

December 2017/January 2018 Rejoice

Parish Update: Preparing for Fowler House 2.0

By Chris McMurray, Fowler House Committee Chairman

Most Alexandrians know our Fowler House as the Ross Dress for Less building. But we know that it's an important asset for our church – not only for the programs that happen every week in the Lower Level, but also for the rental income that Ross has paid since 1998. This year alone the rental fees were \$275,000 or 12.6 percent of our current budget.

Ross's lease was scheduled to end on January 31, 2018. A three-year extension will begin on February 1. Under the new lease, Christ Church will receive approximately \$309,000 annually, or approximately 15% of the new budget.

This is an update on why the Ross lease was extended and the early planning steps for Fowler House in 2021 and beyond.

First some background: In 2015, anticipating the end of the 2018 Ross lease, the Fowler House Committee recommended that the Vestry hire a leasing broker. Our hope was to find a new tenant that would pay a rate far above what Ross was paying. But it became apparent that our hopes were misplaced, primarily for two reasons:

First, brick and mortar retail throughout the country is experiencing a crisis because of tremendous rise in online shopping – the “Amazon effect.” This is particularly pronounced on big box properties. If you have been inside the Ross store, you can see that it is one big open space.

Second, parking. The building has only six parking spaces. Lack of on-site parking discouraged many of the potential tenants who came to view the property.

Faced with these drawbacks, the church negotiated the new, three-year lease with Ross, which will end in 2021.

Building ownership is not just a matter of revenue. There are expenses such as utilities and maintenance, not to mention an immediate need for a new roof (at a likely cost of more than \$250,000). Most of these expenses would come due whether we had a tenant or not. In addition, while the Lower Level space used by the church is tax exempt, the commercial space is not. Ross currently pays all the real estate taxes due on the space. Our church would face significant financial impact if Ross were to vacate the property at the end of the new lease without an acceptable alternative in place.

The three-year extension allows the Church to explore new options for the building. Earlier this year, the Vestry, on the recommendation of the Fowler House Committee, approved a contract with a national commercial real estate broker to find companies, developers, retailers, or any other parties interested in redeveloping, reconfiguring, or re-leasing the building. The broker was instructed to explore all possible options and bring them to the Rector and Vestry for consideration.

Both the Rector and the Vestry have been clear that the best outcome would increase revenue with minimal disruption to the activities currently accommodated in Fowler House.

Our broker, Savills Studley, has begun studying our needs and goals. The firm expects to begin an assessment of the property's possibilities in the first quarter of 2018 and to provide the Vestry with a variety of options in the late second or third quarter. If no option is acceptable, the contract allows the church to walk away without owing any commission to the broker, only a \$25,000 fee and a maximum of \$10,000 for preparing marketing materials. The Vestry has also approved up to \$15,000 for third party services – for instance, a real estate lawyer.

When the Ross building came up for sale in 1998, it was a dream come true – a large building, adjacent to the church with plenty of room for growth, plus rental income. The Vestry quickly bid on it and the whole parish became involved in discerning how we would use this wonderful space. We prayed a lot. We sacrificed and gave generously.

Fowler House has been a great success.

Now we move to Fowler House 2.0. Each new step will require that same sense of prayer, discernment, and vision that carried us forward in our original dream almost 20 years ago.

We are excited about where the new Fowler House can take Christ Church. Keep Fowler House in your prayers.