

Holy Spirit Catholic Church

There have been countless hours spent by many of our dedicated parishioners to develop the enclosed information that will enable us to achieve our dream of relocating our Church. Outside expertise has been sought and utilized in all aspects of this project.

Over the past few years various committees have been formed to determine how to develop, construct and fund the cost of the total project. The long range plan developed by the Construction, Finance, TORCH and Capital Campaign Committees all incorporate the project to be completed in phases. The following is a summary of our projected plan for the future development of our Church.

BACKGROUND

Holy Spirit Catholic Church acquired approximately 29 +/- acres for \$1,205,932 located off Smallhouse Road just across the road from Basil N. Griffin Park. This location will be the site ("Parkside") of our new church and related facilities. A loan for \$1,190,000 was utilized to assist in the acquisition of the property, which has since been paid in full.

The total master plan is referred in phases as Spirit I, Spirit II and Spirit III. These phases consist of the following:

Spirit I – Site development, Parish Hall with kitchen, religious education classrooms, parish offices and library.

Spirit II – Church and related facilities.

Spirit III – Future including gymnasium, bell tower and other amenities.

Our first capital campaign generated approximately \$1,200,000 through December 31, 2007. These funds were used for the repayment of the above mentioned loan, architects, legal, fund raising and other related fees to the overall project. We currently have approximately \$400,000 in our capital campaign checking account.

The TORCH Committees' original projections consisted of completing the Parish Hall first by the end of June 2010 and then the Church by June 2013. The projections assumed future capital campaigns receiving \$833,333 annually for the next three years (through 12/31/10). Additionally, their plan included two more three year capital campaigns that were to generate \$1,000,000 for years 2011 to 2013 and \$650,000 annually for years 2014 to 2016. However, it should be noted that the actual monies pledged are significantly different than this projection. Additional campaigns will be needed based upon the historical giving levels as will be described below.

We have sold our existing real estate located on Westen Avenue, Highland and our Church for \$549,175 and \$4,750,000, respectively. The proceeds from the sale of Westen Avenue were used to assist in the payment of the above mentioned loan. The \$4,750,000 has been deposited with a local bank that is generating interest income. We will begin taking disbursements for development/construction costs in the future. We have entered into a lease contract with Living Hope Baptist Church (purchaser of Highland and Church) that requires a monthly payment of \$12,667 until June of 2010 when we plan to relocate to our new facility.

DECISION

Our Church had critical decision to make at this point of our plan. There were essentially two scenarios for our Church to decide upon. Also our building committee (Parkside Project Steering Committee) was at a standstill on how to proceed with the project until the following was approved by our Parish Council on March 24, 2008.

1. Approved a Spirit I Building Plan and Budget to enable the Architect/Engineer (A/E) can start the schematic design and so that the detailed budget development can begin by the construction manager (Scott, Murphy & Daniel). The approved budget consists of \$5.6MM and will require four Masses in the Parish Hall. However, if this request is not approved then this budget will be amended to reflect an increase of square footage to the Parish Hall (purpose for longer term seating for masses) and an increase in the overall budget to \$5.9MM.
2. Mandate that TORCH completes all Spirit II Master Planning work by July 30, 2008 or jeopardize Spirit II most economical start date of design and construction
3. Our Parish Council upon the recommendation of the Parish Finance Committee approved the Spirit II Business Plan on March 24, 2008.

CURRENT PLAN

The current plan (Spirit I) provides that we divide the project in essentially two phases that would construct the Parish Hall first and related infrastructure at \$5.9 million. The monies available on hand and projected to receive from the second capital campaign drive will pay the \$5.9 million without having to borrow money. Spirit I would include the offices, class rooms, parish hall and kitchen, etc. We would hold our masses in the Parrish Hall until our future capital campaign drives generate enough cash to equal 35% of the construction costs of the Church. The Church is estimated to cost \$8.7MM and our projected capital campaign drives would not generate the 35% in cash reserves (based upon current giving levels) until the year 2013 (completion 2015). At this point, we would still require a loan of approximately \$4.8 million to complete the project.

