

CAMPUS PROPERTY TASK FORCE REPORT

to

THE MINNESOTA SOUTH DISTRICT BOARD OF DIRECTORS

The Campus Property Task Force (CPTF) was created by the Minnesota South District Board of Directors to gather data and information on the question of whether or not the District should continue to own the properties devoted to campus ministry at the University of Minnesota in Minneapolis and at Minnesota State University, Mankato. The CPTF members are

Mr. Will Bartley (Mission Committee Representative)
Mr. Michael Melchert (Finance Committee Representative)
The Rev. Brian Thorson (Board of Directors Representative)
The Rev. Greg Fairrow (Synod Campus Ministry Representative)
The Rev. Peter Meier (Assistant to the District President for Missions)
Ms. Lu Clemmensen (District Treasurer/Business Manager)
Ms. Rosa Linke (University Lutheran Chapel Representative)
The Rev. Monte Meyer (Campus Lutheran Chapel Representative)
The Rev. Dr. James H. Pragman (District President's Appointee).

At its first meeting the CPTF elected James Pragman to serve as its chairman and Mike Melchert to serve as its secretary. The CPTF met on February 16, March 5, March 26, and April 16, 2009.

The agenda for the CPTF's initial meeting on February 16th, provided by President Seitz, defined the scope of the task force's work, as stipulated below.

The gathering of data regarding the current facilities at Minneapolis and Mankato.

- a) What was the original cost of the two campus properties? What is the cost adjusted for inflation in 2009 dollars?
- b) What was the initial cost of erecting the two facilities? What is the cost adjusted for inflation in 2009 dollars?
- c) What is the current value of the two facilities?
- d) What are the annual costs to maintain the two facilities?
- e) What is the current condition of the two facilities?
- f) Who currently uses the two facilities?
- g) How are the facilities currently being used?
- h) Who is responsible for managing the two properties?
- i) What immediate and long term capital improvements are needed [at] each location?
- j) Are their serious potential buyers available?

The gathering of data regarding the current campus ministries.

- a) What is the current cost to the District for campus ministry at each of the locations?
- b) What is the attitude of the current tenants regarding the potential sale of the property?
- c) What impact would the sale of the property have on the current tenants?
- d) What is the attitude of alumni regarding the potential sale of the two campus properties?
- e) If the property was sold, how would the current occupants carry on their ministry?

Campus ministry throughout the LCMS.

- a) How do other LCMS Districts finance and support campus ministry within their borders (e.g., how the Iowa Districts support ministry at U of I and at Iowa State, how the Illinois Districts support ministry at the huge number of colleges and universities in that state, etc., etc.)?
- b) Are there new models of campus ministry that are being used in other parts of the Synod? If so, what are they?
- c) What input does the Synod's Campus Ministry Coordinator have to offer regarding the potential sale of our campus properties?

Conducting campus ministry in the future.

- a) What is the best and most cost-efficient way of conducting campus ministry in MNS in the foreseeable future?
- b) If the campus ministry properties would be sold and the proceeds invested in an endowment fund, what amount would realistically be available (interest only) which could be used to fund campus ministry and other mission efforts on an annual basis?

During the course of the task force's work, the above questions were refined and modified according to the data and information that were obtained.

Several documents prepared by the District Mission Committee were helpful:

- "Aspects, Issues, and Impact on Campus Ministries Related to the Sale of Campus Ministry Properties," [November 2008]
- "Background for the Mission Committee Concerning the Property Owned by the MNS District at the University of Minnesota Campus (1101 University Avenue SE)," [11/10/05]
- "Minnesota South District Mission Committee Campus Ministry Vision" and "A Proposal" [March 2009]

Several additional documents were also provided to the task force:

- “Ministry Understanding and Agreement established by University Lutheran Chapel and the Minnesota South District” [adopted May 3, 2000, and most recently revised November 13, 2008]
- “New Costs for U of M Campus Ministry Should the Property be Sold: (Incomplete) Report to the Campus Property Task Force” with a subsequent addendum.
- Data on the costs associated with the purchase of the campus ministry sites and original costs of construction, also adjusted for inflation, were compiled by Lu Clemmensen and Mike Melchert.

