

**Presbytery of San Jose: Notice of Stated Meeting
Special Called Meeting March 26, 2022 9:00 am on Zoom**

Pre-registration required

Zoom meeting (pre-registration required, Zoom link at <https://sanjosepby.org/>)

**9:00 Opening Prayer
Acknowledgement** Moderator, Lands
The Rev. Nan Swanson

9:10 Stated Clerk The Rev. Erica Rader

Quorum call (8 ministers/8 elders/6 churches); Visitors; information about meeting

All New Business must be referred

9:15 Approval of Agenda The Rev. Nan Swanson

Reports received in Docket

Report from Administrative Commission for Downtown San Jose
Report from Watsonville Public House

9:20 Action requested from Financial Affairs Committee:

The Committee recommended that the Presbytery of San Jose call a special called meeting as soon as feasible to respond to two requests as motions before the Presbytery. The Committee confirmed that the Presbytery has funds available to cover the requests.

Motion: Approve request from Administrative Commission for Downtown San Jose that the Presbytery budgets \$989,000 to cover an anticipated shortfall in funding for the pending San Jose Urban Ministry project.

Motion: Approve request from Watsonville Public House that the Presbytery budgets an additional \$450,000 to cover an anticipated shortfall in funding for the pending Watsonville construction project.

9:55 Stated Clerk The Rev. Erica Rader

10:00 Adjournment with Prayer The Rev. Nan Swanson

Announcement : Next Standing Meeting of the Presbytery of San Jose is May 7 at 9:00am on Zoom.

To: The Presbytery of San Jose

Re: Update and Request for Additional Funding for the Downtown San Jose Urban Ministry Project

The Administrative Commission for the downtown San Jose project (the Commission) is ready to begin the remodel project on the grounds of Westminster Presbyterian Church (“Westminster”) relative to the pending Urban Ministry Center; however, the City permitting process took longer than expected and construction costs have been severely impacted by the COVID 19 pandemic and supply chain issues. As a result, we’re facing much higher construction costs than anticipated in 2021 with an increase in both material and labor costs by almost 40% at this point, with no increase in the scope of the work. Our project that was within budget a year ago, now anticipates a shortfall of almost \$989,000. We are prayerfully appealing to the Presbytery to help us close this gap. We have exhausted all avenues for downsizing the project and further delays are likely to drive prices even higher. The Urban Ministry Center, in partnership with Westminster is set to provide needed services in response to the physical, psychological, and spiritual needs of downtown San Jose residents, particularly in addressing issues relative to homelessness. This is an opportunity for the Presbytery to invest and participate in an outreach center critical to Westminster and the wider community.

Background. This Commission was created in the spring of 2019, subsequent to the dissolution of First Presbyterian Church of San Jose (“First Church”). It was tasked with managing First Church’s former property until the sale option officially changed hands with the purchaser, as well as investing the funds from the sale into a San Jose urban ministry as a legacy of First Church. The Commission has used some of the funds to relocate the historic First Church bell; preserve two of the antique, custom-made, stained-glass windows; provide support to Front Door Ministries; and cover the architectural, permit, and construction plan fees to date. The remaining funds available for the project total approximately \$3.2 million.

In the fall of 2019, the Commission began conversations with the leadership of Westminster and reached an agreement soon after to use part of Westminster’s property for the Commission’s idea of an urban ministry center. Our Commission was excited at the unique opportunity this arrangement afforded the Presbytery. The location is ideal for multiple reasons, there are existing buildings with parking available, and there is an inherent and ongoing relationship to the Presbytery. Westminster then brought The Bill Wilson Center to the table as a potential tenant. The Bill Wilson Center is a well-regarded community-based organization with a proven track record offering a

range of services (billwilsoncenter.org). Our three organizations reached the following agreements:

- The Commission would provide the initial funding for the required upgrades and renovations of the two-story Education Building and partner with Westminster to oversee the construction phase.
- Westminster would clear the building of its few existing tenants to make it available for urban ministry, help manage the construction phase, and maintain management and maintenance responsibilities once construction was completed. Westminster also took out two different Synod loans to renovate the small Chapel adjoining the Education Building and to contribute financially to the overall project. The renovated Chapel would also provide a multi-purpose space available for tenant use.
- The Bill Wilson Center signed a long-term lease that begins when construction is completed, which includes the use of the facilities for the Center for Living with Dying and other services compatible with the neighborhood. This guaranteed a strong presence, long-term stability, income to maintain the facilities, and to strengthen Westminster's ongoing call in the community. Partnering with The Bill Wilson Center also allows both organizations to complement each other's services, with Westminster providing spiritual support in conjunction with The Bill Wilson Center's resources.

