

Report and Recommendations on the Beacon at Southridge January, 2010

David D. Olson

The Beacon at Southridge Board of Directors

Dear Sisters and Brothers in Christ,

Following an extensive effort to determine if we could move forward with the development of the Beacon at Southridge in the current economic climate it is the recommendation of the Board of Directors of the Beacon at Southridge that the Eastern Washington – Idaho Synod of the ELCA terminate any further development efforts, adopt a plan to resolve any remaining financial issues, and report on this to the Synod. It is with great disappointment that the Board makes this recommendation. It is primarily the consequence of the economic changes across our country. But the bottom line is that the Synod cannot move forward on this project with the resources available to us and the circumstances as they are. This decision has been reached after extensive consultation with Ecumen, with Maxfield Research, and with the Mission Investment Fund of the ELCA.

The following factors contributed to the decision:

- The economic recession and downturn in the housing industry has had a serious impact on the market for Senior Housing in Meridian. Because the original demand that was identified was primarily for senior housing that was not service intensive, but rather a discretionary choice, the slowdown in the economy has impacted the number of seniors that can be expected to move into a new living arrangement at this time. The market didn't evaporate, it is delayed. Seniors will eventually choose to seek Assisted Living, but later, and when they need it due to medical necessity.
- The update of the Market Study reported that the vacancy rates of the existing communities in Ada County have substantially increased. This means that: a) there is a huge risk associated with any new construction and the ability to fill the building due to current conditions, and b) no financial institution would be willing to lend money for a new development under these circumstances.
- As hard as we tried, together with the expertise of Ecumen, we could not put together a development proposal that was viable and credible given the resources available and the circumstances as they are.
- The amount of capital that we would have needed to raise was beyond what reasonably could be expected, especially during this time in our Church's life. Furthermore, the original concept was that the Senior Housing could be fully financed and self-sufficient and that it would generate revenue for the Synod's mission. Due to the collapse of the financial markets the reality is that, if we had the opportunity to move forward, it would drain the Synod of every available resource for years to come. One issue that has clarified it for me is to ask the question "If the Synod was given 7.5 Million dollars for mission, where would we choose to spend it?" My conclusion is that we would never be able to justify spending the entire 7.5 million on one senior housing project. How many new ministries could be started with those funds?
- Colleen Palmer and Harvey Olson of the Mission Investment Fund met with Martin and I, and also with Dana Wollschlager and Steve Ordahl (for part of the conversation). A number of key points to summarize of that conversation:

- MIF is now under a new structure, regarding land purchases. They will only hold land for future construction if the congregation/organization is capable of making monthly interest payments on the land.
- Colleen repeatedly stated to me, “Thank God you didn’t get financed!” The disappointments are real. And we’ve made significant investments. But just imagine if we had gotten financing, and were half-way through the development of a 45 million dollar facility, only to discover that the market that we had banked on was no longer present. The land can be resold. The losses the Synod has incurred may serve to stimulate new possibilities. But no one is sitting on a \$45 million dollar vacant facility with millions of dollars in annual debt service and no way to pay.
- The bottom line is that due to the financial collapse and subsequent changes in financing options, we cannot move this project forward. Even if we had the equity contribution needed, and the ability to back the operations of the facility, financing would not be possible because of the current vacancy rate in the Valley.
- The only glimmer of hope left on the table by Ecumen, was that perhaps in 18 to 24 months the situation would improve. However, the financing options are more likely to take 7 to 10 years to recycle to a point that an organization like the Synod could be able to secure financing on a project such as this, and we still have the issue of could we raise the equity being required. Also, how long can we hold the land under an agreement that is deferring interest at the rate of 6.25% annually?
- The consensus that emerged was that it was time to recognize that this is a “great idea worth not doing.” It is simply not viable.
- Following our consultation with the Mission Investment Fund, Colleen Palmer communicated with Bishop Martin Wells that following our release of the land for resale by MIF, MIF would release the Synod of any further financial obligation relative to the land, and that MIF would seek to recover its investment through the resale of the land.

I offer my thanks to everyone who dared to dream big. Special thanks to Dana Wollschlager and Steve Ordahl of Ecumen. Also to Bill Martin, Marilyn Deveer, Lisa & Todd Kraft, Tami McHugh, Donn Gehret, Martin Wells, Dick Sansgaard, and Curtis Elton for their service on the Board of Directors.

One closing thought, “If you’re not willing to fail, you’ll never have the opportunity to succeed.” That’s been my mantra for some time now. We tried something bold in mission. This effort fell victim to circumstances beyond our control. I hope the Synod will have the courage to charge forward with new efforts to be in mission in our church.

Peace,
Dave