



Ministry Expansion Program Funding Proposal

Presented to congregation

December 11, 2016



Purpose of Presentation

- To provide a recommendation to the congregation of Christ Memorial Presbyterian Church to borrow funds for construction, scheduled for action on 12/18/16
- “Resolved, that the officers of CMPC be authorized to commit to borrowing up to \$1.8 million, with up to \$1.1 million being converted to a mortgage, from the Presbyterian Church Investment & Loan Program”



Assumptions

- Total construction cost of \$3.4 million
- We will receive 96% of our \$2.061M in capital campaign pledges
- \$300,000 of existing reserve funds available
- We will have a second three-year campaign immediately following the 2016-2018 campaign, we would likely receive 60% of the first campaign (thus an additional \$1.2M)

Process to recommendation

- Other lenders considered:
 - Harbor Bank Mortgage Loan
 - M&T Bank
 - BB&T Bank
 - Bay Bank
- Reasons for recommending PILP
 - Lower interest rate
 - Lower closing costs
 - Fewer administrative requirements

Recommended Strategy (Overview)

- Use a construction loan in the short run to provide funds in advance of collection from first capital campaign; estimated at \$700,000
- Take out a mortgage for longer term financing needs
- Run a second capital campaign 2019-2021 with the goal of paying off the mortgage
- Projected costs and income as follows (in thousands):

<u>Costs</u>		<u>Income</u>	
		\$ 300	Reserve
		\$2,000	2016-2018 campaign
\$3,400	Construction	\$1,200	2019-2021 campaign
<u>\$ 180</u>	Interest on loans	<u>\$ 80</u>	Future operating budgets
\$3,580	Total	\$3,580	Total

Recommended Strategy (Loan Details)

- PILP construction loan – up to \$1.8 million
 - Bridge construction loan paid back by 2016-2018 campaign receipts
 - Current interest rate 3.95*%, no closing costs
 - Can make draws/paybacks at any time – probably make first draw in mid-2017 to early 2018
 - Would be rolled into mortgage upon completion of construction
 - Total interest approximately \$15,000

*This rate is a .3 discount from PILP's current rate of 4.25% which is impacted by federal tax rates; rate changes before closing could change the agreed upon interest rate

Recommended Strategy (Loan Details)

- PILP mortgage – up to \$1.1 million
 - Current interest rate 3.95%*, no closing costs
 - Guaranteed by Baltimore Presbytery
 - Requires investment fund of \$200,000 credited to CMPC
 - Loan would start in 2018
 - Annual principal and interest of \$80,000
 - Apply \$1.2 million by end of 2021 with funds from the 2nd capital campaign
 - Remaining principal and interest paid by operating budgets
 - Total interest approximately \$165,000

*This rate is a .3 discount from PILP's current rate of 4.25% which is impacted by federal tax rates; rate changes before closing could change the agreed upon interest rate

Recommended Strategy (Loan Details)

- PILP mortgage special rate
 - Potential for up to \$300,000 of loan to qualify for further 1% rate reduction for certain energy saving improvements
- PILP investment fund - \$200,000
 - Operating reserve of \$120,000 would be invested at PILP
 - Remaining investment need would decrease reserve funds available/require more borrowing
 - Congregation encouraged to invest in the fund
 - Excess investment levels provide rebate
 - Penalty for withdrawal additional 1% loan rate



Other Potential Strategies

- Consider selling property
- Instead of running a second campaign, put balance on a 20-year mortgage
 - Yearly payments estimated at \$80,000 running from 2018-2037 (approximate 16% increase to operating budget)
 - Approximate interest cost over life of the loan is \$500,000 (vs. \$180,000 in recommended strategy)

