



## LAFAYETTE SQUARE RESTORATION COMMITTEE

October 25, 2018: SqWires Annex

### Special Meeting regarding the purchase of the former Stray Rescue Building

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**CALL TO ORDER 6pm**

**Emily O'Brien**

Membership checked upon entry, questions and vote to members only

#### **Overview**

**Matt Negri**

- This is an opportunity for a space of our own – for neighborhood meetings, storage space, etc. We have been looking for the last several years.
- The board had discussed that this might be a property that we would look into attaining. At the request of the exploratory committee that the LSRC assigned to look at the property (which had been on the radar for about a month), Creighton Brinson called the owner—an investor from Maplewood—to tell him that the neighborhood was interested. The guy was a little reluctant but allowed 9 members to walk through 2 weeks ago (on 10/11). Creighton has no personal gain from this; he has waived all commission and fees.
- History of the building (city records):
  - Built in 1918; in 1998 Quentin Machinery sold it to a private individual for \$39K. In 1999, that individual sold it to Stray Rescue for \$47K.
  - The building has sat empty for a year. Stray Rescue proposed turning it into a thrift shop and came to the LSRC assuming they could do this. They would have had to have historical renovations on the front. They were dealing with cultural, zoning change, development committee, neighbors...all proved too difficult for them. So they decided not to use Laf Square and move to another neighborhood.
  - The last dealings were a few months ago, and they said they'd put it up for sale for \$150K. In October of 2018 Stray Rescue sold it very quickly (no for sale sign or MLS listing) to a private individual (investor from Maplewood) for \$75K cash with no inspections.
  - The best comparison for a building like this is the former Garden Walk at 1128 S 18<sup>th</sup>, which sold in March for \$204K (\$148/sq ft). If the LSRC offers \$95K for this building, it would be \$66/Sq Ft.
- Details of the building:
  - 1 floor, 2 rooms; entire space is 1566 sq ft per records
  - Concrete floor, freshly drywalled and newly painted, 1 half bath (NOT ADA)
  - Convenient location for meetings and storage,

- **Condition of the Building:** The initial walk-through showed: HVAC average, hot water heater OLD, electrical needs work, roof needs patching (may have had work in last few days), front façade would have to go back to historic standards, landscaping minimal.
- **Summary of Matt's thoughts:** The space is needed. I've been active on board since 2013 and member of LSRC since the beginning. The Park House is too crowded, the stairs are treacherous, it's a fire hazard when all 17 members of the board are there! The downstairs is used quite a bit, and Bethany (Sqwires) could advertise it more if it didn't have such heavy use by the LSRC, Arts Council, Conservancy, and other groups/committees.
- **Emotion aside...**this is a business deal, an investment. We have almost \$250K (a lot of it is committed) representing house tours and membership money. Yes, people want cameras and other big ticket items, but this is something we could afford, and we CAN maintain properties. They just haven't been our own properties.

### Background/Justification

Kim Peterson

What are we going to use the space for?

- **Common area for meetings:** Safety, House Tour, Block Captains, LSRC Board (17 members), maintenance, development, arts council....and others; there are some nights when there are two meetings at the Park House. It's important to have good meeting space.
- **Work Projects** such as the neighborhood directory...there were 1000 that needed to be stuffed with information.
- **Office space:**
  - Looking Glass is closing and has been giving the Archives Committee space; they'll need someplace new.
  - At some point, we might offer space for the police to have a substation, their current space is not sustainable.
  - We have talked for many years about an administrative assistant.
  - *Small* events (30-50 people depending on setup) could be held in the building. It's not large enough to have membership meetings, but there are many small events that we could have such as a trivia night, new neighbor event rain space, etc.
- **Storage:** The LSRC has stuff stored all over the neighborhood! The main things we need stored are archives supplies, house tours supplies, Santa chair, etc. At this building, you can drive up, and you are three feet away from the storage room. It's convenient and in the neighborhood. We have talked about renting space outside the neighborhood; that might work for house tour supplies but for the regular/monthly stuff, it's not practical.

