Considerations for Churches with Underutilized Spaces
Prepared for The Episcopal Diocese of Washington

Assess Underutilized Spaces

1) Review and assess your entire building and property for underutilized spaces.

2) Compare these spaces with your current church calendar.
   Is the space regularly available each weekday? Weekday evenings? Weekends?
   Create a list of each underutilized space and when it is available.

3) Mark up a copy of the building floor plan to highlight these spaces and calculate the area of each space.

4) Review all exterior spaces - including parking spaces, playground, and other outside areas -- for possible group activities like picnics, yoga, dog training, etc.

5) Do not undertake any renovations, improvements or buildouts to underutilized spaces until you have a viable and fully approved user. The responsibility of improvements may be negotiated as part of the use agreement.

Estimate Operating Costs

6) Estimate your total operating costs for the building based on the last 12 months of expenses - include all maintenance, repairs, utilities, contract services, janitorial, insurance and loans.

7) Calculate your annual operating cost per square foot based on the total area of all floors of the building. Twelve months of total expenses divided by the total square footage of the building equals the annual operating cost per square foot.

8) Keep in mind that possible usable space (for example, specific rooms to be made available to an outside user) is not the same as total rentable space included in a possible agreement. Agreements would most likely include a pro rata share of the common areas – such as foyers, hallways, restrooms, break rooms, kitchen, mop closets, etc. These spaces should be included in any agreement.

User Guidelines

9) Check the current zoning of the church address and ascertain all the types of uses that are permitted by county regulations.

10) Review what types of permitted users or businesses would be most suitable and compatible with the mission of the Church and your available facilities. For example, some common compatible uses of underutilized Church space are preschools, childcare centers, after school care centers, tutoring or computer class facilities, exercise classes for seniors, dance classes, music classes, art classes, meet-and-greets, networking events, charter schools, and summer camps.

Establish User Rules

11) Prepare a list of rules and guidelines for every user regarding the safety of the building and its occupants. Where are the restricted areas for both the church and the future occupants? What will be the dedicated access for third party users? How will routine maintenance, such as daily cleaning, trash removal, and parking lot supervision be handled? How will respect for both the sacred spaces of the building and the surrounding property be ensured?

12) Violations of contractually established rules and regulations could result in termination of space use agreements. To avoid future problems, the terms of use and rules should be clearly established and documented.

13) Similarly, payment arrangements should be clearly established and regularly followed with the threat of termination to ensure the orderly use of the space. Consequences of inability or failure to to pay fees as scheduled must have clear recourse for the Church.

Pricing Guidelines

14) Generally, spaces in Churches may be offered at or just below market rates, depending on the amount of space required, the length of the agreement, and the financial strength of the user. Some research and assessment of the local rental climate should be accomplished before talking with possible users.

Marketing Plan

15) Before seeking users, a marketing plan should be drawn. This will expedite the process and avoid waste and reduplication of effort in seeking viable businesses safely within the target audience.

Vetting Possible Users and Businesses

16) Also, before entertaining offers the Church should stablish a process for vetting future users to analyze the risks and rewards to the Church for interested candidates and their space criteria. Input is valued; however, the final decision should rest with a clearly defined party.

17) An application for possible users should be drawn up in advance of entertaining inquiries. This will record contact information, intended use of the space, operational

hours, length of need, the possible number of staff, intended audience for use participants, operational hours, and the credentials of the responsible party.

18) A plan for handling prospective candidates should be made in advance. Who will respond to initial queries and record the information? What about follow up? Once a qualified candidate has been identified, who will schedule a visit? Who will be regularly available to provide knowledgeable tours of the available space to compatible candidates?

19) Should a qualified candidate express interest in Church space, depending on the scope and length of the proposed residency, further information should be obtained. This might be as straightforward as a credit check. For longer and larger arrangements with candidates who themselves will be offering services, such as schools or day care facilities, this requested information might extended to business plans, proof of income, profit-and-loss statements from existing businesses, filed taxes, and more. A responsible party should be in place to judge the necessity of these various documents as well as to be able to enter a confidentiality agreement on behalf of the Church.

20) Responsibility for performing due diligence – the credit check, contact of references, and request and analysis of further supporting information should be assigned to a responsible party who will perform these essential tasks in a timely and thorough manner.

Additional Recommendations

21) Contact your insurance provider for suggested coverage to require from each user based on their business and space use.

22) Repairs, upgrades, or the freshening up of underutilized space for possible use, should be examined against the needs of projected costs, the needs of the current user, and future utility to the Church.

23) Any physical changes requested to be performed by the user must be submitted in writing and be subject to approval of the Church.

24) All physical changes to the property must always be approved, permitted as required by the county, and scheduled under supervision of Church. All contractors must provide a current license and certificate of insurance naming the Church as also insured.

For further information, please contact Mary Davies, Commercial Real Estate Advisor and Church Specialist, marydavies@kwcommercial.com