reduction & Budget

Good morning all.

Let me start with a very quick history, for those who are new or may have lost the thread.

In 2012, when my good friend and colleague Sheri Benninghoven and I were Wardens, the Vestry got confirmation from a building inspector that our worst suspicions were true: the oldest part of our Sanctuary, including the Bell Tower, was standing on piles of stone, without any real foundation, and might not withstand even a moderate earthquake.

The Vestry and congregation agreed we had to act. We had done an Every Member Survey to ask what improvements were needed for the Sanctuary to serve the needs of the congregation and the wider community for the next 100 years, and we had gotten a really good wish list.

So we did another Survey and asked whether we should address all the Sanctuary's needs together, or fix the seismic problems first and schedule other needs for later. The consensus was to proceed, keeping the Parish informed each step of the way, and making no changes to the "look and feel" of the Sanctuary that were not absolutely necessary.

In late 2013 we launched a Capital Campaign to raise \$10.1 million for construction and \$1.5 million for endowment and reserves, and in 2014 we hired renowned local architect Bob Easton to start work on building plans and the multi-year process of obtaining all needed County permits.

In 2016, using an emergency permitting procedure, we completed Phase 1 of the Project—dismantling the Bell Tower and rebuilding it in its exact likeness, on 30 foot deep pylons with a reinforced concrete core.

Meanwhile, we proceeded with finalizing our Phase 2 building plans, raising more than the \$10.1 million goal for construction, and obtaining our amended Conditional Use Permit.

We had originally planned to begin Phase 2 construction in September 2017, but problems finalizing on a location for Sojourn worship, formation and fellowship, and our desire to address concerns among Parish School parents, required us to delay the start until early 2018.

Just as we were putting the finishing touches on plans to remove and store the Sanctuary's contents and prepare the Parish Hall for Sojourn Worship, the Thomas Fire hit in December and the debris flows on January 9.

Like everyone else in Montecito, we scrambled to regain some kind of balance. There were enormous pastoral and operational priorities to address, and by the time our construction plans had been cleared by the County Building Department and had been released to our three finalist General Contractor candidates for bidding, our construction start date had slipped to October 29. Critical to that timetable was getting sealed bids in from our three General Contractor finalists on June 1.

On June 1, the Facilities Committee assembled in the Church Conference Room to finally open the bids. Our construction budget of \$4.7 million, excluding our contingency reserve, had been updated for the third time in mid-2017—in anticipation of our original start date of September 2017—and we were all pretty confident. To our minds, the question was, would the winning bid start with a \$4 or a \$5?

You all know what happened next. All of the bids started with a "\$7" and the low bid was \$7.2 million, more than 50% over our budget.

We began a whirlwind round of meetings with each bidder, with our architect and engineers and with local construction experts. It became clear that:

- The building booms following Hurricane Harvey's destruction in Houston in mid-2017 and the wildfires in northern California in the Fall of 2017 had driven up construction materials prices by double digits,
- Our own Thomas Fire and the January debris flows, which damaged or destroyed 10% of Montecito's housing, had further driven up materials costs and made the local construction labor market very tight, and
- Our two construction start delays had compounded these inflationary pressures.

Our problem solving was constrained by a number of imperatives: when we began the capital campaign, your leadership had committed that:

- Once we reached our construction funding goal, there would be no further Parish-wide fundraising for any Project cost over-runs, and
- We would not enter into any long-term debt to fund the Project.

On the other side, we had invested a great deal of Parishioner funds to design the Project and get our land use and building permits; while the land use permit would remain in effect, our building permit would expire if not used, so there could be no turning back.

The only remaining option was to reduce the scope of the Project until new cost estimates brought it down to fit our Project budget.

One thing we had learned was that, no matter how good your architect, the best judges of construction costs are the construction trades. We made a decision to work with a single General Contractor to analyze the savings available from different downsizing options.

With Vestry approval, we chose the best of the three finalist bidders in our bidding process—Armstrong Associates.

- Armstrong had been the low bidder,
- They have long-standing roots in the Santa Barbara community, with clients like Cottage Hospital, and decades of experience with historic structures, including Trinity Santa Barbara, and
- throughout the bidding process they showed professionalism, thoroughness and deep commitment to All Saints as an iconic institution in this community.

Armstrong agreed to work with us on a no-charge, letter of intent basis until it could deliver a firm bid within budget, at which point we would negotiate a binding contract.