The Commission engaged an architectural firm ("Artik") in late 2019 and a general contractor (Bogaard Construction) in 2020 and began an arduous process of finetuning, pricing and "value-engineering" the project to bring the projected costs in line with the funds available. This process stripped away virtually anything that wasn't necessary to bring the buildings up to code, allowing us to break ground once our permits were in place. Artik submitted preliminary plans to the City for review in June of 2020, which also initiated the permit process. This process was hampered by City office closures due to the pandemic. We just received our final permit approvals this February 2022.

Our general contractor recently began gathering final bids and we quickly saw that our current funds are insufficient to cover the higher costs. These costs are not due to inaccurate projections. The entire construction industry is experiencing these problems. However, we'll continue to be vigilant in overseeing costs and will try to come under budget, if possible, without compromising the quality of the work.

Our hope is that given the funds from the sale of First Church's property and the loans that Westminster has procured, that the Presbytery would be willing to also contribute to the project to cover the gap in costs. This is an outreach opportunity to address very real needs in our downtown neighborhood, as well as invest in one of our Presbytery's churches. Given our connectional nature, Westminster's well-being contributes to the well-being of the overall Presbytery and the community.

In light of the above, the Commission respectfully requests that the Presbytery Budget \$989,000 to cover the anticipated shortfall on the project.

On behalf of the Downtown SJ Administrative Commission,
Sharon Rowser, Co-Chair Carolyn Rosen, Co-Chair
To: The Presbytery of San Jose

Re: Update and Request for Additional Funding for the Watsonville Public House Project

We anticipate receiving the permits and approval by the City of Watsonville to begin renovation construction of the building to be leased by Presbytery to Watsonville Public House (WPH) within the next month. Upon receipt of these approvals, we hope to enter into a fixed price contract with Bogaard Construction Company to perform the renovation of the building. The design and permitting process has been quite slow and arduous, exacerbated by work and communication issues created by the Covid pandemic. These problems were suffered by both our design and permitting team, and the City's organization. In the meantime, construction costs have risen significantly to the point that our original Presbytery approved funds are inadequate to enter a construction contract to complete the project.

Background: In July 2020, Presbytery confirmed the purchase of an approximate 7,000 sf commercial property in the center of downtown Watsonville for \$1.2 million to begin a unique ministry facilitated by a “public house” microbrewery and run by Presbytery of San Jose Minister Member, Rev. Robby Olson. The property is now an asset of the Presbytery and will be leased to WPH after Presbytery completes the renovation. Presbytery confirmed a \$1.85 million renovation budget for the property, and a \$700,000 loan from the Presbytery to WPH for brewing equipment and startup cost with a 10-year payment schedule.

After purchasing the building for \$1.2 million the Presbytery entered into a fixed price contract for \$182,630 for the engineering, architecture design, and construction permitting. This amount has remained fixed. Our current estimate for the total cost of the project (including the \$182,630 listed above) is \$2.2 million. This \$350k (19%) increase is attributable to inflation of labor and material costs over the past two years. We are asking approval for a \$450k budget increase, the extra \$100k to ensure that in the case of unforeseen expenses, we don't go through another approval process. Of course we will be diligent and not spend any of the additional funds that aren't essential to the completion of the renovation.

The Engineering News Record, which is the construction industry standard for providing cost inflation indexes, indicates a 13.4% increase for the year 2021, about four times the annual rate of recent years. As of the end of February, it appears the 2022 rate will

most likely be more. For reference the increase for 2020 was 2.8%, 2019 was 3.6%. Obviously the entire construction industry is experiencing price escalation issues similar to ours.

Our hope is to enter into a fixed price contract with our selected contractor, Bogaard Construction, within the next month. We believe, and Bogard has confirmed, the actual construction should take approximately 6 months.

We have been very conservative and have not added any “frills” or architectural items that aren’t necessary for the basic functioning of a modern brewpub, that meets the City’s requirements.

We have also learned the salvage yard property next door and the access way behind the WPH property have been recently purchased and there are plans to demolish the existing structures and build a significant housing development. We are confident the WPH value to the community will increase with this development.

We are hopeful, and believe, opportunities for services and collaboration should become apparent, while Presbytery’s investment capital is secure.

In light of the above, we respectfully request that the Presbytery budget \$450,000 to cover the anticipated shortfall and provide an adequate buffer in case of unforeseen overruns.

On behalf of the Board of Directors of Watsonville Public House,

Charlie May - Secretary Watsonville Public House