

MEMORANDUM

TO: Community Preservation Committee
FROM: Patrick Palmer, Executive Director and C.E.O.
DATE: 20 February 2004
RE: YMCA application for CPA Funds

In follow up to the Committee's discussion last month, as reported to me by Associate Executive Director Mark Holman, I have discussed with our YMCA's Board Executive Committee the various issues raised and scenarios suggested. Following is a brief recap of the relevant facts and our Executive Committee's sense of the issues.

I will be out of town on YMCA business at the time of your Wednesday meeting, but we will be represented by Mark Holman as well as a member of our Board Executive Committee. We appreciate the Committee's continuing consideration, and hope that we are able to secure an arrangement that allows us to proceed with this historic preservation project.

Cost of Replacement versus Restoration

At the Committee's request, we secured a quote for replacement of the affected windows as an alternative to restoration. As shown on the hard copy to be distributed at your meeting, the base price quote for replacement, including low E glass option, is \$91,700; this compares to \$124,273 in the restoration quote, for a difference of \$32,573.

In addition, the replacement quote calls for extruded panning and trim to cover the original framework at a cost of \$36,900; this is in lieu of the \$36,000 quote for repair and repainting cited in original restoration quote. This represents a "cost savings" in restoration of \$900.

All told, the cost of restoration is \$31,673 higher than the cost of replacement.

Energy Savings and Ongoing Maintenance

The second page of the new quote shows the projected energy savings from installation of the replacement windows. That figure comes to 4,577 gallons of oil per year; at our current contract rate of 98 cents per gallon, this comes to \$4,485 per year.

This figure does not compare directly to the figure cited in the original proposal. In fact, that \$60,000 annual figure was inaccurate, as the figure had been confounded with other energy savings measures suggested in an earlier audit. We apologize for this inaccuracy. Should the issue of the direct comparison cost savings be relevant to the Committee's final recommendation, we would be amenable to securing a comparable quote from the vendor proposed in the restoration quote. However, in general terms, it is to be recognized that the energy efficiency of replacement windows is greater than in restored windows; thus, the ongoing energy savings to our organization would be greater in the case of replacement windows. This suggests another long-term cost to the Association in pursuing the course of historical renovation.

Grant versus Loan Funding

Given the revised figures for actual energy savings, the “payback period” is in fact considerably longer than originally suggested, potentially on the order of 20 to 30 years, instead of 2 to 3 years as suggested earlier. We believe that this fact alone significantly undercuts the stated rationale in justification of a loan scenario versus outright grant.

As for the notion of funding the difference between restoration and replacement through a grant, with the project balance made available through long-term, zero-interest loan with some forgiveness clause in case of financial exigency, our Board Executive Committee is potentially open to exploring this scenario, as a fallback to the preferred grant scenario.

As stated in earlier presentations, our YMCA is simply not in a position to take on additional indebtedness. Without grant support, this project will not go forward at this time in any fashion, given the higher-priority projects to which we are already obligated to the City and other facility projects needed to better serve children and families in our community. This fact is reinforced in light of the revised figures for energy cost savings.

In short, with full grant funding of the amount required to complete the restoration project, we will gladly proceed this year, as outlined in our original proposal. Any other funding formula would have to be taken up by vote of our full board, where concerns over incurring additional debt under any terms may preclude our pursuit of this project.

Deed Restriction and Alternative Safeguards

Our Executive Committee and I recognize the Committee’s concern over granting CPC funds for a project which might be “undone” by subsequent administrations. We are open to exploring some sort of written guarantee that no changes to the windows will be made for some reasonable specified period of time. Further, there is no reason to suspect that once such work has been done, it would make any sense economically to “undo” this project.

However, our Executive Committee is wary of entering into any permanent or long-term general deed restriction on the property. In fact, given that this property serves as collateral against the \$4.5 million loan secured to help finance the new addition, it is highly unlikely that our lender would allow us to restrict the property in such fashion.

That said, we recognize the intent of CPA funds in regard to historic preservation – as well as other aspects of “preserving community” that lie at the heart of our YMCA’s mission. We will certainly enter into this agreement with the good faith intention of preserving the historical features of this building in all respects as we move forward with any subsequent improvements.

This good faith was earlier demonstrated by our Y’s compliance, at significant additional cost approaching \$250,000, of external design changes to the new addition suggested during the City’s review process. These changes, made at our expense, led to an aesthetic blending of new annex to original building in a manner that enhances the historic features of the original building. We will proceed in this same spirit with any future changes to our facility.