

2025-03-04 Core Team meeting notes

Core Team Members: Gail Bishop, Erika Fetterman, George Huston, Ann Hutton, Jean Murray, Dave Pesch, Walt Rothwell, Rev. Luke Stevens-Royer, Greg Turosak

Chalice Lighting- Jennifer Stokes

1. Welcome Dan Groeteboer:

- Update on interest in 1727 Walden Lane:
 - No response from Ethiopian Orthodox Church after multiple attempts, Dan continuing to send emails asking if there is interest
 - Completed Rochester survey regarding how \$5B Mayo expansion (Unbound, 5 year construction period) influx will affect Rochester. It's putting a lot of eyes on Rochester, but hasn't affected the real estate market yet. Mayo slowly onboarding people for current needs... the most impact will likely be in 2 to 7 years from now when buildings are built. Noted there is a \$6M ramp-up in the new Kellen building for research... Mayo has extensive philanthropy access, but is aware of the new administration's cut backs on research grants.
 - Feels Rochester market will continue to be strong- Dan recently wrote a purchase offer for a \$150K house by Beetles restaurant... 16 offers, 8 cash, sold more than \$180K
 - Dan's subdivision- has 4 homes being built for greater than \$1M, 2 homes greater than \$2M.... Buyers are out there... usually if residential is strong then commercial is strong based on confidence in residential market
 - Doesn't see 5% interest rates in future. Felt good about rates coming down ¼ percent. Mortgage market is always ahead of the Fed rate. Residential currently is around 6.25%, and commercial rates are around 7.25% to 7.5%... the commercial rate for a strong buyer might get a rate in the 6.75% range. Dan stated whatever actions the Fed takes don't affect residential rates much (30 year market has more flexibility for rates to go up and down), but do affect commercial rates since they are based on 10 year bills).
 - Condominiums- until last 1 to 2 years Minn. state law required they are warrantied for perpetuity... now it's 10 years. Old Post Bulletin location will be developed as hotels, rentals, high-end condos. Rochester is in need of downtown condos which are skyway connected to bars, restaurants, theater, Mayo, etc. These condos would likely run \$700K to \$1.2M range. Shepner, Stencil, Weiss, Knutson, Benike do these types of projects.
 - Lot of 6th St SW houses will come up for sale when the Zumbro bridge is completed. 2nd Steet will have tram access.
 - Potential buyer comments: upper lot and Sanctuary are not big enough per 2 churches Dan talked with.
 - Dan has been working more with developers (ie- Nate Stencil) who would repurpose the building into a 55+ type or assisted living of Development. Project needs to be 'soft enough' that the neighborhood would accept it. Concept is that much of the building would be on the lower parking lot to accommodate parking under the building with elevators to upper levels.

- What is the most important listing factor- interest rates, listing price, etc?
 - Listing price is #1 to get the phone ringing. Developer then uses the building price, construction costs, and interest rates to determine if the investment pencils out.
 - Dan suggests the price needs to be in the \$3.4M to \$3.6M to get a purchase offer in the next 6 months. If we could get to a place with a contract, we would have a known input for the total funding amount for Viola. 'The property will sell for what it's worth. We've shaken the trees hard enough to know that we can't get someone here at \$4.75M'. Dan would rather have us at \$3.55M / \$3.6M with 4 offers that we're negotiating than no offers at \$4.75M. We can stand firm on the offer if we don't want to reduce.
 - Market interest is now (Spring)- people that are looking are looking now. We need to decide when we make the price change based on our timing. If we received an LOI for 1727, we have more information. LOI will state buying price with a potential closing date with 90 day due-diligence period to include xxx, and if at 90 days buyer is not confident enough to pay earnest money, an extension to the LOI will be requested, then when we get to the end all earnest money will go hard, and we will close in x days.
 1. Not good to keep listing for a long time- building is perceived as less valuable by buyers. When the price is changed, the revision is updated to the market within 24 hours. Consider pulling the listing based on our timeline and decisions.
 2. No buyer will give us a long term runway before moving. Reality is that when the building sells we will be renting.
 3. Note a couple of the recent large projects- sports center, etc.... The estimates are far greater than initial estimates.
 - Other:
 - AMPI & K-Mart sold to the Regan family. Waiting for the bridge finalization plan to know how to develop the site. Will have small homes, brownstones, condos, hotel, etc.
 - Current 1727 Walden appraisal is \$2,585,800 (same for last 8 years), which was what Word on Fire's offer was based on. WOF's plans are for hundreds of millions of dollars for development north of Rochester. Commercial appraisal could run \$5K to \$10K, but we don't need it. Don't get caught up in assessed value since people understand and focus on market value. City has narrowed the delta between assessed and market values... same with non-homestead and homestead.
 - Tariffs- changing some restrictions on materials that have nothing to do with tariffs.
2. Report back on tasks from last meeting:
- Location:
 - Summary of 02/27/25 meeting with Widseth
 1. Ref Greg's mtg minutes, possibly another, next Board mtg is 03/19
 2. Widseth to send proposed contract revision including remaining work to do
 3. Some extra costs were for extra meetings, some work performed covers multiple areas, etc.
 4. Amend the SDP to include the location of a shelter? Widseth recommends we include all potential items in SDP sooner instead of later to prevent a requirement for a new review / approval process for the change. We didn't request Widseth to perform work on this.
 - Location: City Council consent agenda
 - Our easement was approved, JW should have been approved last night. Next steps are for Peter / Widseth to proceed with 2 quit claim deeds, driveway maintenance agreements, and the small triangle to get notarized and filed. We have no attorney fees for this item.
 - Location: ES911 and street naming