### Financing/Expenses

Laura Vowell

- We've run numbers to look at the cost/expense of owning and maintaining the building. We are not assuming any cost-savings although we think there might be potential savings and income. Everything run has been a conservative estimate because we don't have detailed information yet.

- We have gotten quotes from several lenders. Again, we've been conservative from a monthly cost perspective
  - Paid out of the mortgage in 10 years at 5.75%
  - LTV of 80% on an AS completed appraisal of at least \$145k (95 sales+50 for improvements).
  - Assumed a 95K sales price, down payment of \$30K, and \$50K of up front expenses. (We've only come up with \$35K so far, but we assume that there may be others when including everything.
  - Would add 700 in insurance
  - We've assumed about 5,000 in annual expenses (includes 2K cushion)
- Including maintenance, supplies, landscaping→we estimate \$23K/yr to own and maintain this building. Conservatively, 2K/month.
- We're paying about 6K/yr on substation; ultimately, it would be good to transfer that savings.
- We currently have \$250K in our checking and savings. Around \$150-160K is spoken for in set-asides for cameras, capital improvements, reserves required by by-laws, and several other smaller commitments. That leaves around \$100K to use toward the down payment.

### Membership Questions

- **Question:** Are we going to look at the out of pocket expenses and then re-finance after the work is done?
  - Laura: We would get an appraisal assuming the improvements were made. We have not applied for that loan yet. With the amount of cash we have, we have options. This is a conservative analysis. The expectation would be to not lay out cash out front.
- **Question:** What is the current owner's stance?
  - Creighton: This process had come on the market MLS exempt for several days. We had reached out to Stray Rescue on numerous occasions over the last 90 days (to their treasurer, Randy Grimm)...maybe they just didn't like us! They listed it with an agent, and it was off MLS, then it was put in MLS as soon as they had a contract. Buyer got a sweet deal at \$75K; if it had been marketed properly, they could have come close to \$150K. The building is in pretty good shape; they've done some work but definitely average to ok on the roof. (Some folks from the exploratory committee got up there!) In talking with the owner, no numbers were floated with him. The reason we are moving quickly is that he is falling more in love with the property the longer he owns it. And we need to make it a quick flip for the owner. That gives him a fair return for owning it for a short time. He's already talked about a spaghetti manufacturer, mini-microbrewery....all of those things would require variances in zoning. He is showing the property to others.
- **Question:** Does this proposal impact capital improvements that have not been committed to?
  - Mary: It does not impact where we've set aside money already. The end of Carroll will continue, Park Avenue pilot signage program is moving along, Rutger/Jefferson has been held up with the city. NONE of these will end. As far as the other things on our list, we are putting those together for our budget for next year; we have things that are sky high that

would be accomplished over 10-15 years and smaller projects over 1-2 years. I can't give you a definite yes or no.