Then began the process of peeling away at layers of Project design, to bring it within budget. There was only one imperative:

- The driving force behind the Project had been to assure the Sanctuary's seismic stability. Our architect and structural engineer had designed for a building that would withstand a 6.5 to 7 magnitude earthquake on the Richter Scale, and we were resolved not to make Project changes that would meaningfully impact seismic strengthening.

Every other Project element was on the table for review.

As a first filter, we identified Project elements that could be deferred to another time. For example

- California Health and Safety law requires that a columbarium be housed within a solid poured concrete structure, and such a structure within the Sanctuary—which is the only place our amended Conditional Use Permit allows it—could only be built as part of the major demolition and new foundation construction that will occur as part of the seismic strengthening.

On the other hand,

- The roof, which we had planned to replace with a harder, more resonant version, had been re-shingled in 2011 and had a 20 year warranty; the work done in 2011 included adding plywood, and our structural engineer told us this gave us most of the seismic strengthening we would have gotten from our planned roof replacement, so this work could be deferred.
- Also, we had planned to build another 800 square feet on the southeast corner for new vesting rooms, new flower guild and altar guild rooms and ADA compliant rest rooms, freeing up the existing Vesting Room to become

the Seaside Chapel, but this also was work that could be deferred to another time. The addition was covered by the amendment to our Conditional Use Permit, which will remain in effect, and while that part of the building permit will expire, we will have Building Dept. approved plans to re-file should the Church wish to down the road.

These changes only got us part of the way to our goal, so we next looked at the construction material that had experienced one of the highest levels of inflation: concrete. The columbarium had to be concrete, but:

- Our plan to install a lower, poured concrete slab floor, in order to increase interior volume, improve acoustic quality and eliminate the entry ramp, could be changed to a new wood frame floor at the existing level, hugely reducing concrete requirements and eliminating the need for Spunstrand heating and air conditioning ducting, which is priced like Spun Gold,
- We had planned a peaked, poured concrete roof for the Memorial Chapel, but the relatively narrow width of this space in relation to its length made that feature architecturally challenging, and substituting an 11 foot high flat, beamed roof saved on concrete, created an attic space for ventilating equipment, and was architecturally more acceptable.
 - As an aside, we have sent around a computer generated depiction of the new beamed roof that doesn't do it justice—an artist's rendering would have been better, but we wanted to save money. I have a sketch done some time ago by our architect that I would be happy to show anyone who is interested, after the Town Hall.
- We had planned to pour a concrete wall behind the new organ pipes to enhance acoustics, as well as concrete in the west wall to reflect sound back into the Nave, but these elements were to support the organ, not to promote seismic stability, and
- The new organ's requirements for 24/7 temperature and humidity control had dictated demolishing the existing basement and building a new larger one to house multiple HVAC units and fans, as well as concrete barriers between the basement and the Chancel to block sound from all of this equipment, but again, these elements had were organ-related, not for seismic stability.

The problem with eliminating all of this concrete was that our organ manufacturer had told us these elements were essential to providing an acoustically and environmentally compatible environment for our new pipe organ, and that without them we would be wasting our money on a new pipe organ.

The very generous Parish family that had committed the \$1.25 million contract price of our tracker pipe organ was receptive to our problem; we could afford the organ they had funded but could no longer afford the architectural and engineering enhancements necessary to provide it a proper home. So, as Tom will report more fully, we began investigations that led us to conclude that a digital electronic organ,

using miniature speakers throughout the Sanctuary to address its acoustic deficiencies, was a better match for us. And our donor family agreed to fund that purchase and make the balance of its commitment available for other Project costs.

With these and scores of other Project refinements, our architect, working with our General Contractor and its subcontractors, has been able to significantly reduce many of the costs included in Armstrong Associates' June 1 bid, and we are expect that when our redesigned building plans are completed and provided to the sub-contractors for final bids, there will be some further reductions.

Here are some of the savings (rounded for ease of reference) identified by the newest Armstrong estimates:

- On site management, infrastructure, insurance and other "General Conditions" have gone down \$100,000, largely because the expected duration of construction has gone from 18 months down to 14,
- Concrete materials and labor have gone down \$400,000,
- Carpentry has gone down another \$400,000,
- Heating and Air Conditioning have gone down another \$400,000,
- All other construction line items have gone down nearly \$400,000, and
- Bottom line, including contractor's profit and overhead, our estimated total construction cost has gone down \$2 million, from \$7.2 million to \$5,178,000.

