

Cathedral Square Building

History of Bishop Moreno Pastoral Center Building

- Acquired by Catholic Foundation (CF) – 2004 – related to BK
- Leased to Diocese of Tucson (DOT).
- DOT subleased back to CF (space, IT, Receptionist).
- Sold April 2016 to Foundation for Senior Living for \$2.5 million

Cathedral Square Building – Current State

- DOT Admin offices \$264k annual lease from Peach Properties
- St Augustine Cathedral Parish (SA) knocks down parish hall to clear CS land
- Bishop and Ernie raising CS project funds through CF
- CF pays project costs on behalf of SA
- SA (landowner) recognizes contribution income and asset
- CF incurs line of credit during construction (secured by unrestricted cash)

Cathedral Square Building – Future (original plan)

- DOT leases entire building from SA
- SA occupies 1st floor and can use 2nd floor assembly hall
- DOT leases 2nd floor for events
- DOT Admin leases 3rd and 4th floors from SA (CF & CTSO sublease from DOT)
- SA secures permanent Catholic Order of Foresters \$6 million loan
 - Guaranteed by DOT
 - Lease revenue from DOT only covers \$3 million of debt
 - SA financials don't support larger loan – debt on DOT's books?

Alternate future – Foundation owns hall

- CF Adds back \$4.6 M assets to CF Financials (amount is as of 11/30/17)
- CF gets equity in building for loan principal payments
- Building and liability are separate from DOT
- CF Leases entire building to DOT triple net
- DOT bears operation cost shortfall risk
- CF sub-leases office space from DOT (pays IT svc, phones, copiers)
- DOT pays janitorial and minor maintenance
- CF pays building major maintenance
- DOT hires event planner

Operating Cost Challenge With \$6 Million Debt

	Summary Comparison Historic v Future						Increase (Decrease)
	Historic			Proposed - Future			
	Operating Cost	Rent	Total	Operating Cost	Rent (Debt Service)	Total	
Diocese	191,000	213,131	404,131	203,523	209,880	413,403	9,272
St. Augustine	15,000	0	15,000	20,834	21,485	42,319	27,319
Catholic Foundation	0	47,768	47,768	8,114	38,116	46,230	(1,538)
CTSO	8,000	40,000	48,000	8,114	38,116	46,230	(1,770)
Event Space	0	0	0	109,875	113,307	223,183	223,183
TOTAL	214,000	300,899	514,899	350,460	420,905	771,365	256,466
			Assumed Debt	6,000,000			
			Rate on First \$3 million	5%			
			Amortization (Years)	25			
			Annual Debt Service	420,905			

Operating Cost With \$3 Million Debt

	Summary Comparison Historic v Future						Increase (Decrease)
	Historic			Proposed - Future			
	Operating Cost	Rent	Total	Operating Cost	Rent (Debt Service)	Total	
Diocese	191,000	213,131	404,131	203,523	81,730	285,253	(118,878)
St. Augustine	15,000	0	15,000	20,834	8,366	29,201	14,201
Catholic Foundation	0	47,768	47,768	8,114	38,116	46,230	(1,538)
CTSO	8,000	40,000	48,000	8,114	38,116	46,230	(1,770)
Event Space	0	0	0	109,875	44,123	153,999	153,999
TOTAL	214,000	300,899	514,899	350,460	210,452	560,912	46,013
			Assumed Debt	3,000,000			
			Rate on First \$3 million	5%			
			Amortization (Years)	25			
			Annual Debt Service	210,452			

CF Pay Down Loan to \$3 Million?

