

## **Bush Hill Presbyterian Church**

### **Building Campaign: Time to Move Forward**

#### **Background**

In 2001, the Bush Hill Congregation requested a Building Committee to look at the increasingly aged and inadequate state of the physical facilities. A major concern was the lack of handicap-accessible bathrooms and other access limits. The committee conducted a study of the physical plan, polled the congregation for input, and determined that the physical problems were far more extensive and difficult than a simple study could solve. Upon receiving the report of the Building Committee, the Congregation created a "Vision for the 21<sup>st</sup> Century" committee in January of 2002 to "plan and implement a major (physical facilities) renovation in the next 5 years. (Congregational Meeting January 30, 2002)

The Vision 21 Committee reported to the Congregation on January 26, 2005, with a recommendation for moving ahead. That was accepted, and a new Building Committee was created to implement the project. The committee hired Kuntz & Associates as the church's architect, and designs were developed for review within the church. The current design has evolved from that process.

The church applied for a Fairfax County Special Use Permit in January of 2006; it was approved in August. In January, 2007, a Site Plan application was submitted to the county. That launched a long negotiation with new engineering details demanded and time dragging on. The Site Plan was finally approved in November of 2008, and the building permit process could begin. The building permit application was submitted in April, 2009 and as yet has not been fully approved.

In March of 2008, the Jenkins property next door to the church was placed on the market for \$395,000. The Session asked the Building Committee to negotiate a purchase. The purchase was negotiated for \$360,000 and was approved by the congregation and the Presbytery. A mortgage with Burke & Herbert Bank helped fund the purchase. The property is now rented out, awaiting church decisions as to future use or disposal.

A fundraising campaign conducted in 2005 with the assistance of RSI (a firm specializing in church fundraising) realized pledges of just over \$1.5 million, to be paid over 3 years (2006-2008). That campaign was concluded successfully, although the income (see table below) was drastically affected in 2008 and early 2009 by an \$85,000 reduction in the value of securities held by the fund. The start of a second campaign was delayed until mid-2009 to allow time for the architects to develop a bid package that could attract better cost estimates than we could do from three-year-old estimates. That campaign has 100 pledging units that have committed \$878,000 for 2009-2011.