That's still not down to our previous budget of \$4.7 million, but with our pipe organ donor family's generous permission to use the savings from buying a digital electronic instrument for general construction needs, we were able to bridge the gap.

So, let's turn to the budget. It has not yet been approved by the Vestry, but it was recommended by the Budget and Finance Committee last Tuesday and will be reviewed by the Vestry next Tuesday.

What we will show you is a short version with the numbers rounded, for ease of reference. This shows our previous budget in Column A and our proposed new budget, reflecting the new Armstrong Associates estimates, in Column B. I want to go through the lines pretty fast—so I don't lose any more of you than I already have--but I'd be happy to address anything in the budget during the Q&A session.

This slide is our Revenue.

- in line 1a, both columns A and B, we show that we reached our \$10.1 million goal, and in line 1b, Column B, we show that we actually exceeded the goal by \$175,000. Column B is \$90,000 lower than Column A because we re-categorized a donation from construction to non-construction use.

For the rest of the Revenue items, I'll be addressing just column B, the proposed new budget:

- in line 1c, commitments to endowment and funded reserves total \$52,000 so far—meaning we need the \$962,000 in line 1d to reach our \$1.5 million endowment and reserves goal.
- In line 1e, you will see we are budgeting \$475,000 of revenue from sales of Memorial Chapel niches and plaques, which is the amount we will receive from sales of the 78 niches and 33 plaques already committed for. If any of you are interested and have not signed up for a niche or plaque, we have plenty of spaces left in the Memorial Chapel, so please call Kathleen Bright in the Office and she will be happy to go over the brochure with you and answer any questions.
- Lines 1f and 1g show interest earned and expected to be earned on commitments paid, up to the time we have to make construction payouts.
- So Total Revenues are budgeted at \$12,041,000.

The next slide shows our Project Expenses. Again, I'll mostly address column B:

- Lines 3a and 3b show the costs of rebuilding the Bell Tower in 2016. You will see that line 3b goes up \$66,000 in the Proposed Budget, because we made some permanent wall repairs as part of the Bell Tower work that otherwise would have had to be done in the current construction phase.
- Line 3c is our new General Contract construction cost estimate of \$5,178,000.
- Line 3d is construction costs we will pay outside of the General Contract, in order to avoid General Contractor Profit and Overhead on those items, and line 3e is early Project assessment work and insurance costs.
- Line 3f is our new contingency reserve of \$823,000. That is a little over 17% of the General Contract budget. We are comfortable that, with our General Contractor and its subs doing the cost estimating and with the reduced complexity of the Project, this is an adequate reserve.
- Line 3g, for organ design, build and installation, is now \$548,000, down from \$1.25 million, reflecting the cost difference between a digital organ and the previous tracker pipe organ, plus sunk costs associated with our terminated contract to purchase the pipe organ.
- Line 3i is the budget for fees of our architect, engineers and other professional and costs of our land use permit and building and other County permits.
- Line 3j, \$250,000, is our budget for redesign of the Project to bring it within budget. The downsizing program has required that a significant number of construction plans be revised and resubmitted to the Building Department for plan check. This cost, on a not-to-exceed basis, is in this line.
- Line 3k is our estimate of borrowing fees and interest for short-term borrowing if commitment payments do not keep up with the timing of construction payouts. If commitments are paid promptly, we could reduce or eliminate this cost.
- Line 6 is costs for internal staff support and for preparing the Parish Hall for Sojourn Worship, and line 7 is costs related to the Capital Campaign and capital management through the end of construction.

- So Total Expenses in line 8 are budgeted at \$11,942,000, which is \$99,000 less than budgeted Total Revenue.

Some of these lines can change, including Line 3c Construction Cost, but we are confident that we can manage any changes within the four corners of the Budget. And again, if you have any questions on these very complicated slides, I would be happy to try to respond in the Q&A session.

I know you will have questions about next steps from here, and The Rev. Aimee will have more to say about our schedule, but before concluding I would like to thank her for her inspiring leadership through all of these twists and turns, would like to thank our Facilities Committee for its tenacity and creativity, and certainly want to thank Alyson, our Project Manager, whose expertise and tireless, careful, cheerful stewardship of this Project has allowed us all to move forward.