- Dave contacted the County regarding the trail in the right of way asking who is responsible for maintenance:
 1. we own initial construction & snow removal, but future reconstruction and seal coating belongs to county
- Naming of internal streets:
 1. Erika has an email from Dave MacCallister stating we can name the street coming in from Centurian Court NE. If we don't name the street, it will continue to be Centurian Court (Lane?) NE.
 2. Erika told Dave 'Centurian' is not a good name for a liberal church, so Dave M. checked with his supervisor and said they could accommodate a private road for us. We would be responsible for providing a list of requested names for approval, then pay for the street signage at the intersection.
 3. We come up with a list of names, send them to Dave M., they scrub the list to make sure none are duplicates of existing street names in Olmsted County, and then they would reply with names we could use. Street number would be somewhere in the 2500 range, and the street name would end with 'Place'. If there is future access from Circle Drive, it would be the same name as coming from Centurian Lane NE. Dave M. also stated with next SDP filing we need to include the address request change form and \$112 filing fee. Cannot pull a building permit without an address. Luke will work on the naming process. Erika has access to a database of existing names to see if they are current.
- Parking lot grading and interim topping (plus shelter high level cost)
 1. George contacted Kramer, has not heard back yet, but initial feedback is gravel cannot be used
- Generosity:
 - Rev. Luke and Gail spoke with Rachel Maxwell:
 1. Rachel thought it is possible and doable, but don't do a 2nd ask until we have more certainty of how much more we need. Messaging is important.
 2. Rachel recommended we don't spend a lot of money on the land, and if a shelter it should be very minimal
 3. Rachel noted 1st UU is one of the major players in Rochester to counteract extremist views and policies
 4. Leadership has to be on board for a 2nd ask and answer why now and why at this time
 5. For additional giving, focus on largest contributors (top quartile) first. There will be a new meeting in May for new members- welcome dinner and asking them to participate in the Capital Campaign and annual Campaign. Noted generally there is a lower percentage of giving for newer congregants as they don't have the ties, roots, history, etc. Annual operating budget campaign ends mid-to-late March.
 6. Jamie is working on a 5 year financial plan and will bring initial thoughts to the Board and Financial Stewardship.
 - Luke polled the staff:
 1. Overwhelming response is that we need to build sooner than later and we need the new building now more than later due to social and political distress due to the new Administration. ie- last Sunday there were 130 people at 11 am service, 25 visitors, and the lobby was cram packed.
 2. Building half a building is programmatically detrimental vs. a full building with inadequate space.... What are reasonable reductions in current design such as 1

less classroom, smaller Sanctuary, without the Conference room, plans to expand, etc?

3. Review [Viola Land Stewardship Plan](#) and discuss possible next steps
 - Not discussed due to time constraint, will be added to 03/18/25 agenda
4. Financial Update:
 - 03/02/25 Treasurer report:
 - <https://drive.google.com/drive/folders/158TThpwnt8Lxz2ryoXqzakwhVXubeET9>
 - Noted delta of approx. \$2K due to the difference between market value and cost basis CD's.
 - Widseth invoice: \$7,216 for services through 01/17/25, completes the \$57,730 contract
 - Widseth approved non-payment of invoice with no late fees until they get back to us with possible lower amount due
 - Kramer- there may be a few hours in March based on requests regarding grading, shelter, etc. info.
 - Viola mortgage is 5.95% interest rate with 2% pre-pay penalty vs early approx. 4% on CD ladder discussion. Decision is tabled until we decide if we're going to lower the building price sooner vs keeping price higher for an expected longer period till it would sell.
5. New Green Group:
 - Not discussed due to time constraint, will be added to 03/18/25 agenda. George to get back to Alex Hidalgo to let him know.
6. Other:
7. Next meeting: March 18, 9:30-11:30 am
 - Future BOFBO Core Team meetings: April 1, 15, & 29, May 13 & 27
 - Note that bi-weekly Location team meetings are discontinued