BACKGROUND

Why is the possible sale of the campus ministry properties in Minneapolis and Mankato being considered and studied? The members of the task force took note of possible explanations and reasons during the course of the task force’s work. Perhaps the sale is being suggested in an effort to use the District’s assets to fund the total mission program of the District more effectively. Perhaps the sale is being suggested in order to free District staff from the responsibility of managing and administering those properties. Perhaps the sale is being suggested because the current models in the District, i.e., District ownership of property and facility as well as District funding for program, are no longer thought to be cost-effective and cost-efficient. Perhaps the sale is being suggested because it is part of a larger issue relating to the way the Minnesota South District and, by extension, the Synod carry out the proclamation of the Gospel in the new and challenging environment of the twenty-first century.

COSTS AND FINANCES

It is difficult to compare University Lutheran Chapel and Campus Lutheran Chapel because their situations are not identical. University Lutheran Chapel is a congregation of The Lutheran Church—Missouri Synod, while Campus Lutheran Chapel is a subsidized mission of the Minnesota South District. University Lutheran Chapel rents the property on University Avenue in Minneapolis from the Minnesota South District, but the District provides the property in Mankato for Campus Lutheran Chapel. University Lutheran Chapel calls its pastor, but the District calls the pastor it appoints to serve Campus Lutheran Chapel. The District provides program support through subsidy to University Lutheran Chapel, but it underwrites the cost of owning and operating the campus ministry at Mankato.

As a starting point, the CPTF considered the initial investments made into the properties by the Minnesota District.¹ These data detail the Minnesota South District’s

¹ The investments were made prior to the division of the Minnesota District into the Minnesota North and the Minnesota South Districts.

initial investments to own and operate the two campus properties in Minneapolis and Mankato. Those initial investments have been adjusted to show their value in 2009 dollars:²

1. The **Minneapolis** property
 - a. The land was purchased in 1947 for \$39,000 (adjusted to today's dollars = \$369,263.54).
 - b. The building was constructed in 1948 and 1949 for \$408,456 (adjusted to today's dollars = \$3,623,639.71).
 - c. Thus, the total initial investment was \$447,456 (adjusted to today's dollars = \$3,992,903.25).

2. The **Mankato** property
 - a. The land was purchased in 1960 for \$16,100 (adjusted to today's dollars = \$114,844).
 - b. The building was constructed in 1965 for \$300,631 (adjusted to today's dollars = \$2,015,115.28).
 - c. Thus, the total initial investment was \$316,731 (adjusted to today's dollars = \$2,129,959.28).

As of spring 2008, the properties have a total combined appraised value of \$2,150,000. Lu Clemmensen, the District's treasurer and business manager, believes that the current market value of the two properties should be at least \$5,000,000. The District's investment in the two properties, based on the amounts adjusted to today's dollars, is \$6,122,862.40. Of course, the current real estate market is very uncertain at this time.

It should be noted, for the sake of completeness, that before the fall of 2005 University Lutheran Chapel utilized 7,800 square feet or approximately 66.74% of the campus ministry facilities at the University of Minnesota. When Prince of Peace Lutheran Church for the Deaf, which had been renting 2,265 square feet of the facility (ca. 19.38% of the building), discontinued its use of the facility, University Lutheran Chapel requested and was granted permission to rent the additional space, thus effectively occupying 86.12% of the building. The Lutheran Counseling Center uses the remaining 1,623 square feet of the chapel building (ca. 13.88%), and People of Praise occupies the entire parsonage. The 2009 rental rates are \$400 per month for the Lutheran Counseling Center, \$3,400 per month for the University Lutheran Chapel, and \$1,500 per month for the People of Praise. Thus, the total 2009 rental income from all tenants of the Minneapolis property will be \$63,600.

The cost for the support of the two campus ministries, as reported to the CPTF, is as follows:

\$465,300 for the mission program of the District

² The adjustments were made using the CPI Inflation Calculator found at the United States Department of Labor, Bureau of Labor Statistics website: http://www.bls.gov/data/inflation_calculator.htm.