Pros

- Ends pastor/donor concerns about ACA money being used for CS
- Ends ongoing requests for CS money
- Makes operational cost reasonable

Cons

- Unrestricted cash drops to \$2.5M
- Foregone investment income

Appendix – Detail of Operating Cost Projection

Cathedral Square Operating Cost
Year 1 - Year 5

Square Footage Allocation		Common Area						Total
		DOT	St Augustine	CF	CTSO	Event Space	Area	
Floor 1	13,000		2,465				10,535	0
Floor 2	13,000					13,000		0
Floor 3	13,000	13,000						0
Floor 4	13,000	11,080		960	960		0	0
TOTAL	52,000	24,080	2,465	960	960	13,000	10,535	0
		58.1%	5.9%	2.3%	2.3%	31.4%		100%
Allocation of Common Area		6,118	626	244	244	3,303	(10,535)	-
Total Allocated Space		30,198	3,091	1,204	1,204	16,303		52,000

Building Operating Cost Assumptions

	Historic	Year 1	Year 2	Year 3	Year 4	Year 5	Annual Increase	Rate Assumptions			
								Rate	# staff	Hours per staff	Days per month
Labor											
Wages	0	72,800	74,984	77,234	79,551	81,937	3%				
Benefits	0	14,560	14,997	15,447	15,910	16,387	3%				
Total	0	87,360	89,981	92,680	95,461	98,324					
Utilities											
Electric	70,000	90,000	90,900	91,809	92,727	93,654	1%	7,500	month		
Gas	9,000	12,000	12,120	12,241	12,364	12,487	1%	1,000	month		
Water/Trash/Sewer	9,000	12,000	12,120	12,241	12,364	12,487	1%	1,000	month		
Phone/Internet	18,000	18,000	18,180	18,362	18,545	18,731	1%	1,500	month		
Total	106,000	132,000	133,320	134,653	136,000	137,360					
Equipment Maintenance											
Air Conditioners/Heaters	5,000	5,000	5,000	5,000	5,000	5,000	0%	5,000	Year		
Lighting	3,000	6,000	6,000	6,000	6,000	6,000	0%	500	Month		
Kitchen Equipment	1,000	6,000	6,000	6,000	6,000	6,000	0%	500	Month		
Security System	2,000	3,000	3,000	3,000	3,000	3,000	0%	250	Month		
Total	11,000	20,000	20,000	20,000	20,000	20,000					
Cleaning Service	30,000	57,600	59,328	61,108	62,941	64,829	3%				
								Rate	# staff	Hours per staff	Days per month
								20.00	2	4	30
Landscaping Service	6,000	6,000	6,000	6,000	6,000	6,000	0%	500	per month		

Supplies

Cleaning supplies	6,000	6,000	6,060	6,121	6,182	6,244	1%	500	Month
Kitchen Supplies	3,000	6,000	6,060	6,121	6,182	6,244	1%	500	Month
Break Room Supplies	0	2,400	2,424	2,448	2,473	2,497	1%	200	Month
Misc.	1,000	2,400	2,424	2,448	2,473	2,497	1%	200	Month
Total	10,000	16,800	16,968	17,138	17,309	17,482			

Insurance

								Value to Insure	Rate Per million
Property/Liability Insurance	28,000	20,700	20,700	20,700	20,700	20,700	0%	18,000,000	1,150
Liability Insurance	-	-	0	0	0	0	0%	5,000,000	-
Total	28,000	20,700	20,700	20,700	20,700	20,700			

Other

1st Year One Time Costs	-	-	-	-	-	-			
Major Maint Reserve	-	10,000	10,000	30,000	25,000	25,000			
Total	-	10,000	10,000	30,000	25,000	25,000			

TOTAL OPERATING COSTS	191,000	350,460	356,297	382,279	383,410	389,696			
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Rate Per Square Ft	6.74	6.85	7.35	7.37	7.49				
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Allocated Operating Cost by Occupant

	Year 1	Year 2	Year 3	Year 4	Year 5
DOT	203,523	206,913	222,001	222,658	226,308
St. Augustine	20,834	21,181	22,726	22,793	23,167
CF	8,114	8,249	8,851	8,877	9,022
CTSO	8,114	8,249	8,851	8,877	9,022
Event Space	109,875	111,705	119,851	120,206	122,176
TOTAL	350,460	356,297	382,279	383,410	389,696