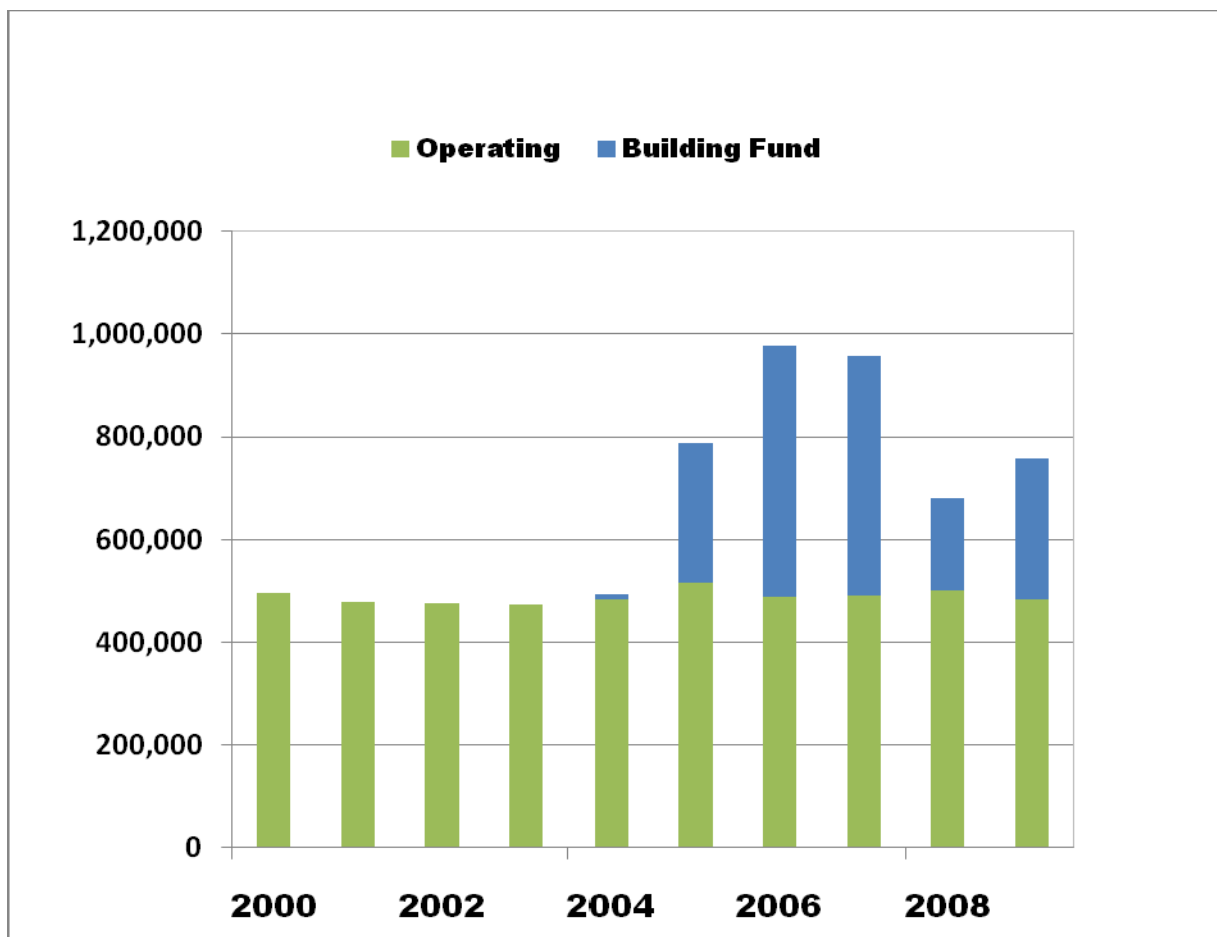
#### **Where We Are Today**

Basically, we have about \$1 million in our Building Fund after 5 years of fundraising and the associated design expenses. These funds were raised on top of the annual Stewardship Campaign. In total, Bush Hill members and supporters have contributed an average of some \$832,000 per year since 2005.

We've obviously suffered from the economic situation in 2008 and 2009, but we have a strong sense that the country, and this congregation, are coming out of those problems. While no one can forecast the future, we believe that the mission of Bush Hill Church is at a critical point. The current situation with the old buildings has become increasingly untenable in the decade that this project has been developing.

Year	Income	Bush Hill Building Fund				Year-end Balance
		Expenses			Total	
		Fundraising	Design	Other		
2004	\$ 11,119					\$ 11,119
2005	\$ 273,031	\$ 40,707	\$ 123,728	\$ 1,489	\$ 165,924	\$ 129,343
2006	\$ 477,570	\$ 7,600	\$ 91,793	\$ 724	\$ 100,117	\$ 506,797
2007	\$ 468,984		\$ 219,038	\$ 3,500	\$ 222,538	\$ 753,245
2008	\$ 281,691	\$ 18,900	\$ 20,839	\$109,421 **	\$ 149,160	\$ 885,776
2009	\$ 297,481	\$ 22,314	\$ 90,000	\$ 8,629	\$ 120,943	\$ 1,062,314
Totals	\$ 1,809,876	\$ 89,521	\$ 545,398	\$123,763	\$ 758,682	\$ 1,062,313

\*\*Expenses involved in purchasing the Cauba Court property.



### The Building Project

The project proposes to take down the two old buildings in back and replace them with a new education and fellowship wing at the back of the church. New office space, restrooms, and entries will place the entire building on two floor levels with an elevator for handicap access. The education wing will feature space for an expanded Bush Hill Day School, new Christian Education classrooms, and a 400-person capacity Fellowship Hall with dividers for multi-room configurations. A well-designed kitchen will replace two small, inadequate current kitchens. New parking and driveway configurations will facilitate

off-street arrival and departure areas for the Day School and other church events, as well as adequate parking. Plans and specifications for the construction are available for review at the church.

On January 27, 2010, six bids were received, ranging from a high of \$5,384,774 to a low of \$4,745,000. Bidders have been notified of the results, but contract award will depend on the several approvals now needed in order to obtain financing for the project. These bids compare to a \$5,600,000 estimate made by the architect in early 2008.

We received tentative approval from Burke & Herbert Bank for a construction loan of about \$4.5 million in 2007. That approval was contingent on several things: 1) a financing plan for the project; 2) approval by both the Bush Hill Session and the congregation; and 3) approval by the National Capital Presbytery's Commission on Church Property. If approved, the construction loan would be obtained as needed during construction (envisioned at 18 months) with interest-only payments. At the end of construction, it would be converted to a 25-year mortgage with 5-year refinancing. It is envisioned that similar mortgages would be negotiated every 5 years until the debt is retired. Clearly, this would be a long-term obligation for the church.