\$136,000 for administrative support of the District mission program
 \$601,300
\$255,700 for the two campus ministries
 \$857,000 for the total District mission program
 - \$63,600 rental income from the University of Minnesota property³
 \$793,400 net budgeted cost for MNS missions

The net cost for campus ministry in MNS is \$192,100 (\$255,700, less \$63,600). The 2009 MNS budget for the two campus ministries shows that \$16,100 (\$78,000 less \$63,600) is designated for University Lutheran Chapel and \$177,000 for Campus Lutheran Chapel of Mankato. Those numbers reflect the different situations with reference to the ownership and management of the two properties, the membership status of the two campus congregations/organizations, and staff support for both ministries. Both properties are in good condition, although some maintenance and repair issues for both properties have been identified. The Rev. Monte Meyer is responsible for managing the Campus Lutheran Chapel property in Mankato. As the Minneapolis property is rented from the Minnesota South District, the District treasurer/business manager is responsible for the management of that property. The District support designated for University Lutheran Chapel includes a stipend of \$350 per month to take care of the University of Minnesota property.

In addition to the actual costs, the Minnesota South District incurs an opportunity cost because it charges below market rent to its missions. CPTF member the Rev. Brian Thorson researched the cost of renting replacement space in the University of Minnesota area and determined that comparable space rents for approximately \$16.00 per square foot. When this rate is applied to the rental square footage of the University of Minnesota facility, the facility would produce an annual rental stream of \$187,008.00 (11,688 square feet multiplied by \$16.00 per square foot). Thus, the two tenants of the Chapel building proper (i.e., University Lutheran Chapel and the Lutheran Counseling Center) effectively receive \$123,408.00 in rent subsidies to support their missions. Likewise there is an opportunity cost at Minnesota State University, Mankato, but the CPTF has not researched what rent could be obtained.

Interested buyers have made several unsolicited offers for both properties, but the offers were not considered. However, if the properties were sold and the proceeds were invested in an endowment fund, projections of income (interest only) for the support of campus ministry and the District mission program have been made. These projections, provided by Kurt Fuhr, the District's LCEF vice-president, assume a 5-year fixed rate endowment account at 3.275%:

\$4.5 million invested yields annual interest income of \$149,000
 \$5.0 million invested yields annual interest income of \$165,000
 \$6.0 million invested yields annual interest income of \$199,000

³ This amount includes rental income from all three tenants of the property: \$40,800 from ULC; \$4,800 from the Lutheran Counseling Center; and \$18,000 from People of Praise.

\$6.5 million invested yields annual interest income of \$215,000
 \$7.0 million invested yields annual interest income of \$232,000
 \$7.5 million invested yields annual interest income of \$248,000

According to the 2009 Minnesota South District budget, \$192,100 in interest income is needed annually to support the cost of the two campus ministries. There is the possibility that campus ministries in the District could be restructured to reduce costs. However if both campus ministries were to rent space for worship, office, and fellowship, the rental costs would approximate the current support provided by the District, assuming the University of Minnesota ministry continues to be paired with a congregation. The 2009 budget figure does not include the full current cost of the University of Minnesota campus ministry since the campus ministry is also supported by the University Lutheran Chapel congregation.

SURVEY RESULTS⁴

Rosa Linke and Monte Meyer developed surveys/questionnaires to be distributed to members of the Campus Lutheran Chapel and University Lutheran Chapel families (i.e., students, alumni, tenants, etc.) to solicit their views on the District's ownership of campus ministry properties in Minneapolis and Mankato. The Rev. Monte Meyer also developed a questionnaire for distribution to other LCMS Districts to learn how they finance and support campus ministry. The results of those surveys/questionnaires have been deposited with the District President and are available for review.

In general, students worshipping at the facilities, alumni, tenants, and others who responded appreciate the campus ministry at both universities. The facilities on both campuses provide students worshipping at the chapels with "a place to call home" while they are away from home and have provided a visible, "continuous presence" on campus.

One of the tenants at the University of Minnesota property reported that the campus property is very important for the ongoing work of its organization. Any sale of the property would have a very great impact on the organization: "The time, money and ministry opportunities which would be sacrificed [if the property were sold] are significant. . . ." Any move, because of the sale of the property, would create significant financial challenges for that organization (and presumably for all of the property's tenants).

The questionnaire or survey responses from other Districts of the Synod reveal that many of them are struggling to finance and maintain support of campus ministries. Several models for campus ministry have been used, and some seem to be better than

⁴ A summary of the survey results, received as of 16 April 2009, is provided in the Appendix attached to this report.

others. In some Districts, because of the large number of colleges and universities in them, several different models are being used. This is an incomplete listing of the models being used throughout the Synod:

- Town-gown: local congregation subsidized by the District to pay salary in whole or in part for a pastor or director of Christian education or a deaconess.
- District ownership of facility on or adjacent to campus.
- District owned facility staffed part-time by pastor or vicar of local congregation.
- District grant to congregation for campus ministry.
- Campus ministry operated by a local congregation.
- Alumni-supported endowment fund for a specific campus ministry.