Labor Assumptions

	Position	Annual Rate	20% Benefits	Total Cost
30.00 HR	Building/Mechanical Engineer	62,400	12,480	74,880
	Technical Staff Adj-50% for other bldgs	(31,200)	(6,240)	(37,440)
20.00 HR	Security Staff	41,600	8,320	49,920
	Total	72,800	14,560	87,360

	Position	Annual Rate	20% Benefits	Total Cost
\$25/Hr	Event Planner	65,000	13,000	78,000
	Total	65,000	13,000	78,000

Cathedral Square Event P&L

Event P&L

Year 1 - Year 5

EXPENSES

	Year 1	Year 2	Year 3	Year 4	Year 5
Direct Expenses					
Labor					
Wages	65,000	66,950	68,959	71,027	73,158
Benefits	13,000	13,390	13,792	14,205	14,632
Total	78,000	80,340	82,750	85,233	87,790
Supplies					
Kitchen	6,000	6,060	6,121	6,182	6,244
Paper Products	1,200	1,212	1,224	1,236	1,249
Dinner/ CookWare	2,400	404	408	412	416
Linens	3,200	1,212	1,224	1,236	1,249
Misc	3,600	3,636	3,672	3,709	3,746
Total	16,400	12,524	12,649	12,776	12,903
Advertising & Promotion					
Advertising/Promotion	5,000	5,000	5,000	5,000	5,000
Travel	6,000	6,000	6,000	6,000	6,000
Total	11,000	11,000	11,000	11,000	11,000
Parking Lot Expenses	0	0	0	0	0
Cleaning Service	0	0	0	0	0
Insurance					
Property Insurance	0	0	0	0	0
Liability Insurance	5,000	5,000	5,000	5,000	5,000
Total	5,000	5,000	5,000	5,000	5,000
Other					
1st Year One Time Costs	1,000	0	0	0	0
Contingency	1,000	1,000	1,000	1,000	1,000
Total	2,000	1,000	1,000	1,000	1,000
TOTAL DIRECT EXPENSE	112,400	109,864	112,399	115,008	117,693
TOTAL EXPENSE (Allocated and Direct)	222,275	221,569	232,251	235,214	239,870

Annual Increase	Rate Assumptions			
3%	Detail in separate worksheet			
3%	Detail in separate worksheet			
1%	500	month		
1%	100	month		
1%	200	month	One time	2,000
1%	100	month	One time	2,000
1%	300	month		
0%	5,000	Year		
0%	500	Month		
0%	-		Covered in General Operating & Maint	
0%	-	7x/wk	Covered in General Operating & Maint	
	Value to Insure	Rate Per million	Special Event Risk	
0%	18,000,000	2,500	-	
0%	5,000,000	1,000	5,000	

INCOME

	Historic	Year 1	Year 2	Year 3	Year 4	Year 5
Event						
Weddings		60,000	61,800	63,654	65,564	67,531
Quinceaneras		75,000	77,250	79,568	81,955	84,413
Funerals		19,200	19,200	19,200	19,200	19,200
Other		30,000	30,900	31,827	32,782	33,765
Total	103,509	184,200	189,150	194,249	199,500	204,909

Parking						
Fee		14,850	14,999	15,148	15,300	15,453
Total		14,850	14,999	15,148	15,300	15,453

TOTAL INCOME		199,050	204,149	209,397	214,800	220,362
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Contribution Margin		86,650	94,285	96,998	99,791	102,669
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Annual Increase	Rate Assumptions			
	Premium		Standard	
	Number of events	Rate per event	Number of events	Rate per event
3%	12	3,000	12	2,000
3%	15	3,000	15	2,000
3%	24	500	24	300
3%	6	3,000	6	2,000
	57		57	
				114
3%	27	350	27	200