SPIRIT II BUSINESS PLAN

The Spirit II Business Plan constructs Spirit I and Spirit II essentially at the same time. The total cost of the project is estimated to be \$12.2 million (Spirit I - \$5.6MM and Spirit II \$6.7MM), of which we current have 42% of the cost of approximately \$5.1MM in the bank. The difference in the total projected cost from the above current plan is due primarily to the construction savings that would be achieved by using today's costs rather than the costs to be incurred five years from now. This plan will require the Church to obtain a construction loan up to \$5.5 million in order to finance the Church and related facilities. A conventional loan would enable the church to borrow the funds on an interest only basis up to three to five years and then convert to a principal and interest payment schedule up to 15 years.

As a "safe Guard" prior to obtaining a loan for approximately \$5.5MM, the Alternative Plan includes a formal review by the Parish Finance Committee and Parish Council of the Spirit I guaranteed maximum price (GMP) costs and current campaign program receipts and extended pledge commitments. This review will take place in February 2009, which will provide a conclusion by the Parish Council to proceed with the Spirit II Business Plan or revert back to the Current Plan. The Spirit II (Church) would be approved to proceed as planned to be occupied in 2010 or placed on hold. If placed on hold, the architect would complete the Design Development phase of design for Spirit II and then stop all work. The Scott, Murphy & Daniel contract would not be amended to include the Spirit II (Church) scope of work.

In addition, the Spirit II Plan would require (if found feasible by the campaign program manager) that the current pledge campaign duration of three years to be extended to five years. It is understood that several additional building campaigns would be required to continue at the current revenue level for the foreseeable future of fifteen years until the debt is retired. The long term commitment by the parishioners to pay for the Church is paramount to proceeding.

SUMMARY

The Church Leadership is requesting from the Diocese the ability to secure a loan to fund the Spirit II Business Plan. An approval by May 7, 2008 will enable the Church to move forward to maximum cost reductions and campaign revenues to be realized.

Capitalization Plan Comparison

	Current	Spirit II Bus Plan
Total Projected Cost		
Spirit I	\$5,891,178	\$5,591,178
Spirit II	<u>\$8,705,342</u>	<u>\$6,650,660</u>
Total Costs	\$14,596,520	\$12,241,838

Capital Campaign Collections

Years	12/31/2007	2008 to 2010	2011 to 2013	2014 to 2016	Total
Original	\$1,200,000	\$2,500,000	\$3,000,000	\$1,950,000	\$8,650,000
Current & Alternative	\$1,200,000	\$1,700,000	\$1,700,000	\$1,700,000	\$6,300,000

Anticipated Loans

	Current	Alternative
Spirit I		
Principal Loan Amount	\$0	\$0
Spirit II		
Principal Loan Amount	\$4,801,000	\$5,516,000
Repayment	8.00%	6.00%
Interest Cost 2 Years Interest Only	\$768,160	\$661,920
Principal & Interest 15 Years	8.00%	7.00%
Principal Portion	\$4,800,000	\$5,516,000
Interest Portion	<u>\$3,457,555</u>	<u>\$3,408,286</u>
Total Payment over 15 Years	\$8,258,554	\$8,924,286
Total Principal and Interest	\$9,026,714	\$9,586,206
Interest Savings using Current Plan	\$559,492	

Spirit II Projected Cost Reductions - Build-out Together

Cost reduction items	Cost \$K	Cost Savings/(Increase)
Base cost of \$6.2MM escalated 5% per year	\$2,100	Cost Savings
Increased cost of loan 2009-'10 vs 2013-'14	(\$559)	Cost increase
Original size of Parish Hall	\$300	Cost Savings for Spirit I - APPROVED
Separate CM Contracts	\$150	Cost Savings
Architect Contract Cost Savings	\$33	Cost Savings
Architect Remobilization & Nugatory Design	\$40	Cost Savings
Building Demolition & System Alterations	\$100	Cost Savings
CM Mobilization & Demobilizations	\$10	Cost Savings
Building Permits locks in code changes	\$10	Cost Savings
Centralized mechanicals & electrical designs	\$200	Cost Savings
Contractor rollovers versus rebidding	\$100	Cost Savings
Total Cost Savings	\$2,484	Cost Savings