

December 2018/January 2019 Rejoice

Fowler House Is Both A Critically Needed Ministry Space and Financial Asset

By Dave Riggs, Junior Warden

Fowler House is an important asset of Christ Church, providing outstanding space for many of our ministries: Sunday School, English Language Learners, and our choirs, to name a few. Many in our parish may not fully realize the additional importance of Fowler House as a financial asset of Christ Church.

When Christ Church purchased the Fowler House in 1998, the Church entered into the commercial real estate business. We inherited a lease with the parent company of Ross Dress for Less, and, we inherited all of the responsibilities of a commercial landlord. Christ Church is responsible for maintenance and upkeep of the property, per the terms of our lease, and pays property taxes and other assessments to the City of Alexandria.

Since its acquisition, Fowler House has become a key financial asset of Christ Church. In our most recent full fiscal year, 2017, Fowler House generated rental income to the Church of \$404,000. That represented almost 20 percent of the total Christ Church operating revenue of \$2.1 million. Our income from the Fowler House was second only to our pledges and offerings of \$1.59 million, and it is greater than the annual disbursement from the Christ Church Foundation for church maintenance and repairs.

The rental of the Fowler House covers a number of expenses directly related to the commercial operation, such as utilities (\$56,000) and the payment of our real estate taxes (\$57,000). But after the deduction of those direct expenses, Fowler House provides \$275,000 free and clear to fund Christ Church Ministries. Contrast that positive revenue to the amount we spent in 2017 from our operating budget for our ministries, \$227,000, and the importance of the Fowler House asset is clear. Compared to another budget item, our outlays for property and plant maintenance from the operating budget, Fowler House could be said to cover 85 percent of our expenditures to operate and maintain the Historic Church and the Parish House.

Like any other commercial landlord, we now face a crossroads with the Fowler House asset. In 2017 we agreed to an extension of the Ross lease, receiving no other offers from prospective tenants. The current Ross lease expires in January 2021. Our real estate advisors believe it is unlikely, given the recent financial performance of the store, that Ross will wish to continue as our tenant past lease expiration. Given market conditions for retail operations, we will be in possession of a 70-year-old commercial building that is functionally obsolete, at the end of its useful life, requiring significant capital investment. The expense for replacement of the Fowler House roof alone could run as high as \$1 million. It seems unlikely we could find a retail tenant for the current building that would pay sufficient rent to cover the expenses necessary to renovate the building, pay utilities and real estate taxes, and continue to provide the current funding level to support our important ministries.

Doing nothing, your Wardens and Vestry believe, is not a viable option for the health of the church. Doing nothing would create a deficit of \$332,000 ~ our net income from the Ross lease plus our real estate tax payments, which will continue regardless of occupancy ~ in 2021 and every year thereafter. Further the need for repairs to the building will not go away. This is why we, the Parish, must seriously consider the need to face our responsibility to the future as we consider the redevelopment of the Fowler House.