

Growing with Faith: "Phase 1 - Classroom Addition"
Council Recommendations for the Congregational Meeting on August 17, 2008 at 10 AM

The Congregational Council recommends that:

1. **St. Michael should proceed with construction of the "Phase 1 - Classroom Addition" using the plans designed by Tom Koontz and completed on June 30, 2008.**

The proposed building meets our current educational space needs and allows for future ministry growth.

2. **The total cost of construction, including Fees, Permits, Site Work and Construction shall not exceed \$684,000.**

Cost Estimate

Installation of New Septic System	\$ 15,000
Water Line Connection Fee	\$ 4,000
Loan Costs	\$ 2,000
Permits, Site Work, and Construction	<u>\$ 662,549</u>
Total	\$ 683,549

3. **The congregation should authorize the trustees to borrow up to \$600,000 for construction from Thrivent Financial for Lutherans and approves the terms and conditions for the loan set forth in "Option 1" of the loan commitment letter from Thrivent which is dated August 12, 2008 which offers a 20 year loan at 6.875%. The congregation should adopt the following resolution:**

The Congregation resolves to borrow the sum of up to \$ 600,000 payable over a term of up to 20 years ("Loan"), from Thrivent Financial for Lutherans for the purpose of constructing the "Phase 1 - Classroom Addition" and resolved that the Trustees are authorized to negotiate terms and conditions for the Loan which will be secured by a first mortgage on all or any portion of the Congregation's property including any extensions in the payment dates or due dates. The persons holding the Office of Trustee are authorized to execute all documents for the Loan: Jeff Birch, Jim Clemens, Betty Gross, Fran Shepherd, Ben Simmers and Dave Surface.

Estimates to the Growing with Faith Campaign now total \$252,829 in estimated giving. From those estimates, we expect the following giving:

Total Estimated One Time Gifts	\$ 23,550
Total Yearly Gifts Estimated in November 2007	\$ 50,275
Total Yearly Gifts Estimated in August 2008	\$ 26,151
Total Combined Estimated Yearly Giving	
Nov. 2007	\$50,275
Aug. 2008	<u>\$26,151</u>
Total	\$76,426

Based on the total estimated giving and the size of the loan, we can expect:

Projected Monthly Giving Available for Monthly Loan Payments	\$ 6,389
Projected Monthly Loan Payments	\$ 4,607

Additional Financial Information:

1. Thanks to hard work by the Facilities Expansion Task Force, Congregational Council, Architect and Builder the projected cost of the building was reduced by over \$75,000 without sacrificing quality or overall space.
 2. The amount of the loan from Thrivent is based on how much is needed to supplement existing resources and on how much we can afford in monthly payments. The term of the loan will be 20 years at 6.875%. There are no prepayment penalties unless we repay the loan with a loan from another institution during the first five years of our loan with Thrivent. Any funds from the loan not needed for construction will be returned to Thrivent as prepayment on the loan.
 3. The Church explored a number of financing options. While we could have secured a lower rate for a variable rate mortgage, the loan from Thrivent was selected because it allowed us to lock in a reasonable fixed rate for 20 years while still allowing us to prepay the mortgage without penalty.
 4. The Council suggests a 20 year loan, but, if possible, intends for the congregation to pay off the loan in 15 years which will reduce the amount of interest paid on the loan.
 5. The size of the loan covers construction costs and allows St. Michael to use gifts from Growing with Faith to make the mortgage payments for the first two years.
 6. If we borrow \$600,000, our monthly payment will be \$4,607. Our yearly payments would total \$55,284. Our estimated yearly giving in support of the project through March 2011 is \$76,426 per year.
 7. To date, St. Michael has received \$42,385 in support of the expansion project.
 8. In addition to the loan from Thrivent, the congregation approved borrowing \$61,740 from the parsonage fund at no interest at the December 2007 congregational meeting.
 9. *Interesting Fact:* When you take into consideration the cost of inflation using the consumer price index, the cost of this project is nearly identical to the cost of our original sanctuary and educational building. The cost to build the first building was approximately \$117,000 which translates into roughly \$662,000 in 2007 dollars. (Source: www.measuringworth.com)
4. **St. Michael should hire Lionberger Construction to serve as the contractor for construction of the “Phase 1 - Classroom Addition”.**

Final Note: If we approve these recommendations, the construction will begin as soon as the Town of Blacksburg approves the site plan and the building permit and the loan from Thrivent will close no later than October 9, 2008.