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Planning • Architecture • Design

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**TPC Architects, Inc.**  
Newsletter

#### The Return of Lending

Excerpts from an article by Julie Satow in ARCHITECT Magazine, January 2014.

The market for commercial mortgage bonds was on fire until the recession hit. Now, after five long and lean years, the market is clawing its way back to pre-bubble levels, signaling that banks are loosening their lending standards. The upshot? More work for architects.

Late last year, bankers began marketing the largest issuance of commercial mortgage bonds since the start of the financial crisis. Hilton Worldwide, the massive hotel chain that recently went public, marketed \$3.5 billion in these structured bonds in November as part of a larger debt-financing package. The deal represents a start turn for a market that was completely frozen just a handful of years ago.

Commercial mortgage bonds, officially known as commercial mortgage-backed securities, or CMBS for short, are bonds that are backed by pools of commercial mortgages. Real estate insiders closely monitor these bonds' performance, since they are an indicator of the industry's access to financing.

"It is a barometer for the health of the overall market," said Shawn Rosenthal, an executive vice president at the mortgage brokerage firm CBRE. "When it is doing well, it means that lenders have to be more competitive, investors are buying the bonds, and we are in a healthy environment."

"There is no question that 2014 is going to be a big year," says Douglas Harmon, an investment sales broker at Eastdil Secured. "In New York and other gateway markets, there are a lot of lenders

#### Tenant Improvements - Are They For You?

The church begins as a Bible Study in a home. Because the relationships are real and the message is relevant, the group grows, and soon there are 40 people crammed into a living room. This "home church" needs a larger meeting place, so they lease a room at a local elementary school as a step of faith and begin the "set-up-tear-down" process each Sunday. God gives increase and they continue to grow! A few years later, now meeting in a middle school with a small budget, they begin to consider establishing a permanent location...

Does this story sound familiar? I suspect that there are dozens of churches like this in our region. The lack of dependable meeting space certainly does not prevent effective ministry, but it is hard on the people and takes a lot of energy to overcome the obstacles each week. Some might call this a stumbling block of sorts. Most pastors in this situation long for some stability.



And so the pastor notices a sign on a small commercial center one day. He likes the location; there is plenty of parking and good access. He wonders "what if?" Could his church rent a space like this and equip a room to seat 100 people or more? Could he have real nursery for the babes? How much would it cost? Would it be about the same as the \$2,000 per month he's paying the school district?

In many cases, the answer is yes, but it does take doing homework and getting wise counsel to make a good decision. Following are some questions to consider and tasks to complete as you begin your investigation. This is simply a 'starter list' and should not be considered comprehensive.

#### Knowing Yourself

- Assemble a leadership team to oversee and direct this process. Avoid having the pastor chair this team! (Consider Acts 6:1-6)
- Determine to make no major decisions without the team's consensus and God's peace.
- Write out your game plan: What are your expectations and needs for worship, children, youth, adults, etc.? Quantify these in numbers or square feet.
- How will you change in the next five years? Will your young family percentage grow or shrink? Will a new location change the balance?
- What ministries or activities will you add that are not currently possible or feasible?



#### Owning Your Budget

- Determine how much of your total budget can be safely assigned to facility cost.
- Investigate the lease cost range and evaluate this against your budget.



that cannot seem to get enough real estate exposure. Look how many projects are on the docket," he adds, noting the Hudson Yards office project in Manhattan and numerous condominiums under construction along West 57th Street. "There are more projects that are in the planning stages than there has been in a decade."

**Opinion Section: A Word from Behind the Screens**

**Tents and Temples: One Church's Current T.I. Experience**

This edition of the newsletter hits close to home for me, as my church is experiencing a difficult side of tenant improvements: leaving them. Five or so years ago, our church had outgrown small venues, and it was time for us to have our own more permanent place. So we created a vision, raised the starter funds, took the loans, and completed the tenant improvements of a retail space. 3 years ago we moved in, and it is a blessing from the Lord. Yet we knew it was just temporary.

Fast-forward to today, and we're feeling just how temporary it can be. The rent increased significantly more per month than we started. It is God's good timing though, because thankfully He has given us increase.

We have outgrown our space (especially outgrown the kids space!). God is moving us on to the next place, and though much is still uncertain and uncomfortable, we are excited to see where He is taking us.