### **The Project Plan**

We estimate it will take 4 months for financing and bid award, with an estimated project start in June, 2010 after the Day School has closed for the summer. Immediately after the Day School has been moved out of the old buildings into the basement of the Sanctuary, hazard waste abatement can begin. That work will be contracted directly by the church, rather than through the general contractor. The general contractor will start work with site preparation, fencing, etc. Once the abatement is done, demolition can begin. Construction will begin with the new wing, and the Sanctuary will remain in use during this phase. Once the new wing has been completed, church activities will move into it while the Sanctuary, Narthex, and lower floors are remodeled into the new configuration. The contractors and the architect have developed a phasing plan designed to retain church functions and public safety throughout the project. We anticipate that the Day School will need to function out of the Sanctuary basement for one school year during construction.

### **The Financing Plan**

A working model has been constructed in Excel to help the church develop the financing plan. It is based on the low bid received, the architect's estimates of additional costs that must be defrayed, and the preliminary estimate from B&H Bank about the likely commercial interest rates that will apply to the loans.

The financing plan starts with the \$1,062,314 that was in the building fund on Jan 1, 2010, then calculates a monthly income and expense estimate over the next 24 months. In addition to a 5% reserve for contingencies, we have estimated unforeseen costs of \$500 a month for the church and \$50,000 for furniture purchase at the end of the construction period. A reserve will be retained in the building fund during that time so that when the church converts to the more expensive monthly payment of the mortgage, there are reserve funds to account for months when contributions may not add up to the mortgage obligation.

The key assumptions in the financing plan are: (1) the cost of construction (we know the contract bid; but with around \$1 million of fees, other expenses and contingencies involved, any changes will affect the bottom line); (2) the final interest rates charged by the bank; (3) the rate and amount of contributions realized during the project and in the following years; and, (4) the size of the building fund

reserve to be retained. The use of the model allows us to quickly see the sensitivity surrounding each of these assumptions.

Without going too deeply into the numbers generated by the plan, here is a sample set of entries used by the model, along with the associated results:

Entry Figures		Results																																		
<b>Resources</b>																																				
Building Fund Balance	\$ 1,062,314	Construction Loan Final Balance \$ 4,606,846																																		
<b>Costs</b>		Monthly Mortgage (2012-2017) \$ 32,560																																		
Construction Bid	\$ 4,745,000	Mortgage Balance (2017) \$ 4,199,700																																		
Testing Service	\$ 50,000	Monthly Payments (2017-2022) \$ 29,683																																		
Fees, bonds, abatement	\$ 600,000	Mortgage Balance (2022) \$ 3,828,537																																		
Contingencies	\$ 269,750																																			
Total Construction	\$ 5,664,750																																			
Construction Supervision	\$ 166,075																																			
<b>Total to Finance</b>	<b>\$ 5,830,825</b>																																			
18 monthly draws of:	\$ 323,935																																			
<b>Expenses(Monthly)</b>																																				
Miscellaneous	\$ 500																																			
Furnishings (end const.)	\$ 50,000																																			
Reserve Fund	\$ 250,000																																			
<b>Interest Rates</b>																																				
Construction Loan	6.75%																																			
1st Mortgage Period	7.00%																																			
2nd Mortgage Period	7.00%																																			
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In this example, if the initial monthly mortgage were \$32,560 a month and the income was only \$30,000, we would need to dip into the reserve for a while. It looks like the reserve could hold, however, until the church could re-mortgage with a lower monthly payment. This is based on the congregation being willing to continue to support the program at the average rate we have seen over the past five years.

There are no increases in income or giving contained in this particular model. There are some people on the building committee, for example, who believe:

- A new facility will be an attraction to new membership, when combined with the continued welcoming outreach of the congregation. This could come from a more welcoming interior, an expanded Day School, or more community use of the facility. All of these are possible, and we hope they happen, but we did not want the financing plan to rely on them.
- The congregation's giving for the past five years has been great, and it has happened in spite of a total lack of visible progress on the project. When we begin to show progress, interest will increase.
- The new facility will provide space for expanded community use, and that will be reflected in increasing rental income. This won't be much – we estimate it at about \$2,000 a month – but it will be helpful.

If any or all of these things happen, it will positively affect our plans. Much of this will be, not just the result of a new building, but the result of a body of Christ's people whose constant love for others provides a warm and uplifting environment for all who enter. We are Christ's church. We just need a building that does not diminish our continued efforts on His behalf.