- **Comment:** This organization has not owned property like this in 40 years....we need to keep in mind that it's \$2,000/month for ten years. We're not looking at whether we can afford it just this year or next year...with that kind of money, we could make lots of improvements to other places. Do we really as an organization want to spend 2K/mo [on a mortgage] or instead of renting a space downtown, or renovating the Park House? There are a lot of free things we've taken advantage of over the years. In some years we don't have lucrative house tours....I can see why it would be nice, but as a 40-year member, I'm skeptical at what tomorrow might bring.
  - **Comment:** We HAVE owned property. There was a meeting in the early 80s to buy more homes that were shells at the time. We changed the marketing that year and sold every house we had, and in a year and half, we made a lot of money with that. If we find another solution [for our needs at some point in the future], this purchase would still be a good investment (i.e. to sell).
- **Comment:** On the website, it says that part of the mission is to acquire and own property. I'm fine with that. If we rent a place, that money is GONE, versus spending money that is an investment.
- **Question:** What has been the thought as far as donations? This neighborhood loves having a plaque, a brick, a bench, or tree....could there be fundraisers?
  - Dixie: Being new to the neighborhood, I'm coming with ideas of what I've seen elsewhere as well as here. The more you do with your neighbors, the more you get to know each other. My first thought was that a project like this will get people together! We could throw a painting party with hot chocolate and cookies. We're in the habit of coming together—that's what this neighborhood does. Second, there are also so many opportunities for meetings, and it's unfortunate that we don't get more money from the Park House being used for what it is designed to be used for; there is more we could do with the Park House if we weren't so dependent on it. Third, I also see people surprised at how our stuff is not all at the same place and volunteers are running everywhere. Looking at efficiency, we're asking volunteers to do things with less efficiency than necessary. How much more could we get done if we were more efficient and systematic?
- **Comment:** I was one of the 9 that went into the space. I was the first one that saw the space after Stray Rescue was supposedly finished with its renovations. I was pleasantly surprised. I'm also on a couple of boards that have to use the Park House. I haven't had the best of health, and I'm not the only one that cannot go up comfortably to the second floor of the Park House. Yes, we could renovate the first floor, but there's nothing we can do about the second floor. We could do so much with this new space.
- **Comment:** Speaking as somebody who has been impacted by the lack of storage space, that [particular need] renovates with me. I play with the Vintage Baseball Team that has been playing here for 15 years. When the boathouse was renovated, we lost storage space. I told the team I'd temporarily store equipment in my garage; that's been for 5 years now. We have looked at constructing storage space in the park; that won't happen because we're a historic neighborhood.
- **Comment:** I would like to volunteer my expertise to garden the front 2 feet of this property. 😊

- **Comment:** I'm listening to what everyone is saying. The LSRC has a need to better manage this space. If we vote for it, and the owner doesn't accept, or if we vote no, that problem is still going to be on our shoulders moving forward. We will still have to figure out a solution in the future. This is a good opportunity.
- **Comment:** I'm new to the neighborhood. Restoration is what we do here. If it's true that there are other people that are interested, they will have to renovate it, too. It's obvious that this [purchase] WILL come at the expense of other things, like the bandstand or historic light fixtures (which no private investor is going to help us with). One thing to think about is...why not let someone else buy it and restore it and make it nice? The case I'm hearing is that people don't want to drive far to get stuff. There are also other ways to invest our money. I think we should think carefully about this; this is actual money that WILL come at the expense of other things. The public library offers meeting space. I don't think we should be buying property that other people will restore for us.
- **Comment:** I have several concerns. The first is a legal concern. When we offer a 95K contract, that's legal and binding. If it's accepted, we're committed to that building for the purchase price and also the maintenance, the upkeep, etc. We'll probably need a second bathroom. There are other issues with conditional change of use; change of use permit, occupancy permit. The question of putting an earnest money contract down at this particular juncture is premature. I realize there's a time consideration, but I think the cost incurred, the long-term commitment...puts this organization in a financial burden. In the past we've had concern about paying for the maintenance of the fountain....this is a lot bigger!
  - **Matt:** I just want to add a few things. A variance would be sought; we've already talked to the 7<sup>th</sup> ward alderman. We wouldn't have to go through a zoning change, which would be forever. As far as a commitment...I've been here for 15 years, and I know people have been here for a lot longer, and I know others have not been here for very long. *The LSRC makes things work.* I know we've had our differences, but this is a highly functioning neighborhood as far as individuals go. I'm not concerned; with house tours we have presales now and get a lot of income whether or not people come. The fountain...well, that will never appreciate. Hopefully, a building will appreciate if the area around it stays the same and it's well-maintained.
- **Question:** What would be the contingencies? Who will sign the note?
  - Creighton: The contingencies would be inspections. It would be sold as is. We would have a ten day period to do inspections. The committee would then make a recommendation to the board whether to continue. There has been nothing so far that is of major concern. Usually the president and treasurer when you have a non-profit or LLC.

**The vote is to offer 90-95K contract on the purchase of the building**

**Yes--49**

**No—12**

**Abstain—1**

**We are going to make the offer for the purchase. Membership will be notified as soon as we find out.**