

BUILDING COMMITTEE (VISION 21)

On January 27, 2010, the Building Committee received bids for the construction of the planned renovation of the church. Six bids were received, ranging from \$4,745,000 to \$5,384,774. On the basis of the low bid, and adding the necessary fees, bond costs, abatement, supervision and contingencies resulted in a total cost estimate of \$6,035,575. At that time, we had a building fund total of about \$1,062,000. We estimated that, with fundraising during the construction period of 18 months, we could finish construction in late 2012 with a construction loan balance of somewhere in the range of \$4.5 million. Debt service on that mortgage, at a 7% interest rate (which is what the bank quoted us) would be close to \$32,000 a month, or around \$385,000 a year for the first 5-year mortgage.

Burke & Herbert Bank approved that loan level, on the basis that National Capital Presbytery (NCP) would guarantee the loan. We applied to the NCP Administrative Commission on Congregational Property for approval, but it was not granted. We then asked NCP for some guidelines so that we would know what our obstacles were, and we received a two-page list of criteria. Most of them we can meet, but there are some that were beyond our reach at that point.

The criteria included:

- The church should have a **minimum of 20-25% equity** in the proposed project. At that point, we had 18%; today we would have 21%.
- Projected **cash flow over and above operating expenses should be 120% of projected debt service**. At that point, we could project, at best, \$30,000 a month in revenues and \$32,600 in debt service. Clearly, we fell very short. We have to either raise significant new cash or cut the project severely.

There were other criteria, but these were the most difficult for Bush Hill.

On the basis of this shortfall, we went back to Fred Kuntz and asked for a new look at a smaller project that would primarily address the needs of the education and handicap access conditions. The proposal he developed would cost around \$3 million (a reduction of around \$1.8 million from the desired project) and leave us far short of our needs for fellowship, education, and other program space. It would also foreclose any possibility of later expansion to the desired project. We looked very hard for a “staged” way to build the desired project, but there is none.

The Committee and Session rejected the alternative, and recommended that we continue to seek ways to build the desired project. Those recommendations were taken to the congregation in June 2010. Since that time, the Committee has investigated other sources of borrowing, bonding, or other forms of financing. There are different advantages and disadvantages, but the general outcome is the same—we need the capacity to service the debt that would be created.

Forecasting our capacity to service debt involves three variables that we need to consider:

- How much debt do we need to incur?
- What interest rate can we anticipate?
- What level of sustained giving, over 20 years, can we expect from Bush Hill members?

We can start with the idea that the project will cost \$6 million. We might get that down a little with good management, but it might also go up if we experience future cost inflation. Current interest rates are low, but the church needs a commercial loan, not a home loan. We believe this church could sustain \$20,000 per month debt service if the new building created new opportunities for service and fellowship.

The interest rate is really important.

See the table below.

Loan	1,000,000	3,000,000	6,000,000
Interest	Monthly Payment		
5.0%	\$ 5,845.90	\$ 17,537.70	\$ 35,075.40
6.0%	\$ 6,443.01	\$ 19,329.03	\$ 38,658.06
7.0%	\$ 7,069.79	\$ 21,209.37	\$ 42,418.74

So, even if we could get the best interest rate, we should only borrow something around \$3 million to meet the NCP Guidelines.

We have grown our Building Fund to \$1,245,000 during 2010. If we keep up this rate, it will be 2016 or 2017 before we reach \$3 million and have the needed mortgage down to \$3 million. That assumes a contribution rate similar to the recent years, and a more aggressive investment policy that earns around 3% a year rather than the 1% we currently earn with CDs. We believe we have a plan that can earn 3% with adequate diversification and safety if Session and the congregation approve. We can work on this premise and hope that construction costs do not inflate too rapidly to make our \$6 million project estimate low, but that is by no means certain.

Our Building Fund progress since 2005 is shown below.

	Income	Expense	Balance
Cash Balance, Jan 1. 2005			11,119
2005	284,149	165,924	129,344
2006	477,570	100,117	506,798
2007	468,984	222,538	753,244
2008	281,692	149,160	885,776
2009	297,481	120,943	1,062,313
2010	274,718	94,547	1,245,432
TOTALS	2,084,595	853,229	1,245,432

So, bottom line, we calculate that it will take another 4–7 years of diligent fundraising, sound investing, and modest inflation for us to realize the goal of building the new church facility that the Vision 21 Committee envisioned.

In the meantime, we will need to invest money and energy in the old buildings to keep them functional. We let maintenance go for a couple of years when we thought we'd be building soon, but that may not be a good strategy today. We know the glaring weaknesses in them, and the ways they limit our church's capacity to flourish, but we may need to put up with them a while longer.

Respectfully submitted,
Neil Sampson, Chair, Building Committee