I am reminded that ultimately our church buildings and lease spaces are like tents. They are temporary places of gathering for worship of the Lord.

And 1 Corinthians 6:19 reminds me that our bodies are Temples of the Holy Spirit within those of us in Christ. More important is the person than the place.

Yet we give God glory by wisely planning, building, and maintaining our places of worship. The same is true even in pulling up the tent stakes and following the pillars of fire and cloud to the next campsite. We follow in faith.

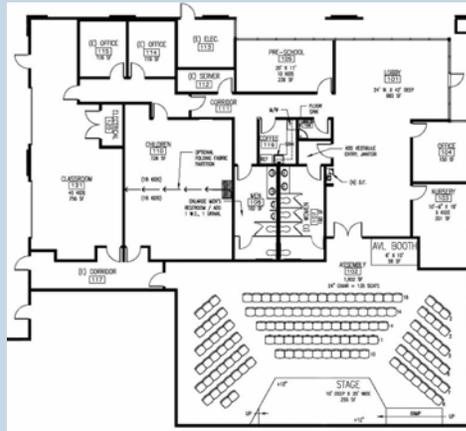
- Jared

How many rentable square feet can you afford? Do not allow yourself to consider a more expensive lease than this! Leasing too much space can actually subtract from ministry and hurt the church.

- The cost of tenant improvements can vary tremendously. Before you get emotionally attached to a prospective space, run a scenario with "safe" allowances for these costs. They should include:
  - Lease cost per square foot (SF).
  - Cost of "shell" improvements (restrooms, walls, doors, windows, finishes, etc.)
  - Cost of special improvements (cabinetry, equipment, audio/visual/acoustical/lighting, etc.)
  - Agency permit fees. You may need to acquire a Conditional Use Permit (entitlement) along with a tenant improvement (building) permit.
  - Fees to prepare the design and the construction drawings.
  - Insurance Costs.
  - Construction Costs (A qualified contractor can help you establish reasonable allowance for the construction costs.)
  - Loan repayment costs.
- Talk with a lender about your capacity to borrow the development funds required.

**Assessing the Building Space**

- You will likely need the help of an architect or experienced space planner.
- Is sufficient parking available assigned to your lease? You will need to check with the local planning department for this requirement.
- Determine the people and ministry capacities of the prospective space. A conceptual floor plan is essential. (See sample below).
- Determine that you can achieve code compliance for exiting and fire protection.
- Are the restrooms adequately sized for your occupancy?



Sample of a Church's T.I. Floor Plan

**Identifying the Agency Process**

- Is a conditional use permit required?
- Are there occupancy restrictions due to zoning or adjacencies?
- How much time is required to process approvals?
- What fees are required?



**Determining the Timing**

- Consider your current lease commitment, if any.
- Determine a reasonable time allotment to accomplish the planning and construction phases.
- If fund raising is required, synchronize all plans with this event.

**Pray.**



<b>Useful Links</b>	<p>Andrew Murray once wrote of prayer, "God's giving is inseparably connected to our asking." [1] In making plans and relying upon the Lord's provision, spend plenty of time in prayer with faith. Our God can do the things which are impossible for man to do (Matthew 19:26).</p> <p>Deciding if a tenant improvement is right for you can be a daunting task. We hope that the thoughts in this article will be helpful as you consider the value of leasing space and constructing tenant improvements for your church.</p> <p style="text-align: center;"><b>- The TPC Architects Team</b></p> <p style="text-align: center;">[1] From Chapter 2 of <a href="#">The Ministry Of Intercession</a>, Rev. Andrew Murray, James Nisbet &amp; Co. Limited. London. 1898. <a href="#">Link to Project Gutenberg eBook</a></p>
<a href="#">Worship Facilities Magazine</a>	
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<b>Newsletter Archives</b>	<p>I encourage you to contact me personally with any questions you may have.</p> <p>Sincerely,</p> <div style="display: flex; align-items: flex-start;"> <div style="flex: 1;"> <p>Daniel M. Kinnoin, AIA, NCARB Principal TPC Architects, Inc. 2260 Douglas Blvd, Suite 155 Roseville, CA 95661 T. (916) 772-4100 F. (916) 772-7804</p> </div> <div style="flex: 0.5; text-align: center;">  </div> </div>
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