And, of course, modifications of these models are possible from place to place.

It should be noted, in passing, that the Minnesota South District currently uses two models, rather than one, for its campus ministry program. The one model at Mankato is District ownership and operation of a campus facility with full program and ministry support. The other model at Minneapolis is a hybrid town-gown arrangement: the District provides its support in the form of subsidized rent and a program stipend.

One of the Districts responded by stating its hope for a new model to be used in establishing new missions as well as campus ministry:

We are now trying to do our district missions—new missions, campus ministry, revitalization/transformation, human care, etc.—in a different way than the past. Previously, we did missions with a one-legged stool—throw money at it and hope it works. Now we are trying to build mission work with a four-legged stool—financial support, coaching of the pastor/s [sic], leadership development, and a support network of local congregations. *We are struggling with campus ministry but believe greatly in its importance. If we do not work hard in Christendom at reaching tomorrow's future leaders on our college campuses, we will be missing a great opportunity that God has entrusted to us.* [Emphasis added.]

From the majority of survey results, it appears that District ownership and staffing of facilities is no longer the preferred model. However, this model is working very well for some Districts. Each District would have its own unique reasons for the approach it is taking, but dwindling income seems to be a significant factor in driving the development of different models for campus ministry in the Districts. Any decision to develop a new model(s) should precede any effort to sell the campus ministry properties. Another District offered this point of view:

We are very pleased with the joint funding models we are currently using as the local congregations take ownership of the ministry and the District at large can support the ministry through the budget. There are no

campus ministers that are not a part of a local congregations [sic], which enhances accountability and resources.

CONCLUSIONS AND RECOMMENDATIONS

The CPTF focused its attention on the primary question: Should the Minnesota South District sell the campus ministry properties in Minneapolis and Mankato? The CPTF concludes that an immediate sale is not advisable. This is not a good time to be selling expensive real estate: the market is not robust, and an optimum sale is probably not possible. At the same time, current models for campus ministry do not seem to be working as effectively in the present as they have in the past.

If the Minnesota South District were to consider selling the properties in the future, it should put in place plans to alter the way campus ministry is conducted in the District. Any changes should happen only after considered and deliberate discussion of alternatives and campus ministry structures has taken place. Planning and discussion of the issue should be undertaken now with all deliberate speed before events force decisions that may not be in the best interests of campus ministry in the District. Thus, the CPTF submits these recommendations to the Board of Directors:

1. The campus ministry properties at the University of Minnesota and at Minnesota State University, Mankato should not be sold at this time.
2. The Minnesota South District through its Board and its Missions and Finance Committees should develop a comprehensive plan for the conduct of campus ministry within the District for the next decade. The current models in use and other models for campus ministry should be analyzed to determine the most cost-efficient and most effective way to share the Gospel on the campuses of Minnesota colleges and universities, not only in Minneapolis and Mankato, but also throughout the District.

The stresses and strains of the current fiscal situation and the changing approaches and models for campus ministry give urgency to the statement, “It may not be wise to sell the campus ministry properties, but it may become necessary” – if planning is deferred and the District’s ability to support campus ministry continues to weaken.

Fundamentally, campus ministry (like other missions) is a cost to those who support it. The Minnesota South and the Minnesota North Districts were most likely aware of the perpetual costs involved with campus ministry and invested in campus missions to support and nurture the faith of the students on the campuses of Minnesota colleges and universities. While we need to continue to be good stewards of our resources, it is important to keep in mind that the support of campus missions is a cost that will be borne by someone, whether by the District or by local congregations. There are limited resources within both. As either takes on more costs, there are fewer funds to be spared for other things, whether it be support for other District missions or congregational support for the District. While the sale of the properties may create

funds in the present, selling the properties may greatly impact the cost of the mission in the future. It is crucial that the District move forward to evaluate its mission strategy without losing sight of the important mission of caring for those in our campus communities.

Respectfully submitted,

THE CAMPUS PROPERTY TASK FORCE

James H. Pragman, Chairman

20 April 2009