

GM Column for April – June 2014 Reporter

By Paul Cultrera

Phone: 916 736-6800 ext. 101 • Fax: 916 736-6410 • E-mail: [gm@sacfoodcoop.com](mailto:gm@sacfoodcoop.com)

Construction drawings for our store relocation project were submitted to the City of Sacramento at the end of December and the project team made up of our architects, engineers, and general contractor has been busy replying to the comments that have been coming back from the various city agencies that are in charge of issuing the necessary permits. That same team has also been working successfully with us and the project's developer to find ways to minimize some of the cost increases that have occurred due to a number of factors. The first factor pushing up our costs is that we initially began working on this project over two years ago when the local construction market was in the doldrums and contractors were hungry for work. In the meantime that picture has changed and the costs of both construction and building materials have been rising. Additionally, urban infill projects like ours come with a number of associated conditions placed on them by the City such as improvements to surrounding streets and sidewalks, new street lights, upgraded water lines etc. These types of conditions are not unique, and City staff and officials have been very helpful in working with us to find ways to make these improvements more affordable.

As I have written in the past, our desire to use "green design" features to create an energy efficient facility is another of the main factors driving cost increases. Energy modeling done by our architects at Mogavero Notestine Associates shows that the added upfront costs for things such as LED lighting, enhanced insulation, multiple skylights, and highly efficient refrigeration and heating/air conditioning systems will more than pay for themselves over a short time period by substantially reducing our utility bills (while also reducing our carbon footprint). We have also examined installing solar panels on the store roof and on the parking lot carports. After receiving bids from a number of solar installation companies it appears that from a financial standpoint it is difficult to justify the costs of doing so at this time. The amount of space available for solar on our project is small, meaning that not only is there no economy of scale to be realized on the installation costs but also that there would be relatively little energy produced. Adding in SMUD's low electricity rates to the equation means that it would take well over 30 years for such a system to pay for itself. Our solution in this regard so far has been to incorporate the necessary infrastructure into the plans to make the project "solar ready" so that if any of these factors change (i.e. if the cost of the solar array comes down, or SMUD rates go up) we could easily add solar in the future. The current cost of installing solar on the store roof and carports is roughly equivalent to the total costs of all of the "green" features mentioned above. Investing our available funds now in features that not only will have an immediate energy benefit but that would also be difficult to incorporate later while providing for the addition of solar in the future appears to be a sensible approach.

In line with our values our goal has been to make the relocated store as environmentally responsible as possible. And at the same time we need to balance that goal with the reality of financial constraints. Co-op owners have enthusiastically supported the relocation by purchasing non-voting preferred shares that will reduce our need to borrow funds to finance our plans. The first \$1.5 million offering of these shares is nearly sold out (you can find out about share availability at [www.sacfoodcoop.com/preferredshares](http://www.sacfoodcoop.com/preferredshares)) and we are making plans for a second offering. By continuing to purchase these shares Co-op owners will land us in a better position to put our values into action by considering options such as adding solar sooner than later.

Note: Each month I prepare a Relocation Project “Key Indicators” Update for our Board of Directors. To get more details on the project you can find these reports by going to our web site ([www.sacfoodcoop.com](http://www.sacfoodcoop.com)) and clicking on the Store Relocation Update icon on the site’s Home Page.